

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 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:

- 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.

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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.

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(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> |

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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> |
| | | <u>11,857</u> |
| 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> |
| | | <u>6,350</u> |
| Current liabilities | | |
| Amount due to a shareholder | <i>15</i> | 3,712 |
| Trade and other payables | <i>16</i> | 294 |
| Accruals | | <u>29</u> |
| | | <u>4,035</u> |
| 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.

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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.

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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> |

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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.

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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> |

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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> |
| 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:

1. 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.
2. 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 HK\$'000 | Accumulated Depreciation HK\$'000 | Net book value HK\$'000 |
|------------------------|-----------------------------|--------------------------------------------------|------------------------------------|
| 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> |

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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><u>9,400</u></u> | <u><u>1,175</u></u> | <u><u>8,225</u></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.

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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 | 752 |

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18. RESERVES

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

| | Goodwill reserve <i>HK\$'000</i> | Statutory reserve fund <i>HK\$'000</i> | Total <i>HK\$'000</i> |
|--------------------------------------------------------------|----------------------------------------|----------------------------------------------|--------------------------|
| 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 <i>HK\$'000</i> | Year ended 31st December, 1999 <i>HK\$'000</i> | Year ended 31st December, 2000 <i>HK\$'000</i> | 3 months ended 31st March, 2001 <i>HK\$'000</i> |
|----------------------------------|---------------------------------------------------------------------|---------------------------------------------------------|---------------------------------------------------------|-------------------------------------------------------------|
| 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.

APPENDIX 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