



Golddigit 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)

Placing of Shares

Global Coordinator and Sponsor



Core Pacific - Yamaichi Capital Limited

Joint - Lead Managers

Core Pacific - Yamaichi
International (H.K.) Limited

Guotai Junan Securities
(Hong Kong) Limited



IMPORTANT

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



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 ON THE GROWTH ENTERPRISE MARKET OF THE STOCK EXCHANGE OF HONG KONG LIMITED

PLACING OF SHARES

Number of Placing Shares	:	340,000,000 New Shares (subject to the Over-allotment Option) 85,000,000 Sale Shares
Issue Price	:	HK\$0.50 per Share
Nominal Value	:	HK\$0.05 each
Stock Code	:	8059

Global Coordinator and Sponsor



Core Pacific – Yamaichi Capital Limited

Joint-Lead Managers

Core Pacific – Yamaichi International (H.K.) Limited

Guotai Junan Securities (Hong Kong) Limited

Co-Managers

Capital Friend Securities Limited
CM-CCS Securities Limited
Emperor Securities Limited
SBI E2-Capital Securities Limited
TIS Securities (HK) Limited

CEF Capital Limited
CSC Securities (HK) Limited
Polaris Securities (Hong Kong) Limited
Taiwan Securities (Hong Kong) Company Limited

The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this prospectus, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this prospectus.

A copy of this prospectus, having attached thereto the documents specified in the paragraph headed “Documents Available for Inspection” in Appendix VI, has been registered by the Registrar of Companies in Hong Kong as required by section 342C of the Companies Ordinance of Hong Kong. The Securities and Futures Commission and the Registrar of Companies in Hong Kong take no responsibility as to the contents of this prospectus or any other documents referred to above.

* for identification purposes only

CHARACTERISTICS OF THE GEM

The GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on the GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on the GEM and the business sectors or countries in which the companies operate. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of the GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on the GEM, there is a risk that securities traded on the GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on the GEM.

The principal means of information dissemination on the GEM is publication on the internet website operated by the Stock Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website in order to obtain up-to-date information on the GEM-listed issuers.

EXPECTED TIMETABLE

2001

Application lists open and close 11:45 a.m. to 12:00 noon on Thursday, 5th July

Announcement of the level of indication of interest in the Placing
to be released on the GEM website at www.hkgem.com Friday, 6th July

Allotment and transfer (as the case may be) of the
Placing Shares on or before Friday, 6th July

Despatch of Share certificates on or about (*Note 1*) Friday, 6th July

Dealings in the Shares on GEM to commence on Monday, 9th July

Notes:–

1. The share certificates for the Placing Shares to be distributed in CCASS are expected to be deposited into CCASS on or before 6th July, 2001 for credit to the respective CCASS participant's stock account designated by the Underwriters, the placees or their agents (as the case may be).
2. For details of the structure of the Placing, including the conditions thereto, see the section headed "Structure and conditions of the Placing" in this prospectus.
3. In the event of any change in the expected timetable as set out in this prospectus, an announcement will be made to inform investors.
4. All reference to time is to Hong Kong time.

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You should rely only on the information contained in this prospectus to make your investment decision.

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

Any information or representation not made in this prospectus must not be relied on by you as having been authorised by the Company, the Sponsor, the Underwriters, the directors of any of them, or any other persons involved in the Placing.

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SUMMARY

This summary aims to give you an overview of the information contained in this prospectus. Because this is a summary, it does not contain all information that may be important to you. You should read the whole document before you decide to invest in the Shares.

BUSINESS

The Group is principally engaged in the sales and marketing of the products applying the Propulsive Agent technology originally invented and developed by Harbin Institute of Technology which has been solely owned by the Group since 3rd June, 2000. In December 2000, such technology was recommended by the Committee on National Defence, Science and Technology of the PRC (中華人民共和國國防科學技術委員會) for the National Invention First Prize Award (國家發明一等獎). The result of the application is expected to be announced by the end of 2002. The Propulsive Agent is currently applied by the Group on the development of Target Propellant New Pesticide. The Target Propellant New Pesticide that utilises the Propulsive Agent technology is more advanced and user friendly than traditional pesticides, as the Target Propellant New Pesticide eliminates the use of heavy and bulky spraying application equipment and can be applied on water surface by direct droplets.

The Propulsive Agent technology was initially developed by Prof. Cai of Harbin Institute of Technology who is also the Dean of Environmental Science & Engineering Departments of both Harbin Institute of Technology and Shanghai Jiao Tong University and an executive Director of the Group. Its development is based on the chemical theory of super-molecule. According to Prof. Cai, the theory states that when two molecules are associated, each molecule in the newly formed mixture will take on some new characters under 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 principal molecule. By capitalizing on the repelling characteristics of the associate molecules, the newly formed mixture enables principal molecules of pesticides to diffuse profusely along the surface of water. There are different applications in this technology, including pesticide for paddy fields and mosquito terminator for urban drains.

At present, the Propulsive Agent technology is applied on two kinds of paddy pesticides which have already been launched in the market, namely Sha Shi Ba (殺虱霸) and Dao Ying Wen Jing (稻癭蚊淨). The Propulsive Agent technology utilises molecular diffusion to disperse chemical ingredients of the pesticide over water surface. The major benefits of the pesticides applying the Propulsive Agent include:

- (i) major cost reduction on man power and pesticide application equipment;
- (ii) major enhancement in utilisation efficiency;
- (iii) application convenience; and
- (iv) substantial reductions in the toxicity and residue levels of pesticide and hence reduces damages to the health of the farmers and 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 Propulsive Agent to the pesticide 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 and received several awards for its safe and hygienic systems from various governmental institutions in Fuzhou. The Group's production facility for the production of Propulsive Agent is located in Fuzhou, the PRC. At the same time, the Group is also engaged in the development and marketing and sales of new products applying the Propulsive Agent technology.

The Group focuses its resources on (i) research and development; and (ii) sales and marketing. The Group is actively involved in the research and development of new types of pesticides, as well as other products applying the Propulsive Agent technology with a focus on environmental protection. In terms of marketing, the Group is establishing an extensive distribution network through the sales channels of agricultural protection systems (植保系統), agricultural resources companies, individual pesticide trading companies and the website of the Group, www.goldigit.com. In addition, the Group has been actively participating in various conferences on pesticides promotion and prevention of pests to demonstrate and promote the Target Propellant New Pesticide.

PRINCIPAL STRENGTHS OF THE GROUP

1. Possession of cut-in technology with an exclusive right

A principal strength of the Group's products lies in the proprietary cut-in technology, namely, the Propulsive Agent technology. The Directors believe that the pesticides applying Propulsive Agent shall replace the traditional pesticides as they believe that the former outperforms the latter in terms of cost, effectiveness, convenience, and environmental friendliness. According to the Recommendation Report on National Science and Technology Award (國家科學技術獎勵推薦書) issued by the Committee on National Defence, Science and Technology of the PRC (中華人民共和國國防科學技術委員會) to recommend the technology for National Invention First Prize Award (國家發明一等獎) in December 2000, the Propulsive Agent technology is unique in PRC. The Directors believe that the Group's products are the only pesticides applying such technology in the PRC.

2. Strong research and development team and support from renown universities

The Group's research and development team, headed by Prof. Cai, the inventor of the Group's Propulsive Agent and a scientist in the PRC, is devoting much effort in the research and development of new products applying the Propulsive Agent technology. In addition, the Group's research and development team, in cooperation with Harbin Institute of Technology, is engaged in the research of new technology focusing on the environmental protection application. The Directors believe that the Group's strength in research and development enables the Group to further develop into an enterprise with huge growth potential.

3. Effective and extensive distribution channel

With the implementation of the trial promotion strategy, the Group has established an effective and extensive distribution channel comprising agricultural protection centres, agricultural resources companies and agricultural supplies companies principally covering the major paddy growing provinces such as Fujian, Anhui, Jiangxi, Jiangsu and Henan. The Directors believe that such distribution channel is valuable to the Group and shall further enhance and expand the Group's network.

4. Government awards and support

Although the track records of the Group's products have a considerably short history, the Group has received full support from the Fujian provincial government, which has announced the Group's products as Major Supporting Items【重點扶持項目】. In February 1999, the Fujian provincial government issued a notice to the Group confirming that its products had been included as Major New Products Project in the Fujian Province【福建省重點新產品計劃】. The Directors expect to obtain support from other provincial governments in addition to Fujian. Capitalising on the governmental support; the Group expects to establish nationwide recognition and reputation for its products.

5. Effective business model

The Group focuses on the production of Propulsive Agent and sales and marketing of the Target Propellant New Pesticide. The production of the pesticide is carried out by an independent third party. The outsourcing of production greatly streamlines the Group's organisational structure and enables the Group to focus most of its resources on research and development and sales and marketing. The Directors believe that such an effective business model contributes greatly to the success of the Group.

BUSINESS OBJECTIVES, FUTURE PLANS AND PROSPECTS

Overall business objectives

The Group's overall business objectives are:

- to replace the traditional paddy field pesticides in the PRC and rest of the world by the Group's Target Propellant New Pesticides; and
- to further develop applications on other products, such as other pesticides and water environment protection products, and enhance the Group's leading status in the PRC in the pesticide and environmental protection industries.

As the Group's products are still relatively new to the PRC market, the Group will focus on sales and marketing activities by actively arranging products promotions, training courses for sales agents and conducting demonstrations to farmers. In addition, since the pesticides sales in the PRC are primarily through the agricultural protection centres, agricultural resources companies and agriculture supply companies, the Group has set up a corporate website to improve its customer service and enhance the Group's service standards. The computer network and website can also provide an efficient information system and promotional means for the Group's products.

Future Plans

A summary of the specific business objectives of the Group for the year ending 31st December, 2001 and the two financial years thereafter is set out below:

- the Group will enhance and accelerate research and development to the applications of the Propulsive Agent technology by deploying advanced technology and equipment as well as outstanding scientific research personnel. The Group is currently developing five new products for future expansion, namely "1.2% fipronil (1.2% 銳勁特展膜油劑)", "target propellant new pesticide on Rice Borer (水稻螟虫)", "target propellant new weedicide for paddy", "target propellant new fertilizer for paddy" and "mosquito terminator for urban drains". The Directors believe that these new products, if successfully developed, will have huge market potential;

- the Group will establish a research and development centre to develop new types of pesticides applying the Propulsive Agent technology and other environmental friendly pesticides. The research and development centre will consist of new pesticide research and development base, pharmacological and toxicological base and new pesticide testing base;
- the Group plans to establish a new production base. The new production plant is planned to be constructed in Fuzhou and will mainly be responsible for the production of the Propulsive Agent. In addition, the Group will enter into collaboration agreements with processing agents in different regions in the PRC. This can improve the logistics regarding the supply of the Group's products. The Group also intends to build a factory in a Southeast Asian country for the production of the Propulsive Agent to facilitate the expected geographical expansion of the Group in the second half of 2003;
- the Group will enhance its existing sales network by utilising the distribution channels of the agricultural protection centres and agricultural resources companies. In addition, the Group also plans to establish its own sales network so as to further increase the penetration of its products into other provinces and municipalities in the PRC;
- the Group will enhance the quality of its existing website so as to improve customer services and assist promotion. In addition, the Group also plans to establish an interactive information exchange platform on the Internet regarding pest information so as to promote the corporate image of the Group;
- in order to enhance the corporate brand name and reputation of the Group, the Directors intend to promote the Group's products through advertisement and organisation of seminars; and
- the Group plans to run a "farmers' training programme" to improve the knowledge of farmers on advanced agricultural technology. The Directors believe that the training programme will enhance the reputation of the Group.

REASONS FOR THE PLACING AND USE OF PROCEEDS

The Directors believe that the net proceeds from the Placing of the New Shares will provide the Group with financial resources for the successful implementation of its various business plans, including accelerating its product research and development projects, expanding its research and development team as well as building a large scale distribution network nationwide. The net proceeds will also provide fundings for future business development and marketing of the Group.

The net proceeds from the Placing of the New Shares, after deducting underwriting commission and other expenses that are payable by the Group, are expected to be approximately HK\$158 million. Assuming that the Over-allotment Option is exercised in full, the net proceeds to the Group will increase to approximately HK\$188.8 million. The Directors currently intend to use the net proceeds from the Placing of the New Shares (assuming that the Over-allotment Option is not exercised) for the following purposes:

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- approximately HK\$29.6 million for development new products, product assessment, obtaining permit for production and sales as well as the launching of new products in the market (the breakdown of the application of proceeds to different types of new products is stated on page 81 of this prospectus);
- approximately HK\$15 million for the establishment of an advanced scientific research and development centre in the PRC to carry out Propulsive Agent technology related research projects;
- approximately HK\$51.3 million for the establishment of new production bases amongst which about HK\$30 million and HK\$21.3 million will be used to establish a new production base in Fuzhou and in a Southeast Asian country respectively. Approximately HK\$16 million and HK\$12 million of the above budget will be used for the acquisition of facilities and equipment for the Fuzhou and Southeast Asian production base respectively, and the respective remaining amounts of HK\$14 million and HK\$9.3 million will be used for the establishment of factory premises in the respective locations;
- approximately HK\$20.0 million for the development of the Group’s sales and distribution network;
- approximately HK\$4.7 million for the improvement of the Group’s website and the establishment of an interactive information exchange platform;
- approximately HK\$23.5 million for the continuing marketing and brand building of the Group’s products;
- approximately HK\$7.5 million for the operation of the “farmers’ training programme”; and
- the remaining balance of HK\$6.4 million is expected to be used as general working capital of the Group.

Should the Over-allotment Option be exercised in full, the Company will receive additional net proceeds of approximately HK\$30.80 million which the Directors intend to allocate as follows:

- in addition to the amount of HK\$29.6 million for the development of new products, approximately HK\$6.5 million will be further earmarked for the research and development of new applications of the Propulsive Agent. The Directors believe that such an increase of funds will further expedite the success of the projects;
- further to the amount of HK\$15.0 million for the establishment of the research and development centre, an additional sum of approximately HK\$3.4 million will be allocated for the establishment of an advanced scientific research and development centre. The Directors believe that with the additional funds, the Group will be able to provide a better-equipped environment for its research and development team and hence improve the result of the Group’s research and development;

SUMMARY

- in addition to the amount of HK\$51.3 million designated above, approximately HK\$9.5 million will be earmarked for the establishment of new production bases whereby HK\$6 million will be earmarked for the full automation of the production lines and HK\$3.5 million will be earmarked for the acquisition of land (to be identified) for warehouse facilities attached to or near to the factory premises in Fuzhou and in a Southeast Asian country respectively. The increased amount will be evenly divided between the two locations respectively. The Directors believe the increase in funds shall improve the quality of the production bases;
- an additional sum of approximately HK\$4.5 million will be used for the development of the Group’s sales and distribution network. The Directors consider that the additional funds will enhance the Group’s achievement in the development of its sales and distribution network; and
- a sum of HK\$6.9 million will be used for the continuing marketing and brand building of the Group’s products which will enable the Group to intensify its marketing programmes.

The Directors consider that should the Over-allotment Option not be exercised, there would not be any material adverse impact on the ability or resources of the Group in relation to the implementation of its business plan as stated under the section headed “Statement of Business Objectives” in this prospectus.

To the extent that the net proceeds from the Placing are not immediately applied for the above purposes, the Directors intend to place such net proceeds in short term interest earning deposits with licensed banks in Hong Kong.

In the event that there is any material modification to the use of proceeds as stated above, the Company will issue an announcement in compliance with the GEM Listing Rules.

In the event that any part of the business plan as set out in the section headed “Statement of Business Objectives” on page 75 of this prospectus does not materialise or proceed as planned, the Directors will carefully evaluate the situation and may reallocate the intended funding to other business plans and/or to new projects of the Group and/or to hold such fund in as short-term deposits as long as the Directors consider it to be in the best interest of the Company and its shareholders taken as a whole. In such event, an announcement will be made as and when appropriate for such purpose in compliance with the GEM Listing Rules.

REORGANISATION

Details of the Company's reorganisation process are stated in Appendix V to this prospectus. As a result of the Reorganisation and the Capitalisation Issue, the existing shareholders' interests in the Company immediately after the Placing and the Capitalisation Issue (assuming that the Over-allotment Option is not exercised) are summarised as follows:

Name of shareholder	Date of entry	Number of Shares held immediately after the Placing and the Capitalisation Issue (assuming that the Over-allotment Option is not exercised)	Approximate percentage of shareholding immediately after the Placing and the Capitalisation Issue (assuming that the Over-allotment Option is not exercised) %	Investment cost per Share HK\$
Best Today	21st March, 1998	1,169,479,600	68.80	0.0026 <i>Note 1</i>
Mr. Li Lai Ming,	28th December, 2000	37,637,000	2.22	0.26 <i>Note 2</i>
Ms. Ho Ping, Tanya,	28th December, 2000	33,869,700	1.99	0.26 <i>Note 3</i>
Mr. Tsang Man Chan	15th February, 2001	33,873,700	1.99	0.26 <i>Note 4</i>
Public shareholders		<u>425,000,000</u>	<u>25.00</u>	0.5
		<u><u>1,699,860,000</u></u>	<u><u>100</u></u>	

Note 1: Best Today is wholly owned by Mr. Lao Seng Peng and the investment cost is HK\$3,000,000.

Note 2: On 28th December, 2000, Mr. Li Lai Ming acquired 500 shares in Goldigit Limited for the consideration of HK\$17,500,000, which shares were subsequently exchanged for 67,993,000 Shares after the Reorganisation and the Capitalisation Issue. Under the Placing, Mr. Li Lai Ming will dispose 30,356,000 Shares at HK\$0.50 each.

Pursuant to a declaration given by Mr. Li Lai Ming dated 22nd June, 2001, Mr. Li Lai Ming has declared, inter alia, that he is independent of and not connected with or acting in concert with the Company, the Directors, the Substantial Shareholders, Initial Management Shareholders and/or the chief executive of the Company and its subsidiaries and their respective associates, and that the acquisition of shares in Goldigit Limited was not funded by any of the Company or any of its connected persons as mentioned herein.

Note 3: On 28th December, 2000, Ms. Ho Ping, Tanya acquired 450 shares in Goldigit Limited for the consideration of HK\$15,750,000, which shares were subsequently exchanged for 61,193,700 Shares after the Reorganisation and the Capitalisation Issue. Under the Placing, Ms. Ho Ping, Tanya will dispose 27,324,000 Shares at HK\$0.50 each.

Pursuant to a declaration given by Ms. Ho Ping, Tanya dated 22nd June, 2001, Ms. Ho Ping, Tanya has declared, inter alia, that she is independent of and not connected with or acting in concert with the Company, the directors, the Substantial Shareholders, Initial Management Shareholders and/or the chief executives of the Company and its subsidiaries and their respective associates, and that the acquisition of shares in Goldigit Limited was not funded by any of the Company or any of its connected persons as mentioned herein.

SUMMARY

Note 4: On 15th February, 2001, Mr. Tsang Man Chan acquired 450 shares in Goldigit Limited for the consideration of HK\$15,750,000, which shares were subsequently exchanged for 61,193,700 Shares after the Reorganisation and the Capitalisation Issue. Under the Placing, Mr. Tsang Man Chan will dispose of 27,320,000 Shares at HK\$0.50 each.

Pursuant to a declaration given by Mr. Tsang Man Chan dated 22nd June, 2001, Mr. Tsang Man Chan has declared, inter alia, that he is independent of and not connected with or acting in concert with the Company, the Directors, the Substantial Shareholders, Initial Management Shareholders and/or the chief executives of the Company and its subsidiaries and their respective associates, and that the acquisition of shares in Goldigit Limited was not funded by any of the Company or any of its connected persons as mentioned herein.

RESTRICTION ON DISPOSAL OF SHARES

Name of shareholder	Shareholding and approximate Shareholding percentage (assuming that the Over allotment Option is not exercised) immediately after completion of the Capitalisation Issue and the Placing		Lock up period commencing from the Listing Date
	Number of Shares	%	
Best Today	1,169,479,600	68.80	6-12 months (<i>Notes 1, 2&3</i>)
Mr. Lao Seng Peng	1,169,479,600	68.80	12 months (<i>Note 3</i>)

Notes:

1. Best Today is wholly owned by Mr. Lao Seng Peng who is the chairman of the Company.
2. Each of Best Today and Mr. Lao Seng Peng, being the Initial Management Shareholders, have undertaken to the Company, CPY, the Underwriters and the Stock Exchange not to dispose of (or enter into any agreement to dispose of) any of its Shares within the First Relevant Lock-up Period. Each of the Initial Management Shareholders has further undertaken not to dispose of (or enter into any agreement to dispose of) any Shares in the Second Relevant Lock-up Period which would result in the aggregate Shares held by the Initial Management Shareholders and their respective associates representing less than 35% of the issued share capital of the Company from time to time.
3. Mr. Lao Seng Peng has undertaken to the Company, CPY, the Underwriters and the Stock Exchange that he will not sell, transfer or otherwise dispose of (or enter into any agreement to dispose of) or permit the registered holder to dispose of (or enter into any agreement to dispose of) any of his direct or indirect interest in Best Today within the First Relevant Lock-up Period and the Second Relevant Lock-up Period.

SUMMARY OF 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; (iii) risks relating to the PRC; and (iv) risks relating to the Shares, which are summarised as follows:

(i) Risks relating to the Group

- Leakage or publication of confidential technical know-how
- Application for patent may not be approved
- Dependence on continuing research and development
- Reliance on one processing agent

- Reliance on the PRC market
- Industry concentration
- Dependence on key personnel
- Potential product liability
- Limited track record and regional distribution
- Seasonal fluctuations of sales
- Product concentration
- Uncertainty in dividend payout
- Trust agreement in respect of Fujian Goldigit

(ii) Risks relating to the industry

- Severe competition
- Development of biotechnology on crop protection may reduce the demand

(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
- Loss of favourable taxation treatments
- China's entry to the WTO intensifies competition faced by the Group

(iv) Risks relating to the Shares

- Price volatility and liquidity of the Shares
- No moratorium against shares held by Pre-IPO Investors
- Forward looking statements may not materialise

STRUCTURE AND CONDITIONS OF THE PLACING

The Company is offering 340,000,000 New Shares for subscription pursuant to the Placing, and the Vendors are offering 85,000,000 Sale Shares for sale pursuant to the Placing, representing approximately 20 per cent. and 5 per cent. respectively of the issued share capital of the Company upon completion of the Capitalisation Issue and the Placing (excluding the Over-allotment Shares). The Placing is fully underwritten by the Underwriters, subject to the terms and conditions of the

SUMMARY

Underwriting Agreement. Further details are set out in the section headed “Structure and conditions of the Placing” in this prospectus.

TRADING RECORD

The following is a summary of the combined audited results of the Group for the period from 21st March, 1998 (being the date on which 80% equity interest in Fujian Goldigit were deemed to be acquired by the Group) to 31st December, 1998, each of the two years ended 31st December, 2000 and the three months ended 31st March, 2001. This summary has been prepared on the basis that the existing structure of the Group had been in existence throughout the period under review and should be read in conjunction with the Accountants’ Report set out in Appendix I to this Prospectus.

	21st March, to 31st December, 1998 <i>HK\$'000</i>	Year ended 31st December, 1999 2000 <i>HK\$'000 HK\$'000</i>		3 months ended 31st March, 2001 <i>HK\$'000</i>
Turnover (<i>Note 1</i>)	–	170	6,422	16,661
Cost of sales	–	(296)	(2,755)	(5,580)
Gross (loss)/profit	–	(126)	3,667	11,081
Other revenue	–	1,472	1	15
Selling expenses	–	(86)	(69)	(32)
Administrative expenses	(403)	(367)	(415)	(289)
Research and development costs	–	(437)	(62)	(447)
(Loss)/profit from operations	(403)	456	3,122	10,328
Income taxes	–	–	–	–
Net (loss)/profit after taxation but before minority interests	(403)	456	3,122	10,328
Minority interests	81	(91)	42	–
(Loss)/profit attributable to shareholders	<u>(322)</u>	<u>365</u>	<u>3,164</u>	<u>10,328</u>
Interim dividend	<u>–</u>	<u>–</u>	<u>–</u>	<u>10,000</u>
(Loss)/earnings per Share, basic (cents) (<i>Note 2</i>)	<u>(0.02)</u>	<u>0.03</u>	<u>0.23</u>	<u>0.76</u>

Notes:

- Turnover represents the net invoiced value of merchandise sold after allowances for returns and discounts and sales tax.
- The calculation of basic (loss)/earnings per Share is based on the (loss)/profit attributable to shareholders for the period from 21st March, 1998 to 31st December, 1998 and each of the two years ended 31st December, 2000 and the three months ended 31st March, 2001 and a total of 1,359,860,000 Shares in issue after the Capitalisation Issues during such periods.

SUMMARY

During the Relevant Track Record Periods, the Group (i) had an amount due to a shareholder on which no interest expenses were charged; and (ii) produced the Propulsive Agent with the production facilities provided by the Harbin Institute of Technology, from whom the knowhow of the Group was acquired, free of charge. Had (i) the amount due to the shareholder been interest bearing at the prevailing best lending rates in Hong Kong during the Relevant Track Record Periods; 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 combined results of the Group after minority interests for the Relevant Track Record Periods would have been adjusted by the following notional amounts:

	21st March, 1998 to 31st December, 1998	Year ended 31st December,		3 months ended 31st March, 2001
	<i>HK\$'000</i>	<i>1999</i>	<i>2000</i>	<i>HK\$'000</i>
Net (loss) profit for the period as set out under combined results above	(322)	365	3,164	10,328
Notional adjustments:				
Interest expenses on amount due to a shareholder	(160)	(199)	(287)	(79)
Cost of production facilities (Note)	(293)	(584)	(445)	–
	<u>(453)</u>	<u>(783)</u>	<u>(732)</u>	<u>(79)</u>
Amounts attributable to minority interests	<u>59</u>	<u>117</u>	<u>89</u>	<u>–</u>
Adjusted (loss) profit for the period	<u><u>(716)</u></u>	<u><u>(301)</u></u>	<u><u>2,521</u></u>	<u><u>10,249</u></u>

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 during the Relevant Track Record Periods. The cost of production facilities comprised the depreciation charged on the production facilities and interest cost together with other related expenses.

FORECAST FOR THE YEAR ENDING 31ST DECEMBER, 2001

Forecast profit after taxation but before extraordinary items (*Note 1*) not less than HK\$60 million

Earnings per Share

(a) Weighted average (*Note 2*) HK\$3.93 cents
 (b) Pro forma fully diluted
 (Based on the Issue Price of HK\$0.5) (*Note 3*) HK\$3.76 cents

PLACING STATISTICS

Issue Price HK\$0.50 per Share

Market Capitalisation (*Note 4*) HK\$850 million

Prospective price/earnings multiple (*Note 5*)

(a) Weighted average 12.72 times
 (b) Pro forma fully diluted 13.29 times

Adjusted net tangible asset value per Share (*Note 6*) HK\$10.22 cents

SUMMARY

Notes:

1. The bases and assumptions on which the above profit forecast have been prepared are set out in Appendix II. The Directors are not aware of any extraordinary items which have arisen or are likely to arise during the year ending 31st December, 2001.
2. The calculation of the forecast earnings per Share on a weighted average basis is based on the forecast profit after taxation but before extraordinary items and a weighted average number of 1,526,599,726 Shares expected to be in issue during the year ending 31st December, 2001. It does not take into consideration any Shares which may fall to be issued upon exercise of the Over-allotment Option.
3. The calculation of the forecast earnings per Share on a pro forma fully diluted basis is based on the forecast profit after taxation but before extraordinary items for the year ending 31st December, 2001. It assumes that the Company had been listed since 1st January, 2001 and that the 1,699,860,000 Shares in issue following the Placing had been in issue on 1st January, 2001. The forecast profit after taxation but before extraordinary items of the Group for the year ending 31st December, 2001 has been adjusted to include interest income, which would have been earned if the proceeds from the Placing were received on 1st January, 2001 assuming an interest rate of 5% per annum. It takes no account of any Shares which may fall to be issued upon exercise of the Over-allotment Option.
4. The calculation of market capitalisation is based on the Issue Price and 1,699,860,000 Shares in issue immediately after the completion of the Placing and the Capitalisation Issue but takes no account of (a) any Shares which may be issued pursuant to the exercise of the Over-allotment Option or (b) any Shares which may be issued pursuant to the exercise of options which may be granted under the Share Option Scheme or (c) the exercise by the Directors of the general mandate granted to them to allot and issue Shares or (d) any Shares which may be repurchased by the Company.
5. The calculation of the prospective price/earnings multiple on weighted average basis and a pro forma fully diluted basis is based on the forecast earnings per Share as set out in notes 2 and 3 above respectively.
6. The adjusted net tangible asset value per Share has been arrived at after the adjustments referred to in the section headed "Financial Information – Adjusted Net Tangible Assets" in this prospectus and on the basis of a total of 1,699,860,000 Shares in issue immediately following the completion of the Placing at the Issue Price and the Capitalisation Issue.

If the Over-allotment Option is exercised in full, the adjusted net tangible asset value per Share will be increased, while the earnings per Share will be diluted correspondingly. However, the Directors believe that this will not have any material effect on the shareholders of the Company.

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

DEFINITIONS

In this prospectus, unless the context otherwise requires, the following expressions have the meanings set out below. See also “Glossary of Technical Terms”.

“Articles of Association”	the articles of association of the Company, a summary of which is set out in Appendix IV to this prospectus
“Best Today”	Best Today Investments Limited, a limited company incorporated in the British Virgin Islands and wholly owned by Mr. Lao Seng Peng
“Board”	the board of directors of the Company
“BVI”	British Virgin Islands
“Capitalisation Issue”	the issue of Shares to be made upon capitalisation of part of the share premium account of the Company as referred to in the paragraph headed “Written resolutions of the sole shareholder of the Company passed on 22nd June, 2001” in Appendix V to this prospectus
“CCASS”	the Central Clearing and Settlement System established and operated by Hongkong Clearing
“CCTV”	China Central Television, the national television network of the PRC
“cm.”	centimetre
“Companies Law”	the Companies Law (2001 Second Revision) 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
“connected person(s)” or “person(s) connected”	has the meaning as defined in Chapter 20 of the GEM Listing Rules
“CPY”	Core Pacific-Yamaichi Capital Limited, an investment adviser and dealer registered under the Securities Ordinance
“CPY International”	Core Pacific-Yamaichi International (H.K.) Limited, an investment adviser and dealer registered under the Securities Ordinance

DEFINITIONS

“Director(s)”	director(s) of the Company
“Dollars” or “HK\$” and “cents”	Hong Kong dollars and Hong Kong cents, respectively, the lawful currency of Hong Kong
“FIE”	foreign investment enterprise established in the PRC
“First Relevant Lock-up Period”	the period of six months from the date on which Shares commence dealings on the GEM
“Forward Looking Period”	the period commencing on the Latest Practicable Date and ending on 31st December, 2003
“Fujian Goldigit”	Fujian Goldigit Fine Chemical Industry Co., Ltd. (福建省金澤精細化工有限公司), a limited company incorporated 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 incorporated in the PRC and a processing agent of the Group, which is independent of the Group, its directors, chief executive, substantial shareholders or management shareholders and their respective associates
“GEM”	the Growth Enterprise Market operated by the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM made by 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. For the avoidance of doubt, the term GMP in this prospectus does not mean the US current Good Manufacturing Practice requirements 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

DEFINITIONS

“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hongkong Clearing”	Hong Kong Securities Clearing Company Limited
“Initial Management Shareholders”	Mr. Lao Seng Peng and Best Today
“Issue Price”	HK\$0.50 per Share (excluding brokerage and Stock Exchange transaction levy) at which the Placing Shares are to be subscribed for or purchased under the Placing
“Latest Practicable Date”	26th June, 2001, being the latest practicable date for the inclusion of certain information in this prospectus prior to its publication
“Listing Date”	the date when dealings in the Shares commence on GEM
“Ministry of Agriculture”	(中華人民共和國農業部) the Ministry of Agriculture of the PRC
“MOFTEC”	(中國國家對外貿易經濟合作部) the Ministry of Foreign Trade and Economic Co-operation of the PRC
“mou”	畝, being Chinese measurement of area and one hectare is equal to fifteen mou
“Mr. Chen”	Mr. Chen Li Quan, being one of the Vice-General Managers of the Group
“New Shares”	the 340,000,000 new Shares which are initially offered by the Company at the Issue Price under the Placing as described in the section headed “Structure and Conditions of the Placing” in the Prospectus
“Over-allotment Option”	the option granted by the Company to the Underwriters exercisable by CPY International on behalf of the Underwriters pursuant to the Underwriting Agreement under which the Company may be required to allot at the Issue Price the Over-allotment Shares, representing approximately 15 per cent. of the number of Shares initially being offered under the Placing, solely to cover over-allocations under the Placing
“Over-allotment Shares”	up to 63,748,000 additional Shares which may fall to be issued by the Company pursuant to the exercise of the Over-allotment Option
“OEM”	Original Equipment Manufacturers

DEFINITIONS

“PBOC”	(中國人民銀行) the People’s Bank of China
“Placing”	the conditional placing by the Underwriters of the Placing Shares at the Issue Price with professional institutional and/or other investors, as further described in the section headed “Structure and Conditions of the Placing” in this prospectus
“Placing Shares”	New Shares and Sale Shares
“PRC”, “State” or “China”	the People’s Republic of China, and except where the context requires, references in this prospectus to the PRC or China do not include Hong Kong, Macau and Taiwan
“Pre-IPO Investors”	Mr. Li Lai Ming, Ms. Ho Ping, Tanya and Mr. Tsang Man Chan
“Prof. Cai”	Professor Cai Wei Min, the executive Director of the Group
“Relevant Track Record Periods”	the period from 21st March, 1998 to 31st December, 1998 and each of the two years ended 31st December, 2000 and the three months ended 31st March, 2001
“Reorganisation”	the corporate reorganisation in preparation for the listing of the Shares on the GEM as described in Appendix V to this prospectus
“RMB” or “Renminbi”	Renminbi yuan, the lawful currency of the PRC
“SAFE”	中國國家外匯管理局 (State Administration for Foreign Exchange of the PRC)
“SAIC”	中國國家工商行政管理局 (State Administration of Industry and Commerce of the PRC)
“Sale Shares”	the 85,000,000 existing Shares which are being offered for sale by the Vendors under the Placing
“SDI Ordinance”	Securities (Disclosure of Interests) Ordinance (Chapter 396 of the Laws of Hong Kong)
“Second Relevant Lock-up Period”	a period of six months from the expiry of the First Relevant Lock-up Period
“Senior Managers”	Mr. Chen Li Quan, Mr. Wu Yong Qiang, Mr. Han Geng Chen, Mr. Huang Cai Jin, Mr. Li Da Liang, Ms. Guo Xiang Mei, Mr. Ding Jian, Mr. Peng Dong Yue and Mr. Leung Yun Fai

DEFINITIONS

“Share(s)”	share(s) of HK\$0.05 each in the share capital of the Company
“Share Option Scheme”	the share option scheme conditionally adopted by the Company on 22nd June, 2001, the principal terms of which are summarised in the paragraph headed “Share Option Scheme” in Appendix V to this prospectus
“Significant Shareholder(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Singapore”	the Republic of Singapore
“SIPO”	State Intellectual Property Office of the PRC (中國國家知識產權局)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Substantial Shareholder(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Underwriters”	the underwriters in the Placing as described in the paragraph headed “Underwriting” in the section headed “Underwriting” in this prospectus
“Underwriting Agreement”	the conditional underwriting and placing agreement dated 28th June, 2001 and entered into between, among others, the Company, the executive Directors, the Initial Management Shareholders, CPY and the Underwriters relating to the Placing, particulars of which are summarised in the section headed “Underwriting” of this prospectus
“U.S.A.” or “U.S.”	the United States of America
“US Dollars” or “US\$”	U.S. dollars, the lawful currency of the U.S.
“VAT”	value-added tax
“Vendors”	Mr. Li Lai Ming, Ms. Ho Ping, Tanya and Mr. Tsang Man Chan
“Warrantors”	the Company, the executive Directors and the Initial Management Shareholders
“WTO”	The World Trade Organisation
“sq.m.”	square metre or square metres
“%”	per cent.

GLOSSARY OF TECHNICAL TERMS

“buprofezin”	an organic and high 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
“chlorpyrifos”	an organo phosphate insecticide which is an active ingredient in a wide range of agricultural pest products
“Dao Ying Wen Jing (稻癭蚊淨)”	the common brand name of the Group’s pesticide, 30% chlorpyrifos-buprofezin (30% 毒嗒酮•展膜油劑)
“distillation”	the process of turning a liquid to vapour by heating, then collecting the condensation when cooled
“fertiliser”	natural or artificial substance that contains the nutrients required by plants
“filtration”	the process of removing impurities from a liquid
“fungicide”	chemical substance 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”	chemical agent used to kill or inhibit the growth of unwanted plants
“Lissorhoptrus oryzophilus”	scientific name of a pest which will cause epidemic (serious loss) to the growth of paddy
“Nilaparvata lugen”	scientific name of rice brown planthopper which endangers paddy
“nutritious growth”	growth with respect to plant organs, such as root, stem and leaf
“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

GLOSSARY OF TECHNICAL TERMS

“Orseolia oryzae”	scientific name of Asian rice gall midge
“pesticide”	toxic substance used to kill animals or plants that cause 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 molecules in 1 litre of water
“Propulsive Agent”	chemical solvent agent produced by the Group and applied to paddy pesticides (靶向推進劑) which possesses 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
“Sha Shi Ba (殺虱霸)”	Jin Ze Ling (金澤靈) previously known as Sha Shi Ba (殺虱霸), the common brand name of the Group’s pesticide, 8% buprofezin (8% 噻嗪酮•展膜油劑)
“solvent”	liquid or solution that can dissolve another substance
“Target Propellant New Pesticide”	the type of paddy pesticide developed by the Group applying the Propulsive Agent technology

Investors should consider carefully all of the information set out in this prospectus and, in particular, should evaluate the following risks in connection with an investment in the Group. Investment in the PRC carries a high degree of risk. In addition to normal investment risks, the Group's business in the PRC will be subject to certain risks that are unique to that country.

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 Seng Peng, the chairman of the Company, Mr. Yuen Leong, Prof. Cai and the Senior Managers of the Group. Mr. Lao Seng Peng and such other personnels are bound, by their service contracts with the Company, to observe strict confidentiality in respect of the Group's production know-how permanently unless such confidential information becomes public. The Group has applied the technology to the SIPO for patent registration in October 2000 and the formula of the technology will be available for public notification from March 2002 being 18 months after the date of application. Following such public notification, there is a risk that the technology may be copied by unauthorised parties. During such notification period, the Group cannot prohibit other independent inventions which use the same technology as that under the Group's patent application. If a similar technology is not independently developed and an unauthorised third party plagiarizes or pirates the Group's announced technology, the Group is entitled to file a claim to the People's Court of the PRC and seek an order to prohibit utilisation of the technology and claim for payment of an appropriate fee and compensation for any loss to the Group. However, such claim or compensation may not be obtainable due to the result of court judgement and the defendant's financial strength.

Any leakage of the formula relating to the technology before March 2002 or the publication thereof after March 2002 in respect of the Group's production know-how during the notification period may have a material adverse effect on its business.

Application for patent may not be approved

According to searches conducted at the SIPO at the instructions of the Directors, there is currently no patent registration in respect of technical know-how related to the production of Propulsive Agent with the SIPO. Accordingly, the Directors believe that the process by which the Propulsive Agent is produced has remained to be a proprietary knowledge to the Group. In October 2000, the Group applied to the SIPO for patent registration in respect of the technical know-how relating to Propulsive Agent production. According to the PRC legal advisers to the Company, it is the policy of the SIPO to complete the entire registration process up to three years. Hence, the Directors expect the registration of the Group's patent under application to be completed by October 2003.

Investors should be aware that, however, there is no assurance that the Group's patent application to the SIPO will be approved. Investors should also appreciate that while the Group's application for patent registration in the PRC will, when completed, provide additional protection under the PRC Patent Law (1984, revised in 1992), there remains a significant degree of risk of patent infringement and significant uncertainty as to effective enforcement against infringers in the PRC.

In addition, should its competitors independently develop similar products before the Group has obtained the SIPO's approval, although such products are subject to tests and verifications to be undergone for 2 years and at 2 locations and shall not cause immediate competition, the Directors, however, believe that it will create an adverse impact on the Group's business in the future.

Dependence on continuing research and development

The Propulsive Agent technology is the key to the production which provides the competitive advantage over other paddy pesticides. The Group will place continued emphasis on research and development and will closely monitor technology development in the industry. Investors should, however, be advised that, over time, it is possible that paddy pesticides applying the Propulsive Agent technology may be superseded by more technologically advanced products. Investors should also note that the achievement of the business objectives set out in the section headed "Future Plans and Business Objectives" assumes that the Group does not encounter any significant difficulty in the research and development of any of its new products. If the Group encounters any such difficulty, it may delay the achievement of such business objectives or may result in such business objectives having to be significantly revised or adjusted.

Reliance on one processing agent

The Group's production centre in Fuzhou, the PRC focuses mainly on the manufacturing of Propulsive Agent. The manufacturing processes of the pesticides and the addition of the Propulsive Agent to the pesticide are outsourced to an independent third party factory, Fuzhou No. 1 Refinery. Should this processing agent cease or unable to carry out the processing operation for the Group and the Group is unable to find suitable replacements immediately, its business and profitability may be adversely affected.

Reliance on the PRC market

For the two years ended 31st December, 2000 and the three months ended 31st March, 2001, all of the Group's turnover in respect of the sale of pesticides were derived in the PRC. The Directors anticipate that the PRC will continue to be the Group's largest market in the foreseeable future. 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 two years ended 31st December, 2000 and the three months ended 31st March, 2001, all of the Group's products, 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 decrease in the foreseeable future. The Group is diversifying its business into other agricultural produce industry in the PRC in an attempt to minimize its risk in industry concentration. However, there is no assurance on the Group's success in this new market sector.

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 Seng Peng, Mr. Yuen Leong and the Senior Managers. Each of the executive Directors has entered into service contract with the Group for a fixed term of 3 years expiring around 2004 and each of Senior Managers has entered into a service contract with the Group for a fixed term of 5 years expiring around 2005 (subject to the Group's right of termination in certain circumstances). In addition, there is a restrictive covenant in these service contracts which restrict these personnels to engage or be engaged in the same industry for a period of 3 years after termination of the service. Each of them is obliged not to divulge confidential information or to engage in competing business with the Group during the term of his service contract and for three years after its expiry or termination. The loss of Prof. Cai or any of the other key technical personnel and any of the Senior Managers or the failure by any of them to observe and perform his obligations under the service contract may have a material adverse effect on the Group.

Potential product liability

The Company does not currently maintain any product liability insurance for the products sold or distributed by it. Furthermore, the Company's sales contracts do not contain such terms as to allow customers to claim damages against the Group in the event of product failure. Although the Group has not received and is currently not aware of any claims or complaints against the Group's products so far, there is no assurance that such claims and complaints will not arise in the future. Should any product liability claims be brought against the Company, there is no assurance that it would not have an adverse effect on the performance and profitability of the Company.

Limited track record and regional distribution

As the Group is still at the early stage of development, limited sales history is available. The main operation of the Group is restricted to Fuzhou, the Fujian Province, and sales of the Group are mainly limited to the Fujian Province, Anhui Province (安徽省), Jiangshu Province (江蘇省) and Jiangxi Province (江西省). In the event that the sales of any of these provinces drop significantly and the Group is not able to obtain new customers from new provinces, the Group's business and financial position may be adversely affected.

Seasonal fluctuations of sales

As the volume of orders placed by its sales agents and distributors are subject to seasonal fluctuations of the paddy rice industry in the PRC, turnover of the Group is correspondingly subject to the seasonal fluctuations. The sales of the Group will 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. Such phenomena is likely to introduce a seasonal element to the Group's turnover, which could have a material adverse effect on the Group's liquidity and financial condition.

Product concentration

Sales of the Group's Sha Shi Ba (殺虱霸) accounted for all of the Group's total turnover for the two years ended 31st December, 2000 and the three months ended 31st March, 2001 respectively. Therefore, the Group's turnover and profits may be materially affected by any fluctuation in the demand or market price of its product or any increase in competition.

Uncertainty in dividend payout

On 30th April, 2001, Goldigit Limited declared in aggregate, an interim dividend of HK\$10 million for the three months ended 31st March, 2001 payable to its then shareholders. For the two years ended 31st December, 2000, the Group did not pay any dividends. The interim dividend was financed by internal resources of the Group. However, such dividend payments 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. Further details on the dividend policy of the Company are set out in the section headed "Financial information" on page 106 of this prospectus.

Trust agreement in respect of Fujian Goldigit

On 21st March, 1998, Mr. Lao Seng Peng, the Chairman of the Group, entered into a trust agreement pursuant to which Ms. Liu Lan Hua was authorised to acquire and hold the 80% shareholding interest in Fujian Goldigit for and on behalf of Mr. Lao Seng Peng. The PRC legal advisers to the Company have confirmed that the trust agreement did not and does not contravene any PRC laws and is legally binding and enforceable by the relevant parties to the agreement. Ms. Liu Lan Hua transferred her interest in Fujian Goldigit to Goldigit Limited, a company wholly owned by Mr. Lao Seng Peng, on 25th September, 2000 and the transfer was approved 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 of the PRC (福建省工商行政管理局).

Notwithstanding the foregoing and for whatever reason, if the above trust agreement is declared invalid or unenforceable under the 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.

The Chairman, Mr. Lao Seng Peng, has entered into a deed of indemnity with and in favour of the Company to provide indemnities, among other matters, against any depletion in value of assets, costs, fees, expenses, claims, losses, liabilities and proceedings which might be incurred or suffered by any member of the Group as a result of the trust agreement in respect of the Group's interest in Fujian Goldigit is declared or determined by any PRC court or relevant government authority to be illegal, invalid or unenforceable. Details of the deed of indemnity are set out in the paragraph headed "Estate duty, tax and other indemnities" in Appendix V to this prospectus.

RISKS RELATING TO THE INDUSTRY

Severe competition

The market for chemical pesticides is highly competitive. Within the PRC, there are over 1000 enterprises manufacturing and selling chemical pesticides. It is anticipated that competition will become more intense after China enters into the WTO and large international corporations will provide lower-priced, high-quality chemical pesticides. Although the Group's chemical pesticide is characterised by its cut-in technology, there is no assurance that the profitability of the Group will sustain since its competitors (including potential competitors) may adopt more aggressive pricing policies.

Development of biotechnology on crop protection may reduce the demand

The utilization of biotechnology in developing genetically modified crops has been gaining popularity within the agricultural industry in recent years. Development on genetically modified crops that have resistance to insects, fungi and herbicides, can minimize 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. Investors should, however, be aware that the impact of insect-tolerant crops on the insecticide market is remote since such crops may not be developed in the foreseeable future. In addition, the Directors believe that the development of insect-tolerant crops will not cause great impact on the pesticide industry, as certain amount of pesticides may still be applied to further minimize the probability of crop damages and to optimize yield.

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 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 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 prevent overheating of the economy. The official inflation rate was 8.3% in 1996 and 2.8% in 1997. The official deflation rate was 0.8% in 1998 and 1.8% in 1999. The PRC government has implemented policies from time to time to restrain the rate of such economic growth and control inflation or otherwise regulate economic expansion. Such measures or policies by the PRC government could 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, and on the same date, it issued the 1996 No. 1 Order in respect of foreign exchange settlement and sale with banks which is applicable to FIEs. 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 the Renminbi, Renminbi is still not a freely convertible currency.

The Group does not currently have any foreign currency borrowing. After the completion of the Placing, the Group will also need foreign currency to meet the payment of any dividend declared by the Company. The Group's main operating subsidiary, Fujian Goldigit, receive 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 the 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 or Hong Kong dollars, of the Group's net assets, its earnings and any declared dividends.

Loss of favourable taxation treatments

The PRC subsidiary of the Group, Fujian Goldigit has been entitled to tax exemptions and concessions. In accordance with the applicable enterprise income tax law of the PRC, Fujian Goldigit is exempt from the enterprise income tax for the first two profitable years of operation i.e. from 1st January, 2000 to 31st December, 2001, and is entitled to a 50 per cent. relief on the standard enterprise income tax rate of 30% that would otherwise be charged for the succeeding three years from 1st January, 2002 to 31st December, 2004. Since the Group is engaged in the PRC agriculture business, the Group's products have been exempted from value-added tax from 1st June, 1998 to 31st December, 2001 under the relevant PRC law. There can be no assurance that the current exemptions and concessions 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.

China's entry to the WTO intensifies competition faced by the Group

China is currently seeking to join as a contracting member of the WTO which uniformly regulates trade and tariffs among its contracting members. The PRC government has, on various occasions in the past three years, reduced import tariffs on a wide range of products. This process towards the general opening up of the Chinese market is expected to continue. This could result in foreign-made chemical pesticides being imported into China at lower tariff rates, and might consequently lead to an increase in the competition faced by the Group. In such circumstance, there can be no assurance that the business of the Group may not be materially adversely affected.

RISKS RELATING TO THE SHARES

Price volatility and liquidity of the Shares

Prior to the Placing, there has been no public market for any of the Shares and there can be no guarantee that an active trading market will develop, or if it does develop, there can be no guarantee that the market will be sustained following the completion of the Placing. In addition, the Issue Price for the Placing Shares has been determined by negotiation between the Company and the Underwriters. This price may not be indicative of the price at which the Shares will trade following the completion of the Placing and the trading price of Shares may fluctuate significantly. There can be no guarantee that the market price of the Shares will not fall below the Issue Price.

No moratorium against Shares held by Pre-IPO Investors

On 28th December, 2000 and 15th February, 2001, Mr. Lao Seng Peng transferred 5%, 4.5% and 4.5% of his shareholding interest in Goldigit Limited to three independent investors, namely Mr. Li Lai Ming, Ms. Ho Ping, Tanya and Mr. Tsang Man Chan respectively for consideration of HK\$17,500,000, HK\$15,750,000 and HK\$15,750,000 respectively. Upon completion of the Reorganisation and the Capitalisation Issue, the Pre-IPO Investors hold approximately 190,380,400 Shares in aggregate representing about 14% of the total issued share capital of the Company immediately prior to the Placing. The Pre-IPO Investors will sell 85,000,000 under the Placing which results in their total shareholding to amount to 105,380,400 Shares immediately after the Placing. Such 105,380,400 Shares held by the Pre-IPO Investors are not

subject to any moratorium as the Pre-IPO Investors are not subject to any restriction on disposal of the Shares under the GEM Listing Rules. The Company has been advised by the Pre-IPO Investors that it is the intention of the Pre-IPO Investors to hold the 105,380,400 Shares after the Placing as long term investment, and the Pre-IPO Investors may only consider to dispose of the Shares should they consider that the share price and turnover of the Shares are reasonably sustainable in respect of their disposal.

Accordingly, investors should take into account that disposal of the 105,380,400 Shares held by the Pre-IPO Investors may cause fluctuation in the market price of the Shares.

Forward-looking statements may not materialise

Forward-looking statements contained in this prospectus may be materially different from the actual results, performance and achievements of the Group or the industry in the future. There are various forward-looking statements in this prospectus which can be identified by the use of forward-looking terminologies such as “may”, “will”, “believe”, “expect”, “anticipate”, “estimate” and other similar words. These forward-looking statements reflect the expectations of the Directors as at the Latest Practicable Date and are based on numerous assumptions regarding the Group’s implementation plans, business strategies and the industry environment in which the Group operates or will operate. Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results or performance of the Group to be materially different from any future results or performance expressed or implied by those statements. Potential investors of the Placing Shares should keep in mind that there can be no assurance that the forward-looking statements described in this prospectus will materialise.

W WAIVERS FROM COMPLIANCE WITH CERTAIN PROVISIONS OF THE GEM LISTING RULES

In preparation for the listing of the Shares on the GEM, the Company has sought a number of waivers from the Stock Exchange in relation to the requirements set out in Rule 13.16 and Rule 23.03 of the GEM Listing Rules.

INITIAL MANAGEMENT SHAREHOLDER MORATORIUM

Under Rule 13.16 of the GEM Listing Rules, the Company shall procure that every initial management shareholder who, immediately prior to the listing date is entitled to exercise or control the exercise of 5 per cent. or more of the voting power at general meetings of the Company:

1. places in escrow, with an escrow agent acceptable to the Stock Exchange, his Relevant Securities for a period of 2 years (the “Moratorium Period”) from the date of the commencement in the dealings of the shares on the GEM, on terms acceptable to the Stock Exchange; and
2. undertakes to the Company and the Stock Exchange that, during the Moratorium Period, he/she/it will not, save as provided in Rule 13.17 of the GEM Listing Rules, dispose of (or enter into any agreement to dispose of) or permit the registered holder to dispose of (or to enter into any agreement to dispose of) any of his/her/its direct or indirect interest in the Relevant Securities.

Waiver I – Moratorium period

Under the GEM Listing Rules, Mr. Lao Seng Peng and his wholly owned company, Best Today are considered to be the Initial Management Shareholders under the GEM Listing Rules and their Relevant Securities would ordinarily be subject to a moratorium period of two years. An application has been made on behalf of the Initial Management Shareholders and the Company to the Stock Exchange for a waiver from strict compliance with Rule 13.16 of the GEM Listing Rules on the terms that:

1. the moratorium period in respect of an aggregate of 1,169,479,600 Shares held by Best Today (representing approximately 68.80 per cent. of the enlarged share capital of the Company immediately upon completion of the Placing and the Capitalisation Issue without taking into account any Shares which may be issued upon the exercise of the Over-allotment Option and any options under the Share Option Scheme) will be reduced to 6 months;
2. Lao Seng Peng undertakes not to dispose of (or enter into any agreement to dispose of) any of his shareholding interest in Best Today for a period of 12 months from the date on which dealings in the Shares commence on the GEM; and
3. each of Best Today and Mr. Lao Seng Peng has further undertaken to the Company, CPY (in its capacity as sponsor and global coordinator of the Placing), the Underwriters and the Stock Exchange that during the Second Relevant Lock-up Period:
 - (i) it will not, and will procure that none of its associates and the companies controlled by it or nominees or trustees holding in trust for it will not, within the Second Relevant Lock-up Period, dispose of (or enter into an agreement to dispose of) in respect of any of the Relevant Securities nor permit the registered holder to dispose of (nor enter into an agreement to dispose of) any of its

WAIVERS FROM COMPLIANCE WITH CERTAIN PROVISIONS OF THE GEM LISTING RULES

direct or indirect interest in the Relevant Securities if such disposal would result in the Initial Management Shareholders ceasing to have control over 35% of the voting powers at general meetings of the Company; and

- (ii) it will place the appropriate number of its/his Relevant Securities (if applicable) in escrow with an escrow agent acceptable to the Stock Exchange during the Second Relevant Lock-up Period to the extent as described above and will comply with the requirements under Rule 13.20 of the GEM Listing Rules.

Waiver II – Stock borrowing arrangement

In order to facilitate settlement of over-allocations in connection with the Placing, and the distribution of Shares under the Placing, CPY International may borrow Shares from Best Today under a stock borrowing arrangement pending the exercise of the Over-allotment Option. An application has been made to the Stock Exchange for a waiver from strict compliance with Rule 13.16 of the GEM Listing Rules for the purpose of implementing the stock borrowing arrangement on the basis that:

1. the stock borrowing arrangement with Best Today may only be effected by CPY International for settlement of over-allocations in connection with the Placing;
2. the maximum number of Shares to be borrowed from Best Today must not exceed the maximum number of Over-allotment Shares which may be issued upon full exercise of the Over-allotment Option;
3. the same number of Shares borrowed will be returned to Best Today not later than three business days following the earlier of (a) the last day on which the Over-allotment Option may be exercised; and (b) the day on which the Over-allotment Option is exercised in full; and
4. the returned Shares will be placed in escrow as soon as practicable with an escrow agent acceptable to the Stock Exchange.

This stock borrowing arrangement will be effected in compliance with all applicable laws and regulatory requirements. No payment will be made to Best Today by CPY International in relation to such stock borrowing arrangement.

SHARE OPTION SCHEME WAIVER

Rule 23.03(2) of the GEM Listing Rules states that when a company grants a share option scheme to the benefit of its full time employees, the total number of securities subject to a share option scheme and any other schemes must not, in aggregate, exceed 10 per cent. of the relevant class of securities of the listed issuer (or the subsidiary) in issue from time to time during a specified period of 10 consecutive years (the “Option Period”).

The Share Option Scheme was conditionally adopted pursuant to a resolution of the sole shareholder of the Company passed on 22nd June, 2001. An application has been made on behalf of the Company to the Stock Exchange for a waiver from strict compliance with Rule 23.03 (2) of the GEM Listing Rules on the terms that the Company may grant options under the Share Option

W AIVERS FROM COMPLIANCE WITH CERTAIN PROVISIONS OF THE GEM LISTING RULES

Scheme and any other scheme for subscription of up to a maximum of 30 per cent. of the issued share capital of the Company from time to time during the Option Period, subject to the following conditions:

1. subject to sub-paragraphs 2 and 3 below, the total number of Shares to be issued pursuant to the exercise of any option under the Share Option Scheme and any other schemes, must not in aggregate, exceed 10 per cent. of the issued share capital of the Company from time to time;
2. the Company may seek approval by the shareholders in general meeting to refresh the 10 per cent. limit provided that the total number of Shares to be issued pursuant to the exercise of any option under the Share Option Scheme and any other schemes in these circumstances must not exceed 10 per cent. of the issued share capital of the Company from time to time;
3. the Company may seek separate shareholders' approval in general meeting to grant options beyond the 10 per cent. limit provided that (a) the total number of Shares subject to the Share Option Scheme and any other schemes does not in aggregate exceed 30 per cent. of the total issued Share capital of the Company and (b) the options in excess of the 10 per cent. limit are only granted to persons as specified by the Company for which such approval is sought;
4. any grant of options to a connected person must be approved by all the independent non-executive Directors;
5. where options are proposed to be granted to a connected person who is also a substantial shareholder or any of his associates, and the proposed grant of options, when aggregated with the options already granted to such connected person in the past 12 months, would entitle that person to receive more than 0.1 per cent. of the total issued Shares for the time being and the value of which is in excess of HK\$5 million, then the proposed grant must be subject to the approval of shareholders in general meetings. Apart from the connected person involved, all other connected persons must abstain from voting in such a general meeting (except where any connected person intends to vote against the proposed grant). A shareholders' circular must be prepared by the Company explaining the proposed grant, disclosing the number and terms of the options to be granted and containing a recommendation from the independent non-executive Directors as to whether or not to vote in favour of the proposed grant; and
6. the following additional disclosures being made in the annual, interim and quarterly reports of the Group:
 - (a) details of options granted to each director and all the other participants; and
 - (b) a summary of the major terms of each share option scheme approved by the shareholders.

Further details are set out in the paragraph headed "Share Option Scheme" in Appendix V to this prospectus.

INFORMATION ABOUT THIS PROSPECTUS AND THE PLACING

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This prospectus includes particulars given in compliance with the Companies Ordinance, the Securities (Stock Exchange Listing) Rules 1989 of Hong Kong (as amended) and the GEM Listing Rules for the purpose of giving information to the public about the Group.

The Directors collectively and individually accept full responsibility for the information contained in this prospectus which includes particulars given in compliance with the GEM 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:

- (a) the information contained in this prospectus is accurate and complete in all material respects and not misleading;
- (b) there are no other matters the omission of which would make any statement in this prospectus misleading; and
- (c) all opinions expressed in this prospectus have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

FULLY UNDERWRITTEN

This prospectus is published solely in connection with the Placing which is sponsored by CPY. The Placing is fully underwritten by the Underwriters pursuant to the Underwriting Agreement. Further information relating to the underwriting arrangements is set out in the section headed "Underwriting" in this prospectus.

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PLACING SHARES TO BE OFFERED IN CERTAIN JURISDICTIONS ONLY

No action has been taken to permit the offering of the Placing Shares or the distribution of this prospectus in any jurisdiction other than Hong Kong. Accordingly, this prospectus may not be used for the purposes of, and does not constitute, an offer or invitation, nor is it calculated to invite or solicit offers to subscribe for or to purchase any Placing Shares in any jurisdiction other than Hong Kong and it is not an offer or invitation to subscribe for or to purchase any Placing Shares to any person to whom it is unlawful to make such an offer or invitation. The distribution of this prospectus and the offering of the Placing Shares in certain jurisdictions may be restricted by law.

The Placing Shares are offered solely on the basis of the information contained and the representations made in this prospectus. No person is authorised in connection with the Placing to give any information or to make any representation not contained in this prospectus. Any information

INFORMATION ABOUT THIS PROSPECTUS AND THE PLACING

or representation not contained in this prospectus must not be relied upon as having been authorised by the Company, CPY, any of the Underwriters, any of their respective directors, the Vendors or any other person(s) involved in the Placing.

Singapore

This prospectus has not been and will not be registered as a prospectus with the Registrar of Companies and Businesses in Singapore. Accordingly, this prospectus and any other document or materials in connection with the offer of the Placing Shares may not be issued, circulated or distributed in Singapore nor may any of the Placing Shares be offered for subscription or sold, directly or indirectly, nor may any invitation or offer to subscribe for or purchase any Placing Shares be made directly or indirectly: (i) to persons in Singapore other than under circumstances in which such offer or sale does not constitute an offer or sale of the Placing Shares to the public in Singapore; or (ii) to any member of the public in Singapore other than (a) to an institutional investor or other person specified in section 106C of the Companies Act (Cap. 50) of Singapore (“Singapore Companies Act”) (b) to a sophisticated investor, and in accordance with the conditions, specified in section 106D of the Singapore Companies Act, or (c) otherwise pursuant to, and in accordance with the conditions of, any other provision of the Singapore Companies Act. The Registrar of Companies and Businesses in Singapore takes no responsibility as to the contents of this prospectus.

Japan

The Placing Shares have not been and will not be registered under the Securities Exchange Law of Japan (Law No. 25 of 1948, as amended) (“SEL”). Accordingly, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the SEL and any other applicable laws, regulations and ministerial guidelines of Japan, the Placing Shares may not be offered or sold in Japan, directly or indirectly, or for the benefit of, any resident of Japan (within the meaning of Article 6, Paragraph I Item 5 and Item 6 of the Foreign Exchange and Foreign Trade Law of Japan). If the total number of investors who will be or have already been solicited for subscription or purchase of the Placing Shares in Japan reaches 49, no further solicitation should be made in Japan. To the extent the number of investors to be solicited for subscription or purchase of the Placing Shares does not exceed 49, it is exempted from the registration requirements under the SEL mentioned above, details of which are set out in the SEC and the related regulations.

Taiwan

The Placing has not been and will not be registered with the Securities and Futures Commission of Taiwan pursuant to the Taiwan Securities and Exchange Law and the Company has not been and will not be registered in Taiwan. Accordingly, none of the Placing Shares may be offered for subscription, purchase or sale in Taiwan.

Cayman Islands

No offer of the Placing Shares may be made to members of the public in the Cayman Islands.

INFORMATION ABOUT THIS PROSPECTUS AND THE PLACING

STABILISATION

In connection with the Placing, CPY International (on behalf of the Underwriters) after consultation with the Company may over-allocate up to an aggregate of 63,748,000 additional Shares (such over-allocations may be covered by exercising the Over-allotment Option in full or in part, at any time up to 30 days from the date of this prospectus or by stock borrowing or by purchasing Shares in the secondary market) and/or effect transactions which stabilise or maintain the market price of the Shares at levels other than those which might otherwise prevail but which are not higher than the Issue Price. Any such over-allocation purchase and/or transactions will be made in compliance with all applicable laws and regulatory requirements.

Best Today has agreed with CPY International that it will make available to CPY International on a temporary basis by way of stock borrowing arrangements up to a total of 63,748,000 Shares to facilitate the settlement of over-allocations in connection with the Placing before the exercise of the Over-allotment Option.

CPY International may also on behalf of the Underwriters effect transactions which stabilise or maintain the market price of the Shares. Such transactions may be effected in all jurisdictions where it is permissible to do so, in each case, in compliance with all applicable laws and regulatory requirements. Such transactions, if commenced, may be discontinued at any time. Should stabilising transactions be effected in connection with the distribution of Shares, they will be done at the absolute discretion of CPY International.

Stabilisation is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilise, the underwriters may bid for or purchase, the newly issued securities in the secondary market, during a specified period of time, to retard and, if possible, prevent a decline in the initial issue price of the securities. The stabilisation price to cover over-allocations will not exceed the initial issue price.

In Hong Kong, such stabilisation activities on the Stock Exchange are restricted to cases where the underwriters purchase shares in the secondary market genuinely and solely for the purpose of covering over-allocations in the relevant offer. Such transactions, if commenced, may be discontinued at any time. The relevant provisions of the Securities Ordinance prohibit market manipulation in the form of pegging or stabilising the price of securities in certain circumstances.

APPLICATION FOR LISTING ON THE GEM

Application has been made to the GEM Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Shares in issue and the Shares to be issued as mentioned herein (including the additional Shares which may fall to be issued pursuant to the exercise of the Over-allotment Option and of any options which may be granted under the Share Option Scheme). 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 as at the date of this prospectus.

COMMENCEMENT OF DEALINGS IN THE SHARES

Dealings in the Shares on the GEM is expected to commence on 9th July, 2001 and Shares will be traded in board lots of 4,000 Shares.

INFORMATION ABOUT THIS PROSPECTUS AND THE PLACING

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the granting of listing of, and permission to deal in, the Shares on the GEM and the compliance with the stock admission requirements of Hongkong Clearing, the Shares will be accepted as eligible securities by Hongkong Clearing for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares on the GEM or on any other date Hongkong Clearing chooses. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

All necessary arrangements have been made for the Shares to be admitted into CCASS.

PROFESSIONAL TAX ADVICE RECOMMENDED

Potential shareholders are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding and dealing in the Placing Shares. None of the Company, the Vendors, CPY, the Underwriters, any of their respective directors, agents or advisers or any other party involved in the Placing accepts responsibility for any tax effects on, or liability of, any person resulting from the subscription for, purchase of, holding of or dealing in the Placing Shares.

HONG KONG BRANCH REGISTER AND STAMP DUTY

All the New Shares and all the Sale Shares will be registered on the Company's branch register of members to be maintained by Hong Kong Registrars Limited in Hong Kong shortly before dealing in the Shares commences on the Stock Exchange. Dealings in the Shares on the Hong Kong branch register will be subject to Hong Kong stamp duty. The Company's principal register of members is maintained by Bank of Butterfield International (Cayman) Ltd. in the Cayman Islands.

STRUCTURE AND CONDITIONS OF THE PLACING

Details of the structure and conditions of the Placing are set out under the section headed "Structure and conditions of the Placing" of this prospectus.

DIRECTORS AND PARTIES INVOLVED IN THE PLACING

Name	Address	Nationality
<i>Executive Directors</i>		
LAO Seng Peng	Flat F, 24th Floor Yuan Kung Mansion 20 Tai Koo Shing Road Hong Kong	Chinese
YUEN Leong	Flat B, First Floor Block 15, Provident Centre Wharf Road North Point Hong Kong	Chinese
CAI Wei Min	Rm 504, No. 46 880 Nong Cang Quan Road Min Hang District Shanghai, PRC	Chinese
<i>Independent Non-Executive Directors</i>		
SUN Juyi	Flat H, 14th Floor Luna Court 53-59 Kimberley Road Kowloon Hong Kong	Chinese
WONG Stacey Martin	17A, Block 2 Carmen's Garden 9 Cox's Road Kowloon Hong Kong	Chinese
LAM Ming Yung	Flat B, 4th Floor Block 5, Bayview Garden 633 Castle Peak Road Tsuen Wan, New Territories Hong Kong	Chinese

DIRECTORS AND PARTIES INVOLVED IN THE PLACING

PARTIES INVOLVED

Global coordinator and Sponsor

Core Pacific-Yamaichi Capital Limited
1902-3 Bank of America Tower
12 Harcourt Road
Central
Hong Kong

Joint-Lead managers

Core Pacific-Yamaichi International (H.K.) Limited
30th Floor
Two Pacific Place
88 Queensway
Hong Kong

Guotai Junan Securities (Hong Kong) Limited
Suite 2509-2510
Asia Pacific Finance Tower
Citibank Plaza
3 Garden Road
Central, HK

Co-managers

Capital Friend Securities Limited
Flat A & B, 5th Floor
Wing Yee Commercial Building
3-7 Wing Kut Street
Central, Hong Kong

CEF Capital Limited
Suite 2001, 20th Floor
Cheung Kong Centre
2 Queen's Road Central
Hong Kong

CM-CCS Securities Limited
26th Floor, World Wide House
19 Des Voeux Road Central
Hong Kong

CSC Securities (HK) Limited
28th Floor, Cosco Tower
Grand Millennium Plaza
183 Queen's Road Central
Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE PLACING

Emperor Securities Limited
23rd to 24th Floor, Emperor Group Centre
288 Hennessy Road
Wanchai
Hong Kong

Polaris Securities (Hong Kong) Limited
Room 1003, 10th Floor
Admiralty Centre Tower 1
18 Harcourt Road
Hong Kong

SBI E2-Capital Securities Limited
20th Floor, Henley Building
5 Queen's Road Central
Hong Kong

Taiwan Securities (Hong Kong) Company Limited
Room 4001-3
40th Floor, Tower Two
Lippo Centre
89 Queensway
Central
Hong Kong

TIS Securities (HK) Limited
Room 1010
10th Floor, Tower Two
Lippo Centre
89 Queensway
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
Zephyr House
Mary Street
George Town
Grand Cayman
Cayman Islands
British West Indies

DIRECTORS AND PARTIES INVOLVED IN THE PLACING

As to PRC Law:
Trend Associates
28th Floor
Zhongshan Tower
154 Hudong Road
Fuzhou 350003
PRC

Jun He Law Offices
20th Floor
China Resources Building
8 Jianguomonbei Avenue
Beijing 100005
PRC

**Legal advisers to the Sponsor,
the Joint-Lead Managers and
the Underwriters**

Deacons
3rd-7th and 18th Floors
Alexandra House
Central
Hong Kong

**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	P.O. Box 2681 GT Zephyr House Mary Street George Town Grand Cayman Cayman Islands British West Indies
Head office and principal place of business in the PRC	7th Floor Guangyuan Building 10 Xihuanbeilu Road, Fuzhou Fujian 350003 PRC
Principal place of business in Hong Kong	Unit 908, 9th Floor K. Wah Centre No. 191 Java Road North Point Hong Kong
Company website	http://www.goldigit.com
Company secretary	CHEUNG Ying Kwan, Wallace FCCA, AHKSA
Qualified accountant	CHEUNG Ying Kwan, Wallace FCCA, AHKSA
Compliance officer	YUEN Leong
Audit committee	SUN Juyi WONG Stacey Martin LAM Ming Yung
Authorised representatives	LAO Seng Peng Flat F, 24th Floor Yuan Kung Mansion 20 Tai Koo Shing Road Hong Kong YUEN Leong Flat B, First Floor Block 15, Provident Centre Wharf Road North Point Hong Kong

CORPORATE INFORMATION

Cayman Islands principal share registrar and transfer office

Bank of Butterfield International (Cayman) Ltd.
Butterfield House
Fort Street
P.O. Box 705
George Town
Grand Cayman
Cayman Islands
British West Indies

Hong Kong branch share registrar and transfer office

Hong Kong Registrars Limited
2nd Floor
Vicwood Plaza
199 Des Voeux Road Central
Hong Kong

Principal banker

CITIC Industrial Bank,
Fuzhou Branch
No. 99 Hu Dong Road
Fuzhou
Fujian Province
(中國福建省福州市
湖東路99號)

INDUSTRY OVERVIEW

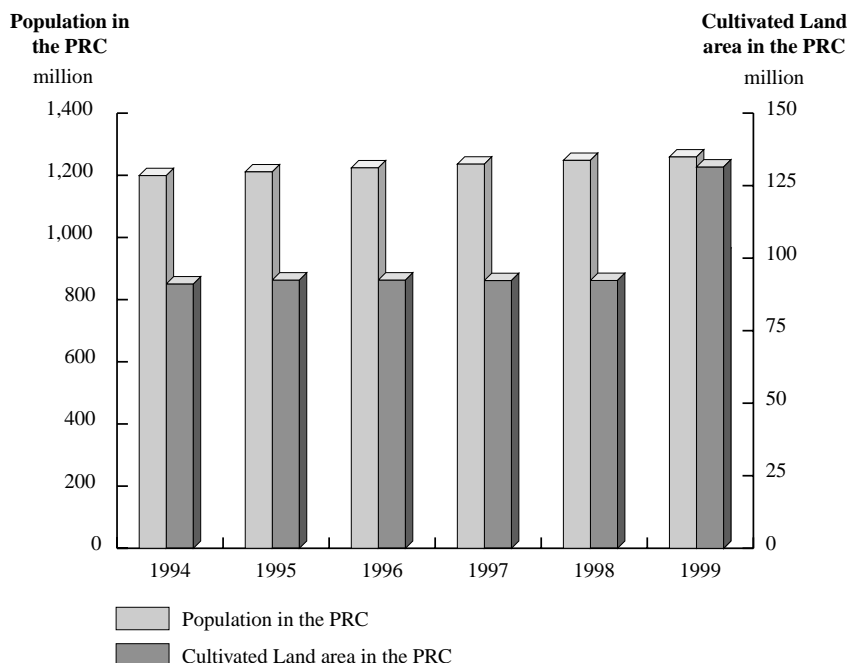
Information contained in this section has been extracted from official or unofficial publication, or has been obtained from discussions with relevant governmental or industrial bodies or organisations. The Company has not undertaken any independent verification of such information and accepts no responsibility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

INDUSTRY BACKGROUND

The PRC Agriculture Industry

In 1999, the population of China was approximately 1.26 billion, comprising approximately 21.2% of the world population. In the same year, China had approximately 130.04 million hectares of cultivated land. From 1994 to 1999, the population of China increased by approximately 5.1% from 1.20 billion to 1.26 billion. The cultivated land in China increased by approximately 37.0% from 94.9 million hectares to 130.04 million hectares during the same period. The production volume of pesticides in China increased by approximately 60.6% from 264,000 tonnes to 424,000 tonnes during the same period. The population in China has continued to grow and reached approximately 1.29 billion in 2000. Hence, in formulating its agricultural policies in recent years, the PRC government has placed strong emphasis on increasing agricultural output to keep pace with population growth.

In 中央農村工作會議 (Central Agriculture and Rural Work Meeting) held in January 2001, the PRC government stated that the strengthening of agricultural industry and stabilisation of agricultural output were China's top priority tasks. In the work report presented by Premier Zhu Rongji to 第九屆全國人民代表大會 (the Ninth National People's Congress) held in March 2001, the strengthening of the foundation of the agricultural industry was listed as one of the primary goals of the PRC government. In 當前優先發展的高技術產業化重點領域指南 (the Guidelines on Preferred High Technology Industries for Immediate Development) jointly prepared by 國家發展計劃委員會 (the State Commission of Development and Planning) and the 國家科學技術委員會 (Ministry of Science and Technology) in June 1999, modernisation of the agricultural technology was again stated as one of the top priorities for development.



Source: China Statistical Yearbook 1995 to 2000

History and development of the pesticide industry of the PRC

Coincide with the increase in the agricultural production output and production value, the PRC agricultural industry has been seriously threatened by industrial pollutions, destruction of vegetation cover, excessive plantations and improper applications of pesticides, which led to incessant deterioration of the overall ecological environment for agriculture. In particular, 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 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 (科學技術部) have jointly announced the “Guidelines on Preferred High Technology Industries for Immediate Development” which has stressed the modernization of the agricultural technology as one of the top priorities for development. At the same time, the PRC has placed strict pollution controls over chemical matters and environmental protections as the directions of continual development 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 development of the rural economy, in particular, the exploitation of the central and western regions, will lead to captive increases in paddy herbicides. In China, certain changes in the structure of paddy herbicides 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 and rodents will also increase. As a result of the development of the rural economy and the enhancement in prevention and cure techniques, the speed with which the increase in the area being treated will supersede that of the area being affected. The development of pesticides towards the directions of high efficiency and exceptional high efficiency means that the application of pesticides will reduce to a level below that of the present level. Despite the increase in the area being treated, the total demand for pesticides will maintain at 370,000 tonnes.

Currently, the PRC pesticide market has immense potential. The trend of the market is towards stability in demand. According to the Tenth Five-year Plan, the target of the PRC pesticide industry is to satisfy the demands 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, and strengthen the prevention and cure of three wastes and foreign cooperation to upgrade the overall level of techniques of the PRC pesticide industry.

Through adjustments made during the Tenth Five-year Plan, the number of key pesticide production enterprises will be reduced to 40, of which 15 are large pesticide production enterprises. This would mean that 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 60% of the total production volume.

The PRC pesticide industry has come from scratch with quick development being achieved during the two decades of open reforms. It has now formed a more complete system of scientific research and development, industrial production, production marketing and sales and a complete industry system of raw materials, intermediaries, integrated raw pesticides and processing of prescriptions. With the enhancements in the level of scientific research and development as well as industrial production, the quality of some of the old products produced since the sixties and seventies and the new products being developed within the last two decades have reached international standards. In 1999, the total production of pesticides in the PRC was over 420,000 tonnes. It can basically satisfy domestic demands with certain volumes left for exports. However, the product structure of the pesticide industry is far from rational, with insecticides being the major product accounting for approximately 70% of the total production volume of pesticides. Over 70% of the insecticides are organophosphorus insecticides, of which approximately 70% are highly toxic.

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. The raw pesticide production of these enterprises will account for 80% of the total production volume. During the Tenth Five-year Plan Period, the key adjustment of the product structure of pesticides will still be the rationalization 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.

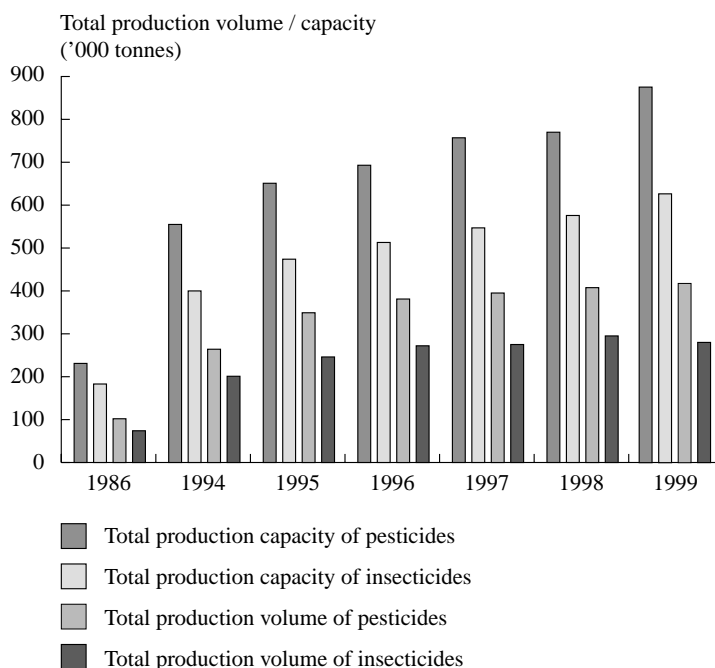
SUPPLY AND DEMAND CONDITION OF PESTICIDES IN THE PRC

Changes in annual production capacity of pesticides in the PRC

In 1999, the production capacity of pesticides in PRC reached approximately 884,000 tonnes, which was approximately 3.8 times that of 1986. The production volume of pesticides has also increased significantly from 102,000 tonnes in 1986 to 422,000 tonnes in 1999, an increase of over 3.1 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. For instance, in 1999, insecticides accounted for approximately 68%

of the total production volume of pesticides. Besides satisfying demands of domestic agricultural production, China is also exporting pesticide. The following graph shows the changes in production capacity and production volume of pesticides and insecticides during the period between 1986 and 1999:

**Production volume/capacity of pesticides in the PRC in recent years
(measured at 100% contents, '000 tonnes)**



Sources: *China Agriculture Yearbook 2000*
Petrochemical Statistic Yearbook issued by the previous Petrochemical Ministry
Data from United Nations Technology Information Promotion System Fujian Centre

In the coming 50 years, chemical pesticide will still dominate pesticide market in the PRC with the highest market share. However, new chemical pesticides are different from the original concept of traditional pesticides. Future pesticides will be safe prescriptions with high activity and selectivity so as to satisfy the increasing strict requirements of environmental protection. New pesticides with high effectiveness, low toxicity, low residue and low dosage will be the development direction of chemical pesticide in the future.

Pertaining the trend of pesticide consumption, it is worthwhile to note that, due to the time-consuming and laborious nature of prevention and cure of paddy pest, the cost of deploying pesticide has largely exceeded the cost of purchasing pesticide on a combined cost basis. Hence, the requirements of new product 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 product which in turn will provide the farmers with high quality products at low combined costs.

INDUSTRY OVERVIEW

Brief status of paddy producing areas in the PRC

The annual area for growing paddy in the PRC in 1999 was approximately 31.6 million hectares with an annual production of over 200 million tonnes. (Source: *China Paddy Rice, Issue No.3*) There are six major paddy producing areas which are the major grain producing bases of the PRC.

Major paddy producing areas	Paddy seasons	Climatic conditions	Major paddy pests
Chuanxi Plain	One season paddy only	Continental climate	Chilo suppressalis, rice planthopper
Jianghuai Plain	One season paddy only	Warm temperate	Rice Planthopper, chilo suppressalis
Taihu	Two seasons paddy area with long grained nonglutinous and followed by round-grained nonglutinous	Maritime climate	Rice Planthopper
Jiangnan Plain	Odd and even mixed cultivation area	Sub-tropical windy and humid climate	Yellow rice borer
Dongtinghu	Two seasons paddy area with pure long-grained nonglutinous	Transitional between mid sub-tropical to north sub-tropical	Rice Planthopper
Pearl River Delta	Two seasons paddy area with pure long-grained nonglutinous	Maritime climate	Rice Planthopper, yellow rice borer, Asian rice gall midge

Major paddy pests in the PRC and the traditional pest control

According to the information of the 《2000 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 planthopper, rice leaffolders and Asia rice gall midge. In recent years, rice water weevil has also become one of the destructive paddy pests.

A. Rice planthoppers

Rice planthoppers (稻飛蟲) are categorised into brown planthoppers (*Nilaparvata lugens* (Stal)) and white-backed planthoppers (*Sogatella furcifera* (Horvath)) which have the habits of long distance migration. Currently, they are the most common pests on paddy in China and many other Asian countries. Generally, their adults and larvae gather at the lower part of paddy stem and pierce into the paddy tissue with their proboscis to suck juice. When the population of rice planthoppers is large enough, they will cause the lower part of the paddy stems become blacken and even drop off. As a result, there will be serious reduction of yield or no harvest. In addition, the rice planthoppers can also transmit paddy viruses.

Rice Planthoppers are the most common pests of the PRC paddy plantation industry with frequent occurrence throughout the years. Damaged areas accounted for 20-25% of the total paddy plantation areas in a year of light famine, but up to 70% in a year of heavy famine. According to “2000 China Agriculture Yearbook”, in 1999, the affected areas due to this pest amounted to 16.0 million hectare times.

Prevention and cure of Rice Planthoppers

In China, the common practice of controlling rice planthoppers is the spraying of buprofezin water powder. But the method of spraying buprofezin water powder is not effective enough.

B. Asian rice gall midge

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. It is very difficult to prevent and cure such pests by applying pesticide. In areas seriously affected by Asian rice gall midge, there is often complete loss of yield.

Since 1980s, the damages caused by Asian rice gall midge and the areas affected have been increasing over years due to the structural adjustment of plantation industry and the diverse types of paddy cropping as well as the obvious warming of winters caused by global green house effect. In China, Asian rice gall midge mainly occurs in the regions south of the Yangtsi River and has become the leading pest in the southern paddy planting regions. In 1999, the area of paddy planting regions in southern China affected by Asian rice gall midge amounted to 1 million hectare times.

Prevention and cure of Asian rice gall midge

The common practice is using the highly toxic pesticide of ethoprophos (丙綫磷). However, the application of such pesticide causes water pollution which would directly threaten the safety of human beings and animals, and also hinder the development of freshwater aquacultural industry. For example, Fujian province sustained heavy economic losses annually over the application of ethoprophos (丙綫磷) in controlling Asian rice gall midge, because the toxic paddy water kills fishes when flew into ponds and reservoirs.

C. Rice leaffolders

Rice leaffolders (稻縱卷葉螟) is a kind of paddy pest with the habit of migration, which mainly occurs 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. Rice leaffolders appear in all provinces of the PRC, and are one of the pests which affect China's paddy production most frequently.

Prevention and cure of Rice Leaffolders

In the PRC, the commonly applied pesticides in preventing and curing rice leaffolders are 25% bisultap water powder, 50% methamidophos emulsion cream, etc. Whilst controlling the pests, those pesticides have the drawbacks of application method and low level of environmental protection.

D. Rice water weevil

Rice water weevil (稻水象甲) is a kind of highly damaging quarantined paddy pest. It originated from the regions along the Mississippi River in the USA. It spread into Japan in 1976, and became the most disastrous paddy pest of Japan. It then spread into South Korea and North Korea in 1980s. In 1988, rice water weevil arrived in the PRC. Since then the areas which have been affected by rice water weevil include Liaoning Province (遼寧省), Hebei Province (河北省), Tianjin Municipality (天津市) and Zhejiang Province (浙江省). Once the rice water weevil pestilence is found in a certain region, it may cause yield reduction of approximately 30%.

Prevention and cure of Rice water weevil

Pesticides for controlling rice water weevil include the domestic Lushawei (氯殺威), the French Regent emulsion cream and Japanese etofenprox grains, which are relatively expensive. Currently, the pesticide used by farmers in China includes carbofuran (呋喃丹) and etofenprox (甲基異硫磷) which are strictly forbidden in China for application in paddy fields in controlling rice water weevil. During the application, creatures in the field such as frogs, spiders, fish and shrimps which are the major natural enemies of rice water weevil are also killed. The reports on the death of cattle and sheep that had mistakenly drunk the water in ponds and rivers polluted by the residue of pesticide and the poisoning of users are often resulted.

Regulations of the PRC Pesticide Industry

In the PRC, pesticide is a specialized industry that is under the regulation of a number of government authorities and subject to a registration and licensing system. According to the “Administrative Regulations on Pesticides of the PRC” (“Pesticides Regulations”), the primary legislation governing the pesticide industry, the whole process of development, production and distribution of pesticide products must possess 3 certificates, namely, pesticide registration certificates (or provisional pesticide registration certificate), pesticide producing permit and product GMP compliant certificate. In recent years, as a result of the sophisticated 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.

Pursuant to the provisions of the Pesticides Regulations, the development production of pesticides (including raw material production, processing and packing) and the imports of pesticides must undergo registration. Pesticide registration certificates are issued by the PRC Ministry of Agriculture and all applications together with various requisite submissions shall be vetted jointly by a number of State administrative authorities in charge respectively of agriculture, forestry, chemical industry, public health, environmental protection and nationwide agriculture production materials supply and distribution. The integrated evaluation is in terms of the chemistry, efficacy, residues and environmental implications of the pesticide. Certificates will be issued to those that have complied with the relevant standards. The registration of a pesticide is divided into three phases, namely, the field trial phase, the provisional registration phase and the formal registration phase.

The field trial phase requires a field trial of the effectiveness of the pesticide over 2 years at 2 different locations. The provisional registration phase follows the completion of the field trial phase which covers the demonstration trial, experimental sales and utilization under exceptional circumstances. The provisional registration is valid for one year and renewable. After the completion of the provisional registration phase, the formal registration may be applied by the developer for commercial production and must be heard within one year. The formal registration certificate is valid for 5 years and renewable.

A production licence shall also be required for production which is granted by the National Petroleum and Chemical Industry Bureau (國家石油和化學工業局) and valid for 5 years for raw material production, 3 years, for preparation processing and 1 year for packaging.

Pesticide registration certificate and pesticide provisional registration certificate have specific expiry dates of registration. Applications for extension of the registration date for the purposes of continual production or sale of pesticides in the PRC must be made prior to their respective expiry dates.

Lastly, prior to the delivery of pesticide products from the factory, all product packaging must have labels or with instructions attached. Products that have failed quality testing and do not possess product quality testing pass certificate or failed to comply with GMP standards are not allowed to be delivered ex-factory.

The Pesticides Regulations and its implementary 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 years to have a new or imported pesticide registered for production and distribution purpose and therefore the entry barrier of the industry is relatively high.

GOVERNMENTAL SUPPORT ON HI-TECH PESTICIDE INDUSTRY

All levels of local governments in the PRC have also 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 producers). Hi-tech companies are to be exempted from income tax for two years and a reduction in tax rate to 15% for indefinitely thereafter. In particular, whilst conducting macroeconomic controls over the pesticide chemical industry and adjusting the structure and volumes of pesticide types, the government emphasizes on supporting the new hi-tech companies in developing and producing new pesticides. The Ministry of Finance and the State Tax Administration promulgated policies which enhance the external condition of pesticide production under the “Notice on the question of exempting value added tax relating to certain production materials” by imposing a 13% defensive value-added tax on pesticide products, which were later exempted in respect of major pesticide products; 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 RMB150-200 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.

CHINA’S ENTRY TO THE WTO AND ITS IMPACT ON THE PESTICIDE INDUSTRY

Upon China’s entry to the WTO, international agricultural products will have a significant effect on the structure of Chinese agricultural products. In order to lighten the impact brought about by the accession of the WTO, the PRC government will conduct a necessary adjustment on the plantation industry by adjusting and upgrading plantation structure, regional distribution, upgrading species and increasing the ratio of foliage and green manure plants. Taking actions that suit local circumstances to develop high quality new fruit types regionally, the agricultural product structures mentioned will be subject to significant changes.

However, the accession of the WTO will also provide good opportunities for expansion and development of new pesticides in the PRC market and international market. In order to change the existing conditions of the pesticide industry in China to cope with competition subsequent to the accession of the WTO, the PRC government has been actively conducting a macroeconomic-control over pesticide chemical companies by adjusting industrial policies to support the healthy pesticide producers to grow, adjusts the structure and production volume of pesticide, and supports the development of brand-name products with hi-tech features, which will create good external development environment for new pesticide companies.

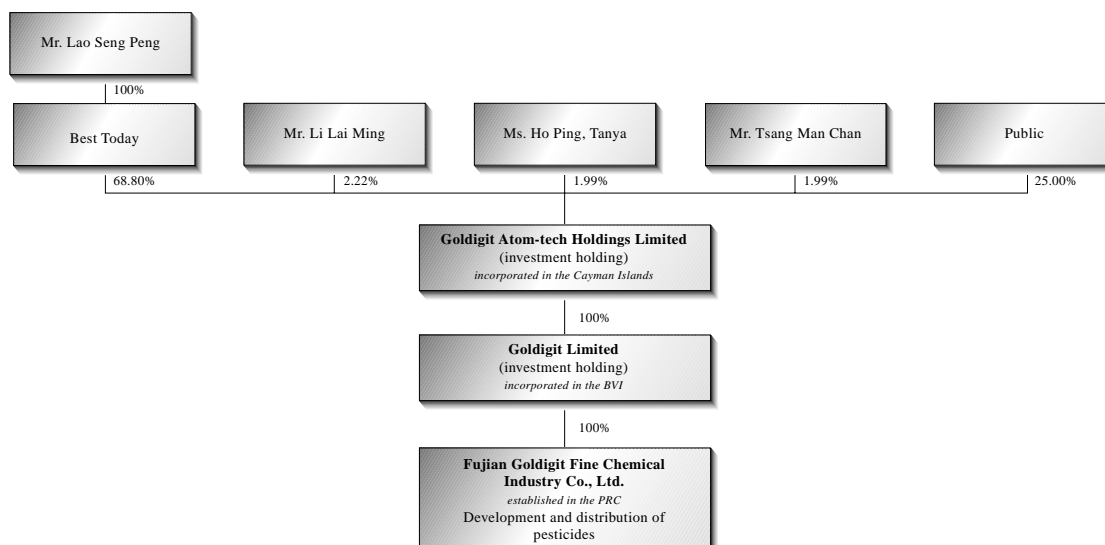
INDUSTRY OVERVIEW

The impact of the accession of the WTO on the pesticide industry in the PRC will be tough at first and then loosen. At the initial stage, foreign companies need 3 to 5 years to invest and set up their plants in the PRC. During this period pesticide companies can deploy their advantages by fully developing products whose international patents will expire shortly and the substitution of major import types. In addition, by basing on the high speed of agricultural planting structure, pesticide companies can also rationalize the internal structure of various products, increase forestry and grassland insecticides, develop new types of prevention and cure of ground pests and insecticides of creatures, increase types and volumes of bactericide used in vegetables and fruits, tapeworm curing agents and seed regulators, increase types and volume of herbicide especially dry farmland herbicide, and adjust the structure of paddy field herbicide in order to strengthen their leading position in domestic market.

GENERAL OVERVIEW OF THE GROUP

GROUP STRUCTURE

The following chart summarises the shareholding structure and the principal operating subsidiaries of the Company immediately following the completion of the Placing and the Capitalisation Issue (without taking into account any Shares which may be issued pursuant to the exercise of the Over-allotment Option and any option(s) which may be granted under the Share Option Scheme):



Notes :

1. Immediately upon the completion of the Placing and the Capitalisation Issue and the offer for sale, each of Best Today, Mr. Li Lai Ming, Ms. Ho Ping, Tanya and Mr. Tsang Man Chan will hold 1,169,479,600 Shares, 37,637,000 Shares, 33,869,700 Shares and 33,873,700 Shares respectively, representing approximately 68.80%, approximately 2.22%, approximately 1.99% and approximately 1.99% respectively of the issued share capital of the Company as enlarged by the Placing and the Capitalisation Issue.
2. Assuming the Over-allotment Option is fully exercised, the Company will be owned as to approximately 66.31% by Best Today, as to approximately 2.14% by Mr. Li Lai Ming, as to approximately 1.92% by Ms. Ho Ping, Tanya, as to approximately 1.92% by Mr. Tsang Man Chan, and as to the remaining 27.71% by the public investors.
3. Best Today is a company incorporated in the British Virgin Islands on 28th February, 2001 and wholly owned by Mr. Lao Seng Peng.

HISTORY AND ACTIVE BUSINESS PURSUITS

History

Prof. Cai and the research team of Harbin Institute of Technology initially developed a new paddy insecticide named Sha Shi Ba (殺虱霸) in January 1995. Since the new insecticide enables the chemical molecules of pesticides 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 insecticide is required to be registered. Before the issuance of the registration certificate, the insecticide must undergo the field trial phase by which field experiments will be performed to test the efficiency of the insecticide over 2 years in 2 different locations. In October 1995, the field experiments for Sha Shi Ba (殺虱霸) commenced

GENERAL OVERVIEW OF THE GROUP

by different independent agricultural institutions. After obtaining the satisfactory results of the field experiments, toxicity trials were launched by the testing center administered by Ministry of Chemical Industry in September 1997. Between October 1995 and September 1997, Prof. Cai began to look for investment capital to start the commercial production of Sha Shi Ba (殺虱霸). He approached Mr. Chen (being one of the Vice-General Managers of the Group) who then incorporated Fujian Goldigit with three other investors in October 1997. The registered capital of the company was RMB3 million. Mr. Chen Li Quan then drafted the quality standard for the Sha Shi Ba (殺虱霸) and Fujian Goldigit applied in November 1997 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. In December 1997, Fujian Provincial Technology Supervision Commission (福建省技術監督局) issued the mandatory quality standard for pesticide based on the standard drafted by Fujian Goldigit. In January 1998, the exclusive manufacturing and distribution rights of the Sha Shi Ba (殺虱霸) was acquired by Fujian Goldigit from Harbin Institute of Technology at a consideration of RMB2 million which was paid by 5 instalments. The first payment of RMB200,000 was made at the date of the relevant acquisition agreement. The second instalment of RMB300,000 and third instalment of RMB200,000 were paid by the end of 1998 and 2000 respectively. The fourth instalment of RMB500,000 is to be paid on or before 31st December, 2001, against which RMB200,000 was paid during the three months period ended 31st March, 2001 and the remaining balance of RMB300,000 is to be paid by the end of 31st December, 2001. The fifth instalment of RMB800,000 shall be paid on or before 31st December, 2002. In January 1998, the pesticide provisional registration certificate was issued by the Ministry of Agriculture.

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After obtaining the pesticide provisional registration certificate, Mr. Chen Li Quan began to plan for the production of the pesticide. On 21st March, 1998, pursuant to four share transfer agreements, the equity interests in the share capital of Fujian Goldigit held by the three shareholders being Zheng Zi Wang, Guo Da Jie, Wen Ru Wei, accounting for 30%, 20%, 20% interests respectively, together with 10% interest held by Mr. Chen Li Quan in the share capital of Fujian Goldigit were transferred to Ms. Liu Lan Hua, the sister of Mr. Lao Seng Peng, the Chairman of the Group at a consideration of RMB2.4 million. The remaining 20% interest was held by Mr. Chen Li Quan. On 21st March, 1998, Lao Seng Peng 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% interest in Fujian Goldigit on trust for Mr. Lao Seng Peng. As advised by the PRC legal advisers to the Company, the above trust agreement did not contravene any PRC laws and was legally binding on and enforceable by the relevant parties to the agreement. Mr. Lao Seng Peng considers that such arrangement would enable him to capture the time advantage on the completion of his investment in the Group, especially at the early stage of development of the Group, as the above arrangement would shorten the time frame required for such share transfers. Despite Mr. Lao Seng Peng'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 according to the opinion of the Company's PRC legal advisers. Fujian Goldigit then invited Professor Cai to join the Group within the same month to lead the research and development activities. The Group undertook further research and development activities on the insecticides and in December 1998, the propellant molecules were successfully isolated from the chemical molecules of the insecticides. 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 main manufacturing processes of the pesticide was carried out by an independent third party factory, Fuzhou No. 1 Refinery which is qualified for pesticide manufacturing. Beginning in October 2000, the Group began mass production of the Propulsive Agent by itself in Fuzhou, PRC.

GENERAL OVERVIEW OF THE GROUP

With continuous research and development on the technology, the Group successfully applied the Propulsive Agent on other chemical raw material of pesticides, chlorpyrifos in September 1998. This new pesticides was named Dao Ying Wen Jing (稻癭蚊淨) by the Group. The field trial phase started in November 1998 and the toxicity trial conducted in April 1999. In July 1999, the pesticides provisional registration certificate was issued by the Ministry of Agriculture.

In order to formalise and rationalise the shareholding structure of Fujian Goldigit, Goldigit Limited entered into a share transfer agreement with Mr. Chen Li Quan and Ms. Liu Lan Hua (on trust for Mr. Lao Seng Peng) on 25th September, 2000 transferring their 20% and 80% respective interests in Fujian Goldigit to Goldigit Limited, a company which was 100% owned by Mr. Lao Seng Peng at that time, at a consideration of RMB600,000 and RMB2,400,000 respectively (“Share Transfer”). Pursuant to an 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 has obtained the status as a wholly foreign owned enterprise with a registered capital of HK\$3,000,000 (increased and charged from the original RMB3,000,000). Goldigit Limited injected HK\$3,000,000 into Fujian Goldigit on 22nd December, 2000 and instructed Fujian Goldigit to transmit RMB2,400,000 and RMB600,000, being the original shareholders’ capital contributions, to Ms. Liu Lan Hua (on trust for Mr. Lao Seng Peng) and Mr. Chen Li Chuen respectively in order to satisfy the considerations payable to Ms. Liu Lan Hua (on trust for Mr. Lao Seng Peng) and Mr. Chen Li Chuen 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 Seng Peng. Accordingly, the investment cost of Mr. Lao Seng Peng 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 Seng Peng, through 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 equity 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 respectively. All these three investors are independent of Mr. Lao Seng Peng, other Directors, chief executive and Substantial Shareholders or Management Shareholders of the Group or their respective associates. They invested in the Group as they expected that the business of the Group will provide satisfactory returns to their investments and they also anticipated to make capital gains in their investments.

Upon completion of the corporate reorganisation in preparation for the listing of the Shares on GEM, as more particularly described in the paragraph headed “Corporate reorganisation” in the section headed “Further information about the Company” in Appendix V to this prospectus, on 22nd June, 2001, the Company acquired the entire issued share capital of Goldigit Limited from Mr Lao Seng Peng, Mr. Li Lai Ming, Ms. Ho Ping, Tanya and Mr. Tsang Man Chan, and both Goldigit Limited and Fujian Goldigit became wholly owned subsidiaries of the Company.

Marketing of Sha Shi Ba (殺虱霸) during 1998

In March 1998, the Group participated in “National conference on the prevention and cure of pests of agricultural produces” (全國農作物病蟲害防治工作會議) in Xiamen to promote Sha Shi Ba (殺虱霸).

In June 1998, the Agriculture Bureau in Ningde District published「閩農牧簡訊·植保專輯(4)」 recommending the use of Sha Shi Ba (殺虱霸) for the killing of rice plant hoppers.

On 1st June, 1998, the advertisement of Sha Shi Ba (殺虱霸) under the trademark “五穀” passed the examination by Agriculture Bureau of Fujian province and was approved to launch on television.

Active Business Pursuits

During the Period of Active Business Pursuits, through the devotion of its research and development team in application of Propulsive Agent technology in the development of new pesticide, the Group has succeeded in applying its latest technological findings in the field of pesticide production. By evolving around its core technology and focusing upon major paddy pests, the Group developed related Target Propellant New Pesticides.

For the year ended 31st December, 1999

Production of the Propulsive Agent and Sha Shi Ba (殺虱霸)

During the year ended 31st December, 1999, the product, Sha Shi Ba (殺虱霸) was initially introduced to the market and limited quantity was sold. Accordingly, the Group sent staff to produce the Propulsive Agent, the core technology of the product at the Harbin Institute of Technology. The production process of Sha Shi Ba (殺虱霸) was subcontracted to an independent third party factory, Fuzhou No. 1 Refinery.

Development of products

Sha Shi Ba (殺虱霸)

The 2-year 2-region trial has been completed and the product started to be promoted and sold in Fujian market in April 1999. In July, 1999, it was awarded the First Prize Award for Technology Improvement (科技進步獎一等獎) by China Aerospace Corporation (航天工業總公司). In November, 1999, it was awarded the First Prize Award for National Defence Science & Technology (國防科學技術一等獎) by National Defence, Science and Technology Commission (國家國際科學技術委員會).

On 7th January, 1999, in a report submitted to the State Planning Committee by the Planning Commission of Fujian Province (福建省計劃委員會) concerning the mass production of the Target Propellant New Pesticides, it is mentioned that such product has passed the provincial examination and the technological achievement examination of Ministry of Aerospace (航天部).

Dao Ying Wen Jing (稻癭蚊淨)

In April 1999, toxicity trial being performed by 化工部農藥安全評價監督檢驗中心 (Pesticides Safety Examination Centre) on Dao Ying Wen Jing (稻癭蚊淨) has been completed.

In May 1999, Pesticides Inspection Institute of Fujian province has approved Fujian Goldigit's application for registration of the Dao Ying Wen Jing (稻癭蚊淨) and submitted the endorsed application to the Ministry of Agriculture.

In September 1999, Goldigit continued to conduct the second year experiment of the 2-year 2-region trial on the effectiveness of Dao Ying Wen Jing (稻癭蚊淨) on farmland.

By October, 1999, a total of eight agriculture units in Fujian Provinces have completed their field experiments and submitted reports.

GENERAL OVERVIEW OF THE GROUP

In August 1999, a provisional pesticide registration certificate was issued in respect of Dao Ying Wen Jing (稻癭蚊淨) and the Group then applied for the pesticide production permit from National Petroleum and Chemical Industry Bureau (國家石油和化學工業局). As the Group has no production facilities for pesticides, the Group requested the permit granted to Fuzhou No.1 Refinery. In the same month, a production license certificate was issued for producing Dao Ying Wen Jing (稻癭蚊淨) pesticides to Fuzhou No. 1 Refinery since the Group had authorized the factory to process its product.

In September 1999, Fujian Provincial Technology Supervision Commission (福建省技術監督局) launched「福建省地方標準DB35/328-1999」which was the mandatory provincial standard of Dao Ying Wen Jing (稻癭蚊淨) with effect from 26th September, 1999. Such standard was drafted by Fujian Goldigit and was adopted by Fujian Petroleum and Chemical Industry Bureau (福建石化廳).

The provisional pesticide registration certificate was obtained in August 1999, when the 2-year 2-region trial was completed, and it was valid for one year. The provisional registration certificate should be renewed every year.

1.2% fipronil (1.2%銳勁特•展膜油劑 (象甲淨))

Technology research and development was completed in October 1999 and the first year efficacy trial was completed at the end of the year. The product is going to be used to kill a highly damaging paddy pest, rice water weevil.

Sales and marketing of the products

During the year ended 31st December, 1999, the Group distributed 150 bottles of Sha Shi Ba (殺虱霸) to farmers in the Fujian Province for free trial. The campaign received positive response from farmers after using the product. Apart from providing the products to farmers for demonstration purposes, the Group also engaged in the following marketing activities:

- in January 1999, the Group published the article “Application of water surface propellant in the prevention and cure of *Orseolia oryzae*” in an authoritative journal of the nationwide pesticide industry to promote the Group’s pesticide products.
- on 30th July, 1999, the Group participated in the “Seminar on the application and promotion of new pesticide on cotton and paddy in Anhui Province” held by Agriculture and Husbandry Industrial Corporation of Anhui Province, and participated in Fujian Provincial Science Education Exhibition (福建省科教成就展) in the same month.
- on 27th August, 1999 two television films “Prevention and cure of paddy pests” were screened to introduce the Target Propellant New Pesticides produced by the Group on the “Starfire Technology” programme of the CCTV Channel 2.
- in September 1999, the Group participated in the “Seminar on the prevention and cure technology of pests of agricultural produces” held by the Institute of Entomology of Fujian Province.

GENERAL OVERVIEW OF THE GROUP

- on 4th September, 1999, the Group jointly held the “Exhibition of new film spreading cream in the prevention of planthoppers in Anhui Province” with Agricultural and Husbandry Industrial Corporation of Anhui Province, Agricultural Field Herbicide Technology Research Centre of Anhui Province and Shou County Agricultural Technique Promotion Centre.
- in December 1999, the Group participated in the “Conference on the conclusion of plantation protection and exchange of pesticide equipment technology” sponsored by the agricultural protection centres of Fujian Province (福建省植保檢查站).

Deployment of human resources

As at 31st December, 1999, the Group employed a total of 19 full-time employees and the following table categorises these employees by their functions:

	Total
Management and administration	8
Research and development	2
Sales and marketing	5
Finance and accounting	2
Production	2
	<hr/>
Total	<u>19</u>

56

For the year ended 31st December, 2000

Production of the Propulsive Agent and Sha Shi Ba (殺虱霸)

After a year of promotion and marketing activities, the sales of the Group’s product started to accelerate. In October 2000, the Group purchased a special reactor for the production of the Propulsive Agent to cope with the increasing demand of the Group’s product. The Group began the mass production of the Propulsive Agent in the rented office of the Group at Xihuanbei Road, Gu Lou District in Fuzhou. The production of Sha Shi Ba (殺虱霸) was continually subcontracted to Fuzhou No. 1 Refinery which has established a stable relationship with the Group.

Development of products

Dao Ying Wen Jing (稻癭蚊淨)

On 12th January, 2000, Fujian Agriculture Bureau (福建省農業廳) submitted a report to the Fujian Provincial Government applying RMB1,000,000 financial assistance from the government for the promotion of new pesticide. It was stated in the report that “in the past two years, relevant agriculture protection departments (植保部門) had conducted trials on new pesticide on the prevention of *Orseolia oryzae*, which revealed that the Dao Ying Wen Jing (稻癭蚊淨) developed by Fujian Goldigit and Harbin Institute of Technology is an ideal type of pesticide to substitute the highly toxic pesticide, ethophosphos (丙線磷).

GENERAL OVERVIEW OF THE GROUP

Sales and marketing of the products

During the year ended 31st December, 2000, sales of the Group's product, Sha Shi Ba (殺虱霸) were expanded from Fujian Province to other Provinces, namely Anhui, Jiangxi, Jiangsu and Henan Provinces. In addition, to further strengthen the high tech image of the Group's product, the Group distributed approximately 70,000 bottles of Sha Shi Ba (殺虱霸) to farmers for free trial.

On 12th March, 2000, the Group successfully held the First Promotional Training of New Pesticides「新農藥推廣交流培訓」in Fuzhou. About 53 people from various agricultural protection centres (植保站) and pesticide sales agents in Fujian Province participated in the training.

On 16th July, 2000, the Group successfully held the Second Promotional Training of New Pesticides「新農藥推廣交流培訓」in Fuzhou. About 48 people from various agricultural protection centres (植保站) and pesticide sales agents in Fujian Province participated in the training.

On 27th June, 2000, the seventh edition of「病蟲資訊」published by San Ming City Crop Protection and Inspection Station「三明市植保植檢站」of the Fujian Province recommended the Dao Ying Wen Jing (稻癭蚊淨).

On 30th July, 2000, the Group participated in the "Seminar on the application and promotion of new pesticide on cotton and paddy in Anhui Province" held by Agriculture and Husbandry Industrial Corporation of Anhui Province.

Apart from participating seminars and organising training courses, the Group also performed after-sale services during the year 2000 and visited about 58 customers (about 55 in Fujian province and 3 in other provinces) to provide advice and assistance on how to achieve the best results from the Group's products.

Technology acquisition

In June 2000, the Group acquired the knowledge and technology of the new pesticide, 8% buprofezin, and the related rights to apply for patent from Harbin Institute of Technology at a consideration of RMB8 million. The Group then submitted application to the SIPO for patent registration in October 2000.

Deployment of human resources

As at 31st December, 2000, the Group employed a total of 31 full-time employees and the following table categorises these employees by their functions:

	Total
Management and administration	13
Research and development	2
Sales and marketing	8
Finance and accounting	2
Corporate planning	2
Production	4
	<hr/>
Total	31

GENERAL OVERVIEW OF THE GROUP

FROM 1ST JANUARY, 2001 TO THE LATEST PRACTICABLE DATE

Production of the Propulsive Agent and Sha Shi Ba (殺虱霸)

During the period from 1st January, 2001 to the Latest Practicable Date, the Group continued to produce the Propulsive Agent by itself and subcontract the production of Sha Shi Ba (殺虱霸) to Fuzhou No. 1 Refinery.

Development of products

1.2% fipronil (1.2% 銳勁特•展膜油劑(象甲淨))

The Group will complete the 2-year 2-region trial for the product in October 2001 and start the toxicology trial.

Sales and marketing of products

During the period from 1st January, 2001 to the Latest Practicable Date, the Group expanded its distribution network of Sha Shi Ba (殺虱霸) by engaging additional pesticide sales agents in Fujian, Anhui, Jiangsu and Jiangxi Provinces. For the product Dao Ying Wen Jing (稻慶蚊淨), confirmed purchase orders of approximately HK\$6 million have been received by the Group and the first batch of the product is expected to be delivered by July 2001.

Deployment of human resources

As at 31st March, 2001, the Group employed a total of 36 employees and the following table categorises these employees by their functions and locations:

	Total
Management and administration	15
Sales and marketing	8
Corporate Planning	2
Finance and accounting	2
Research and development	6
Production	3
	<hr/>
Total	<u>36</u>

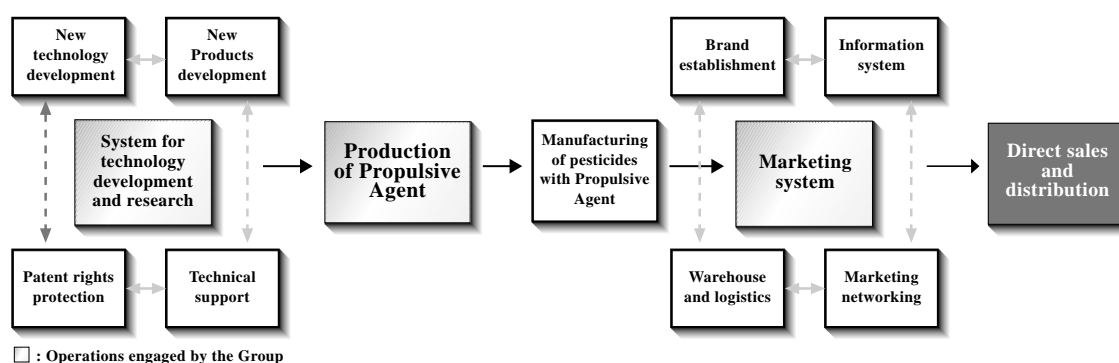
GENERAL OVERVIEW OF THE GROUP

DESCRIPTION OF BUSINESS

Operating model

At present, the Group outsources the manufacturing of the pesticides to an independent third party and the Group focuses on the development of the Propulsive Agent technology and the building up of its market networking to establish its unique competitive advantages. This operating model has greatly simplified the organisation structure, reduced operating costs and enhanced its operating efficiency. The Group can deploy its major resources in strategic keypoints like scientific research and development and marketing and sales in achieving better operating results.

The Business Model Flowchart



As the Group adopts the manufacturing outsourcing method, it discharges the management and financial burdens in respect of the production of pesticides to the processing agent and the Group's operation is mainly focuses on (i) research and development system; (ii) the production of the Propulsive Agent; (iii) and marketing and sales system. The Group's research and development functions mainly consists of four elements, namely, new technology development, new products development, intellectual rights protection and technical support. The marketing and sales functions of the Group mainly consist of the other four elements, namely brand building, information system, logistics and marketing network.

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

- Simple operation structure – by outsourcing the production processes of pesticide to independent third parties and to concentrate on the production of the Propulsive Agent which is the core technology of the pesticide, the Group can devote its resources to capital management and human resources management. This enables the Group to streamline its internal organisation and achieve the highest efficiency.
- Low operating costs and inventory – since the substantial production functions are performed by independent third parties, 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 order is received.

G GENERAL OVERVIEW OF THE GROUP

- Responsive to market – since all the production functions are assigned to independent third parties, the functions of internal operation are specific and efficient enabling the Group to respond swiftly to any changes in market conditions.

However, the reliance of the Group on the processing agent means that the Group cannot control the whole manufacturing process of the pesticides and the Group lacks the specific personnel and skills on production of pesticides.

THE TECHNOLOGY

- **Origin of the technology**

Prof. Cai started to conceive the applications of molecular materials science in the research towards the improvement and innovation of insecticide 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), a new insecticide that has been named the “Target Propellent New Pesticide”.

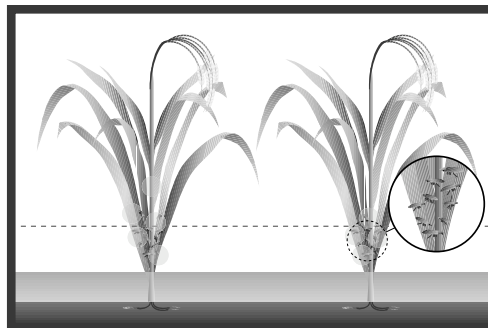
- **Innovative technology**

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 do 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 principal molecule. Since the Propulsive Agent is specifically designed to contain repelling characteristics, the newly formed mixture enables principal molecules of pesticide to diffuse profusely along the water surface and achieve the purpose of its target application. Compared to traditional pesticide, the application of Propulsive Agent technology in “Target Propellent New Pesticide” brings an innovative industrial technology to reconnected pesticides with brand new dosage.

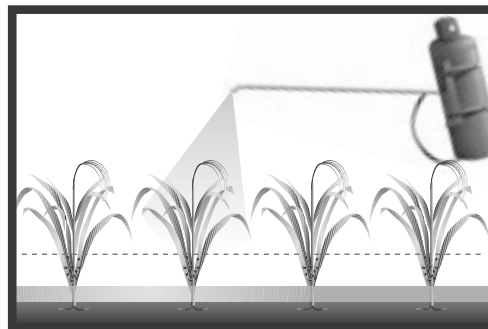
GENERAL OVERVIEW OF THE GROUP

Traditional pesticide

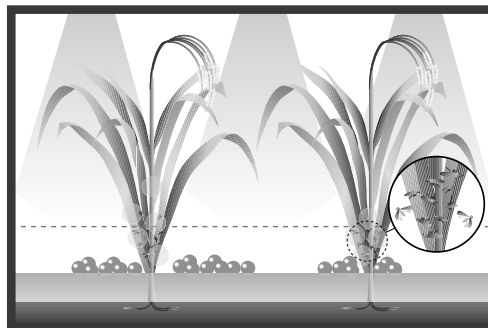
The application method of traditional pesticide is a “top-down” approach, using equipment to spray the granules of pesticides on the surface of paddy leaves. The efficiency of this application method relies heavily on the spray nozzles which influence the droplet size and distribution of the pesticides. Using the traditional method of spraying, the pesticides 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 pesticides 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.

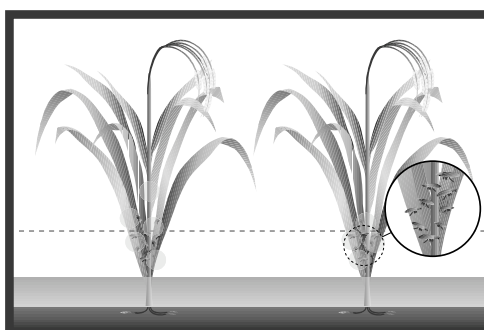


By traditional spraying, it is difficult for pesticides to reach the pests gathering at the bottom part of the paddy stem. Considerable amount of pesticides stay on the leaf and water surface causing wastage and pollution.

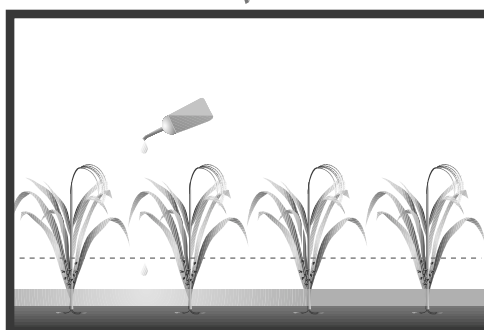
GENERAL OVERVIEW OF THE GROUP

Target Propellent New Pesticide

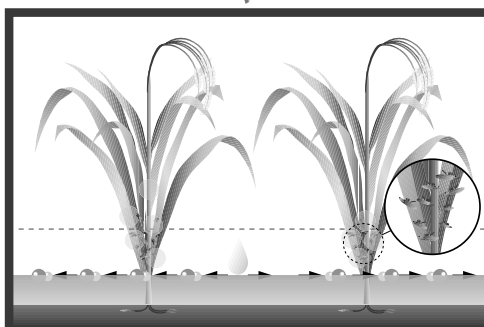
The application method of Target Propellant New Pesticide is direct dosage on the water surface. Since the Propulsive Agent allows the molecules of raw pesticides to diffuse profusely along the surface of water, the droplet of pesticides can be distributed evenly on the water surface with the utmost coverage. Application of pesticides is more straight forward eliminating the use of any application equipment. In addition, since the pesticides can disperse swiftly along the water surface, the penetration rate of pesticide is higher and application volume is significantly reduced. 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 Target Propellant New Pesticide automatically diffuse profusely along water surface and conduct upward along the exterior of the paddy stem, eliminating the cumbersome spraying procedure while effectively killing the pests by Target Propellent method.

GENERAL OVERVIEW OF THE GROUP

The principal differences between water surface diffusing application method of the new dosage and the traditional dosage are as follows:

- The new dosage has changed the granular drift of raw insecticide into molecular diffusion so that the wastage of pesticide during the process of application is avoided. Hence, the utilisation efficiency of insecticide is greatly enhanced and the amount of residues reduced.
- Since most of the paddy pests are inhabited on the paddy stems at around 10 cm. above the water surfaces, the traditional method of application by spraying the granules of insecticide on the surface of paddy leaves fail to achieve the targets of absorption and dispersal of insecticide. The water surface diffusion characteristic of the new dosage helps to propel the insecticide to the water surface of the paddy stems. As the paddy stem is humid with a moist film, the insecticide can be conducted automatically upward along the exterior of the paddy stem and reached the target promptly. At the same time, as a result of the good internal absorption possessed by this new insecticide, it has excellent efficacy in killing pests.
- The new dosage has transformed the traditional clumsy, heavy, tiresome and harmful method of application into a new method of driving and automatic diffusing of insecticide on water surface by the molecules of the Propulsive Agent. Thus, not only productivity is greatly enhanced but also it provides an effective protection to the personal health of the pesticide users.
- As the raw insecticide of the new dosage diffuses in terms of molecular size, the effective level of concentration of the raw pesticide is extremely low (at PPM level) which, in theory, has greatly enhanced the safety aspect of its application in environmental protection.

Pursuant to the Appraisal Report issued by the State Economical Trade Committee on 13th November, 1998 and the new search 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 85-90% pesticides within 8 to 20 day after the pesticides application.
- It has low toxicity reducing the pollution impact on the environment.

In December 2000, the Propulsive Agent technology was recommended by the Committee on National Defence, Science and Technology Industry of the PRC (中華人民共和國國防科學技術委員會) to apply for the National Invention First Prize Award. The result of the application is expected to be released by the end of 2002.

REGISTRATION AND APPROVALS

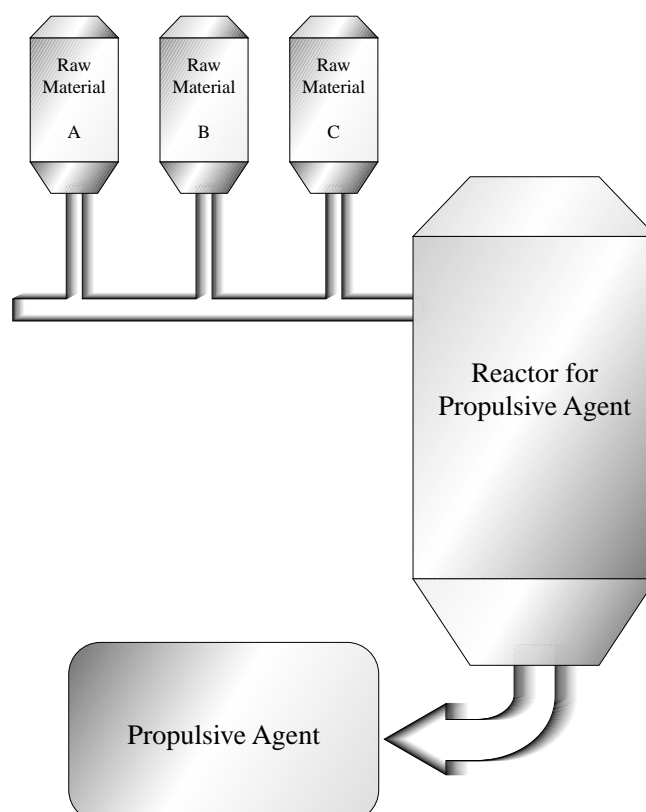
Pursuant to the relevant laws and regulations of the PRC, the PRC government has implemented a pesticide registration system whereby a pesticide can only be introduced to the market for sales after it has undergone a registration process (or a provisional registration of pesticide) and obtained a pesticide registration certificate (or a provisional pesticide registration certificate). Application for a pesticide registration certificate must be made within four years after obtaining the provisional pesticide registration certificate. Besides, 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.

Goldigit has obtained two provisional pesticide registration certificates issued by the Ministry of Agriculture of the People's Republic of China in respect of Sha Shi Ba (殺虱霸) and Dao Ying Wen Jing on 4th February, 1998 and 2nd August, 1999 respectively. The current registration certificate of Sha Shi Ba (殺虱霸) was approved and issued on 10th January, 2001 and is valid until 10th January, 2002. The current registration certificate of Dao Ying Wen Jing was approved and issued on 5th September, 2000 and is valid until 15th July, 2001.

Two pesticide production permit certificates in respect of the pesticide production for Sha Shi Ba (殺虱霸) and Dao Ying Wen Jing were issued in the name of Fuzhou No. 1 Refinery a stated-owned enterprise which performs the manufacturing processes of pesticides and the addition of Propulsive Agent to the pesticide, on 1st March, 1998 and 1st August, 1999 respectively.

PRODUCTION

Production process of the Propulsive Agent



GENERAL OVERVIEW OF THE GROUP

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

- organic solvents, chemicals in specific quantities are put in separate containers (the proportion in which each of these chemicals has to be used forms part of the Group's confidential technical know how);
- the chemical raw materials are mixed in the special reactor, the mixture of the chemical raw materials will then be heated over 100 degrees Celsius;
- during the process of heating, the special 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 raw materials consumed by the Group are commonly available chemicals with ample supply in the PRC. At present, the Group purchases most of its materials from a number of chemical product suppliers in the PRC. The Directors consider that the Group has a stable relationship with these suppliers and no difficulty has been encountered in the sourcing of raw materials in the past. As the 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 usually enters into purchase agreement with major raw material suppliers whereby the prices, quality and specifications of the raw materials required are stated. Transportation costs are borne by the suppliers. All raw material are 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 upon delivery and the delivery of the raw materials usually takes within a day. Since the volume of the Propulsive Agent required for the production of pesticide is very small (constituting less than 3% of every tonne of pesticide produced) and the raw materials required are generally available in the market, the Group usually keeps low level of inventory and purchases will only made until the existing inventory is used up.

In each of the two years ended 31st December, 1999 and 2000 and the three months 31st March, 2001, the largest five suppliers of the Group, together accounted for approximately 89.87 per cent., 100 per cent. and 100 per cent. respectively, and the largest supplier accounted for approximately 28.86 per cent., 89.87 per cent. and 91.2 per cent. respectively, of the Group's total purchases. None of the Directors, their respective associates and shareholders who own more than 5 per cent. of the issued share capital of the Company has any interest in any of the five largest suppliers of the Group.

Plan of production

The Group formulates its production plan primarily according to the pests estimation of the year. According to the agricultural practice in the PRC, annual conferences are held by each agricultural protection centres (植保站) in different levels in late December or early January predicting the pests epidemics on paddy rice in different regions of the PRC and are held on both provincial and national levels. The matters discussed include what specific types of pests epidemics on paddy rice, the nature of the serious pests and the types of recommendatory pesticides to control them. After attending the conferences, the management of the Group then initiate the

production plan, estimating the sales order with the minimum and the maximum stock levels being set out. According to the past experience of the Group, the plan of production which is based on the prediction of pests foreseeing is to great extent consistent with the actual sales volume for the year.

Pesticide manufacturing

To minimize the overhead production costs and take advantage of the well-developed production line of the existing pesticide manufacturing factories, it is always the Group's strategy to have the production processes of the pesticides outsource to an independent third party, Fuzhou No. 1 Refinery. Pursuant to the outsourcing agreement, the processing agent is required to acquire raw materials of the pesticide and undertake the manufacturing in accordance with the order of the Group, and the processing agent is entitled to receive a processing fee. The terms of the outsourcing of production of pesticide are normal commercial terms and have been arrived at on an arm's length basis. The outsourcing of manufacturing of pesticide enables the Group to concentrate on the production of core technology of the pesticide, the Propulsive Agent. The entire production process of the pesticide takes about 2 hours to complete and it is mostly automated which primarily involves the simple process of heating and stirring. 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, low level of inventory is usually kept by the Group. The group agrees with the processing agent on the price of producing each bottle of pesticide (with raw material costs and processing fee included). All principal raw materials are purchased by the processing agent with the close supervision by the quality control staff of the Group. 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 by the processing agent.

Fuzhou No.1 Refinery is a state-owned enterprise and is mainly engaged in the production of pesticides in the PRC. It is a well-qualified pesticide manufacturer which mainly produces liquid insecticides and received numerous qualifications and awards from provincial governmental institutions in terms of product quality, working environment, safety and industry hygiene, etc..

On 28th April, 1997, it received the honorary award for its safety standard from the Economic Committee of Fuzhou City (福州經濟委員會). In consideration of to its good reputation for production and safety standard, the Group subcontracts all production processes of its products to this enterprise.

Although the production process of pesticides is carried out by an external manufacturer, 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, the composition and formula of which is kept strictly confidential from processing agent. The Group also maintains stable relationship with the processing agent and no difficulty relating to the whole production process has been encountered. Under normal circumstances, the credit terms of the Group with Fuzhou No. 1 Refinery are 90 days. The Directors expect that the outsourcing of pesticide manufacturing arrangement will continue in the foreseeable future.

GENERAL OVERVIEW OF THE GROUP

PRODUCTS

The Group has currently obtained the requisite permits and marketed two products, namely, Sha Shi Ba (殺虱霸) and Dao Ying Wen Jing (稻癭蚊淨). Sha Shi Ba (殺虱霸) is used to kill rice planthoppers and Dao Ying Wen Jing (稻癭蚊淨) is used to kill Asian rice gall midge. While other pesticides have to be mixed with water and then applied with sprayer equipment, the Group's pesticides can be applied by direct droplets on the surface of water.

All of the Group's products are sold under the “五谷” trade mark which is owned by Fuzhou No. 1 Refinery, the subcontractor and registered in the PRC. Pursuant to a 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” trade mark and brand name in connection with the production and sale of the pesticides for a period of 25 years.

The Group's products are in liquid form packaged in plastic bottles and are prescribed with standard quantities, 100ml and 200ml for Sha Shi Ba (殺虱霸), 120ml and 240ml for Dao Ying Wen Jing (稻癭蚊淨).

The PRC Government adopts favourable tax treatment on companies in agriculture business. Certain categories of pesticides are exempted from value-added tax and FIEs of agriculture industry enjoys more preferential treatment under the relevant PRC law. Accordingly, the Group's product, Sha Shi Ba (殺虱霸) has been exempted from value-added tax and Fujian Goldigit is exempted from income tax in the first two years after gaining profits and a 50% reduction in the third to fifth years.

QUALITY CONTROL

The Group has adopted high standard of product quality and customer services. It has set up standards for its products' quality specifically, they follow a random checking procedure and there are 3 staff members to perform the quality control measures upon its subcontractor. The quality control staff members closely monitor the whole production process of the subcontractor and perform quality check on each processing procedure specified by a manual of the Group perform quality control on the raw materials and the final products.

The Group has never had any material sales return and has never received any material complaints from its customers. The Directors believe that the low return rate of its products are attributable to the strict quality measures adopted by the Group.

The Group's products are sold with labels containing detailed information on their functions, specifications and method of application. The Group's sales and technical staff pay visits to its major customers to provide technical guidance on the use of its products and to collect customer's feedback on product quality and effectiveness.

SALES AND MARKETING

During the two years ended 31st December, 2000 as the product of the Group was new to the PRC market, the Group adopted the trial use policy by distributing free trial sample of products for customers for promotion purpose. In the period of 1999-2000, the Group signed consignment contracts with agricultural resources companies, agricultural protection centres and individual agricultural supplies companies (個體農資公司) appointing them as sales agents on consignment basis of the Group's products. Agricultural protection centres are state-owned, non-profit making

G GENERAL OVERVIEW OF THE GROUP

entities which are set up by the Agriculture Bureau to provide information to farmers on pests epidemics and to help farmers on the improvement of agricultural methods. It also has an auxiliary function to sell pesticide to farmers. Agricultural resources companies and agricultural supplies companies are profit-making entities which provide pesticides, fertilizers, and different types of agricultural supplies to farmers. These sales agents were responsible for demonstrating and promoting the products to final users. By utilizing the distribution networks of these sales agents, the Group was able to achieve good promotion and sales results in its operation. Starting from 2001, the Group ceased all consignment agreements and commenced to enter into direct sales contract with its sales agents as the Group's customers to enhance the distribution efficiency, and the Group plans to continually adopt such sales model and expands its sales to different geographical regions through the distribution network of agricultural protection centres and individual agricultural supplies companies.

For each of the two years ended 31st December, 1999 and 2000 and the three months ended 31st March, 2001, the Group's sales to its five largest customers accounted for approximately 44.7 per cent., 51.6 per cent. and 71.5 per cent. of its total sales respectively and sales to its largest customer alone accounted for approximately 17.6 per cent., 30.7 per cent. and 18.4 per cent. of the Group's total sales respectively. None of the Directors, their respective associates and shareholders who own more than 5 percent of the issued share capital of the Company had any interest in any of the five largest customers of the Group for each of the two years ended 31st December, 2000 and the three months ended 31st March, 2001.

The Group has full discretion in setting the prices of its products in light of market conditions and is not subject to any legal or regulatory controls on pricing. All of the Group's sales are denominated in Renminbi and settlements with consignors were cleared at the end of the two years ended 31st December, 1999 and 31st December, 2000 in cash. The Group has not experienced any bad debt or doubtful debts in the past. Currently, the Group carries out a cash on delivery payment terms towards all its sales agents.

Currently, the Group mainly sells its product in Fujian province and also in Anhui, Jiangxi, Jiangsu and Henan province. Due to the wide range of differences as to climatic conditions and vegetation covers in different areas in the PRC, particular attention need to be placed on the adoption of promotion and demonstration methods in rural areas. Therefore, the Group has relied mainly on agricultural resources companies and agricultural protection centres to market its products to farmers.

According to market experience in the past 2 years and advice from marketing and sales experts and taking into consideration of the characteristics of the pesticide market and the special features of the Group's products, the Group proposes to adopt the following representative sales and marketing strategies as its future marketing strategy:

- Geographical and seasonal dynamic strategy. Due to the different habitats of pests and variations in areas, seasons and extent affected, the Group will maintain close cooperative relations with agricultural protection centres to build up an information collection system of major pests gradually, track the areas and seasons of outbreaks of major paddy pests and determine its key markets.
- Demonstration and service strategy. Taking into consideration of the characteristic of the low education standard of farmers in rural areas and combine with the promotion experience of traditional agricultural technology, the Group will cooperate with various agricultural protection centres to form a demonstration and after-sales service team. At the same time, it will build up relations with teacher of local agricultural schools

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(including rural high school) and agricultural technology associations in target markets by recruiting teachers of agricultural schools and organizers of agricultural technology associations as supervisors, students of agricultural schools as demonstrators to offer onsite demonstration and promotion in enhancing the farmers' understanding of the new pesticides by Goldigit. Due to the long term local working experiences of teachers of agricultural schools and organizers of agricultural technology associations, such measure will guarantee the long term nature and stability of the after-sales service offered by the Group.

- **Internet Strategy.** Since the target market is rather diverse, the sales team and the cooperative partners are widely spread in different areas. As market information of product sales is of utmost importance, the Group has therefore adopted internet technology in offering support to the whole market distribution. Apart from collecting pest information, it will distribute latest information of the Company to the sales partner and marketing teams, such as agricultural protection centres, agricultural resource systems, teachers of agricultural schools and organizers of agricultural technology associations. It is intended to be a two-way interactive information exchange platform. Currently, the Group has registered a series of international website addresses and start to build up the site <http://www.goldigit.com>
- **Sales channel promotion strategy.** Due to historical reasons, sales channels such as agricultural resource companies, agricultural protection centres have fundamental influence on sales of pesticide. Hence, the Group has paid particular emphasis in maintaining relationship with sales channels in various areas and placed the focus of its marketing strategy on the sales channel in different areas. Thereafter, the Group has organized a series of promotional activities, such as organizing the “Thailand and Hong Kong tour award scheme based on sales results”, sending out T-shirts as souvenir, maintaining close relationship with sales channel in various areas, to guarantee their practical benefits in selling and promoting the Group's products.
- **Public relations strategy.** Since the Group's new pesticide is a brand new form of pesticide which conforms with the priority directions of the State pesticide industry, agricultural protection departments in various areas offers active assistance in promoting the Group's new form of pesticide. Hence, the harmonious cooperative relations with various levels of government agencies and agricultural departments will provide the Group's development of market sales and promotion with an external environment. In future, the Group is going to be actively involved in social community welfare activities throughout the year so as to build up its corporate image, such as sponsoring the “pesticide promotion poster” and “pest prevention and cure seminars” organized by various agricultural protection departments.
- **New brand name advertisement strategy.** Compared with other pesticides which do not pay much emphasis on advertisement, the Group take the lead in the industry with foresight by implementing the “new brand name” strategy and strongly strengthening the efforts to build up its corporate image and products promotion. In the future, the Group is going to place television advertisements in various counties, towns and villages. In addition, to complement the marketing effort of sales channel in various areas, the Group will invest and produce large number of advertisement promotion tools, such as advertising T-shirts, posters, POP flags, product promotional pamphlets, VCD display systems in order to build up the brand name of Goldigit in rural areas gradually.

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The Group's sales and marketing team currently consists of 8 persons, mainly responsible for promoting the products and providing support services to customers. The sales personnel will have regular meeting with officers of agricultural protection centers and agricultural resources companies, discussing about the feedback of farmers on using the products. The sales personnel also promote the products by visiting new agricultural protection centers, agricultural resources companies and sales agents outside the Fujian province.

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 focuses on providing adequate after-sales services. One staff is 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 after-sales services.

COMPETITION

There are over 100 brands of pesticide available in the PRC market serving similar functions as those of the Group's products, but, the Group's pesticides are more advanced compared to traditional paddy pesticides. The technologically advanced nature of its products coincides with the increase in emphasis of labour productivity and environmental protection. In the Directors' view, the above provides the Group with key competitive advantage.

The Directors believe that there is, at present, a limited amount of chemical pesticides for paddy rice imported into the PRC each year. The import of pesticides into the PRC is currently subject to an import tariff of 13%. With the anticipation of China joining the WTO as a contracting party, the PRC government will reduce import tariff on a wide range of products. This could result in foreign-made chemical pesticides being imported into China at a lower tariff rates. The Directors believe that even if import tariff were to be lowered, it would not result in any immediate significant decrease in the revenue of the Group as the application technology of foreign made chemical pesticides which mostly apply sprayer nozzles are substantially less competitive to 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 on the imported pesticides. The Directors are also confident that the Group's products would be able to maintain their price competitiveness.

The special feature of the Group's product is that its application method is innovative. This feature has significant reduction of application costs for users. Pertaining to the trend of pesticide consumption, it is worthwhile to note 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 new product developed by pesticide companies in the future will not only be on the competitiveness of sales price but also on the continuing reduction of deploying cost of the product which in turn will provide the farmers high quality products with low combined costs. In respect of the products of the Group, it has distinct competitive advantages. In its marketing process, the Group will emphasis on the concept of "lower combined costs" to guide the consumers the new selection standard of pesticides.

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PROPERTY, PLANT AND MACHINERY

The Group's main fixed asset is the special reactor located in the rented office at Xihuanbei Road, Gu Lou District in Fuzhou. It is used for the production of the Propulsive Agent and was been acquired at a consideration of RMB3.85 million. As the Group's production involves special technical knowhow, the machinery is specially designed by the research technicians of Harbin Institute of Technology and the whole manufacturing process is closely monitored by the Group. The Group intends to use part of the proceeds from the Placement to finance the acquisition of new special reactors (see "Use of Proceeds" under the section headed "Future Plans and Business Objectives"). None of the shareholders or directors of the Company or any other members of the Group has any interest (direct or indirect) in the acquisition of the machinery.

The Group currently leases from Fujian Province Guang Yuan United Development Co., Ltd. (福建省廣源聯合發展有限公司) and Shanghai Volkswagen Fuzhou Service Station (上海大眾汽車福州特約維修站) two properties in Fuzhou, of which one was leased at an annual rental of RMB105,600 and it is used as the administration office, production place of the Propulsive Agent and product development centre; and the other one was leased at an annual rental of RMB19,200 and is used as a warehouse. Fujian Province Guang Yuan United Development Co., Ltd. (福建省廣源聯合發展有限公司) and Shanghai Volkswagen Fuzhou Service Station (上海大眾汽車福州特約維修站) are independent third parties and are independent of the Directors, chief executives, Substantial Shareholders or management shareholders (as defined in the GEM Listing Rules) of the Company and the respective associates. The interest of the Group in these properties as at 31st December, 2000 have been valued by Greater China Appraisal Limited, an independent valuer, as having no commercial value. The valuation report prepared by Greater China Appraisal Limited is include as one of the documents available for inspection as stated in the section headed "Documents Available for Inspection" of Appendix VI. The text of the valuation report is set out in Appendix III to this prospectus.

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ENVIRONMENTAL MATTERS

The Group does not discharge any waste water or solid waste nor does it cause any pollution during its production process of 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 be kept within the permitted range prescribed by the PRC environmental authorities. The manufacturing process of the pesticides by the subcontractor produces polluted water. Since the subcontractor is a manufacturer of pesticide, it is required to comply with regulations specified by the national and local Environmental Protection Bureau (環保局) to treat such polluted water before discharge and failing to comply with the relevant regulations is subject to fines. To date, the subcontractor has complied with the relevant regulations and has not been fined for any material violation of national or local environmental regulations.

In addition, the Group's products are environmentally safe preventing unnecessary contamination of the paddy rice. As the application involves only small droplets with the best possible coverage, the application volume is significantly reduced compared to other pesticide. Hence, application of the Group's products could contribute to improving farmers safety and reducing environmental pollution and application cost.

INTELLECTUAL PROPERTY RIGHTS

Patent

The Group's Propulsive Agent was originated from the special 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, the Group purchased all the technologies related to the 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 of the exclusive manufacturing and distribution rights in June 2000. The quantity required of the materials, the duration of which and the temperature at which the materials are to be processed all form parts of the confidential technical knowhow that is the key to the Group's production process and is known to Prof. Cai, Mr. Lao Seng Peng, Mr. Yuen Leong and the Senior Managers of the Group. Prof. Cai and such other personnel are bound, in their service contracts, to maintain strict confidentiality in respect of the Group's production knowhow.

Since the key part of the Group's production technology relates to the production of the Propulsive Agent, its production process remains to be confidential information. In October 2000, the Group applied to the PRC Patents Registry for patent registration in respect of the technical knowhow relating to the Propulsive Agent production. According to the Directors' understanding, the processing of the Group's patent application will involve the public notification (including the formula of the Propulsive Agent technology) of the application by the PRC Patents Registry generally after a period of 18 months elapsed from the date on which the application was made. Pursuant to the Group's PRC legal adviser's advice on PRC law, 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 invented it by himself. The patent applicant is, however, entitled to require the relevant person which utilises the invention ("third party") to pay an appropriate fee. The patent applicant may, in default of payment of the fee by third party, request the relevant authority to order third party to pay an appropriate fee to the patent applicant within a prescribed time period. If the parties involved does not agree with the decision of the patent authority, he/she may appeal to the People's Courts.

Whilst the patent applicant is not entitled to prohibit utilization of other independent inventions which use 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 plagiarizes or pirates the technology announced by the patent applicant. The invention applicant may file a claim to the People's Court and seek an order to prohibit utilisation of that technology and claim for payment of an appropriate fee and compensation for any loss to the patent applicant.

After such notification, the Registry 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 knowhow. If the PRC Patents Registry 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 to stop infringer's act and procure compensation for any loss incurred.

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The entire application process could take up to three years to complete. Hence, the Group does not expect the registration of its patent under application to be completed until late 2003. Subsequent to the award 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.

Trademarks

At present, the Group's products are sold under the “五 谷” trade mark which is owned by the subcontractor and registered in the PRC for a term of 10 years expiring on 9th November, 2006. Pursuant to the trade mark licensing agreement of 1st May, 1998, the Group was granted a non-executive licence to use the “五 谷” trade mark 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. The license fee payable by the Group pursuant to the trade mark license arrangement is assessed on annual basis at a sum equivalent to 0.1% of its total turnover per year, to be paid every three years. For the years 1999 and 2000, the total license fees paid were HK\$170 and HK\$6,438 respectively. The Group is not allowed to sub-license the “五 谷” trade mark or otherwise allow any third party to enjoy any rights or obligations under any of the trade mark licensing agreements.

In October 2000 and January 2001, the Group has applied in the PRC for the registration of the “金澤精化” trademark (including the three elements of the Group i.e. “corporate logo 金”, “金澤精化” and “Goldigit Chemical”) under category 35 (business promotion), category 5 (pesticide product) and category 42 (plant protection), for its products. In February 2001, the Group has also applied in the PRC for the registration of the trademark “金澤靈” (including the three elements of the Group, i.e. “corporate logo 金”, “金澤靈” and “Jin Zhe Ling”) under category 5 (pesticide products). Since February 2001, 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 trademark registration procedures are expected to be completed by March 2002.

In June 2001, the Group has also applied in Hong Kong for the registration of the Group's corporate logo and trademarks with the Intellectual Property Department of Hong Kong. Please refer to paragraph headed “Trademarks” in Appendix V to this prospectus for further details.

Internet domain names

The Group is the registered owner of the internet domain names of “goldigit.com.cn” and “goldigit.net.cn” in the name of Fujian Goldigit.

The internet domain names of “goldigit.com”, “goldigit-online.com”, “goldigit-chemical.com”, “goldigit-hi-tech.com” and “goldigit-agriculture.com” are registered under the name of one of the Group's senior management staff, Mr. Ding Jian for and on behalf of Fujian Goldigit. Mr. Ding Jian has confirmed in writing that notwithstanding that he is the registered owner of the above internet domain names, the beneficial owner of the above internet domain names is Fujian Goldigit and he does not have any beneficial rights and ownership of the same. He has undertaken to the Group in writing that if so requested by Fujian Goldigit, he will transfer the registered ownership of the above internet domain names to the name of Fujian Goldigit.

Please refer to the paragraph headed “Internet domain names” in Appendix V to this prospectus for further details.

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RESEARCH AND DEVELOPMENT

The Group has a research and development group of 6 staff members, of whom three have doctorate degrees (one in mechanical engineering and two in environmental science), and three have master degrees in environmental engineering. The research and development group is mainly responsible for research, analysis and development of new products, inspections and testing during production of pesticides, and preparation of the Propulsive Agent required for the production of pesticides.

The Group has close co-operation arrangement with Harbin Institute of Technology on the research and development of new products. Since Prof. Cai, the head of the research and development team of the Group, is also the head of the Environmental Science and Engineering Department of the Harbin Institute of Technology, the research work carried out by Harbin Institute of Technology can be closely monitored. Pursuant to a memorandum dated 15th January, 2001 between Fujian Goldigit and Harbin Institute, the research results, the patent rights and technology rights of the products developed pursuant to the agreements rendered between its parties belong to Fujian Goldigit and no consideration will be paid for transfer of such results and information relating thereto. Such co-operation arrangement enables the Group to undertake the development of new products in the cost efficient manner. Apart from the Harbin Institute of Technology, the Group also has cooperation arrangements with other science and academic institutions in the PRC. For instance, the Group has appointed the School of Ocean and Environmental Protection of Xiamen University to perform a research study on the environmental impact of the Group's products.

The Group has started initial research studies on the application of the Propulsive Agent on other types of products, namely, fertilizers, herbicides, mosquito terminators algae killer and oil slicks' solvent.

INSURANCE

The Group and the processing agent have maintained adequate insurance coverage for any damage to plant and machinery by accidents or natural disasters. With the exception of insurance for its employees in respect of death or personal injury at work, 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 should 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 no suitable product liability insurance for the Group's products in the PRC currently. Therefore, the Group does not maintain any product liability insurance. The Directors will continue to look around 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 claim 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 by independent bodies. According to the toxicity trial report issued by 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 product is low and the Directors believe that the possibility of the product causing environmental pollution and subsequent harm to third parties is very remote. With such regards 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 significant emphasis on quality control and continually monitors any possible harmful effect that its products may have.

STATEMENT OF BUSINESS OBJECTIVES

Overall business objectives

The overall business objectives of the Group is to fully capitalise on the proprietorship and the application of the Propulsive Agent technology and become a leading agricultural resources developer in the PRC. In order to achieve the stated business objectives, the Group intends to: (i) expand its research in the technology including the establishment of a research and development centre to expand research in Propulsive Agent technology related projects and the research and development of a series of products such as “target propellant weedicide for paddy”, “target propellant fertilizer for paddy” and mosquito terminator for urban trenches that employ the Propulsive Agent; (ii) to expand the production volume of Propulsive Agent by construction of a new production plant equipped with new production facilities; (iii) build up an effective sales channel and a nationwide distribution network so as to increase the distribution proportion of its pesticide products; and (iv) enhance its corporate brand recognition as a high-tech agriculture resources provider.

Bases and assumptions

The Directors have evaluated its market potential, implemented the Group’s directions on active business pursuits, formulated the strategic plan, endeavoured to achieve the Group’s business objectives in accordance with expected market demand, and also sought for future increase of product sales on the strength of experience and knowledge of the Directors. The Directors have made the following assumptions:

1. there will be no significant change in the existing political, legal, financial, foreign trade or economic conditions in the PRC or countries in which the Group expands its business within the forward looking period;
2. there will be no significant change in the base and rate of taxation in the PRC where the Group operates in or its affiliates are incorporated;
3. a future growth in agricultural output of paddy in the PRC, and demands for chemical pesticides are expected to be strong;
4. there will be no significant change in the existing interest rate and exchange rate; and
5. there will be no change in the licenses and permits that the Group has obtained.

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Market potential

In recent years, there was vigorous growth in pesticide industry in the PRC. The Directors believe that the Group has been in an advantageous position that may meet future market demand for and growth on those new pesticides with advanced technology, high efficiency, low toxicity, low residue and low application volume. (高效低毒, 低残留及低用量). Looking to the future, the Group’s series products of target propellant have favorable market potential in the PRC and can be generalized to following points:

- (1) *Government support*

When conducting macro-control on pesticide companies and adjusting types, structure and volumes of pesticides, the Chinese government particularly emphasis on supporting

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companies engaging in the development and production of new pesticides. The Ministry of Finance, in its notification on exemption of VAT on certain production materials in 1998 has exempted value-added taxes on a number of types of pesticides. The Chinese government also supports highly effective, environment friendly low cost pesticides.

(2) *International market demand*

The Directors believe that the export of these types of products has tremendous potential in the international market because of its features of high efficacy, safety, raising labour productivity in terms of labour and time savings and environmental safety. In 1999, the area under paddy plantation annually in Asia (excluding the PRC) exceeded 100 million hectares with a pest loss ratio of over 31.5% which is much higher than that of the PRC. The total value of pesticides employed in the prevention and cure of major paddy pests annually is approximately US\$2 billion. Accordingly, the international market sales prospect of the target propellant new pesticides is very promising. The Directors believe that the introduction of the Group's products can fill the void of the international market with huge market potential.

According to the Directors, in the event that the Group's products are to be exported overseas, the Group will take appropriate measures to ensure that its exported products will comply with the requirements of overseas jurisdictions.

(3) *Environmental safety*

Currently, the PRC government and the pesticide industry are very concerned about the effects of pesticide on the environment and human health. Therefore, the Directors believe that highly toxic pesticides will be gradually eradicated from the market. Accordingly, the Group's product has a huge opportunity in the market. The Directors consider that, in the next 50 years, chemical pesticides will still dominate the market with insecticides. However, the new chemical pesticide will be completely different from the original concepts of traditional insecticides. The prospective new types of insecticides will be all composed by safe prescriptions in order to satisfy the increasingly strict requirements of environmental protection. The future direction of development of new pesticides will have high efficacy, low toxicity, low residue and low dosage. Accordingly, the Directors consider that the products of the Group are the right types of pesticides for agricultural departments to promote.

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Business plan

– Development of new products

The Group will devote in the research and development to upgrade its existing products, and intends to employ advanced technology and equipment and leading edge scientific research personnel in accelerating the research and development of new products. The Group is currently working on five new products for future expansion:

(i) 1.2% fipronil (1.2% 銳勁特·展膜油劑 (象甲淨))

This is a kind of pesticide applying the Propulsive Agent to kill rice water weevil. The Group will complete the 2-year 2-region trial in October 2001. The toxicity trial is expected to be completed in late 2001 and trial production of the product is expected to commence in early 2002.

(ii) “Target propellant new pesticide on Rice Borer (水稻螟虫)”

The Directors of the Group are actively seeking to apply the Propulsive Agent to a wide range of pesticides killing different pests. Rice Borer (水稻螟虫) is another kind of common paddy pests causing harm to paddy stalks. The Group is currently conducting feasibility study on this pest and the corresponding raw material pesticide killing the pest. Research and development work on applying the Propulsive Agent to the raw material pesticide is expected to commence in the second half of 2001.

(iii) “Target propellant new weedicide for paddy” & “Target propellant new fertilizer for paddy”

Apart from applying the Propulsive Agent to pesticide, the Group intends to apply the Propulsive Agent technology to other types of agricultural products. The Directors of the Group have identified two types of products, namely weedicide and fertilizer which in the Directors’ belief, can apply the Propulsive Agent effectively. At present, feasibility study is being performed for these products and it is expected that research and development work will commence in the second half of 2001.

(iv) Mosquito terminator for urban drains

Mosquito breeds in water and is a major cause of many diseases eg. malaria, encephalitis and dengue. According to the water-breeding nature of mosquitos, Directors plan to apply the Propulsive Agent to insecticide of killing mosquitos. At present, feasibility studies are being performed and research and development is expected to commence on the second half of 2001.

(v) Development of nanotechnology on chemical pesticides

Nanotechnology is molecular manufacturing or, more simply, building things one atom or molecule at a time with programmed nanoscopic robot arms. A nanometer is one billionth of a meter (3-4 atoms wide), Utilizing the well understood chemical properties of atoms and molecules (how they “Stick” together), nanotechnology proposes the construction

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of novel molecular devices possessing extraordinary properties. The Directors believe that nanotechnology concept is receiving increasing attention in the research community and has appointed the Environmental Research Centre of Xiamen University (廈門大學環境科學中心) to perform a feasibility study on applying the concept to chemical pesticides. After completion of the feasibility study in the second half of 2001, research and development work on application of such technology to chemical pesticide will commence in the first half of 2002.

– Investment in research and development centre

The existing research and development team of the Company is under the leadership of Pro. Cai who is the head of the Department of Environmental Science and Engineering of Harbin Institute of Technology and also the dean of the Faculty of Environmental Engineering of Shanghai Jiaotong University. At present, researches of the Group are conducted in the two universities where the laboratory facilities are much more advanced and sophisticated.

To enlist technical experts and to keep abreast with the latest developments in the agricultural pesticides industry, the Directors intend to establish a research and development institute in Fuzhou. By taking advantage of the funding from the Placing, the research and development centre will recruit more high calibre personnel from various universities in the PRC to be managed and supervised by Prof. Cai. The research and development centre will be responsible for the development of new products applying the Propulsive Agent and research on other new products.

Initially, the Group plans to establish the following bases:

1. new pesticide research and development base;
2. pharmacological and toxicological base; and
3. new pesticide testing base.

In addition, the Group will also identify business opportunities to cooperate with research institutes and enterprises possessing genetic technology with the objectives of developing nanotechnology or other agriculture technological projects. In this connection the Group is discussing with independent research institutes in the PRC to explore such co-operative business relationship. No memorandum of understanding or any other agreement has been signed for such business cooperation.

– Establishment of production bases and the purchase of equipment and facilities

The current production facilities of the Group are located in the rented office in Fuzhou and conducted in two work shifts. The current production capacity of the Propulsive Agent is about 120kg per work shift and the Group can operate 3 work shifts per day at maximum capacity. If the Group is running at full capacity, the Group can produce approximately 360 kg of the Propulsive Agent a day and accordingly 1800 kg per week (using 5 working days). Assuming there are 52 weeks in a year, the Group's maximum production capacity of the Propulsive Agent is around 93,600kg. Currently, the average

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production volume of the Propulsive Agent is about 4,800 kg per month (using 2 work shifts a day, and 20 working days a month basis). Should there be any sudden increase in product demands, extra shifts shall be arranged to meet additional orders. The Directors anticipate the sales of the Group's products will continue to expand from 2001 to 2003 and a production plant for Propulsive Agent will be required to satisfy additional orders. A new production base can also strengthen the production capability in order to accommodate the production of its new products as a results of the Group research and development. A new production factory, equipped with automated production facilities is expected to be constructed in Fuzhou and the estimated total cost is HK\$30 million. The new factory is mainly responsible for the production of Propulsive Agent.

The Group will also, base on the expansion of sales network, plan to build up collaboration with OEM factories in other regions of the PRC. The collaborations enable the Group to improve its logistics on the supply of products and therefore enhance the efficiency of operations. The Group will select OEM factories meeting GMP requirement as a pre-requisite. In addition, the Directors intend to build a factory in one of the Asian regions (except PRC) for the production of Propulsive Agent and the estimated total cost is HK\$21.3 million. The regions considered by the Directors are Taiwan, Vietnam and Thailand since they are countries with great potential demand for the Group's paddy pesticides. This plan is to accommodate the expected expansion of sales of the Group's products in other Asian regions in the second half of 2003.

– **Expansion of sales network**

The Group will continue to utilize the existing distribution network of the agricultural protection centres and agricultural resources companies in the PRC. Apart from building up distribution network through the agricultural protection centres and agricultural resources companies in other regions of the PRC, the Group also plans to establish sales service centres to enhance the distribution capacity of the Group after listing, so as to further increase the penetration of products in the PRC pesticide market. It is tentatively planned that the network would focus on the areas in which the existing distribution network does not cover.

– **Enhancement of the Group's website**

The internet has been a new channel for marketing products. It allows companies to provide information on-line. The Directors are of the opinion that the Internet technology will enhance the reputation and sales of the Group's products. The Directors intend to enhance the existing website of the Group by including more pest information from various locations in the PRC. In addition, the Directors also intend to establish a two-way interactive information exchange platform on pest information to sales agents, agricultural protection centres, agricultural resources companies, agricultural institutions and agricultural technological units. The Directors believe that this platform can promote the international corporate image of the Group.

S STATEMENT OF BUSINESS OBJECTIVES

– Marketing and brand building of the Group’s products

The Directors are of the opinion that building up the corporate brand name of the Group’s product will enhance the reputation and sales of the Group. The Directors intend to use the fundings from the listing to advertise and promote the Group’s products. In addition, the Directors believe that training and education of the farmers can improve the knowledge of the farmers enabling them to accept advanced agricultural technology. In this regard, the Group aims to set up a Farmers’ Assistance training programme (the “Scheme”) which aim is to promote the use of new agricultural technology and know-how. It is currently determined that a one-off funding of RMB8 million will be available under the Scheme over 4 years from 2002 to 2005. The Scheme will be administered by the board of Fujian Goldigit, which will ensure that only eligible persons who are independent of the Directors, chief executives, Substantial Shareholders or management shareholders (as defined in the GEM Listing Rules) and employees of the Group and their respective associates will be granted the funds and at the determination of the board, each participant of Scheme will receive funds up to RMB500 in order to assist him to adopt and use new and advanced technologies in the agricultural industry and with a view to improving agricultural productivities. The Group will formulate a plan each year and publicly announce as to how the Scheme will be implemented in the relevant year and the manner of application for funds available for that year. In implementing such plan, the board will first determine the targeted region(s) or area(s) for which assistance will be needed and provided, and then, in conjunction with the relevant local Agricultural Protection Centre (植保中心), it will extensively promote the Scheme and invites farmers plant rice in such region(s)/area(s) to participate and apply under the Scheme. In promoting the Scheme, it will assemble a team to market and demonstrate the use of new and advanced technologies in the agricultural industry.

In implementing the Scheme, it is intended that RMB2 million will be available under the Scheme each year and will be allocated for the following three purposes:

1. supply and provision of necessary equipment and material;
2. provide assistance for the activities of the relevant local Agricultural Protection Centre (植保中心) relevant to the Scheme; and
3. provide assistance to individual farmer participants.

Apart from farmers, the Directors also plan to co-operate with agricultural technological units to provide training programmes for sales agents and agricultural resources companies. The Directors believe that through these training courses, the Group will be placed in a favourable position to enhance its reputation as a high-tech agricultural resources provider.

STATEMENT OF BUSINESS OBJECTIVES

BUSINESS OBJECTIVES

Proposed strategy and implementation plan

– Development of new products

Name of Product	Estimated Development Cost <i>HK\$million</i>	Latest Practicable Date to 31st December, 2001	6 months ending 30th June, 2002	6 months ending 31st December, 2002	6 months ending 30th June, 2003	6 months ending 31st December, 2003
1.2% fipronil (1.2% 銳勁特• 展膜油劑 (象甲淨))	3.0	– complete 2 years 2 regions trial	– formulate product standard	– commence production	– continue production	– same as last period
		– complete toxicity trials	– obtain provisional pesticide registration			
		– prepare pesticide registration				
Target propellant pesticide on Rice Borer (水稻螟虫)	5.5	– perform feasibility studies	– complete research & development work	– under toxicity trials	– first year of 2 years 2 regions trial	– same as last period
		– commence research & development work	– start field experiment			
Target propellant new weedicide for paddy	5.3	– perform feasibility studies	– complete research & development work	– under toxicity trials	– first year of 2 years 2 regions trial	– same as last period
		– commence research & development work	– field experiment			
Target propellant new fertilizer for paddy	7.4	– perform feasibility studies	– complete research & development work	– under toxicity trials	– first year of 2 years 2 regions trial	– same as last period
		– commence research & development work	– start field experiment			
mosquito terminator	4.2	– perform feasibility studies	– complete research & development work	– under toxicity trials	– first year of 2 years 2 regions trial	– same as last period
		– commence research & development work	– start field experiment			
Development of nanotechnology	4.2	– perform feasibility studies	– commence research & development work	– under toxicity trials	– same as last period	– complete research & development work
			– complete feasibility studies	– start field experiment		

STATEMENT OF BUSINESS OBJECTIVES

– Investment in a research and development centre

Latest Practicable Date to 31st December, 2001	6 months ending 30th June, 2002	6 months ending 31st December, 2002	6 months ending 30th June, 2003	6 months ending 31st December, 2003
<ul style="list-style-type: none"> – prepare and design the construction of the research and development centre – commence construction of the research and development centres – purchase equipment for the research and development centre – Identify Scientific research organisations to cooperate on research and development projects – cooperate with scientific research organisations by entering into research and development project agreements 	<ul style="list-style-type: none"> – completion of construction – installation of equipment – confirm research and scientific projects 	<ul style="list-style-type: none"> – commence operation of the research & development centre – commence to carry out research work on development projects (1-2 projects at one time) 	<ul style="list-style-type: none"> – continue operation of the research & development centre – complete research work on 1 project 	<ul style="list-style-type: none"> – same as last period – continue to carry out research work on incomplete project

– Establishment of production bases and the purchase of equipment and facilities

Latest Practicable Date to 31st December, 2001	6 months ending 30th June, 2002	6 months ending 31st December, 2002	6 months ending 30th June, 2003	6 months ending 31st December, 2003
<ul style="list-style-type: none"> – formulate plan to build new factory in Fujian Province – preparation, design and construction – initial payment for the purchase new production equipment 	<ul style="list-style-type: none"> – completion of construction – installed & complete testing of new production equipment – Trial production 	<ul style="list-style-type: none"> – commence mass production – perform feasibility studies for the construction of a new factory in Asian region (except PRC) 	<ul style="list-style-type: none"> – formulate plan to build a new factory in Asian region (except PRC) – complete the feasibility studies of the new factory in Asian region (except PRC) 	<ul style="list-style-type: none"> – preparation, design and construction in Asian region – formulate plan to purchase new production equipment in Asian region

STATEMENT OF BUSINESS OBJECTIVES

– Expansion of sales network

Latest Practicable Date to 31st December, 2001	6 months ending 30th June, 2002	6 months ending 31st December, 2002	6 months ending 30th June, 2003	6 months ending 31st December, 2003
– site selection for sales service centres	– acquire and decorate sales service centres in Jiangsu, Anhui and Guangdong	– commence sales service centres operation and expand sales to the respective provinces	– same as last period	– same as last period
	– site selection for sales service centres in Shandong and Liaoning	– acquire and decorate sales service centres in the respective provinces	– commence sales service centres operation in the respective provinces	– same as last period
		– site selection for sales service centres in Hebei, Heilongjiang and Sichuan	– acquire and decorate sales service centres in the respective provinces	– commence sales service centres operation in the respective provinces
			– overseas sales office selection and liaise with the relevant governmental department for preliminary approval	– acquire & decorate overseas sales offices

– Enhancement of the Group's website

Latest Practicable Date to 31st December, 2001	6 months ending 30th June, 2002	6 months ending 31st December, 2002	6 months ending 30th June, 2003	6 months ending 31st December, 2003
– Equipment and software purchase	– system upgrade & improvement of the website	– increases the types of information services of the website	– same as last period	– same as last period
	– the establishment of an interactive exchange platform on pests information			

STATEMENT OF BUSINESS OBJECTIVES

– Marketing and brand building

Latest Practicable Date to 31st December, 2001	6 months ending 30th June, 2002	6 months ending 31st December, 2002	6 months ending 30th June, 2003	6 months ending 31st December, 2003
– formulate marketing and promotion plan of the Group's products	– promote the brand image of Goldigit and the products through CCTV	– same as last period	– promote Goldigit image & product to overseas market	– same as last period
– Advertise the Group's products on journals and magazines	– same as last period	– same as last period	– same as last period	– same as last period
– Organise & attend seminars relating to agricultural technology	– same as last period	– same as last period	– same as last period	– same as last period
– commence "farmers training programme"	– continue "farmers training programme"	– same as last period	– same as last period	– same as last period

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Deployment of human resources

As at the Latest Practicable Date, the Group has 38 full-time employees. After the implementation of the expansion plan, the Directors expect the number of employees to be as follows:

	Latest Practicable Date to 30th June, 2001	6 months ending 31st December, 2001	6 months ending 30th June, 2002	6 months ending 31st December, 2002	6 months ending 30th June, 2003	6 months ending 31st December, 2003
Management and administration	15	13	13	15	15	15
Research and development	6	10	11	19	26	31
Sales and marketing	8	9	12	16	20	24
Finance and accounting	4	4	4	7	9	14
Corporate planning	2	2	2	4	4	4
Production, warehouse and logistics	3	3	8	17	20	20
Total	38	41	50	78	94	108

The above estimates are based on the assumption the Group will achieve fundamental growth for the purposes of expansion, but does not take into account any future acquisitions. As the business environments are subject to changes, the above estimates may not materialise.

STATEMENT OF BUSINESS OBJECTIVES

Costs of implementing business objectives

The estimated costs of implementing the business objectives of the Group set out in the sub-paragraph “Proposed strategy and implementation plan” are summarised as follows:

	Latest Practicable						Total
	Date to 31st December, 2001	6 months ending 30th June, 2002	6 months ending December, 2002	6 months ending 30th June, 2003	6 months ending December, 2003	24 months ending December, 2005	
	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million
Product development	9.0	7.7	7.4	3.0	2.5	–	29.6
Research and development centre	2.0	9.0	2.0	2.0	–	–	15
Establishment of production based and the purchase of equipment and facilities	10.4	14.5	5.1	1.9	9.3	10.1	51.3
Expansion of sales network	–	4.0	3.0	4.9	5.6	2.5	20.0
Enhancement of the web-site and the establishment of interactive exchange platform	1.0	2.0	0.8	0.3	0.3	0.3	4.7
Marketing and brand building	1.2	6.0	5.7	5.4	5.2	–	23.5
Farmers' training programme	–	1.0	0.9	1.0	0.9	3.7	7.5
Total	23.6	44.2	24.9	18.5	23.8	16.6	151.6

REASONS FOR THE PLACING AND USE OF PROCEEDS

The Directors believe that the net proceeds from the Placing of the New Shares will provide the Group with ample financial resources for the successful implementation of its various business plans, including accelerating its product research and development projects, expanding its research and development team as well as building a large scale distribution network nationwide. The net proceeds will also assist the Group in consolidating its overall status within the industry and assist the future business development and marketing of the Group.

The net proceeds from the Placing of the New Shares, after deducting therefrom underwriting commission and other expenses that are payable by the Group, are expected to be approximately HK\$158 million. Assuming that the Over-allotment Option is exercised in full, the net proceeds to the Group will increase to approximately HK\$188.8 million. The Directors currently intend to use the net proceeds from the Placing of the New Shares (assuming that the Over-allotment Option is not exercised) for the following purposes:

- approximately HK\$29.6 million for the developing of new products, completing product assessment, obtaining permit for production and sales as well as the launching of new products in the market (the breakdown of the application of proceeds to different types of new products is stated on page 77 of this prospectus);

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- approximately HK\$15 million for the establishment of an advanced scientific research and development centre equipped with related facilities in the PRC to expand research in Propulsive Agent technology related projects;
- approximately HK\$51.3 million for the establishment of new production bases amongst which about HK\$30 million and HK\$21.3 million will be used to establish a new production base in Fuzhou and in a Southeast Asian country respectively. Approximately HK\$16 million and HK\$12 million of the above budget will be used for the acquisition of facilities and equipment for the Fuzhou and Southeast Asian production base respectively, and the respective remaining amount of HK\$14 million and HK\$9.3 million will be used for the establishment of factory premises in the respective locations;
- approximately HK\$20.0 million for development of the Group’s sales and distribution network;
- approximately HK\$4.7 million for enhancement of the Group’s website and the establishment of an interactive information exchange platform;
- approximately HK\$23.5 million for continuing marketing and brand building of the Group’s products;
- approximately HK\$7.5 million for running the “farmers’ training programme”; and
- and the remaining balance of HK\$6.4 million is expected to be used as general working capital of the Group.

Should the Over-allotment Option be exercised in full, the Company will receive additional net proceeds of approximately HK\$30.80 million which the Directors intend to allocate as follows:

- in addition to the amount of HK\$29.6 million for the development of new products, approximately HK\$6.5 million will be further earmarked for the research and development of new applications of the Propulsive Agent. The Directors believe such increase in the funds will further expedite the success of the projects;
- further to the amount of HK\$15.0 million for establishment of the research and development centre, an additional sum of approximately 3.4 million will be allocated for the establishment of the advanced scientific research and development centre. The Directors believe that with the additional funds, the Group will be able to provide a better equipped environment for its research and development team and hence improve the result of the Group’s research and development;
- in addition to the amount of HK\$51.3 million designated above, approximately HK\$9.5 million will be used for the establishment of new production bases whereby HK\$6 million will be earmarked for the full automation of the production lines and HK\$3.5 million will be earmarked for acquisition of land (to be identified) for warehouse facilities attached to the factory premises in Fuzhou and a Southeast Asian country respectively. The increased amount will be evenly divided between the two locations respectively. The Directors believe the increase of fund shall improve the quality of the production bases;

S STATEMENT OF BUSINESS OBJECTIVES

- an additional sum of approximately HK\$4.5 million will be used for the development of the Group’s sales and distribution network. The Directors consider that the additional fund will enhance the Group’s achievement in the development of its sales and distribution network; and
- a sum of HK\$6.9 million will be use for continuing marketing and brand building of the Group’s products which will be able to intensify the Group’s marketing programmes.

The Directors consider that should the Over-allotment Option is not exercised, there would not be any material adverse impact on the ability or resources of the Group in relation to its execution of the Group’s business plan stated under the section headed “Statement of Business Objectives” in this prospectus.

To the extent that the net proceeds from the Placing of the New Shares are not immediately applied for the above purposes, the Directors intend to place such net proceeds on short term interest earning deposits with licensed banks in Hong Kong.

DIRECTORS, SENIOR MANAGEMENT AND STAFF

DIRECTORS AND MANAGEMENT

The Board consists of 6 Directors (3 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	38	<i>Chairman</i>
Mr. YUEN Leong	44	<i>Vice-Chairman</i>
Mr. CAI Wei Min	55	<i>Executive Director</i>
Mr. SUN Juyi	49	<i>Independent Non-executive Director</i>
Mr. WONG Stacey Martin	33	<i>Independent Non-executive Director</i>
Mr. LAM Ming Yung	37	<i>Independent Non-executive Director</i>

Executive Directors

Mr. LAO Seng Peng, aged 38, is the Chairman of the Group. He graduated from the Tsinghua University with a bachelor 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 transferred to Macau office. Mr. Lao became a citizen of Macau in August 1992. 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 BOC Group. Since Mr. Lao invested in the Group in March 1998, he is responsible for the overall management of the Group, as well as its strategic planning and business development.

Mr. CAI Wei Min, aged 55, is an Executive Director and responsible for research and development of the Group. He holds a master 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 engaged as the Dean with 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. Mr. Cai is the developer of the Propulsive Agent technology and joined the Group in March 1998. Mr. Cai is primarily responsible for the Group's product research and development.

Mr. YUEN Leong, aged 44, is the General Manager of the Group. He holds a master degree in mechanical engineering from the 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 10 years of experience in corporate management and operation. Mr. Yuen joined the Group in March 1998 and is responsible for overall management of the Group.

Independent Non-executive Directors

Mr. SUN Juyi, aged 49, joined the Group in June 2001 as an Independent Non-executive Director, is the deputy managing director and financial controller of Shum Yip Investment Limited, a company listed in The Stock Exchange of Hong Kong Limited. 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

DIRECTORS, SENIOR MANAGEMENT AND STAFF

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 18 years of experience in financial lecturing, accounting, auditing and corporate financial management.

Mr. Stacey Martin WONG, aged 33, is a managing director of Bear Stearns Asia Limited. Mr. Wong has over ten years of experience in the investment banking industry and holds a master of arts degree from the University of Cambridge. Mr. Wong was appointed as an Independent Non-executive Director in June 2001.

Mr. LAM Ming Yung, aged 37, joined the Group in June 2001 as an Independent Non-executive Director. He 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 Placing.

Senior Management

Mr. CHEN Li Quan, aged 59, is the Vice-General Manager of the Group. Mr. Chen graduated from Shanghai Medical University with a bachelor 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 15 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 44, is the Vice-General Manager of the Group. Prior to joining the Group, Mr. Wu was the head of 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 12 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. HAN Geng Chen, aged 46, is the Vice-General Manager of the Group. He holds a doctorate degree in Philosophy from Iowa State University of U.S. Prior to joining the Group, Mr. Han was a senior research analyst of Food and Agriculture Division of the United Nations. He was also the senior vice-president of Pioneer Hi-bred International Inc., USA (美國先鋒種業集團) and a senior executive of Hubei Xiangfan Seeds Corporation of Chatai Group of Thailand (泰國正大集團湖北襄樊種業公司). Mr. Han has over 11 years of experience in managing new High-Tech companies with special focus on agricultural High-Tech companies. Mr. Han joined the Group in March 1998 and is responsible for development of new products and the industrial management for science study results of the Group.

Mr. HUANG Cai Jin, aged 29, 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 specializing 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.

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Mr. LI Da Liang, aged 37, is the sales manager of the Group. He graduated from He Nan Agricultural University with a master degree in agricultural studies. Mr. Li has over 7 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 38, is the finance manager of the Group. She is a qualified accountant in the PRC and has over 10 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 27, 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 promotion 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. 東南廣播電視網絡有限公司 and the chief promoter of the Third China Investment and Trade Forum.

Mr. PENG Dong Yue, aged 28, is the production manager of the Group. Mr. Pang studied in Fuzhou Normal University in finance study. Prior to joining the Group in March 1998, Mr. Pang 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. Pang is primarily responsible for production management of the Group.

Mr. LEUNG Yun Fai, aged 44, is the financial controller of the Group. He joined the Group in April 2001 and is responsible for financial planning of the Group. He has over 20 years of experience in auditing and accounting and holds a bachelor degree of business administration from a US University. Prior to joining the Group, Mr. Leung had over 19 years of auditing experience with an international accounting firm.

The Group has entered into service contracts with Mr. Lao Seng Peng, Mr. Yuen Leong, Prof. Cai for a fixed term of 3 years expiring around 2004 and the Senior Managers of the Group for a fixed term of five years expiring around 2005. Each of them is obliged to the Group not to divulge confidential information during or after the term of his service contract or to engage in competing business with the Group during the term of his service contract and for three years after its expiry or termination.

QUALIFIED ACCOUNTANT

Mr. CHEUNG Ying Kwan, Wallace, aged 41 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 had 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.

DIRECTORS, SENIOR MANAGEMENT AND STAFF

COMPANY SECRETARY

Mr. CHEUNG Ying Kwan, Wallace

COMPLIANCE OFFICER

Mr. YUEN Leong

AUDIT COMMITTEE

The Group established an audit committee on 22nd June, 2001 with written terms of reference in compliance with the requirements as set out in rules 5.23 and 5.24 of the GEM Listing Rules. The primary duties of the audit committee are to review and supervise the financial reporting process and internal control system of the Group and provide advice and comments to the board of Directors.

The following sets out the members of the Group's audit committee:

Name	Position in the board of Directors
Mr. SUN Juyi	Independent Non-executive Director
Mr. Stacey Martin WONG	Independent Non-executive Director
Mr. LAM Ming Yung	Independent Non-executive Director

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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 38 full-time employees in Hong Kong and the PRC as detailed below:

	Hong Kong	PRC	Total
Management and administration	2	13	15
Sales and marketing	–	8	8
Finance and accounting	2	2	4
Corporate planning	–	2	2
Research and development	–	6	6
Production	–	3	3
Total			<u>38</u>

DIRECTORS, SENIOR MANAGEMENT AND STAFF

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). The Group currently has no share option scheme in place but has conditionally adopted the Share Option Scheme as summarised on page V-17 in Appendix V. The Group provides on-the-job training to employees from time to time and the Group's technical personnel receives training from research institutions from time to time.

During the two years ended 31st December, 2000, 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 was required to provide retirement benefit for its staff in the PRC and approximately HK\$11,000 during the three months ended 31st March, 2001 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 which 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 retirement benefit or social insurance fee (社會保險費) 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 social insurance fee to be payable by the Group and which is charged on a daily basis. However, if Fujian Goldigit is requested to pay the social insurance fee by Fujian Provincial Labour Bureau (福建省勞動局) for the period from 21st March, 1998 to 31st December, 2000 and Fujian Goldigit pays in accordance with the request. Fujian Goldigit will not be required to pay any penalty or any other fines. According to the opinion of the PRC legal advisers of the Company, the amount of social insurance fee that is payable by the Group for such period would not exceed RMB60,000.

Share Option Scheme

The Group has conditionally adopted the Share Option Scheme whereby full-time employees of the Group (including executive Directors) may be granted options to subscribe for Shares. The principal terms of the Share Option Scheme are summarised on page V-17 in Appendix V.

SHARE CAPITAL

The authorised and issued share capital of the Company is as follows:

<i>Authorised Share capital:</i>		<i>HK\$</i>
<u>10,000,000,000</u>	Shares	<u>500,000,000</u>
<i>Shares issued and to be issued, fully paid or credited as fully paid:</i>		
100,000	Shares in issue	5,000
340,000,000	Shares to be issued under the Placing	17,000,000
<u>1,359,760,000</u>	Shares to be issued under the Capitalisation Issue	<u>67,988,000</u>
<u>1,699,860,000</u>	Shares	<u>84,993,000</u>

Notes:

Assumptions

The above table assumes that the Placing becomes unconditional.

It takes no account of any Shares which may be issued under the Over-allotment Option or pursuant to the exercise of options which may be granted under the Share Option Scheme or of any Shares which may be allotted and issued or purchased by the Company pursuant to the general mandates for the allotment and issue or purchase of Shares granted to the Directors as described below.

Ranking

The Placing Shares and the Shares to be issued as stated herein will rank equally with all other Shares now in issue or to be issued and will qualify in full for all dividends and other distributions declared, paid or made on the Shares after the date of this prospectus other than participation in the Capitalisation Issue.

Share Option Scheme

The Company has conditionally adopted the Share Option Scheme, the principal terms of which are summarised in the paragraph headed "Share Option Scheme" in Appendix V to this prospectus, under which options to subscribe for Shares representing up to 30 per cent. of the issued share capital of the Company from time to time (excluding Shares issued pursuant to the exercise of the options granted under the Share Option Scheme and any other schemes and any pro rata entitlement to further shares issued) may be granted to employees (including executive directors but excluding the non-executive director and independent non-executive directors) of the Group.

General mandate to allot and issue Shares

The Directors have been granted a general unconditional mandate to allot, issue and deal with the Shares with a total nominal value of not more than the sum of:

1. 20 per cent. of the aggregate of total nominal amount of the share capital of the Company in issue immediately following completion of the Placing and Capitalisation Issue and the total nominal value of the share capital of the Company which may be issued pursuant to the exercise of the Over-allotment Option; and
2. the total nominal amount of the share capital of the Company repurchased by the Company (if any) pursuant to the general mandate for the repurchase of the Shares granted to the Directors referred to below.

The Directors may, in addition to Shares which they are authorised to Issue under the above mandate, allot, issue and deal with the Shares under a rights issue, scrip dividend scheme or similar arrangement; or, the Shares may be issued upon 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; or
- at the end of the period within which the Company is required by any applicable laws or the articles of association of the Company to hold its next annual general meeting; or
- when varied or revoked by an ordinary resolution of the shareholders of the Company in general meeting;

whichever is the earliest.

For further details of this general mandate, see the sub-paragraph headed “Written Resolutions of the Sole Shareholder of the Company passed on 22nd June, 2001” in the paragraph headed “Further information about the Company and its Subsidiaries” in Appendix V to this prospectus.

General mandate to repurchase Shares

The Directors have been granted a general unconditional mandate to exercise all the powers of the Company to buy back Shares with a total nominal value of not more than 10 per cent. of the total nominal amount of the share capital of the Company in issue immediately following completion of the Placing and the Capitalisation Issue and the total nominal value of share capital of the Company which may be issued pursuant to the exercise of the Over-allotment Option.

This mandate only relates to repurchases made on the GEM, or on any other stock exchange on which the Shares are listed (and which is recognised by the Securities and Futures Commission of Hong Kong and the Stock Exchange for this purpose), and which are in accordance with the GEM Listing Rules. A summary of the relevant GEM Listing Rules is set out in the sub-paragraph headed “Repurchase by the Company of its Own Securities” in the paragraph headed “Further Information about the Company and its Subsidiaries” in Appendix V to this prospectus.

This mandate will expire:

- at the end of the Company’s next annual general meeting; or
- at the end of the period within which the Company is required by any applicable laws or the articles of association of the Company to hold its next annual general meeting; or
- when varied or revoked by an ordinary resolution of the shareholders of the Company in general meeting;

whichever is the earliest.

SUBSTANTIAL AND INITIAL MANAGEMENT SHAREHOLDERS

SUBSTANTIAL SHAREHOLDERS

So far as the Directors are aware, immediately following the completion of the Placing and the Capitalisation Issue and assuming the Over-allotment Option is not exercised, the following person, will be directly entitled to exercise, 10 per cent. or more of the voting power at the general meetings of the Company, or otherwise interested in 10 per cent. or more of the Shares in the issued share capital of the Company:

Name	Number of Shares	Approximate percentage of shareholding (%)
Best Today (<i>Note</i>)	1,169,479,600	68.80
Lao Seng Peng (<i>Note</i>)	1,169,479,600	68.80

Note: Best Today is a company incorporated in the British Virgin Islands and wholly owned by Mr. Lao Seng Peng, and their interests in 1,169,479,600 Shares are therefore duplicated.

Assuming the Over-allotment Option is exercised in full, immediately following the completion of the Placing and the Capitalisation Issue, the interests of the above substantial shareholders in the share capital of the Company will be:

Name	Number of Shares	Approximate percentage of shareholding (%)
Best Today (<i>Note</i>)	1,169,479,600	66.31
Lao Seng Peng (<i>Note</i>)	1,169,479,600	66.31

Note: Best Today is a company incorporated in the British Virgin Islands and wholly owned by Mr. Lao Seng Peng, and their interests in 1,169,479,600 Shares are therefore duplicated.

SUBSTANTIAL AND INITIAL MANAGEMENT SHAREHOLDERS

INITIAL MANAGEMENT SHAREHOLDERS

So far as the Directors are aware, immediately following completion of the Placing and the Capitalisation Issue and assuming that the Over-allotment Option is not exercised, and taking no account of shares which may be taken up under the Placing, the following shareholders will be entitled to exercise, or control the exercise, of 5 per cent. or more of the voting power at general meetings of the Company and who is able, as a practical matter, to direct or influence the management of the Company:

Name	Number of Shares	Approximate percentage of shareholding (%)
Best Today (<i>Note</i>)	1,169,479,600	68.80
Mr. Lao Seng Peng (<i>Note</i>)	1,169,479,600	68.80

Note: Best Today is a company incorporated in the British Virgin Islands and wholly owned by Mr. Lao Seng Peng, and their interests in 1,169,479,600 Shares are therefore duplicated.

SIGNIFICANT SHAREHOLDERS

So far as the Directors are aware, immediately following completion of the Placing and the Capitalisation Issue and assuming that the Over-allotment Option is not exercised, and taking no account of shares which may be taken up under the Placing, apart from the Initial Management Shareholders referred to above, there is no shareholder who will be entitled to exercise or control the exercise of 5 per cent. or more of the voting power at general meetings of the Company.

UNDERTAKINGS

Each of the Initial Management Shareholders has undertaken to the Company, CPY (in its capacity as sponsor and global coordinator of the Placing), the Underwriters and the Stock Exchange that during the First Relevant Lock-up Period (save as pursuant to the waiver granted by the Stock Exchange as referred to in the paragraph headed "Waiver II - Stock Borrowing Arrangement" in the section headed "Waiver from compliance with certain provisions of the GEM Listing Rules" in this prospectus):

- (i) it will place with an escrow agent acceptable to the Stock Exchange (approved by CPY (on behalf of the Underwriters)) as required by the GEM Listing Rules its Relevant Securities;
- (ii) it will not, and will procure that none of its associates and the companies controlled by it or nominees or trustees holding in trust for it will, within the First Relevant Lock-up Period, save as provided in Rule 13.17 of the GEM Listing Rules (as the case may be), dispose of (or enter into an agreement to dispose of) in respect of any of the Relevant Securities nor permit the registered holder to dispose of (nor enter into an agreement to dispose of) any of its direct or indirect interest in the Relevant Securities;

SUBSTANTIAL AND INITIAL MANAGEMENT SHAREHOLDERS

- (iii) it will in the event that it pledges or charges any direct or indirect interest in the Relevant Securities under Rule 13.17 of the GEM Listing Rules or pursuant to any right or waiver granted by the Stock Exchange pursuant to Rule 13.17(5) of the GEM Listing Rules (as the case may be), at any time during the First Relevant Lock-up Period, it must, inform the Company and CPY immediately of the details and the number of Shares subject to the pledge, charge, encumbrance or third party rights and the proposed use of any sums thereby and upon receiving any indications from the pledgee or the chargee that any of the Shares will be disposed of, immediately give all material information relating thereto to the Company and CPY.

Each of the Initial Management Shareholders has further undertaken to the Company, CPY (in its capacity as sponsor and global coordinator of the Placing), the Underwriters and the Stock Exchange that during the Second Relevant Lock-up Period:

- (i) it will not, and will procure that none of its associates and the companies controlled by it or nominees or trustees holding in trust for it will not, within the Second Relevant Lock-up Period, dispose of (or enter into an agreement to dispose of) in respect of any of the Relevant Securities nor permit the registered holder to dispose of (nor enter into an agreement to dispose of) any of its direct or indirect interest in the Relevant Securities if such disposal would result in the Initial Management Shareholders ceasing to have control over 35% of the voting powers at general meetings of the Company; and
- (ii) it will place the appropriate number of its/his Relevant Securities (if applicable) in escrow with an escrow agent acceptable to the Stock Exchange during the Second Relevant Lock-up Period to the extent as described above and will comply with the requirements under Rule 13.20 of the GEM Listing Rules.

Mr. Lao Seng Peng, being the sole beneficial shareholder of Best Today, has undertaken to the Company, CPY (in its capacity as international coordinator and sponsor of the Placing), the Underwriters and the Stock Exchange that he will not sell, transfer or otherwise dispose of (or enter into any agreement to sell, transfer or otherwise dispose of) nor permit the registered holder to sell, transfer or otherwise dispose of (or enter into any agreement to sell, transfer or otherwise dispose of) any of his direct or indirect interest in Best Today for a period of 12 months from the Listing Date.

INDEBTEDNESS**Borrowings**

As at the close of business on 31st May, 2001, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this prospectus, the Group had an outstanding borrowing of approximately HK\$3.9 million, which was due to a shareholder, Mr. Lao Seng Peng. The amount due to a shareholder is unsecured, interest free and repayable on demand. The outstanding balance as at 31st May, 2001 will be fully repaid after the listing of the Company's Shares on GEM. The repayment will be financed by internal resources of the Group.

Foreign exchange risk

The Group earns revenue and incurs costs and expenses mainly in RMB. This will continue to be the case following the listing of the Shares on GEM. After listing of its Shares on GEM, the Company's accounts will be stated in HK dollars and the payment of dividend will also 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.

The Group's entire present operation is carried out in the PRC. All its receipts and payments in relation to the operation 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 operation.

Disclaimer

Apart from loan from a shareholder and normal trade payables, the Group did not have outstanding at the close of business on 31st May, 2001 any 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.

Amounts referred to in this indebtedness statement denominated in currencies other Hong Kong dollars have been translated into Hong Kong dollars at the relevant rates of exchange prevailing at the close of business on 31st May, 2001.

The Directors have confirmed that there have not been any material changes in the indebtedness and contingent liability of the Group since 31st May, 2001.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

Net current assets

As at 31st May, 2001, the Group's total current assets were approximately HK\$17.2 million, comprising inventories of approximately HK\$0.3 million, trade and other receivables of approximately HK\$0.1 million, prepayments and deposits of approximately HK\$1.6 million and cash and bank balances of approximately HK\$15.2 million. As at 31st May, 2001 the Group's total current liabilities were approximately HK\$4.2 million, comprising trade and other payables of approximately HK\$0.3 million and an amount due to a shareholder of approximately HK\$3.9 million.

Financial resources

The Group financed its operations by means of equity funding, loan from a shareholder and funds generated from its business operations. As at 31st May, 2001, apart from loan from a shareholder and normal trade payables the Group did not have any other borrowings which would require cash outlay for settlement.

The Directors intend to finance the Group's future operations and capital expenditure principally through internally generated cashflows supplemented by bank financing or the raising of funds in international capital and debt markets, or through a combination of these methods, whichever the Directors may consider appropriate in the circumstances.

Commitments and contingent liabilities

As at 31st May, 2001, the Group had operating lease commitments of approximately HK\$1.5 million. As at the same date, the Group had no material capital commitments and contingent liabilities.

Working capital

As at 31st May, 2001, the Group had working capital of HK\$13.0 million. Taking into account the net proceeds of the issue of New Shares (see "page 85 – Reasons for the placing and use of proceeds") and net operating cash inflow, the Directors of the Company are of the opinion that the Group has sufficient working capital for its present requirements.

RULES 17.15 TO 17.21 OF THE GEM LISTING RULES

As at the Latest Practicable Date, the Directors are not aware of any circumstances which would give rise to a disclosure requirement under Rules 17.15 to 17.21 of the GEM Listing Rules.

TRADING RECORD

The table below sets out a summary of the combined audited results of the Group for the period from 21st March, 1998 (being the date on which 80% interest in Fujian Goldigit were deemed to be acquired by the Group) to 31st December, 1998, each of the two years ended 31st December, 2000 and three months ended 31st March, 2001 prepared on the assumption that the current structure of the Group had been in existence throughout the periods under review and is extracted from and has been prepared in accordance with the basis set out in section 1 of the accountants' report in Appendix I to this prospectus.

	21st March, 1998 to 31st December, 1998	Year ended 31st December,		3 months ended 31st March, 2001
	<i>HK\$'000</i>	<i>1999</i>	<i>2000</i>	<i>HK\$'000</i>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover	–	170	6,422	16,661
Cost of sales	–	(296)	(2,755)	(5,580)
Gross (loss)/profit	–	(126)	3,667	11,081
Other revenue	–	1,472	1	15
Selling expenses	–	(86)	(69)	(32)
Administrative expenses	(403)	(367)	(415)	(289)
Research and development costs	–	(437)	(62)	(447)
(Loss)/profit from operations	(403)	456	3,122	10,328
Income taxes	–	–	–	–
Net (loss)/profit after taxation but before minority interests	(403)	456	3,122	10,328
Minority interests	81	(91)	42	–
(Loss)/profit attributable to shareholders	<u>(322)</u>	<u>365</u>	<u>3,164</u>	<u>10,328</u>
Interim dividend	<u>–</u>	<u>–</u>	<u>–</u>	<u>10,000</u>
(Loss)/earnings per Share, basic (cents) (<i>Note</i>)	<u>(0.02)</u>	<u>0.03</u>	<u>0.23</u>	<u>0.76</u>

Note: The calculation of the basic (loss) earnings per Share for the period from 21st March, 1998 to 31st December, 1998 and each of the two years ended 31st December, 2000 and the three months ended 31st March, 2001 is based on the combined (loss)/profit for each of the respective period/years and on the 1,359,860,000 Shares as if those Shares had been in issue throughout the period from 21st March, 1998 to 31st December, 1998 and the two years ended 31st December, 2000 and the three months ended 31st March, 2001. There were no potential dilutive ordinary shares in issue during the period from 21st March, 1998 to 31st December, 1998 and the two years ended 31st December, 2000 and three months ended 31st March, 2001.

FINANCIAL INFORMATION

During the Relevant Track Record Periods, the Group (i) had an amount due to a shareholder on which no interest expenses were charged; and (ii) produced the Propulsive Agent with the production facilities provided by the transferor, from whom the knowhow of the Group was acquired, free of charge. Had (i) the amount due to a shareholder been interest bearing at the prevailing best lending rates in Hong Kong during the Relevant Track Record Periods; 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 combined results of the Group after minority interests for the Relevant Track Record Periods would have been adjusted by the following notional amounts:

	21st March, 1998 to 31st December, 1998	Year ended 31st December,		3 months ended 31st March,
	1998	1999	2000	2001
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Net (loss) profit for the period as set out under combined results above	(322)	365	3,164	10,328
Notional adjustments:				
Interest expenses on amount due to a shareholder	(160)	(199)	(287)	(79)
Cost of production facilities (<i>Note</i>)	(293)	(584)	(445)	–
	<u>(453)</u>	<u>(783)</u>	<u>(732)</u>	<u>(79)</u>
Amounts attributable to minority interests	59	117	89	–
Adjusted (loss) profit for the period	<u>(716)</u>	<u>(301)</u>	<u>2,521</u>	<u>10,249</u>

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 during the Relevant Track Record Periods. 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

Period from 21st March, 1998 to year ended 31st December, 1999

All of the Group's turnover during the track record period was derived by Fujian Goldigit, a subsidiary of the Group operated in the PRC. Turnover of the Group are the amounts received and receivable for goods sold to outside customers, less returns, allowances and sales tax.

For the period from 21st March, 1998, being the acquisition date of Fujian Goldigit to 31st December, 1998, the Group incurred approximately HK\$0.4 million administrative expenses for the period of which approximately HK\$0.2 million represented the amortization of licence right.

For the year ended 31st December, 1999, the product Sha Shi Ba (殺虱霸) was launched and sold in the Fujian Province. Since the product was new to the pesticide market, the Group placed emphasis on attending seminars, organising training courses for farmers etc., to market and promote its products. As a result, only a small sum amounting to approximately HK\$0.2 million, was recognised by the Group as its turnover for the year ended 31st December, 1999.

During the year 1998, the research and development activities of the Group were performed under the locations of Harbin Institute of Technology which provided the necessary equipment for such activities. As a result of the acquisition of the manufacturing and distribution rights of Sha Shi Ba (殺虱霸) according to the memorandum signed between the Group and Harbin Institute of Technology dated 3rd January 1998, the equipment and premises were provided free of charge until September, 2000 to the Group for further development on Sha Shi Ba (殺虱霸).

Year ended 31st December, 2000 compared with year ended 31st December, 1999

Turnover

For the year ended 31st December, 2000, the turnover of the Group amounted to approximately HK\$6.4 million, an increase of approximately 36.77 times compared with the turnover of approximately HK\$0.17 million for the year ended 31st December, 1999.

The significant increase in turnover was due to significant increase in sales of Sha Shi Ba (殺虱霸) which received positive feedback on its quality and functions from farmers in Fujian Province.

In addition, the significant increase in turnover for the year ended 31st December, 2000 was also due to the expansion of the sales of Sha Shi Ba (殺虱霸) to other provinces, namely Anhui, Jiangxi and Henan Provinces. As the demand of the 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 are 5 sales agents in other provinces and there were 68 sales agents in the Fujian Province.

During the years 1999 and 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 were to review the monthly consignment sales report prepared by the sales agents and to perform quarterly inventory count in the sales' agent locations. In addition, the Group collected the cash proceeds from the sales agents on a monthly basis. For the last month of the year, all consignment goods were to be returned to the Group or the sales agents settled all outstanding balances with the Group in cash before the end of year.

Gross profit

The gross profit of the Group was solely contributed 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, while that of the year ended 31st December, 1999 was a gross margin loss of approximately HK\$0.1 million. The reason for the gross margin loss for the year ended 31st December, 1999 was that the sales of the product could not cover the fixed overhead costs of the product. With the significant increase in sales of the product during the year ended 31st December, 2000, the Group enjoyed the economies of scale and the gross profit margin increased significantly to approximately 57.1 per cent..

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 per cent. of the Group's turnover and an increase of approximately HK\$0.05 million or approximately 13.1 per cent. over the same period last year. The increase in administrative expenses was mainly due to the increase in number of staff from 19 at the end of 1999 to 31 at the end of 2000 and increase in general office expenses.

Other revenue and research and development costs

During the year 1999, government grants of approximately HK\$1.47 million was issued by Government institutions and used for the research and development of Sha Shi Ba (殺虱霸) and any related pesticides applying the Propulsive Agent. Since the Group has completed the development of Sha Shi Ba (殺虱霸) and Dao Ying Wen Jing during this year, the grants were recognised by the Group as other revenue of the Group. The grants were one-off payments and no such revenue was earned by the Group afterwards. The research and development costs for the year ended 31st December, 1999 mainly represented the research and development expense incurred on Sha Shi Ba (殺虱霸). The significant decrease of research and development expenses for the year ended 31st December, 2000 because the product Sha Shi Ba (殺虱霸) was fully developed in 1999 and no such expenses were incurred in 2000.

Profit attributable to shareholders

Profit attributable to shareholders increased from approximately HK\$0.4 million for the year ended 31st December, 1999 to approximately HK\$3.2 million for the year ended 31st December, 2000, an increase of approximately 7.6 times over the previous year. Such increase was primarily due to a substantial increase in turnover coupled with the improvement in gross profit margin.

Three months ended 31st March, 2001

Turnover

For the three months ended 31st March, 2001, the turnover of the Group was approximately HK\$16.7 million, representing approximately 2.6 times of the turnover of the Group for the year ended 31st December, 2000. The Directors consider that the Group's turnover has seasonal effect with higher turnover in the second and third quarters of the year similar to other paddy pesticides. The Directors also consider that it is not comparable between the turnover for the 3 months ended 31st March, 2001 to that of the 3 months ended 31st March, 2000 since the Group's product was not launched to the market until the second half of 2000 and the sales was accelerated from February, 2001 onwards. The significant increase in turnover for the three months ended 31st March, 2001 was due to the increase in sales of the product, Sha Shi Ba (殺虱霸) which continued to receive popular support from farmers. The Directors consider the significant increase in the sales of the product, Sha Shi Ba (殺虱霸) was due to the following reasons:

- A result of the Group's marketing and promotional activities during the years 1999 and 2000: The Group had engaged in many different activities, for instance, attending seminars, organizing training courses and distributing free samples to farmers, to promote its product, Sha Shi Ba (殺虱霸) during the years 1999 and 2000. As a result of these promotional activities, the Group's sales orders increased significantly during the three months ended 31st March, 2001.
- Geographical sales expansion of the product:

Regional Provinces	Year	3 months
	2000	Period ended
	HK\$ million	31st March, 2001
		HK\$ million
Fujian	5.6	5.9
Anhui	0.5	3.0
Jiangxi	0.2	1.8
Henan	0.1	2.2
Jiangsu	-	2.2
Hunan	-	1.5
	6.4	16.6

During the year 2000, the Group's products were sold in Fujian Province, Anhui Province, Jiangxi Province and Henan Province. Most of the sales of the Group were attributable to Fujian Province, approximately 87 per cent. of the total sales with the rest shared by the other provinces. For the three months ended 31st March, 2001, the Group's sales were also expanded to Jiangsu Province and Hunan Province. In addition, the sales in these provinces increased significantly. The sales in the other provinces (except Fujian Province) for the three months ended 31st March, 2001 were increased significantly to approximately 65 per cent. of the total sales of the Group.

Since the Group's product is receiving popularity from farmers, the Group changed the consignment sales policy to direct sales starting from 2001 onwards. From then on, the Group needs not to review the monthly sales reports prepared by the sales agents or perform any physical count of inventory at the sales agents' locations.

Gross profit

For the three months ended 31st March, 2001, the gross profit of the Group was approximately HK\$11 million, representing approximately three times of the gross profit for the year ended 31st December, 2000. The increase in the gross profit was attributable to the significant increase in sales of the Group's product, Sha Shi Ba (殺虱霸). In addition, the gross profit percentage of the Group also increased from approximately 57.1 per cent. for the year ended 31st December, 2000 to approximately 66.5 per cent. for the three months ended 31st March, 2001. The increase in gross profit margin was mainly attributable to the economies of scale the Group continue to enjoy as a result of the significant increase in turnover.

Administrative expenses

The administrative expenses incurred by the Group from January to March 2001 were approximately HK\$0.3 million, representing approximately 70 per cent. of the total administrative expenses for the year ended 31st December, 2000. The principal items comprising the administrative expenses were salaries and travelling expenses for the office staff. The reason for the sharply increase in salaries for the three months ended 31st March, 2001 was that the Group recruited more staff from 31 at the end of 2000 to 36 at the end of March, 2001. The sharply increase in salaries was not only due to the increase of 5 members of the staff, but also the increase in salary of the existing staff. For the three months ended 31st March, 2001, the travelling expenses increased because of the frequent travel of the management in order to prepare for the listing of the Group.

Research and development costs

The research and development costs incurred by the Group from January to March 2001 were approximately HK\$0.4 million, representing general research expenses for identifying new products.

Profit attributable to shareholders

For the three months ended 31st March, 2001, the profit attributable to shareholders was approximately HK\$10.3 million, representing approximately 3.3 times of the profit attributable to shareholders for the year ended 31st December, 2000. The increase was due to the significant increase in turnover and the gross profit of the Group during this period.

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 enterprise income tax at the rate of 30%. However, it is exempted from such enterprise income tax for two years starting from its first year of profitable operation after offsetting prior year losses, 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 enterprise income tax at the reduced rate of 15% for the three years ending 31st December, 2004.

In addition, no provision for the PRC value-added tax (which, if payable, would have been charged at a rate of 13%) relating to the sales of the Group's products was made as the Group's products are exempted from value-added tax under PRC tax regulations from 1st June, 1998 to 31st December, 2001.

PROPERTY INTERESTS

The details of properties leased by the Group are set out in Appendix III to this prospectus. Greater China Appraisal Limited, an independent property valuer, valued the property interest of the Group as at 31st March, 2001. Details of the values and the valuation certificates from Greater China Appraisal Limited are set out in Appendix III to this prospectus.

DIVIDEND POLICY

No dividends have been paid or declared by the Company since the date of its incorporation. However, on 30th April, 2001, Goldigit Limited declared a dividend of HK\$10 million to its then shareholders in respect of the 3 months ended 31st March, 2001. The payment of dividend by Goldigit Limited was funded by its internal resources and no loan is arranged.

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.

On the basis of the profit forecast and in the absence of unforeseen circumstances, the Directors intend to recommend a final dividend of not less than HK1.1 cents per Share in respect of the financial year ending 31st December, 2001.

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 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

The Company was incorporated on 9th February, 2001 and has not carried on any business since its incorporation. Accordingly, the Company had no reserve available for distribution to shareholders as at 31st March, 2001.

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 prospectus, which are prepared in accordance with Statements of Standard Accounting Practice issued by the Hong Kong Society of Accountants ("HK GAAP").

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. In accordance with the Articles of Fujian Goldigit, the enterprise expansion fund and staff bonus and welfare fund, to which Fujian Goldigit, at the discretion of the Directors can appropriate before distribution of profits to shareholders. Since the amount to be appropriated to the enterprise expansion fund and staff bonus and welfare Fund are at the discretion of Directors of Fujian Goldigit, no appropriation of such funds were made by the Directors during the Relevant Track Record Periods.

Upon listing of the Shares on GEM, it's the Directors' current intention to distribute dividends based on the lower of the Group's profit determined under PRC GAAP and HK GAAP.

WORKING CAPITAL

The Directors are of opinion that, taking into account the internally generated resources of the Group and the estimated net proceeds from the issue of the New Shares (excluding the Over-allotment Shares) under the Placing, the Group has sufficient working capital for its present requirements.

ADJUSTED NET TANGIBLE ASSETS

The following pro forma statement of adjusted net tangible assets of the Group is based on the audited combined net assets of the Group as at 31st March, 2001 as shown in the accountants' report set out in Appendix I to this prospectus, adjusted as described below:

	<i>HK\$'000</i>
Audited combined net assets of the Group as at 31st March, 2001	13,420
Less: Intangible assets as at 31st March, 2001	(8,225)
Profit of the Group for the two months ended 31st May, 2001	20,498
Interim dividend declared on 30th April, 2001 (<i>Note 1</i>)	(10,000)
Estimated net proceeds of the issue of the New Shares (excluding the Over-allotment Shares) (<i>Note 2</i>)	<u>158,000</u>
Adjusted net tangible assets	<u><u>173,693</u></u>
Adjusted net tangible asset value per Share (<i>Note 3</i>)	<u><u>10.22 cents</u></u>

Notes:

- On 30th April, 2001, an interim dividend amounting to HK\$10 million was declared by Goldigit Limited, a wholly-owned subsidiary of the Company, to its existing shareholders registered as such on 29th April, 2001. Such interim dividend was paid on 31st May, 2001 and was financed out of the internal resources of the Group.
- The estimated net proceeds of the issue of the New Shares (excluding the Over-allotment Shares) under the Placing is based on the Issue Price and takes no account of any Shares which may be allotted and issued upon the exercise of the Over-allotment Option and of the options under the Share Option Scheme. If the Over-allotment Option is exercised in full, the estimated net proceeds of the issue of the New Shares under the Placing will be approximately \$188.8 million.
- 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 and to be issued as mentioned herein but takes no account of any Shares which may be issued upon the exercise of the Over-allotment Option or of any options which may be granted under the Share Option Scheme or which may be allotted and issued or purchased by the Company pursuant to the general mandates for the allotment and issue or purchase of Shares described in the paragraph headed "Written Resolutions of the Sole Shareholder of the Company Passed on 22nd June, 2001" in Appendix V to this prospectus.

PROFIT FORECAST

The Directors forecast that, in the absence of unforeseen circumstances, and subject to the bases and assumptions set forth in Appendix II to this prospectus, the combined profit after taxation but before extraordinary items of the Group for the year ending 31st December, 2001 will amount to not less than HK\$60 million. The forecast has been prepared by the Directors based on the audited combined results of the Group for the three months ended 31st March, 2001, unaudited combined results for the two months ended 31st May, 2001 and a forecast of the combined results of the Group for the remaining seven months ending 31st December, 2001 and on the basis that the Group had been in existence throughout the entire year. The Directors are not aware of any extraordinary items which have arisen, or are likely to arise, during the year ending 31st December, 2001. The texts of letters from Deloitte Touche Tohmatsu, the reporting accountants of the Group, and from CPY in respect are set forth in Appendix II to this prospectus.

On the basis of the above profit forecast and the weighted average number of approximately 1,526,599,726 Shares expected to be in issue during the year ending 31st December, 2001, the forecast earnings per Share is approximately HK\$3.93 cents, representing a weight average prospective price/earnings multiple of approximately 12.72 times based on the Issue Price. This does not take into account the Shares which may fall to be allotted and issued pursuant to the Over-allotment Option and the exercise of the options to be granted under the Share Option Scheme or of any Shares which may be allotted and issued or repurchased by the Company pursuant to the general mandates for the allotment and issue or repurchase of Shares granted to the Directors referred to under "Written resolutions of the sole shareholder of the Company passed on 22nd June, 2001" in Appendix V to the prospectus, or otherwise.

NO MATERIAL ADVERSE CHANGE

Save as disclosed in this prospectus, the Directors are not aware of any material adverse change in the financial or trading position or prospects of the Company or any of its subsidiaries since 31st March, 2001 (being the date to which the latest audited financial statements of the Group were made up).

UNDERWRITERS

CPY International
Guotai Junan Securities (Hong Kong) Limited
Capital Friend Securities Limited
CEF Capital Limited
CM-CCS Securities Limited
CSC Securities (HK) Limited
Emperor Securities Limited
Polaris Securities (Hong Kong) Limited
SBI E2-Capital Securities Limited
Taiwan Securities (Hong Kong) Company Limited
TIS Securities (HK) Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

Underwriting Agreement

Pursuant to the Underwriting Agreement, the Company is offering at the Issue Price 340,000,000 New Shares for subscription and the Vendors are offering at the Issue Price 85,000,000 Sale Shares for sale, on and subject to the terms and conditions therein.

Subject to the GEM Listing Committee of the Stock Exchange granting listing of and permission to deal in the Shares in issue and the Shares to be issued as mentioned herein and to certain other conditions set out in the Underwriting Agreement, the Underwriters have severally agreed to subscribe for or purchase or procure placees to subscribe for or purchase the Placing Shares in accordance with the terms and conditions in the Underwriting Agreement.

Grounds for termination

The obligations of the Underwriters to subscribe for or purchase or procure subscribers for the Placing Shares are subject to termination if certain events, including force majeure, occur at any time prior to 9:30 a.m. on the date when certificates for the Placing Shares are deposited into CCASS and/or despatched to placees, which is expected to be 6th July, 2001,

- (a) there is any adverse change in the business or in the financial or trading position of any member of the Group which in the sole and reasonable opinion of CPY International is material in the context of the Placing; or
- (b) (i) any event or series of events concerning or relating to or otherwise having an effect on, or any change or prospective change (whether or not permanent) in, Hong Kong, PRC, the Cayman Islands, British Virgin Islands or international financial, political, industrial, economic, currency, military, conflict-related, legal, fiscal, exchange control, regulatory, stock or other financial market or other conditions, circumstances or matters, whether or not of the same kind with any of the foregoing (including without limitation any moratorium on or suspension of commercial banking activities or trading in securities on the Main Board or GEM) shall have occurred, happened or come into effect; or

- (ii) any new law or regulation or change in existing laws or regulations or any change in the interpretation or application thereof by any court or other competent authority in Hong Kong, PRC, the Cayman Islands, the British Virgin Islands or any other jurisdiction relevant to the Group shall have been introduced or effected; or
- (iii) any event, act or omission which gives rise or is likely to give rise to any material liability of the Company pursuant to the indemnities contained in the Underwriting Agreement; or
- (iv) the imposition of economic or other sanctions by the United States, the European community or any other country or organisation on Hong Kong or the PRC; or
- (v) any act of God, war, riot, public disorder, civil commotion, fire, flood, explosion, epidemic, terrorism, strike or lockout shall have occurred, happened or come into effect; or
- (vi) there is, in the sole and reasonable opinion of CPY International, a change in the system under which the value of the Hong Kong currency is linked to that of the currency of the United States; or
- (vii) there is, in the sole and reasonable opinion of CPY International, a change in the exchange rate between the United States dollars and the Renminbi, or between Hong Kong dollars and the Renminbi; or
- (viii) any litigation or claim of material importance being threatened or instituted against any member of the Group; or
- (ix) death or serious injury of any of the executive Directors,

which will or may in the sole and reasonable opinion of CPY International be materially adverse to or materially prejudicially affect the Group or its prospects or the Placing or the success thereof or which makes it inappropriate, inadvisable or inexpedient to proceed with the Placing; or

- (c) any of the Underwriters shall become aware of the fact that, or have cause to believe that:
 - (i) any of the warranties given under the Underwriting Agreement was untrue, inaccurate or misleading in any material respect, or that any of the Warrantors is in breach of any provision of the Underwriting Agreement in any material respect;
 - (ii) any statement contained in this prospectus has become or been discovered to be untrue, incorrect or misleading in any material respect, or any matter has arisen or has been discovered which would, if this prospectus was to be issued at that time, constitute a material omission therefrom.

Undertakings

The Initial Management Shareholders have given non-disposal undertakings to the Company and the Underwriters, details of which are described in the section headed “Substantial and Initial Management Shareholders” of this prospectus.

Pursuant to the Underwriting Agreement, each of the Warrantors has undertaken with CPY and the Underwriters to procure that, save as pursuant to the exercise of the Over-allotment Option or the grant or the exercise of any options under the Share Option Scheme or otherwise approved by the Stock Exchange, the Company and its subsidiaries will not within the period commencing on the date of the Underwriting Agreement and ending six months from the day on which dealings in the Shares commence on the GEM allot or issue or agree to allot or issue any securities in the Company or any of its subsidiaries (including warrants or other convertible securities and whether or not of a class already listed) or grant or agree to grant any options or other rights carrying rights to subscribe for or otherwise acquire any securities of the Company or any of its subsidiaries or Placing to or agree to do any of the foregoing or announce any intention to do so.

Commission and expenses

The Underwriters will receive an underwriting and placing commission of 3.5 per cent. of the aggregate Issue Price of all the Placing Shares (including Shares to be issued under the Over-allotment Option). CPY will receive a documentation fee relating to the Placing. The underwriting and placing commission (other than relating to the Over-allotment Shares), documentation fee, GEM listing fees, the Stock Exchange transaction levy, legal and other professional fees, printing and other expenses relating to the Placing which are currently estimated to be approximately HK\$15 million, will be payable by the Company as to 80% and the Vendors as to 20% to be shared equally among them. Any underwriting commission and expenses relating to the Over-allotment Shares will be borne solely by the Company.

Sponsor’s interests in the Company

CPY and the Company has agreed that, after the Listing Date, CPY and the Company will enter into a sponsor’s agreement whereby the Company will appoint CPY to act as its sponsor for the purposes of the GEM Listing Rules for the remainder of the current financial year and the two financial years ending 31st December, 2003 pursuant to which CPY will receive a fee.

Save as provided for under the Underwriting Agreement and save as disclosed in the paragraph headed “Agency fees or commissions received” in Appendix V to this prospectus or otherwise disclosed in this prospectus, neither CPY nor any of its associates has or may, as a result of the Placing, have any interest in any class of securities of the Company or any other companies in the Group (including options or rights to subscribe for such securities).

No director or employee of CPY who is involved in providing advice to the Company has or may, as a result of the Placing, have any interest in any class of securities of the Company or any other company in the Group (including options or rights to subscribe for such securities but, for the avoidance of doubt, excluding interests in securities that may be subscribed for or purchased by any such director or employee pursuant to the Placing).

Neither CPY nor any of its associates has accrued any material benefit as a result of the successful outcome of the Placing, including by way of example, the repayment of material outstanding indebtedness or success fees other than the following:

- (i) by way of underwriting and placing commission to be paid to CPY International for acting as one of the Underwriters pursuant to the Underwriting Agreement;
- (ii) the documentation and financial advisory fees to be paid to CPY as sponsor of the Placing;
- (iii) by way of a sponsor's agreement as described above; and
- (iv) certain associates of CPY, whose ordinary business involves the trading of and dealing in securities, may be involved in the trading of and dealing in the securities in the Company.

No director or employee of CPY nor any of its associates has a directorship in the Company or any other company in the Group.

Underwriters' Interests in the Company

Save as provided for under the Underwriting Agreement and otherwise disclosed in this prospectus, none of the Underwriters has any shareholding interests in any member of the Group nor has any right or option (whether legally enforceable or not) to subscribe for or nominate persons to subscribe for any shares in any member of the Group.

Over-allotment Option

The Company has granted to the Underwriters the Over-allotment Option, exercisable by CPY International, with prior consent of the Company, on behalf of the Underwriters' within 30 days after the date of this prospectus, to require the Company to issue up to an aggregate of 63,748,000 additional Shares, which is equivalent to 15 per cent. of the Placing Shares, at the Issue Price solely to cover any over-allocations in the Placing.

STRUCTURE AND CONDITIONS OF THE PLACING

PRICE PAYABLE ON SUBSCRIPTION

Investors have to pay the Issue Price of HK\$0.50 plus 1 per cent. brokerage and a 0.01 per cent. Stock Exchange transaction levy, constituting a total of HK\$2,020.20 per board lot of 4,000 Shares.

PLACING

The Company is initially offering 340,000,000 New Shares for subscription and the Vendors are offering 85,000,000 Sale Shares for sale pursuant to the Placing. The Placing is fully underwritten by the Underwriters, subject to the terms and conditions of the Underwriting Agreement.

Pursuant to the Placing, the Underwriters or selling agents nominated by the Underwriters on behalf of the Company and the Vendors shall place the Placing Shares (comprising 340,000,000 New Shares and 85,000,000 Sale Shares) at the Issue Price payable by the subscribers and/or purchasers of the Placing Shares. The Placing Shares will be placed with professional, institutional investors and/or other investors anticipated to have a sizable demand for the Placing Shares in Hong Kong. Professional investors generally include brokers, dealers and companies (including fund managers) whose ordinary business involves dealing in shares and other securities and entities which regularly invest in shares and other securities.

The total number of Placing Shares to be allotted and issued pursuant to the Placing may change as a result of any exercise of the Over-allotment Option.

CONDITIONS OF THE PLACING

Acceptance of applications for the Placing Shares in the Placing is conditional upon:

1. the GEM Listing Committee granting listing of, and permission to deal in, the Shares in issue and the Shares to be issued pursuant to the Capitalisation Issue, the Placing and the exercise of the Over-allotment Option and any options under the Share Option Scheme; and
2. the obligations of the Underwriters under the Underwriting Agreement becoming unconditional (including, if relevant, as a result of the waiver of any condition(s) by CPY International on behalf of the Underwriters) and not being terminated in accordance with the terms of the Underwriting Agreement or otherwise,

in each case, on or before the dates and times specified in the Underwriting Agreement (unless and to the extent such conditions are validly waived on or before such dates and times) and in any event not later than 30th July 2001.

OVER-ALLOTMENT OPTION

Pursuant to the Underwriting Agreement, the Company has granted to the Underwriters an Over-allotment Option which is exercisable by CPY International, with prior consent of the Company, on behalf of the Underwriters to require the Company to sell up to an aggregate of

STRUCTURE AND CONDITIONS OF THE PLACING

63,748,000 Shares (subject to adjustment) at any time and from time to time within 30 days from the date of this prospectus. These Over-allotment Shares shall represent approximately 15 per cent. of the number of Placing Shares initially offered under the Placing, at the Issue Price solely to cover over-allocation in the Placing, if any. In order to facilitate the settlement of over-allocations in connection with the Placing in an efficient manner, CPY International, the joint lead manager of the Placing, may choose to borrow Shares from Best Today, under the stock borrowing agreement prior to any exercise of the Over-allotment Option, or the acquisition of a sufficient number of Shares from other sources. Best Today will not receive any payment or benefit in respect of such stock borrowing arrangement. Pursuant to such stock borrowing arrangement, any Shares borrowed must be returned to Best Today and deposited with the escrow agent no later than three business days following the last date for exercising the Over-allotment Option, if, and only if the Over-allotment Option is not exercised. Any stock borrowing arrangement to be entered into will be conducted in accordance with all applicable laws and regulatory requirements. Please refer to the section headed “Waivers from compliance with certain provisions of the GEM Listing Rules” of this prospectus. In the event that the Over-allotment Option is exercised, an announcement will be made by the Company setting out the relevant details.

STABILISATION

In connection with the Placing, CPY International (on behalf of the Underwriters), with prior consent of the Company, may over-allocate up to an aggregate of 63,748,000 additional Shares (such over-allocations may be covered by exercising the Over-allotment Option in full or in part, at any time up to 30 days from the date of this prospectus or by stock borrowing or by purchasing Shares in the secondary market) and/or effect transactions which stabilise or maintain the market price of the Shares at levels other than those which might otherwise prevail but which are not higher than the Issue Price. Any such over-allocation purchase and/or transactions will be made in compliance with all applicable laws and regulatory requirements.

CPY International may also on behalf of the Underwriters effect transactions which stabilise or maintain the market price of the Shares. Such transactions may be effected in all jurisdictions where it is permissible to do so, in each case, in compliance with all applicable laws and regulatory requirements. Such transactions, if commenced, may be discontinued at any time. Should stabilising transactions be effected in connection with the distribution of Shares, they will be done at the absolute discretion of CPY International.

Stabilisation is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilise, the underwriters may bid for or purchase, the newly issued securities in the secondary market, during a specified period of time, to retard and, if possible, prevent a decline in the initial issue price of the securities. The stabilisation price to cover over-allocations will not exceed the initial issue price.

In Hong Kong, such stabilisation activities on the Stock Exchange are restricted to cases where the underwriters purchase shares in the secondary market genuinely and solely for the purpose of covering over-allocations in the relevant offer. Such transactions, if commenced, may be discontinued at any time. The relevant provisions of the Securities Ordinance (Chapter 333 of the Laws of Hong Kong) prohibit market manipulation in the form of pegging or stabilising the price of securities in certain circumstances.

STRUCTURE AND CONDITIONS OF THE PLACING

COMMENCEMENT OF DEALINGS IN THE SHARES

Dealing of the Shares on the GEM is expected to commence on 9th July, 2001. Shares will be traded in board lots of 4,000 Shares.

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the granting of, and permission to deal in, the Shares to be issued as described in this prospectus on the GEM by the Stock Exchange as well as the compliance with the stock admission requirements of Hongkong Clearing, the Shares will be accepted as eligible securities by Hongkong Clearing for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares on the GEM or any other date Hongkong Clearing chooses. Settlement of transactions between participants of Stock Exchange is required to take place in CCASS on the second business day after any trading day. All activities under CCASS are subject to the General Rules of CCASS and the CCASS operational Procedures in effect from time to time.

All necessary arrangements have been made for the Shares to be admitted into CCASS.

德勤·關黃陳方會計師行

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永安中心26樓

**Deloitte
Touche
Tohmatsu**

29th June, 2001

The Directors
Goldigit Atom-tech Holdings Limited
Core Pacific – Yamaichi Capital 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 the period from 21st March, 1998 (“Date of Commencement of Business”, being the date on which 80% interest in Fujian Goldigit Fine Chemical Industry Co., Ltd. (“Fujian Goldigit”) were deemed to be acquired by the Group) to 31st December, 1998 and each of the two years ended 31st December, 2000 and the three months ended 31st March, 2001 (the “Relevant Periods”) for inclusion in the prospectus of the Company dated 29th June, 2001 (the “Prospectus”).

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law (2001 Second Revision) Chapter 22 of the Cayman Islands on 9th February, 2001.

As at the date of this report, the Company has the following subsidiaries:

Name	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Attributable equity interest held by the Company	the Group	Principal activities
Goldigit Limited	British Virgin Islands 18th September, 2000	US\$10,000	100%	–	Investment holding
Fujian Goldigit	People's Republic of China ("PRC") (Note 2)	HK\$3,000,000	–	100% (Note 1)	Manufacturing and sales of solvent insecticides

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 Company, Mr. Lao Seng Peng upon its incorporation on 18th September, 2000, acquired as to 80% interest in Fujian Goldigit from Ms. Liu Lan Hua, who, on 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 executive of the Company. 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. As at the date of this report, Fujian Goldigit is a wholly owned subsidiary of the Company.

APPENDIX I ACCOUNTANTS' REPORT

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.

No audited financial statements have been prepared for the Company and Goldigit Limited since their respective date of incorporation as they have not carried on any business, other than the acquisition of their respective wholly-owned subsidiary. We have, however, reviewed all relevant transactions of the Company and Goldigit Limited since their respective date of incorporation and carried out such procedures as we considered necessary for inclusion of the financial information relating to these companies.

The statutory financial statements of Fujian Goldigit for the period from 29th October, 1997 (date of establishment) to 31st December, 1998, for the year ended 31st December, 1999 and for the periods from 1st January, 2000 to 17th October, 2000 before change of its legal status to WFOE and from 18th October, 2000, the effective date of WFOE to 31st December, 2000 and for the three months ended 31st March, 2001 were audited by Fujian Cheng Xin Associated Certified Public Accountants, registered in the PRC. These financial statements of Fujian Goldigit 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 Relevant Periods in accordance with Statements of Auditing Standards issued by the Hong Kong Society of Accountants.

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We have examined the audited financial statements or, where appropriate, management accounts of the companies now comprising the Group for the Relevant Periods, or since the respective dates of incorporation to 31st March, 2001, 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 Periods 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, on the basis set out in note 1 to the Financial Information, after making such adjustments as we consider appropriate for the purpose of preparing our report for inclusion in the Prospectus.

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 Prospectus 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, on the basis of presentation set out in note 1 below, the Financial Information gives, for the purpose of this report, a true and fair view of the combined net assets of the Group as at 31st March, 2001 and of the combined results of the Group for the period from Date of Commencement of Business to 31st December, 1998, each of the two years ended 31st December, 2000 and the three months ended 31st March, 2001.

APPENDIX I ACCOUNTANTS' REPORT

(A) FINANCIAL INFORMATION

COMBINED RESULTS

		21st March, 1998 to 31st December, 1998	Year ended 31st December,		3 months ended 31st March, 2001
	<i>NOTES</i>	<i>HK\$'000</i>	<i>1999</i>	<i>2000</i>	<i>HK\$'000</i>
			<i>HK\$'000</i>	<i>HK\$'000</i>	
Turnover	3	–	170	6,422	16,661
Cost of sales		–	(296)	(2,755)	(5,580)
Gross (loss) profit		–	(126)	3,667	11,081
Other revenue	4	–	1,472	1	15
Selling expenses		–	(86)	(69)	(32)
Administrative expenses		(403)	(367)	(415)	(289)
Research and development costs		–	(437)	(62)	(447)
(Loss) profit from operations	5	(403)	456	3,122	10,328
Income taxes	7	–	–	–	–
(Loss) profit before minority interests		(403)	456	3,122	10,328
Minority interests		81	(91)	42	–
Net (loss) profit for the period		<u>(322)</u>	<u>365</u>	<u>3,164</u>	<u>10,328</u>
Interim dividend	8	–	–	–	(10,000)
Basic (loss) earnings per share (cents)	9	<u>(0.02)</u>	<u>0.03</u>	<u>0.23</u>	<u>0.76</u>

APPENDIX I ACCOUNTANTS' REPORT

COMBINED NET ASSETS

	<i>NOTES</i>	As at 31st March, 2001 HK\$'000
Non-current assets		
Property, plant and equipment	<i>10</i>	3,632
Intangible assets	<i>11</i>	<u>8,225</u>
		11,857
Current assets		
Inventories	<i>12</i>	194
Trade and other receivables	<i>13</i>	46
Prepayments and deposits		1,678
Bank balances and cash	<i>14</i>	<u>4,432</u>
		6,350
Current liabilities		
Amount due to a shareholder	<i>15</i>	3,712
Trade and other payables	<i>16</i>	294
Accruals		<u>29</u>
		4,035
Net current assets		<u>2,315</u>
Non-current liability		
Amount payable for acquisition of licence	<i>17</i>	<u>752</u>
Net assets		<u><u>13,420</u></u>

NOTES TO THE FINANCIAL INFORMATION

1. BASIS OF PRESENTATION OF FINANCIAL INFORMATION

The combined results include the results of the companies comprising the Group as if the current group structure had been in existence throughout the Relevant Periods except that Fujian Goldigit has been accounted for as a 80% owned subsidiary from Date of Commencement of Business to 24th September, 2000. The combined net assets of the Group as at 31st March, 2001 have been prepared to present the assets and liabilities of the Group as if the current group structure had been in existence as at 31st March, 2001.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Financial Information has 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 principals generally accepted in Hong Kong are as follows:

Goodwill

Goodwill (negative goodwill) represents the excess (deficit) of the purchase consideration over the fair value ascribed to the Group's share of the separable net assets at the date of acquisition of a subsidiary. For the acquisition which arose before 1st January, 2001, goodwill is eliminated against reserves immediately on acquisition and negative goodwill is credited to reserves. With effect from 1st January, 2001, goodwill arising from acquisition of a subsidiary will be capitalised and amortised over its estimated useful life, which normally should not exceed twenty years. Negative goodwill should be presented as a deduction from the positive goodwill. Negative goodwill is subsequently recognized in the income based on an analysis of the circumstances from which the balance of negative goodwill results.

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

Revenue recognition

Sales of goods are recognised when goods are delivered and title has been 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 remains with the leasing companies are accounted for as operating leases.

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

Foreign currencies

Transactions in currencies other than Hong Kong Dollars are initially recorded at the rates of exchange 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 combined results.

On combination, 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 period. Exchange differences arising, if any, are classified as equity and are recognised as income or as expense in the period in which the operation is disposed of.

APPENDIX I ACCOUNTANTS' REPORT

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.

Retirement benefit costs

Payments to defined contribution plans are charged as an expense as they fall due.

Taxation

The charge for taxation is based on the results for the period as adjusted for items which are non-assessable or disallowed. Timing differences arise from the recognition for tax purposes of certain items of income and expense in a different accounting period from that in which they are recognised in the combined results. The tax effect of timing differences, computed using the liability method, is recognised as deferred taxation in the combined results and the combined net assets to the extent that it is probable that a liability or an asset will crystallise in the foreseeable future.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its present working condition and location for its intended use. Expenditure incurred after the asset has been put into operation, such as repairs and maintenance and overhaul costs, is charged to income in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the asset, the expenditure is capitalised as an additional cost of the asset.

Depreciation is charged so as to write off the cost of property, plant and equipment over their estimated useful lives, using the straight-line method, on the following bases:

Leasehold improvement	5 years
Plant and equipment	10 years
Furniture and fixtures	5 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 sales proceeds and the carrying amount of the asset and is recognised in combined results.

Where the recoverable amount of an asset has declined below its carrying amount, the carrying amount is reduced to reflect the decline in value. In determining the recoverable amount of assets, expected future cash flows are not discounted to their present values.

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 income.

Where the recoverable amount of an asset has declined below its carrying amount, the carrying amount is reduced to reflect the decline in value. In determining the recoverable amount of assets, expected future cash flows are not discounted to their present values.

APPENDIX I ACCOUNTANTS' REPORT

Knowhow

The initial cost of acquiring a knowhow for manufacture of a product is capitalised and amortized on a straight-line basis over its estimated useful life or over 10 years, whichever is the shorter.

Where the recoverable amount of an asset has declined below its carrying amount, the carrying amount is reduced to reflect the decline in value. In determining the recoverable amount of assets, expected future cash flows are not discounted to their present values.

Government grants

Government grant is recognised when there is reasonable assurance that the grant will be received and all attached conditions are complied with. When the grant relates to an expense item, it is recognised as income over the periods necessary to match the grant, on a systemic basis, to the costs which it is intended to compensate. Where the grant relates to an asset, the fair value is deducted in arriving at the carrying amount of the related asset.

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.

3. TURNOVER

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

	21st March, 1998 to 31st December, 1998 <i>HK\$'000</i>	Year ended 31st December, 1999 2000 <i>HK\$'000</i> <i>HK\$'000</i>		3 months ended 31st March, 2001 <i>HK\$'000</i>
Sales of goods	–	170	6,438	16,681
Less: sales tax	–	–	(16)	(20)
	<u>–</u>	<u>170</u>	<u>6,422</u>	<u>16,661</u>

Note:

Sales tax represents various local taxes levied at the rate of 0.119% on the invoiced value of goods sold. The Group has a value added tax exemption privilege in respect of its sales for the period from 1st June, 1998 to 31st December, 2001.

4. OTHER REVENUE

	21st March, 1998 to 31st December, 1998 <i>HK\$'000</i>	Year ended 31st December, 1999 2000 <i>HK\$'000</i> <i>HK\$'000</i>		3 months ended 31st March, 2001 <i>HK\$'000</i>
Interest on bank deposits	–	3	1	7
Government grants recognised	–	1,469	–	–
Sundry income	–	–	–	8
	<u>–</u>	<u>1,472</u>	<u>1</u>	<u>15</u>

APPENDIX I ACCOUNTANTS' REPORT

5. (LOSS) PROFIT FROM OPERATIONS

(Loss) profit from operations has been arrived at after charging:

	21st March, 1998 to 31st December, 1998 <i>HK\$'000</i>	Year ended 31st December, 1999 2000 <i>HK\$'000</i> <i>HK\$'000</i>		3 months ended 31st March, 2001 <i>HK\$'000</i>
Depreciation of owned assets	–	–	90	96
Amortisation of intangible assets	188	188	564	235
Total depreciation and amortisation	188	188	654	331
Auditors' remuneration	–	–	–	–
Operating lease charges:				
Premises	12	24	55	31
Staff costs:				
Directors' remuneration	–	19	24	23
Other staff costs excluding directors' remuneration	55	127	157	157
Retirement benefits scheme contributions, excluding amounts included in directors' remuneration	–	–	–	10
	<u>55</u>	<u>146</u>	<u>181</u>	<u>190</u>

During the Relevant Periods, the Group had amount due to a shareholder on which no interest expenses were charged and produced the core component of its finished goods with the production facilities provided by the transferor, from whom the knowhow of the Group was acquired, free of charge. Had the amount due to a shareholder been interest bearing at the prevailing best lending rates in Hong Kong during the Relevant Periods and 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 combined results of the Group after minority interests for the Relevant Periods would have been adjusted by the following notional amounts:

	21st March, 1998 to 31st December, 1998 <i>HK\$'000</i>	Year ended 31st December, 1999 2000 <i>HK\$'000</i> <i>HK\$'000</i>		3 months ended 31st March, 2001 <i>HK\$'000</i>
Net (loss) profit for the period as set out under combined results above	(322)	365	3,164	10,328
Notional adjustments:				
Interest expenses on amount due to a shareholder	(160)	(199)	(287)	(79)
Cost of production facilities (Note)	(293)	(584)	(445)	–
	<u>(453)</u>	<u>(783)</u>	<u>(732)</u>	<u>(79)</u>
Amounts attributable to minority interests	59	117	89	–
Adjusted (loss) profit for the period	<u>(716)</u>	<u>(301)</u>	<u>2,521</u>	<u>10,249</u>

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 aforesaid core component and the acquisition was financed by the external borrowing funds at interest rates prevailing in the PRC during the Relevant Periods. The cost of production facilities comprised the depreciation charged on the production facilities and interest cost together with other related expenses.

APPENDIX I ACCOUNTANTS' REPORT

6. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

Directors' emoluments

	21st March, 1998 to 31st December, 1998 <i>HK\$'000</i>	Year ended 31st December, 1999 2000 <i>HK\$'000 HK\$'000</i>		3 months ended 31st March, 2001 <i>HK\$'000</i>
Fees:				
Executive directors	–	–	–	–
Independent non-executive directors	–	–	–	–
	–	–	–	–
Other emoluments (executive directors):				
Salaries and other benefits	–	19	24	22
Bonus	–	–	–	–
Retirement benefits scheme contributions	–	–	–	1
	–	19	24	23
	<u>–</u>	<u>19</u>	<u>24</u>	<u>23</u>

The emoluments were paid to the directors as follows:

	21st March, 1998 to 31st December, 1998 <i>Number of directors</i>	Year ended 31st December, 1999 2000 <i>Number of Number of directors directors</i>		3 months ended 31st March, 2001 <i>Number of directors</i>
Nil to HK\$1,000,000	<u>0</u>	<u>2</u>	<u>3</u>	<u>3</u>

	21st March, 1998 to 31st December, 1998 <i>HK\$'000</i>	Year ended 31st December, 1999 2000 <i>HK\$'000 HK\$'000</i>		3 months ended 31st March, 2001 <i>HK\$'000</i>
Emoluments of the Directors were as follows:				

Executive				
Director A	–	10	12	8
Director B	–	9	11	8
Director C	–	–	1	7

Employees' emoluments

During the Relevant Periods, the five highest paid individuals included nil, 2, 2 and 3 directors of the Company for the period from Date of Commencement of Business to 31st December, 1998, each of two years ended 31st December, 2000 and the three months ended 31st March, 2001 respectively, details of whose emoluments are set out above. The emoluments of the remaining highest paid individuals were as follows:

	21st March, 1998 to 31st December, 1998 <i>HK\$'000</i>	Year ended 31st December, 1999 2000 <i>HK\$'000 HK\$'000</i>		3 months ended 31st March, 2001 <i>HK\$'000</i>
Salaries and other benefits	24	27	34	14
Bonus	–	–	–	–
Retirement benefits scheme contributions	–	–	–	1
	<u>24</u>	<u>27</u>	<u>34</u>	<u>15</u>

A PPENDIX I ACCOUNTANTS' REPORT

The emoluments of each of the aforesaid employees was within the following bands:

	21st March, 1998 to 31st December, 1998	Year ended 31st December,		3 months ended 31st March, 2001
	<i>Number of employees</i>	1999	2000	<i>Number of employees</i>
	<i>Number of employees</i>	<i>Number of employees</i>	<i>Number of employees</i>	<i>Number of employees</i>
Nil to HK\$1,000,000	<u>5</u>	<u>3</u>	<u>3</u>	<u>2</u>

During the Relevant Periods, no emoluments were paid by the Group to these individuals (including directors and 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 Periods.

7. INCOME TAXES

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

No provision for income tax in other jurisdictions were made as:

- The Group had no assessable profit for the period from Date of Commencement of Business to 31st December, 1998 and for the year ended 31st December, 1999.
- Fujian Goldigit is eligible for certain tax holidays 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. The prevailing income tax rate applicable to Fujian Goldigit is 30%.

There is no significant unprovided deferred taxation for each of the Relevant Periods and as at 31st March, 2001.

8. INTERIM DIVIDEND

No dividend has been paid or declared by Company since the date of incorporation. An interim dividend of HK\$10,000,000 was declared on 30th April, 2001 by Goldigit Limited in respect of the three months ended 31st March, 2001.

The rate of dividend and number of shares ranking for dividends are not presented as such information is not meaningful for the purpose of this report.

9. BASIC (LOSS) EARNINGS PER SHARE

The calculations of the basic (loss) earnings per share is based on the (loss) profit attributable to shareholders during the Relevant Periods and assuming 1,359,860,000 shares in issue and issuable, comprising 100,000 shares in issue as at the date of the Prospectus and 1,359,760,000 shares to be issued pursuant to the capitalisation issue as described in the paragraph headed "Written resolutions of the sole shareholder of the Company passed on 22nd June, 2001" in Appendix V to the Prospectus.

10. PROPERTY, PLANT AND EQUIPMENT

	At Cost	Accumulated Depreciation	Net book value
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Leasehold improvement	74	4	70
Plant and equipment	3,619	180	3,439
Furniture and fixtures	<u>125</u>	<u>2</u>	<u>123</u>
As at 31st March, 2001	<u>3,818</u>	<u>186</u>	<u>3,632</u>

APPENDIX I ACCOUNTANTS' REPORT

11. INTANGIBLE ASSETS

	At Cost <i>HK\$'000</i>	Accumulated Amortization <i>HK\$'000</i>	Net book value <i>HK\$'000</i>
Licence	1,880	611	1,269
Knowhow	7,520	564	6,956
	<u>9,400</u>	<u>1,175</u>	<u>8,225</u>
As at 31st March, 2001	<u>9,400</u>	<u>1,175</u>	<u>8,225</u>

12. INVENTORIES

	As at 31st March, 2001 <i>HK\$'000</i>
Raw materials and consumables	36
Work-in-progress	14
Finished goods	144
	<u>194</u>

The above inventories are carried at cost.

The cost of inventories recognised as expenses during the period from Date of Commencement of Business to 31st December, 1998, each of two years ended 31st December, 2000 and the three months ended 31st March, 2001 were NIL, HK\$108,000, HK\$2,101,000 and HK\$5,254,000 respectively.

13. TRADE AND OTHER RECEIVABLES

	As at 31st March, 2001 <i>HK\$'000</i>
Trade debtors	–
Other debtors	46
	<u>46</u>

The aged analysis of other receivables is stated as follows:

	As at 31st March, 2001 <i>HK\$'000</i>
Aged:	
181 to 365 days	6
Over 1 year	40
	<u>46</u>

14. BANK BALANCES AND CASH

The bank balances and cash were denominated in Renminbi ("RMB"). RMB is not freely convertible into foreign currencies. Under the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for foreign currencies through banks authorised to conduct foreign exchange business.

A PPENDIX I ACCOUNTANTS' REPORT

15. AMOUNT DUE TO A SHAREHOLDER

The amount due to a shareholder, Mr. Lao Seng Peng, is unsecured, interest free and repayable on demand.

The outstanding balance as at 31st March, 2001 will be fully repaid after the listing of the Company's shares on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited ("SEHK"). The repayment will be financed by internal resources of the Group.

16. TRADE AND OTHER PAYABLES

	As at 31st March, 2001 <i>HK\$'000</i>
Trade creditors	–
Amount payable for acquisition of licence	282
Other creditors	12
	<u>294</u>

The aged analysis of other payables is stated as follows:

	As at 31st March, 2001 <i>HK\$'000</i>
Aged:	
0 to 30 days	12
31 to 60 days	–
61 to 90 days	–
91 to 180 days	–
181 to 365 days	–
Over 1 year	282
	<u>294</u>

17. THE AMOUNT PAYABLE FOR ACQUISITION OF LICENCE

The amount payable for acquisition of licence is payable in the following year:

	As at 31st March, 2001 <i>HK\$'000</i>
2002	<u>752</u>

APPENDIX I ACCOUNTANTS' REPORT

18. RESERVES

Movement in reserves of the Group during the Relevant Periods are as follows:

	Goodwill reserve HK\$'000	Statutory reserve fund HK\$'000	Total HK\$'000
At 21st March, 1998	–	–	–
Goodwill on acquisition of a subsidiary	(129)	–	(129)
At 31st December, 1998 and 31st December, 1999	(129)	–	(129)
Goodwill arising on increase in interests in a subsidiary	(64)	–	(64)
Transfer from retained profits	–	350	350
At 31st December, 2000 and 31st March, 2001	<u>(193)</u>	<u>350</u>	<u>157</u>

Note: In accordance with the Law of the PRC on foreign enterprises, the Company's PRC subsidiary is required to transfer an amount of not less than 10% of its profit after tax to the statutory reserve fund, which may be distributed to investors in the form of a bonus issue.

As at 31st March, 2001, the Company had no distributable nor other reserve.

19. ACCUMULATED (LOSS) PROFITS

	21st March, 1998 to 31st December, 1998 HK\$'000	Year ended 31st December, 1999 HK\$'000	Year ended 31st December, 2000 HK\$'000	3 months ended 31st March, 2001 HK\$'000
At beginning of the period	–	(322)	43	2,857
Net (loss) profit for the period	(322)	365	3,164	10,328
Interim dividend declared	–	–	–	(10,000)
Statutory reserve fund transfer	–	–	(350)	–
At end of the period	<u>(322)</u>	<u>43</u>	<u>2,857</u>	<u>3,185</u>

20. CONTINGENT LIABILITIES

At 31st March, 2001, the Group and the Company had no material contingent liabilities.

21. CAPITAL COMMITMENTS

At 31st March, 2001, the Group and the Company had no material contracted nor authorised but not contracted capital commitments.

A PPENDIX I ACCOUNTANTS' REPORT

22. LEASE COMMITMENTS

At 31st March, 2001, the Group had the following outstanding lease commitments under non-cancellable operating leases:

	<i>HK\$'000</i>
Amount due:	
Within one year	429
In the second to fifth year inclusive	725
Over five years	463
	<hr/>
	1,617
	<hr/> <hr/>

At 31st March, 2001, the Company had no outstanding lease commitments.

23. RELATED PARTY TRANSACTIONS

During the Relevant Periods, the Group acquired from Mr. Chen Li Quan, a senior executive of the Company, 30% interest in Fujian Goldigit at a total consideration of RMB900,000 in accordance with terms of the respective transfer agreements.

24. RETIREMENT BENEFITS SCHEMES

As stipulated by the rules and regulations in the PRC, the Group contributes to a state-sponsored retirement plan for its employees in the PRC. The Group contributes approximately 21% of the basic salaries of its eligible employees to the retirement plan, and has no further obligation for the actual payment of the previous or post retirement benefits. The state-sponsored retirement plan is responsible for the entire present obligation to retired employees.

25. NET ASSETS OF THE COMPANY

The Company was incorporated on 9th February, 2001 and had no asset or liability as at 31st March, 2001. On the basis of presentation set out in note 1 above, the net assets of the Company as at 31st March, 2001 would have been approximately HK\$13,420,000 representing its investments in subsidiaries.

(B) DIRECTORS' REMUNERATION

Save as disclosed in this report, no remuneration had 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.

Under the arrangement presently in force, the aggregate amount of the directors' fees and emoluments for the year ending 31st December, 2001 is estimated to be approximately HK\$779,000.

(C) SUBSEQUENT EVENTS

Subsequent to 31st March, 2001, the following significant events took place:

1. The companies comprising the Group underwent a reorganisation in preparation for the listing of the shares of the Company on the Growth Enterprise Market of SEHK, details of which are set out in the section headed "Corporate reorganisation" in Appendix V to the Prospectus.
2. On 22nd June, 2001, the Company became the holding company of the Group.

APPENDIX I ACCOUNTANTS' REPORT

3. A subsidiary of the Group declared on 30th April, 2001 an interim dividend of HK\$10,000,000 and paid to its then shareholders on 31st May, 2001 in respect of the three months ended 31st March, 2001.

(D) SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by any companies in the Group in respect of any period subsequent to 31st March, 2001.

Yours faithfully

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

A PPENDIX II PROFIT FORECAST

The profit after taxation but before extraordinary items of the Group for the year ending 31st December, 2001 is set forth under “Profit forecast” in the section headed “Financial information” in this prospectus:

(A) BASES AND ASSUMPTIONS

The Directors have prepared the forecast of profit after taxation but before extraordinary items of the Group for the year ending 31st December, 2001, based on the audited combined results of the Group for the three months ended 31st March, 2001, unaudited combined results for the two months ended 31st May, 2001 and a forecast of the results of the Group for the remaining seven months ending 31st December, 2001. The Directors are not aware of any extraordinary items which had arisen or are likely to arise during the year ending 31st December, 2001. The forecast has been prepared on the basis of the accounting policies consistent in all material respects with those normally adopted by the Group as summarised in the Accountants’ Report, the text of which is set forth in Appendix I to this prospectus, and is based on the following assumptions:

- (i) there will be no material changes in the existing political, legal, fiscal, economic or market conditions in the PRC, Hong Kong and the places in which the Group carries on business or from which it obtains its supply or materials;
- (ii) there will be no material changes in exchange rates and interest rates from those currently prevailing;
- (iii) there will be no material changes in legislation and regulations which will materially affect the business in Hong Kong and the PRC; and
- (iv) there will be no material changes in the bases or rates of taxation in the PRC, Hong Kong and in the countries in which any member of the Group carries on business.

(B) LETTERS

Set out below are the texts of letters received by the Directors from Deloitte Touche Tohmatsu, the auditors and reporting accountants of the Company, and from CPY in connection with the forecast of profit after taxation but before extraordinary items of the Group for the year ending 31st December, 2001 and prepared for the purpose of inclusion in this prospectus:

(I) Letter from Deloitte Touche Tohmatsu

德勤·關黃陳方會計師行

Certified Public Accountants
26/F, Wing On Centre
111 Connaught Road Central
Hong Kong

執業會計師
香港中環干諾道中111號
永安中心26樓

**Deloitte
Touche
Tohmatsu**

29th June, 2001

The Directors
Goldigit Atom-tech Holdings Limited
Core Pacific-Yamaichi Capital Limited

Dear Sirs,

We have reviewed the accounting policies and calculations adopted in arriving at the forecast of the combined profits after taxation but before extraordinary items of Goldigit Atom-tech Holdings Limited (the “Company”) and its subsidiaries (hereinafter collectively referred to as the “Group”) for the year ending 31st December, 2001, for which you as directors of the Company are solely responsible, as set out in the section headed “Profit forecast” in the prospectus of the Company dated 29th June, 2001 (the “Prospectus”). The forecast has been prepared by the directors of the Company based on the audited combined results of the Group for the three months ended 31st March, 2001, the unaudited combined results of the Group for the two months ended 31st May, 2001 and a forecast of the combined results of the Group for the remaining seven months of the year ending 31st December, 2001.

In our opinion, the profit forecast, so far as the accounting policies and calculations are concerned, has been properly compiled in accordance with the principal assumptions made by the directors of the Company as set out in Appendix II to the Prospectus and is presented on a basis consistent in all material respects with the accounting policies normally adopted by the Group as set out in our Accountants’ Report dated 29th June, 2001.

Yours faithfully,

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

A PPENDIX II PROFIT FORECAST

(II) Letter from CPY



1902-3
Bank of America Tower
12 Harcourt Road
Central
Hong Kong

29th June, 2001

The Directors
Goldigit Atom-tech Holdings Limited
Unit 908, 9th Floor
K. Wah Centre
No. 191 Java Road
North Point
Hong Kong

Dear Sirs,

We refer to the forecast of the combined profit after taxation but before extraordinary items of Goldigit Atom-tech Holdings Limited (the “Company”) and its subsidiaries (hereinafter collectively referred to as the “Group”) for the year ending 31st December, 2001 of not less than HK\$60 million as set out in the prospectus of the Company dated 29th June, 2001.

We have discussed with you the bases and assumptions upon which the profit forecast has been made. We have also considered the letter dated 29th June, 2001 addressed to you and ourselves from Deloitte Touche Tohmatsu relating to the accounting policies and calculations upon which the forecast has been made.

On the basis of the assumptions adopted by you and on the basis of the accounting policies and calculations reviewed by Deloitte Touche Tohmatsu, we are of the opinion that the forecast profit after taxation but before extraordinary items of the Group, for which you as directors of the Company are solely responsible, has been made after due and careful consideration.

Yours faithfully,
For and on behalf of
Core Pacific – Yamaichi Capital Limited
D.C. Lee
Managing Director

GREATER CHINA APPRAISAL LIMITED

漢華評值有限公司

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

29th June, 2001

The Directors
Goldigit Atom-tech Holdings Limited
Unit 908
9th Floor
K. Wah Centre
No. 191 Java Road
North Point
Hong Kong

Dear Sirs,

In accordance with your instructions to value the property interests 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 (referred to as the “PRC”), we confirm that we have carried out inspections, made relevant enquires and obtained such further information as we consider necessary for the purpose of providing the capital values of such property interests as at 31st March, 2001 (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

Our valuation is our opinion of the open market value which we would define as intended to mean “the best price at which the sale of an interest in property would have been completed unconditionally for cash consideration on the date of valuation assuming:

- (i) a willing seller;
- (ii) that, prior to the date of valuation, there had been a reasonable period (having regard to the nature of the property and the state of the market) for the proper marketing of the interest, for the agreement of price and terms and for the completion of the sale;
- (iii) that the state of the market, level of values and other circumstances were, on any earlier assumed date of exchange of contracts, the same as on the date of valuation;

- (iv) that no account is taken of any additional bid by a purchaser with a special interest; and
- (v) that both parties to the transaction had acted knowledgeably, prudently and without compulsion.”

Assumptions

Our valuation has been made on the assumption that in the open market the Group sells the property interests 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 arrangements which would serve to increase the value of the property interests.

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 falling within the site are held by the owner or permitted to be occupied by the owner.

We have assumed that all necessary mortgagees' consent to the creation of the tenancy over the properties have been obtained and are still subsisting.

Titleship Investigation

We have not been provided with any copies of title documents regarding the properties under valuation but have been given copies of the tenancy agreements. We have caused searches to be made at the Land Registry in Hong Kong for the property 1. However, no investigation has been made for the legal title or any liabilities attached to the properties in the PRC.

All legal documents disclosed in this report are for reference only and no responsibility is assumed for any legal matters concerning the legal title of the property interests 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 relevant properties 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 in Hong Kong and the PRC, 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 certain properties included in the attached valuation certificate. However, no structural survey has been made and we are therefore unable to report as to whether the properties are free from rot, infestation or any other structural defects. No tests were carried out on any of the services.

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 those properties 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 properties valued nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that all the interests are free of encumbrances, restrictions and outgoings of an onerous nature which could affect their values.

Opinion of Value

The property interests included in this valuation report, which are held under various tenancy agreements, have 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 valuations have been prepared in accordance with generally accepted valuation procedures and comply with the requirements of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited.

All property values are denominated in Hong Kong Dollars.

We enclose herewith the summary of valuation and valuation certificate.

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, ARICS, 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.

VALUATION SUMMARY**Group I – Property rented by the Group in Hong Kong**

No.	Property	Capital value in Existing state as at 31st March, 2001
1.	Unit 908 9th Floor, K. Wah Centre No. 191 Java Road North Point Hong Kong	No commercial value

Group II – Property rented by the Group in The People’s Republic of China

2.	7th Floor and Portion of 5th Floor Guangyuan Building No. 10 Xihuanbei Road Gu Lou District Fuzhou Fujian Province The People’s Republic of China	No commercial value
3.	Level 1 No. 388 Tongpan Road Gu Lou District Fuzhou Fujian Province The People’s Republic of China	No commercial value

Total: No commercial value

VALUATION CERTIFICATE

Group I – Property rented by the Group in Hong Kong

No. Property	Description and Tenure	Particular of Occupancy	Capital value in Existing state as at 31st March, 2001
1. Unit 908 9th Floor, K. Wah Centre No. 191 Java Road North Point Hong Kong	<p>The property comprises an office unit within a commercial building completed in 1991.</p> <p>The gross floor area of the property is approximately 135 square metres (1,460 square feet).</p> <p>The property is held by the Group under a tenancy agreement for a term of 2 years commencing from 1st April, 2001 to 31st March, 2003 with a rent free period of 10 days from 1st April, 2001 to 10th April, 2001 at a monthly rent of HK\$26,298 exclusive of rates and management fees.</p>	The property is currently occupied by the Group as office.	No commercial value

Group II – Property rented by the Group in The People’s Republic of China

No. Property	Description and Tenure	Particular of Occupancy	Capital value in Existing state as at 31st March, 2001
2. 7th Floor and Portion of 5th Floor Guangyuan Building No. 10 Xihuanbei Road Gu Lou District Fuzhou Fujian Province The People’s Republic of China	<p>The property comprises two office units within a 7-storey commercial building.</p> <p>The gross floor area of the property is approximately 880 square metres (9,471 square feet).</p> <p>The property is held by the Group under a tenancy agreement for a term of 10 years commencing from 1st August, 2000 to 31st July, 2010 at a monthly rental of RMB8,800 exclusive of management fees, with 1% increment on monthly rent per annum.</p>	The property is currently occupied by the Group as office, production and product development.	No commercial value
3. Level 1 No. 388 Tongpan Road Gu Lou District Fuzhou Fujian Province The People’s Republic of China	<p>The property comprises a floor of warehouse within a 5-storey complex building.</p> <p>The gross floor area of the property is approximately 200 square metres (2,153 square feet).</p> <p>The property is held by the Group under a tenancy agreement for a term of 10 months commencing from 1st March, 2001 to 31st December, 2001 at a monthly rental of RMB1,600.</p>	The property is currently occupied by the Group as warehouse.	No commercial value

APPENDIX IV **SUMMARY OF THE CONSTITUTION OF THE COMPANY AND THE CAYMAN ISLANDS COMPANY LAW**

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.

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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

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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;

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- (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 percent. 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.

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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.

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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.

(vii) 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.

(viii) 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.

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(ix) 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.

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(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.

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(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.

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(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.

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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 nominees(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.

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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.

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(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.

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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.

APPENDIX IV SUMMARY OF THE CONSTITUTION OF THE COMPANY AND THE CAYMAN ISLANDS COMPANY LAW

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.

A PPENDIX IV SUMMARY OF THE CONSTITUTION OF THE COMPANY AND THE CAYMAN ISLANDS COMPANY LAW

(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.

APPENDIX IV SUMMARY OF THE CONSTITUTION OF THE COMPANY AND THE CAYMAN ISLANDS COMPANY LAW

(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.

APPENDIX IV SUMMARY OF THE CONSTITUTION OF THE COMPANY AND THE CAYMAN ISLANDS COMPANY LAW

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.

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(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.

APPENDIX IV SUMMARY OF THE CONSTITUTION OF THE COMPANY AND THE CAYMAN ISLANDS COMPANY LAW

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.

APPENDIX IV SUMMARY OF THE CONSTITUTION OF THE COMPANY AND THE CAYMAN ISLANDS COMPANY LAW

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.

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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.

APPENDIX IV SUMMARY OF THE CONSTITUTION OF THE COMPANY AND THE CAYMAN ISLANDS COMPANY LAW

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

APPENDIX IV SUMMARY OF THE CONSTITUTION OF THE COMPANY AND THE CAYMAN ISLANDS COMPANY LAW

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 VI. 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 Seng Peng 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 (“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 was HK\$0.10 divided into 2 Shares of HK\$0.05 each issued nil paid and held by Best Today.

The Company has established a 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 on 25th May, 2001. In connection with such application, Mr. Lao Seng Peng of Flat F, 24th Floor, Yuan Kung Mansion, 20 Tai Koo Shing Road, Hong Kong and Mr. Yuen Leong of Flat B, First Floor, Block 15, Provident Centre, Wharf Road, North Point, Hong Kong have been appointed as agents 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 Cayman Islands company law. Its constitution comprises a 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 IV to this prospectus.

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, upon which one share of HK\$0.10 was allotted and issued nil paid to Codan Trust Company (Cayman) Limited as subscriber on incorporation representing 100 per cent. of the then issued share capital of the Company. The said nil-paid share of HK\$0.10 was subsequently transferred to Mr. Lao Seng Peng 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 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 was HK\$0.10 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 referred to in subparagraph (h) in the paragraph headed “Summary of material contracts” in this appendix, the Company acquired from Mr. Lao Seng Peng, Mr. Li Lai Ming, Ms. Ho Ping, Tanya and Mr. Tsang

APPENDIX V STATUTORY AND GENERAL INFORMATION

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 Seng Peng) 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) the Company credited as fully paid up at par, the 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.

Immediately following the completion of the Placing and the Capitalisation Issue, the authorised share capital of the Company will be HK\$500,000,000 divided into 10,000,000,000 Shares and the issued share capital will be HK\$84,993,000 divided into 1,699,860,000 Shares (each of which will be fully paid or credited as fully paid) and 8,300,140,000 Shares will remain unissued. Other than the Shares issuable pursuant to the exercise of the Over-allotment Option or any options which may fall to be granted under the Share Option Scheme, or the exercise of the general mandate referred to in the paragraph headed "Written resolutions of the sole shareholder of the Company passed on 22nd June, 2001" of this appendix, 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 members of the Company in general meeting, no issue of Shares will be made which would effectively alter the control of the Company.

Save as disclosed in this prospectus, there has been no alteration in the share capital of the Company since its incorporation.

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Written resolutions of the sole shareholder of the Company passed on 22nd June, 2001

Pursuant to the written resolutions of the sole shareholder of the Company passed on 22nd June, 2001:

- (a) 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;
- (b) in consideration for the acquisition by the Company of 10,000 shares of US\$1.00 each in the share capital of Goldigit Limited, representing the entire issued share capital of Goldigit Limited, the Directors were authorised to (i) allot and issue an aggregate of 99,998 Shares, credited as fully paid, to Best Today (at the direction of Mr. Lao Seng Peng) 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) credit as fully paid up at par, the existing 2 Shares which were issued nil-paid and held by Best Today;
- (c) conditional on the GEM Listing Committee of the Stock Exchange granting listing of, and permission to deal in, the Shares in issue and the Shares to be issued (including any Shares which may be issued pursuant to the exercise of the Over-allotment Option or any options which may be granted under the Share Option Scheme) and the obligations of the underwriters under the Underwriting Agreement becoming unconditional (including, if relevant, as a result of the waiver of any condition(s) by CPY International (on behalf of the Underwriters)) and not being terminated in accordance with the terms of that agreement or otherwise:

- (i) the Placing was approved and the Directors were authorised to allot and issue Shares under the Placing upon the terms set out in the Prospectus;
 - (ii) the grant of the Over-allotment Option was approved and the Directors are authorised to allot and issue any Shares which may be required to be issued if the Over-allotment Option is exercised in accordance with its terms;
 - (iii) the Share Option Scheme was approved and adopted and the Directors are authorised to grant options to subscribe for Shares thereunder, and to allot, issue and deal with Shares pursuant to the exercise of any options which may be granted under the Share Option Scheme and to take all such steps as they consider necessary or desirable to implement the Share Option Scheme;
- (d) the exercise by the Directors during the Relevant Period (as defined below) of all the powers to allot, issue and deal with Shares or securities convertible into such Shares in the unissued share capital of the Company including all power of the Company to establish any agreements or grant any options to do any of the foregoing, otherwise than by way of rights issue or an issue of shares in accordance with the articles of association of the Company or pursuant to the exercise of any subscription or conversion rights attaching to any warrants or any securities which are convertible into Shares in issue prior to the date of this resolution or pursuant to the exercise of any options which may be granted under the Share Option Scheme or any other option scheme or any scrip dividend schemes or similar arrangements providing for the allotment and issue of Shares in accordance with the articles of association of the Company. Shares with an aggregate nominal value not exceeding the sum of 20 per cent. of the aggregate of (i) the total nominal value of the share capital of the Company in issue immediately after the completion of the Placing and the Capitalisation Issue and (ii) the total nominal value of share capital of the Company which may be issued pursuant to the exercise of the Over-allotment Option, such mandate will remain in effect until whichever is the earliest of:
- (i) the conclusion of the next annual general meeting of the Company;
 - (ii) the expiration of the period within which the next annual general meeting of the Company is required by the articles of association of the Company or any other applicable laws of the Cayman Islands to be held; or
 - (iii) the passing of an ordinary resolution of the shareholders of the Company in general meeting revoking, varying or renewing such mandate (“Relevant Period”).
- (e) the exercise by the Directors during the Relevant Period of all powers of the Company to repurchase on the Stock Exchange or on any other stock exchange on which the securities of the Company may be listed and which is recognised by the Securities and Futures Commission in Hong Kong and the Stock Exchange, subject to and in accordance with all applicable laws and/or requirements of the GEM Listing Rules or of any other stock exchange on which the securities of the Company may be listed as amended from time to time and which is recognised by the Securities and Futures

Commission in Hong Kong and the Stock Exchange for this purpose, the aggregate nominal amount of Shares to be repurchased by the Company shall not exceed 10 per cent. of the aggregate of (i) the total nominal amount of the share capital of the Company in issue immediately following completion of the Placing and the Capitalisation Issue and (ii) the total nominal value of share capital of the Company which may be issued pursuant to the exercise of the Over-allotment Option;

- (f) the general unconditional mandate mentioned in paragraph (d) above was extended by the addition thereto of the aggregate nominal value of the share capital of the Company which may be allotted or agreed conditionally or unconditionally to be allotted by the Directors pursuant to such general mandate of an amount representing the aggregate nominal value of the share capital of the Company repurchased by the Company pursuant to the mandate to repurchase Shares referred to in paragraph (e) above provided that such extended amount shall not exceed 10 per cent. of the aggregate of (i) the total nominal value of the share capital of the Company in issue immediately following completion of the Placing and the Capitalisation Issue and (ii) the total nominal value of share capital of the Company which may be issued pursuant to the exercise of the Over-allotment Option;
- (g) conditional upon the share premium account of the Company being credited as a result of the issue of the New Shares, 1,359,760,000 Shares be allotted and issued to the holders of Shares whose names appear on the register of members of the Company as at the close of business on 22nd June, 2001 in proportion to their then existing shareholdings in the Company (or as such holder(s) may direct) and, an amount of HK\$67,988,000 standing to the credit of the share premium account of the Company be applied to pay up in full at par such Shares (the “Capitalisation Issue”); and
- (h) the Company adopt the Articles of Association.

Corporate reorganisation

The companies comprising the Group underwent a reorganisation in preparation for the listing of the Shares on the GEM. Following the reorganisation, the Company became the holding company of the Group.

The corporate reorganisation included the following:

- (a) Pursuant to a shareholders’ resolution of Fujian Goldigit dated 21st March, 1998, the following transfers of shareholding interests in Fujian Goldigit were duly approved:

Transferor(s)	Transferee(s)	% of shareholding interests	Consideration (RMB)
Mr. Chen Li Quan	Ms. Liu Lan Hua	10%	300,000
Mr. Zheng Zi Wang	Ms. Liu Lan Hua	30%	900,000
Mr. Guo Da Jie	Ms. Liu Lan Hua	20%	600,000
Ms. Wen Ru Mei	Ms. Liu Lan Hua	20%	600,000

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- (b) On 21st March, 1998, Ms. Liu Lan Hua (as transferee) entered into 4 share transfer agreements pursuant to which each of Mr. Chen Li Quan, Mr. Zheng Zi Wang, Mr. Guo Da Jie, Ms. Wen Ru Mei (as transferors) agreed to transfer their respective shareholding interests in Fujian Goldigit (as mentioned in (a) above) to Ms. Liu Lan Hua;
- (c) On 21st March, 1998, Mr. Lao Seng Peng, the brother of Ms. Liu Lan Hua, entered into a trust agreement pursuant to which Ms. Liu Lan Hua was authorised to acquire and hold the 80% shareholding interests in Fujian Goldigit for and on behalf of Mr. Lao Seng Peng;
- (d) On 27th March, 1998, a business licence (Registration No: 15817703-3) was issued to Fujian Goldigit by the Industrial and Commercial Administration Bureau of Fujian Province;
- (e) Pursuant to a shareholders' resolution of Fujian Goldigit dated 25th September, 2000, the respective transfer of 80% and 20% shareholding interests held by Ms. Liu Lan Hua (as trustee for the benefit of Mr. Lao Seng Peng) and Mr. Chen Li Quan in Fujian Goldigit to Goldigit Limited at the respective consideration of RMB2,400,000 and RMB600,000 were duly approved;
- (f) On 25th September, 2000, a share transfer contract was entered into between Ms. Liu Lan Hua (as trustee for the benefit of Mr. Lao Seng Peng) and Mr. Chen Li Quan (together with Ms. Liu Lan Hun, the transferors) and Goldigit Limited (as transferee) pursuant to which the transferors agreed to transfer their respective shareholding interests in Fujian Goldigit (representing the entire interests in the registered capital of Fujian Goldigit) to Goldigit Limited at the respective consideration of RMB2,400,000 and RMB600,000;
- (g) On 29th September, 2000, an approval was issued by the Foreign Trade Economic Cooperation Committee of Fujian Province (Man Wei Jing Mao Zhe Zhi 2000 No 061) approving the establishment of Fujian Goldigit as a wholly foreign-owned enterprise with a total authorised and registered capital of HK\$3,000,000;
- (h) On 18th October, 2000, a certificate of approval was issued by the People's Government of Fujian Province (Approval No: Wai Jing Mao Min Zi 2000 No K0045) to Fujian Goldigit;
- (i) On 8th December, 2000, a business licence (Registration No: Qi Du Min Zong Zi No 003920) was issued to Fujian Goldigit by the State Industrial and Commerce Administration Bureau;
- (j) On 7th December, 2000, an approval was issued by the Foreign Trade Economic Committee of Fujian Province (Min Wai Jing Mao 2000 No 432) pursuant to which Fujian Goldigit was approved to set up a board of directors comprising of 5 members including 1 chairman;
- (k) On 18th September, 2000, Ms. Lam Yuk Ying, transferred her 1 share of US\$1.00 each held in the share capital of Goldigit Limited at par to Mr. Lao Seng Peng;

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- (l) On 18th September, 2000, 9,999 shares of US\$1.00 each in the share capital of Goldigit Limited was allotted and issued at par to Mr. Lao Seng Peng;
- (m) On 28th December, 2000, Mr. Lao Seng Peng transferred 500 shares and 450 shares of US\$1.00 each held in the share capital of Goldigit Limited to Mr. Li Lai Ming and Ms. Ho Ping, Tanya at a consideration of HK\$17,500,000 and HK\$15,750,000 respectively;
- (n) On 9th February, 2001, the Company was incorporated in the Cayman Islands as an exempted company with limited liability with an authorised share capital of HK\$380,000 divided into 3,800,000 shares 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;
- (o) On 15th February, 2001, Mr. Lao Seng Peng transferred 450 shares of US\$1.00 each in the share capital of Goldigit Limited to Mr. Tsang Man Chan at a consideration of HK\$15,750,000;
- (p) On 16th March, 2001, the 1 nil-paid share of HK\$0.10 in the capital of the Company issued to Codan Trust Company (Cayman) Limited was transferred to Mr. Lao Seng Peng;
- (q) On 20th June, 2001, Mr. Lao Seng Peng transferred the 1 nil-paid share of HK\$0.10 in the capital of the Company to Best Today at a nominal consideration of HK\$0.01;
- (r) On 21st June, 2001, the Subdivision took place and the authorised share capital of the Company was changed to HK\$380,000 divided into 7,600,000 Shares of HK\$0.05 each and the issued share capital of the Company was HK\$0.10 divided into 2 Shares of HK\$0.05 each issued nil paid and held by Best Today;
- (s) 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 of 9,992,400,000 Shares; and
- (t) On 22nd June, 2001, the Company acquired the entire issued share capital of Goldigit Limited in consideration of (i) the issue of an aggregate of 99,998 Shares, credited as fully paid, to Best Today (at the direction of Mr. Lao Seng Peng) 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) the crediting as fully paid at par the existing 2 Shares issued nil paid and held by Best Today.

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 prospectus.

- (A) The following alterations have taken place in the share capital of Goldigit Limited within the two years preceding the date of this prospectus:
 - (a) on 18th April, 2000, Goldigit Limited was incorporated with an authorised share capital of US\$50,000 shares of US\$1.00 each, of which 1 share was allotted and issued to Ms. Lam Yuk Ying on 4th September, 2000;
 - (b) on 18th September, 2000 Lam Yuk Ying transferred her 1 share of US\$1.00 each in the share capital of Goldigit Limited to Mr. Lao Seng Peng; and
 - (c) on 18th September, 2000, 9,999 shares of US\$1.00 each in the share capital of Goldigit Limited were allotted and issued to Mr. Lao Seng Peng.
- (B) As mentioned in the section headed "Corporate reorganisation" in this appendix, the following alteration took place in the share capital of Fujian Goldigit within two years preceding the date of this prospectus:
 - (a) pursuant to an approval issued by the Foreign Trade Economic Committee dated 29th September, 2000, the total authorised and registered capital of Fujian Goldigit was changed to HK\$3,000,000.

Save as disclosed in the paragraphs headed "Changes in share capital of the Company" and "Corporate reorganisation" of this appendix, there has been no alteration in the share capital of the Company's subsidiaries within the two years immediately preceding the date of this prospectus.

REPURCHASE BY THE COMPANY OF ITS OWN SECURITIES

This section includes the information required by the Stock Exchange to be included in this prospectus concerning the repurchase by the Company of its own securities.

(a) The GEM Listing Rules

The GEM Listing Rules permit companies whose primary listing is on the GEM to repurchase their securities on the GEM subject to certain restrictions, the most important of which are summarised below:

(i) Shareholders' approval

All repurchases of securities on the GEM by a company with its primary listing on the GEM must be approved in advance by an ordinary resolution, either by way of general mandate or by specific approval in relation to specific transaction.

Note: Pursuant to the written resolution of the sole shareholder of the Company passed on 22nd June, 2001, a general unconditional mandate was given to the Directors authorising any repurchase by the Company of Shares on the GEM or on any other stock exchange recognised by the Securities and Futures Commission in Hong Kong and the Stock Exchange of up to 10 per cent. of the total nominal value of the share capital of the Company in issue immediately after completion of the Placing, the Capitalisation Issue and exercise of the Over-allotment Option (if applicable), at any time until the conclusion of the next annual general meeting of the Company or the expiration of the period within which the next annual general meeting of the Company is required by the articles of association of the Company or the Companies Law or any other applicable laws of the Cayman Islands to be held or the passing of an ordinary resolution of shareholders of the Company in general meeting revoking, varying or renewing such mandate, whichever occurs first (“Buyback Mandate”).

(ii) *Source of funds*

Any repurchases must be financed out of funds legally available for the purpose in accordance with the memorandum of association and articles of association of the Company and the applicable laws of the Cayman Islands.

(iii) *Trading restrictions*

A company is authorised to repurchase on the GEM or on any other stock exchange recognised by the Securities and Futures Commission in Hong Kong and the Stock Exchange the total number of shares which represent up to a maximum of 10 per cent. of the aggregate nominal value of the existing issued share capital of that company. A company may not issue or announce an issue of new securities of the type that have been repurchased for a period of 30 days immediately following a repurchase of securities whether on the GEM or otherwise (except pursuant to the exercise of warrants share options or similar instruments requiring the Company to issue securities which were outstanding prior to the repurchase) without the prior approval of the Stock Exchange.

(iv) *Connected parties*

Under the GEM Listing Rules, a company shall not knowingly repurchase shares from a connected person (as defined under the GEM Listing Rules) and a connected person shall not knowingly sell his shares to the Company. As at the Latest Practicable Date and to the best of the knowledge of the Directors, having made all reasonable enquires, none of the Directors or their associates (as defined under the GEM Listing Rules) has a present intention to sell Shares to the Company.

(b) Exercise of the Buyback Mandate

Exercise in full of the Buyback Mandate, on the basis of 1,699,860,000 Shares in issue immediately after listing of the Shares (taking no account of any Shares which may be issued upon the exercise Over-allotment Option), could accordingly result in up to 169,986,000 Shares being repurchased by the Company during the period up to (i) the conclusion of the next annual general meeting of the Company; (ii) the expiration of the period within which the next annual general meeting of the Company is required by the articles of association of the Company or the Companies Law or any other applicable laws of the Cayman Islands to be held; or (iii) the revocation, variation or renewal of the repurchase mandate by ordinary resolution of the shareholders of the Company in general meeting, whichever occurs first.

(c) Reasons for repurchases

Repurchases of Shares will only be made when the Directors believe that such a repurchase will benefit the Company and its members. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value of the Company and/or its earnings per Share.

(d) Funding of repurchases

In repurchasing Shares, the Company may only apply funds legally available for such purpose in accordance with its memorandum of association and articles of association and the applicable laws and regulations of the Cayman Islands. The Company may not purchase securities on the GEM for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange from time to time.

(e) General

There might be a material adverse impact on the working capital or gearing position of the Company (as compared with the position disclosed in this prospectus) in the event that the Buyback Mandate is exercised in full. However, the Directors do not propose to exercise the Buyback Mandate to such extent as would, in the circumstances, have a material adverse effect on the working capital requirements of the Company or on its gearing levels which in the opinion of the Directors are from time to time appropriate for the Company.

The Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Buyback Mandate in accordance with the GEM Listing Rules, the memorandum of association and articles of association of the Company and the applicable laws of the Cayman Islands.

No connected person (as defined in the GEM Listing Rules) of the Company has notified the Company that he has a present intention to sell Shares to the Company or has undertaken not to do so.

If as a result of a repurchase of Shares, a shareholder's proportionate interest in the voting rights of the Company increases, such increase will be treated as an acquisition for the purpose of the Hong Kong Code on Takeovers and Mergers (the "Code"). As a result, a shareholder, or a group of shareholders acting in concert (as defined in the Code), depending on the level of increase in the shareholder's interests, could obtain or consolidate control of the Company and become(s) obliged to make a mandatory offer in accordance with Rule 26 of the Code.

FURTHER INFORMATION ABOUT THE BUSINESS OF THE GROUP

Summary of material contracts

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by members of the Group within the two years preceding the date of this prospectus and are or may be material:

- (a) a technology transfer agreement (in Chinese) dated 3rd June, 2000 and entered into between Harbin Institute of Technology《哈爾濱工業大學》as transferor and Fujian Goldigit as transferee whereby Harbin Institute of Technology agreed to transfer the knowledge and technology of 8% buprofezin and the related rights to apply for patent to Fujian Goldigit at a consideration of RMB8 million;
- (b) a lease contract (in Chinese) dated 25th July, 2000 and entered into between Fujian Goldigit as tenant and《福建省廣源聯合發展公司》as landlord pursuant to which the landlord agrees to lease the property situated at 福州市古樓區西環北路10號廣源大廈七層(整層)五層(單側) to the tenant for a term of 10 years commencing from 1st August, 2000 to 31st July, 2010 at an annual rental of RMB105,600 and an annual management fee of RMB10,560;
- (c) a share transfer agreement dated 25th September, 2000 and entered into between Ms. Liu Lan Hua (劉蘭花) and Mr. Chen Li Quan (陳利銓) as transferors and Goldigit Limited as transferee pursuant to which Ms. Liu Lan Hua (劉蘭花) and Mr. Chen Li Quan (陳利銓) agreed to transfer their respective 80% and 20% shareholding interests in Fujian Goldigit to Goldigit Limited at a consideration of RMB2,400,000 and RMB600,000 respectively;
- (d) a co-operative agreement (in Chinese) dated 25th November, 2000 and entered into between Fujian Goldigit and Harbin Institute of Technology《哈爾濱工業大學》pursuant to which Fujian Goldigit and Harbin Institute of Technology shall co-operate in relation to the development of new pesticide products;
- (e) a memorandum (in Chinese) dated 15th January, 2001 and entered into between Fujian Goldigit and Harbin Institute of Technology《哈爾濱工業大學》regarding the ownership of the results of the research on「防治稻水象甲農藥劑型」and other pesticide products, the patent rights and technology rights relating thereto;
- (f) a lease contract (in Chinese) dated 25th February, 2001 and entered into between Fujian Goldigit as tenant and《上海大眾汽車福州特約維修站》as landlord pursuant to which the landlord agrees to lease a godown situated at 福州市鼓樓區銅盤路388號 to the tenant for a term of 10 months commencing from 1st March, 2001 to 31st December, 2001 at a monthly rental of RMB1,600;
- (g) a tenancy agreement dated 26th March, 2001 and entered into between Jetory Limited as the landlord and Goldigit Limited as the tenant pursuant to which the landlord agrees to lease the property at office 908, 9th Floor of K. Wah Centre, No. 191, Java Road, Hong Kong to the tenant for a term of 2 years commencing from 1st April, 2001 to 31st March, 2003 at a monthly rental of HK\$26,298 (exclusive of management fees, government rate and government rent);


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- (h) a sale and purchase agreement dated 22nd June, 2001, and entered into between the Company, Mr. Lao Seng Peng, Mr. Li Lai Ming, Ms. Ho Ping, Tanya and Mr. Tsang Man Chan being the sale and purchase agreement referred to in the paragraph headed “Corporate reorganisation” in this appendix;
- (i) a deed of indemnity dated 22nd June, 2001 executed by each of the executive Directors, Best Today, Mr. Li Lai Ming, Ms. Ho Ping, Tanya and Mr. Tsang Man Chan in favour of the Company (and its subsidiaries) containing the indemnities as referred to in the paragraph headed “Estate duty, tax and other indemnities” in this appendix; and
- (j) the Underwriting Agreement.








Intellectual property

Trademarks

- (a) As at the Latest Practicable Date, the Group has been granted the right to use the following trademark:

Trademark	Country of Registration	Application No./ Serial No.	Filing Date	Expiry Date
	PRC	267967	10th November, 1996	10th November, 1996 to 9th November, 2006

- (b) As at the Latest Practicable Date, the Group had applied for the registration of the following trademarks:

Trademark	Country of Registration	Class	Application No./ Serial No.	Filing Date
	PRC	35	W200218	26th October, 2000
	PRC	42	W200324	3rd January, 2001
	PRC	05	W200323	3rd January, 2001
	PRC	05	W200346	14th February, 2001
	Hong Kong	05	200109424	13th June, 2001
	Hong Kong	35	200109426	13th June, 2001
	Hong Kong	16	200109425	13th June, 2001

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Notes:

- (1) All trademark applications are subject to the International Classification of Goods and Services (Nice Classification). The main goods and services covered by the applications set out above are as follows:
- Class 5 – This class covers pesticides products
 - Class 16 – This class covers paper, cardboard and goods made from these materials, printed matter and publications, stationery posters, trading cards
 - Class 35 – This class covers retailing, wholesaling and distributorship of pesticides
 - Class 42 – This class covers plant protection products
- (2) The descriptions of goods and services covered by the applications 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 applications 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
一種能使農葯以分子狀沿水面擴散的農葯製劑	PRC	00129971.9	16th October, 2000
一種可以使某些物質分子在水面自動擴散的推進劑	PRC	01100367.7	3rd January, 2001

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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.com.cn	11th January, 2001	11th January, 2002
goldigit.net.cn	11th January, 2001	11th January, 2002

As at the Latest Practicable Date, the Group is the beneficial owner of the following domain names which have been registered in the name of one of the Group's senior management staff (please refer to the paragraph headed "Internet domain names" in the section headed "General overview of the Group" on page 73 of this prospectus):

Domain Name	Registration Date	Expiry Date
goldigit.com	16th September, 2000	16th September, 2001
goldigit-online.com	27th December, 2000	27th December, 2001
goldigit-chemical.com	27th December, 2000	27th December, 2001
goldigit-hi-tech.com	27th December, 2000	27th December, 2001
goldigit-agriculture.com	27th December, 2000	27th December, 2001

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Information on the Group's PRC subsidiary – Fujian Goldigit

Fujian Goldigit is an indirect wholly-owned subsidiary of the Company, and is a wholly foreign-owned enterprise established in the PRC engaging in the manufacturing of Sha Shi Ba (殺虱霸) and the production and development of the Propulsive Agent. The following is a summary of information regarding Fujian Goldigit:

Date of establishment:	29th October, 1997
Operation term:	29th October, 1997 to 28th October, 2020
Registered capital (fully paid up):	HK\$3,000,000
Legal representative:	Lao Seng Peng

Further information about Directors, senior management and staff

Directors

Disclosure of interests

Immediately following completion of the Placing and Capitalisation Issue, the following Director has beneficial interests in the share capital of the Company or any of its associated corporations (within the meaning of the SDI Ordinance) which will have to be notified to the Company and the Stock Exchange pursuant to section 28 of the SDI Ordinance (including interests which they are taken or deemed to have under section 31 of, or Part 1 of the Schedule to, the SDI Ordinance) once the Shares are listed, or will be required, pursuant to section 29 of the SDI Ordinance, to be entered in the register required to be kept therein once the Shares are listed, or will be required pursuant to rules 5.40 to 5.59 of the GEM Listing Rules relating to securities transactions by directors to be notified to the Company and the Stock Exchange once the Shares are listed:

(i) Interest in the Company

Name	Personal interest	Family interest	Corporate interest	Other interests	Total
Mr. Lao Seng Peng	-	-	1,169,479,600 (note)	-	1,169,479,600

note: These Shares are held by Best Today, a company incorporated in the BVI and wholly owned by Mr. Lao Seng Peng.

(ii) Interest in associated corporations

Name	Name of Company	type of interest	description of interest
Mr. Lao Seng Peng	Best Today	personal	1 share of US\$1.00 each representing 100% of its issued share capital

Particulars of Service Contracts

Each of the executive Directors has entered into a service contract with the Company. Particulars of these contracts, except as indicated, are in all material respects identical and are set out below:

Each service contract is of an initial term of three years commencing from 22nd June, 2001, and may continue thereafter 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 of the executive Director is entitled to the respective basic salaries set out below (subject to an annual increment at a rate of not more than 15 per cent. of his/her annual salary immediately prior to such increase to be determined from time to time by the Board). 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 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 is 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 or her. Each of the Directors will also be entitled to all reasonable out-of-pocket expenses and medical expenses.

The current basic annual salaries of the executive Directors are as follows:

Name	Amount
Mr. Lao Seng Peng	HK\$390,000
Mr. Cai Wei Min	HK\$390,000
Mr. Yuen Leong	HK\$390,000

Save as disclosed in this prospectus, none of the Directors has entered into any service contracts with any member of the Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation other than statutory compensation).

Directors' remuneration

- (a) An aggregate of approximately HK\$24,000 was paid to the Directors as remuneration for the year ended 31st December, 2000. Further information in respect of the Directors' remuneration is set out in appendix I to this prospectus.
- (b) It is expected that an aggregate sum of approximately HK\$779,000 will be paid to the Directors as remuneration by the Group in respect of the year ending 31st December, 2001 pursuant to the present arrangement in force and under previous arrangement in 2001.

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- (c) No discretionary or performance bonus was paid to the directors for the two years ended 31st December, 2000.
- (d) None of the Directors or any past directors of any member of the Group has been paid any sum of money for each of the two years ended 31st December, 2000 (i) as an inducement to join or upon joining the Company or (ii) for loss of office as a director of any member of the Group or of any other office in connection with the management of the affairs of any member of the Group.
- (e) There has been no arrangement under which a Director has waived or agreed to waive any emoluments for each of the two years ended 31st December, 2000.

Agency fees or commissions received

The Underwriters will receive a commission of 3.5 per cent. of the aggregate Issue Price of all the Placing Shares underwritten by them (including Shares to be issued under the Over-allotment Option), out of which they will pay any sub-underwriting commissions. CPY will also receive a financial and advisory fee and a documentation fee and be reimbursed for its expenses. Such commission (other than relating to Over-allotment Shares), financial and advisory fee, documentation fee and expenses, together with the Stock Exchange listing fees, legal and other professional fees, printing and other expenses relating to the Placing, which are estimated to amount in aggregate to approximately HK\$15 million, will be payable by the Company as to 80% and by the Vendors as to 20% to be shared among them equally. Any underwriting commissions and expenses relating to the Over-allotment Shares will be borne solely by the Company.

Substantial Shareholders

So far as the Directors are aware, after the Capitalisation Issue and the Placing and assuming that the Over-allotment Option is not exercised, and taking no account of the Shares which may be taken up under the Placing, the only persons (not being Directors or chief executive of the Company) directly or indirectly interested in 10 per cent. or more of the voting power at any general meeting of the Company will be:

Name	Number of Shares after the Capitalisation Issue and the Placing	Approximate percentage of issued share capital	
		Before the Capitalisation Issue and the Placing assuming that the Over-allotment Option is not exercised %	After the Capitalisation Issue and the Placing assuming that the Over-allotment Option is not exercised %
Best Today	1,169,479,600	86.00	68.80

Related party transactions

The Group entered into the related party transactions within the two years immediately preceding the date of this prospectus as mentioned in note 23 of the accountants' report set out in appendix I to this prospectus.

Mr. Lam Ming Yung, an independent non-executive Director, is also a senior legal consultant of the Hong Kong office of Sidley Austin Brown & Wood, the legal adviser to the Company for the Placing as mentioned in this prospectus. Sidley Austin Brown & Wood will be receiving normal professional fees for services rendered in connection therewith.

Disclaimers

Save as disclosed herein:

- (a) none of the Directors or chief executive has for the purposes of section 28 of the SDI Ordinance, nor is any of them taken to or deemed to have under section 31 of, or Part 1 of the Schedule to, the SDI Ordinance, any interests in the securities of the Company or any of its associated corporations (within the meaning of the SDI Ordinance) or any interests which will have to be entered in the register to be kept by the Company pursuant to section 29 of the SDI Ordinance or pursuant to rules 5.40 to 5.59 of the GEM Listing Rules relating to securities transactions by directors to be notified to the Company and the Stock Exchange once such securities are listed on the Stock Exchange;
- (b) none of the Directors nor any of the persons whose names are listed in the subparagraph headed "Consent of experts" under the paragraph headed "Other information" in this appendix is interested in the promotion of the Company or in any assets which have within the two years immediately preceding the issue of this prospectus been acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group;
- (c) none of the Directors nor any of the persons whose names are listed in the paragraph headed "Consents of experts" under the paragraph headed "Other Information" in this appendix is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of the Group;
- (d) none of the persons whose names are listed in the paragraph headed "Consents of experts" under the paragraph headed "Other information" in this appendix has any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group;
- (e) 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 other than statutory compensation);

- (f) no cash, securities or other benefit has been paid, allotted or given within the two years preceding the date of this prospectus to any promoter of the Company nor is any such cash, securities or benefit intended to be paid, allotted or given on the basis of the Placing or any related transaction as mentioned in this prospectus; and
- (g) so far as is known to the Directors, none of the Directors, their respective associates (as defined in the GEM Listing Rules) or shareholders of the Company who are interested in 5 per cent. or more of the issued share capital of the Company have any interests in the five largest customers or suppliers of the Group.

Share Option Scheme

The following is a summary of the principal terms of the Share Option Scheme conditionally approved by a written resolution of the sole shareholder of the Company passed on 22nd June, 2001:

(a) *Who may join*

The board of Directors (“Board”) may, at its discretion, invite any full-time employee including any executive director of any company in the Group (“Eligible Persons”) to take up options to subscribe for Shares at a price calculated in accordance with sub-paragraph (d) below. Upon acceptance of the option, the grantee shall pay HK\$1.00 to the Company by way of consideration for the grant.

(b) *Administration*

- (i) The scheme shall be subject to the administration of a committee who shall comprise of not less than two persons and shall include all the independent non-executive directors (the “Committee”). Subject to the foregoing, the Board may from time to time appoint members of the Committee in substitution for or in addition to members previously appointed, may fill vacancies in the Committee and may remove members of the committee. The Committee shall select one of its members as its chairman and shall hold its meetings at such times and places as it shall deem advisable. A majority of its members shall constitute a quorum and all determinations shall be made by a majority of such quorum. Any determination reduced to writing and signed by all of the members shall be fully as effective as if it had been made by a majority vote at a meeting duly called and held.
- (ii) The Committee shall have full power and discretionary authority to grant to Eligible Persons Options under the Scheme, to determine the terms and conditions (which need not be identical) of all options so granted, to interpret and construe the provisions of the Scheme and any agreements relating to options granted under the Scheme and any doubtful or disputed terms, to determine the eligibility of a person for benefits and the amount of benefits payable to an Eligible Person, and to supervise the administration of the Scheme. The Committee in granting an option may provide for the granting or issuance of additional or replacement options upon the occurrence of specified events, including the exercise of the original option. The Committee shall have sole authority in the selection of persons to whom options may be granted under the

Scheme and in the determination of the timing and amount of any such option, subject only to the express provisions of the Scheme. In making determinations hereunder, the Committee may take into account the nature of the services rendered by the respective employees, their present and potential contributions to the success of the Company and its subsidiaries and such other factors as the Committee in its discretion deems relevant.

- (iii) The Committee is authorised, subject to the provisions of the Scheme, to establish, amend and rescind such rules and regulations as it deems necessary or advisable for the proper administration of the Scheme and to take such other action in connection with or in relation to the Scheme as it deems necessary or advisable. Each action and determination made or taken pursuant to the Committee, including any interpretation or construction of the Scheme, shall be final and conclusive for all purposes and upon all persons. No member of the Committee shall be liable for any action or determination made or taken by him or the Committee in good faith with respect to the Scheme.

(c) *Grant of option*

- (i) On and subject to the terms of the Share Option Scheme, the Committee shall be entitled at any time and from time to time within 10 years from 22nd June, 2001 to offer to any Eligible Person as the Committee may in its absolute discretion select, and subject to such conditions as the Committee may think fit (including without limitation, prescribing any vesting period for an option), an option to subscribe for such number of Shares as the Committee may determine at the subscription price in accordance with paragraph (e) below.
- (ii) Any grant of options must not be made after a price sensitive development 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 GEM Listing Rules. In particular, during the period of one month immediately preceding the preliminary announcement of annual results or the publication of interim results, no options should be granted until such information has been announced pursuant to the requirements of the GEM Listing Rules.

(d) *Payment on acceptance of option offer*

HK\$1.00 is payable by the Eligible Person to the Company on acceptance of the option offer.

(e) *Price of Shares*

The subscription price for the Shares subject to options granted under Share Option Scheme will be a price determined by the Committee and notified to the relevant grantee and will be the higher of (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of grant, which must be a business day; (ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant on which there were dealings in the Shares on the Stock Exchange; and (iii) the nominal value of a Share.

(f) *Maximum number of Shares*

- (i) Subject to (iii) below, the maximum number of Shares in respect of which options may be granted under the Share Option Scheme shall represent 10 per cent. of the Company's issued share capital for a specified period of 10 consecutive years (the "10 year period") and shall not, when aggregated with any Shares subject to any other schemes of the Company, exceed 10 per cent. of the issued share capital of the Company for the 10 year period (excluding (1) Shares issued upon the exercise of an option granted pursuant to the Scheme and (2) any pro rata entitlements to further Shares issued in respect of those Shares mentioned in (1)).
- (ii) No Eligible Person shall be granted an option which, if exercised in full, would result in such Eligible Person becoming entitled to subscribe for such number of Shares as, when aggregated with the total number of Shares already issued under all the options previously granted to him which have been exercised and issuable under all the options previously granted to him which are for the time being subsisting and unexercised, would exceed 25 per cent. of the aggregate number of Shares for the time being issued and issuable under the Share Option Scheme ("25 per cent. Limit"). Notwithstanding any other provisions of the Share Option Scheme, the 25 per cent. Limit shall always prevail and be applicable.
- (iii)
 - 1. The initial total number of Shares to be issued pursuant to the exercise of any Option under the Share Option Scheme and any other schemes, must not in aggregate, exceed 10 per cent. of the issued share capital of the Company as at the date of commencement of dealings in the Shares on the GEM;
 - 2. the Company may seek approval by the Shareholders in general meetings to refresh the 10 per cent. limit mentioned in (1) above provided that the total number of Shares to be issued pursuant to the exercise of any Option under the Share Option Scheme and any other schemes in these circumstances must not exceed 10 per cent. of the issued share capital of the Company from time to time; and
 - 3. subject to approval of the Stock Exchange and any waiver granted by the Stock Exchange, the Company may seek separate Shareholders' approval in general meeting to grant options beyond the 10 per cent. limit provided that (a) the total number of Shares subject to the Scheme and any other schemes does not in aggregate exceed 30 per cent. of the total issued Share capital of the Company and (b) the options in excess of the 10 per cent. limit are only granted to persons as specified by the Company for which such approval is sought.

(g) *Time of exercise of option*

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period to be notified by the Board to each grantee provided that the period within which the option must be exercised shall not be less than 3 years and not more than 10 years from the date of the grant of option.

(h) *Rights are personal to grantee*

An option shall be personal to the relevant grantee and shall not be transferred or assigned and no grantee shall 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.

(i) *Rights on death*

If the grantee of an option dies before exercising the option in full and none of the events which would be a ground for termination of his or her employment arises, his or her personal representative(s) may exercise the option in full (to the extent that it has become exercisable on the date of death and not already exercised) within a period of 12 months from the date of death or such longer period as the Committee may determine, failing which the option will lapse.

(j) *Changes in capital structure*

If there is any alteration in the capital structure of the Company while any option remains exercisable, whether by way of capitalisation of profits or reserves, rights issue, consolidation, subdivision or reduction of the share capital of the Company (other than an issue of Shares as consideration in respect of a transaction to which the Company is a party) or otherwise, such corresponding alterations (if any) shall be made in:

- (i) the number of Shares (without fractional entitlements) subject to the Option so far as unexercised; and/or
- (ii) the subscription price. Except alterations made on a capitalisation issue, any alteration to the number of Shares subject to the option and the subscription price of the option shall be conditional on the auditors of the Company confirming in writing to the Board that the alteration made is on the basis that the proportion of the issued share capital of the Company to which a grantee is entitled after such alteration shall remain the same as that to which he or she was entitled before such alteration. No such alteration shall be made the effect of which would be to enable any Share to be issued at less than its nominal value or which would result in the aggregate amount payable on the exercise of any option in full being increased. The capacity of the auditors is that of experts and not of arbitrators and their certification shall be final and binding on the Company and the grantees of Options. The costs of the auditors in so certifying shall be borne by the Company.

(k) *Rights on take-over*

If an offer has been made to acquire all or part of the issued Shares, or all or part of the issued Shares other than those held by the offeror and any persons acting in concert with the offeror, and the Company becomes aware that the right to cast more than 50 per cent. of the votes which may ordinarily be cast on a poll at a general meeting of the Company in respect of issued Shares has or will become vested in the offeror and/or any such persons, the Company shall give written notice to all grantees of Options of such vesting as soon as reasonably practicable after becoming so aware. Each grantee may by notice in writing to

the Company within 21 days of the date of such notice exercise his or her option to its full extent or to the extent specified in such notice. For the purposes of this sub-paragraph, “acting in concert” shall mean persons who, pursuant to an agreement or understanding, actively co-operate to obtain a holding, or aggregate holdings, or more than 50 per cent. of the issued Shares.

(1) *Rights on a compromise or arrangement*

- (i) If an application is made to the court (otherwise than where the Company is being voluntarily wound up), pursuant to the Companies Law or the Companies Ordinance, in connection with a proposed compromise or arrangement between the Company and its creditors (or any class of them) or between the Company and its members (or any class of them), a grantee may by notice in writing to the Company, within the period of 21 days after the date of such application, exercise his or her Option to its full extent or to the extent specified in such notice. Upon the compromise or arrangement becoming effective, all options shall lapse except insofar as exercised. Notice of the application referred to herein and the effect thereof shall be given by the Company to all grantees of Options as soon as practicable.
- (ii) In the event of a notice being given by the Company to its members to convene a general meeting for the purpose of considering, and if thought fit, approving a resolution to voluntarily wind-up the Company when the Company is solvent, the Company shall on the day of such notice to each member of the Company or as soon as practicable, give notice thereof to all grantees. Thereupon each grantee (or where permitted his legal personal representatives) shall be entitled to exercise all or any of his or her Options at any time no later than two business days prior to 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 subscription 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 the relevant Shares to the relevant grantee credited as fully paid.
- (iii) In the event of a reorganisation or proposed reorganisation of the Company, at its discretion, may do either of the following:
 - (1) the Company may irrevocably commute for or into any other security or other property or cash any option that is still capable of being exercised, upon giving to the relevant grantee to whom such option has been granted at least 21 days written notice of its intention to commute the option, and during such period of notice, the option, to the extent that it has not been exercised, may be exercised by the relevant grantee by notice in writing to the Company to its full extent or to the extent specified in such notice and on the expiry of such period of notice, the unexercised portion of the option shall lapse and be cancelled; or
 - (2) the Company or any company which is or would be the successor to the Company or which may issue securities in exchange for Shares upon the

reorganisation becoming effective, may offer any grantee the opportunity to obtain a new or replacement option over any securities into which the Shares are changed or are convertible or exchangeable, on a basis proportionate to the number of Shares under the option. In such event, the grantees shall, if the grantees accept such offer, be deemed to have released such option over Shares and such option shall be deemed to have lapsed.

- (iv) Reorganisation means any (1) compromise or arrangement, or (2) offer for shares of the Company which if successful would entitle the offeror to acquire all of the Shares of the Company or all of one or more particular class(es) of shares of the Company to which the offer relates. Sub-paragraphs (iii) (1) and (2) above are intended to be permissive and may be utilised independently or successively in combination or otherwise and nothing therein contained shall be construed as limiting, or affecting the ability of the Company to deal with options in any other manner.

(m) *Lapse of option*

An option shall lapse forthwith (to the extent not already exercised) on the earliest of:

- (i) the relevant option period of the option has expired;
- (ii) the first anniversary of the death of the relevant grantee;
- (iii) the date on which the Group terminates the employment of the relevant grantee on the ground that such grantee commits an act of bankruptcy or has become insolvent or has made any arrangements or composition with his creditors generally, or has been convicted of any criminal offence involving his or her integrity or honesty. A resolution of the Board to the effect that the employment of such a person has or has not been terminated on one or more of the grounds specified in this sub-paragraph shall be conclusive;
- (iv) three months from the date of the optionee ceasing to be a relevant grantee by reason of:
 - (1) his or her retirement on or after attaining normal retirement age or, with the express consent of the Board in writing for the purpose of this sub-paragraph, at a younger age;
 - (2) ill health or disability recognised as such expressly by the Board in writing for the purpose of this sub-paragraph;
 - (3) the Company by which he or she is employed and/or of which he or she is a director (if not the Company) ceasing to be a subsidiary;
 - (4) expiry of his or her employment contract with the Company or a subsidiary and such contract is not immediately extended or renewed; or

- (5) at the discretion of the Board, any reason other than death or the reasons described in this sub-paragraph (iii) or (iv)(1) to (4).
- (v) the expiry of any period referred to in paragraph (j) above, provided that:
 - (1) (in the case of paragraph (k)) the offeror may exercise any options tendered in acceptance of its offer within six months of the closing date of such offer;
 - (2) (in the case of paragraph (l)(i)) all options granted shall lapse upon the proposed compromise or arrangement becoming effective; and
- (vi) the date the relevant grantee commits any breach of the provisions of paragraph (h).
- (n) *Ranking of Shares*

The Shares to be allotted upon the exercise of an option will be subject to the Company's articles of association for the time being in force and will rank pari passu with the fully paid Shares in issue on the date of exercise of the option including in respect of those rights arising on a liquidation of the Company.

- (o) *Cancellation of options granted*

Any cancellation of options granted but not exercised must be approved by shareholders of the Company (and also by shareholders of any holding company which is listed on the GEM and the main board of the Stock Exchange) in general meeting, with the grantees their associates abstaining from voting. Any vote taken at the meeting to approve such cancellation must be taken by poll.

- (p) *Period of Share Option Scheme*

The Share Option Scheme will remain valid for a period of 10 years commencing on 22nd June, 2001 after which period no further options will be granted but the provisions of the Share Option Scheme shall in all other respects remain in full force and effect and options which are granted during the life of the Share Option Scheme may continue to be exercisable in accordance with their terms of issue.

- (q) *Alteration to Share Option Scheme*

The Share Option Scheme may be altered in any respect by resolution of the Board except that the provisions of the scheme relating to matters contained in rule 23.03 of the GEM Listing Rules shall not be altered to extend the class of persons eligible for the grant of options or to the advantage of grantees or prospective grantees except with the prior approval of the shareholders of the Company in general meeting (with grantees and their associates abstaining from voting). No such alteration shall operate to affect adversely the terms of issue of any option granted or agreed to be granted prior to such alteration except with the consent or sanction of such majority of the grantees as would be required of the Company's shareholders under the Company's articles of association for the time being for a variation of the rights attached to the Shares.

Any alteration to the terms and conditions of Share Option Scheme, which are of a material nature, must be approved by the Stock Exchange, except where the alterations take effect automatically under the existing terms of the Share Option Scheme.

(r) *Grant of options to connected persons, Directors or any of their associates*

Where options are proposed to be granted to a connected person, the proposed grant must be approved by all independent non-executive directors of the Company.

Where options are proposed to be granted to a connected person, who is also a Substantial Shareholder of the Company or any of his respective associates, and the proposed grant of Options, when aggregated with the options already granted to such connected person in the past 12 month period, would entitle that person to receive more than 0.1 per cent. of the total issued shares of the Company for the time being and the value of which is in excess of HK\$5 million, then the proposed grant must be subject to the approval of shareholders in general meetings. Apart from the connected person involved, all other connected persons of the Company must abstain from voting in such general meeting (except where any connected person intends to vote against the proposed grant). A shareholders' circular must be prepared by the Company explaining the proposed grant, disclosing the number and terms of the options to be granted and containing a recommendation from the independent directors on whether or not to vote in favour of the proposed grant.

The maximum entitlement of each individual Eligible Person in these circumstances must not exceed 25 per cent. of the aggregate of all Shares subject to the Share Option Scheme and any other scheme.

(s) *Conditions of Share Option Scheme*

The Share Option Scheme is conditional on (i) the GEM Listing Committee of the Stock Exchange granting approval of the Share Option Scheme and any options which may be granted thereunder and the listing of and permission to deal in the Shares which may be issued pursuant to the exercise of options granted under Share Option Scheme; and (ii) Share Option Scheme being approved by the shareholder(s) of the Company.

As at the Latest Practicable Date, no options have been granted or agreed to be granted by the Company under the Share Option Scheme.

Application has been made to the Stock Exchange for the approval of the Share Option Scheme, the subsequent granting of options under Share Option Scheme and listing of and permission to deal in the Shares which fall to be issued pursuant to the exercise of options granted under Share Option Scheme.

OTHER INFORMATION

Estate duty, tax and other indemnities

Each of the executive Directors, the Initial Management Shareholders, Mr. Li Lai Ming, Ms. Ho Ping, Tanya and Mr. Tsang Man Chan (together, the “Indemnifiers”) have entered into a deed of taxation indemnity with and in favour of the Company (for itself and as trustee for its subsidiaries) (being material contract (i) as referred to in the paragraph headed “Summary of material contracts” in this appendix) 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 of the Laws of Hong Kong) to any member of the Group on or before the date on which the Placing 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 (Chapter 111 of the Laws of Hong Kong) 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 (Chapter 111 of the Laws of Hong Kong).

APPENDIX V STATUTORY AND GENERAL INFORMATION

The Company has been advised that no material liability for estate duty is likely to fall on any member of the Group in the Cayman Islands or the British Virgin Islands or the PRC, being jurisdictions in which one or more of the companies comprising the Group are incorporated.

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 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 Seng Peng 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's 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 prospectus.

Litigation

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 against any member of the Group.

Sponsor

CPY has made an application on behalf of the Company to the GEM Listing Committee for the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned herein, and the Shares which may be issued upon the exercise of the Over-allotment Option and options which may be granted under the Share Option Scheme.

Preliminary expenses

The preliminary expenses of the Company are estimated to be approximately US\$4,000 and are payable by the Company as to 80% and by the Vendors as to 20% to be shared among them equally.

Particulars of the Vendors

Name	Description	Address	Number of Sale Shares
Mr. Li Lai Ming	individual	Room 6, 6th Floor, Waldorf Centre 170-180 Sai Lau Kok Road Tsuen Wan, Hong Kong	30,356,000
Ms. Ho Ping, Tanya	individual	Flat B, 5th Floor, Sunshine Mansion 42-46 Fort Street, North Point Hong Kong	27,324,000
Mr. Tsang Man Chan	individual	Flat A, 8th Floor, North Portion Kam Shek Lau, 62 Shek Yam Road Kwai Chung, New Territories Hong Kong	27,320,000

APPENDIX V STATUTORY AND GENERAL INFORMATION

Promoters

The promoter of the Company is Mr. Lao Seng Peng. Save as disclosed herein, within the two years preceding the date of this prospectus, no amount or benefit has been paid or given to the promoter(s) in connection with the Placing or the related transactions described in this prospectus.

Qualifications of experts

The following are the qualifications of the experts who have given opinions or advice or report which are contained in this prospectus:

Name	Qualification
Core Pacific-Yamaichi Capital Limited	Registered investment adviser and dealer
Conyers Dill & Pearman, Cayman	Cayman Islands attorneys-at-law
Greater China Appraisal Limited	Property valuers
Trend Associates	PRC legal advisers
Jun He Law Offices	PRC legal advisers
Deloitte Touche Tohmatsu	Certified public accountants

Consents of experts

Each of CPY, Conyers Dill & Pearman, Cayman, Greater China Appraisal Limited, Trend Associates, Jun He Law Offices and Deloitte Touche Tohmatsu has given and has not withdrawn its written consent to the issue of this prospectus with the inclusion of its report and/or letter and/or valuation certificate and/or the references to its name included herein in the form and context in which they are respectively included.

Binding effect

This prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of sections 44A and 44B of the Companies Ordinance insofar as applicable.

Miscellaneous

- (a) Save as disclosed in this prospectus:
- (i) within the two years preceding the date of this prospectus, no share or loan capital of the Company or any of its subsidiaries has been issued or agreed to be issued fully or partly paid either for cash or for a consideration other than cash;
 - (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;
 - (iii) no founders or management or deferred shares of the Company or any of its subsidiaries have been issued or agreed to be issued; and
 - (iv) within the two years preceding the date of this prospectus, no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any capital of the Company or any of its subsidiaries.

A PPENDIX V STATUTORY AND GENERAL INFORMATION

- (b) There has been no material adverse change in the financial or trading position or prospects of the Group since 31st March, 2001 (being the date to which the latest audited combined financial statements of the Group were made up).
- (c) None of the experts named in the sub-paragraph head “Consents of experts” in this appendix:
 - (i) is interested beneficially or non-beneficially in any shares in any member of the Group; or
 - (ii) has any right or option (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any shares in any member of the Group.
- (d) No company within the Group is presently listed on any stock exchange or traded on any trading system.
- (e) All necessary arrangements have been made to enable the Shares to be admitted into CCASS for clearing and settlement.
- (f) Save as disclosed in this prospectus, none of the Directors is aware of any interruptions in the business of the Group which may have or have had a significant adverse effect on the financial position of the Group in the 24 months immediately preceding the Latest Practicable Date.

A PPENDIX VI DOCUMENTS DELIVERED AND AVAILABLE FOR INSPECTION

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to the copy of this prospectus registered by the Registrar of Companies in Hong Kong were the copies of written consents referred to in the sub-paragraph headed “Consents of experts” under the paragraph headed “Other Information” in Appendix V to this prospectus, the statement of adjustments made by Deloitte Touche Tohmatsu in arriving at the figure set out in the accountants’ report set out in Appendix I to this prospectus, list of particulars of the Vendors of the Sale Shares, copies of the material contracts referred to in the sub-paragraph headed “Summary of material contracts” under the paragraph headed “Further information about the business” in Appendix V to this prospectus.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the offices of Sidley Austin Brown & Wood of 49th Floor, Bank of China Tower, 1 Garden Road, Central, Hong Kong during normal business hours up to and including 12th July, 2001:

- (a) the memorandum of association of the Company and the Articles of Association;
- (b) such audited accounts as have been prepared for Fujian Goldigit of the Group for the period from 21st March, 1998 to 31st December, 1998 and each of the two years ended 31st December, 2000 and three months ended 31st March, 2001;
- (c) the accountants’ report prepared by Deloitte Touche Tohmatsu, the text of which is set out in Appendix I to this prospectus and the related statement of adjustments;
- (d) the letters relating to the profit forecast, the texts of which are set out in Appendix II;
- (e) the letter, summary of valuations and valuation certificate relating to the property interests of the Group prepared by Greater China Appraisal Limited, the text of which is set out in Appendix III to this prospectus;
- (f) the rules of the Share Option Scheme;
- (g) the Companies Law;
- (h) the letter prepared by Conyers Dill and Pearman, Cayman referred to in Appendix IV to this prospectus summarising certain aspects of Cayman Islands company law;
- (i) the legal opinions prepared by Trend Associates and Jun He Law Offices;
- (j) the service contracts referred to in the sub-paragraph headed “Directors” under the paragraph headed “Further information about directors, management and staff” in Appendix V to this prospectus;
- (k) the material contracts referred to in the sub-paragraph headed “Summary of material contracts” under the paragraph headed “Further information about the business” in Appendix V to this prospectus; and
- (l) the written consents referred to in the sub-paragraph headed “Consents of experts” under the paragraph headed “Other information” in Appendix V to this prospectus.