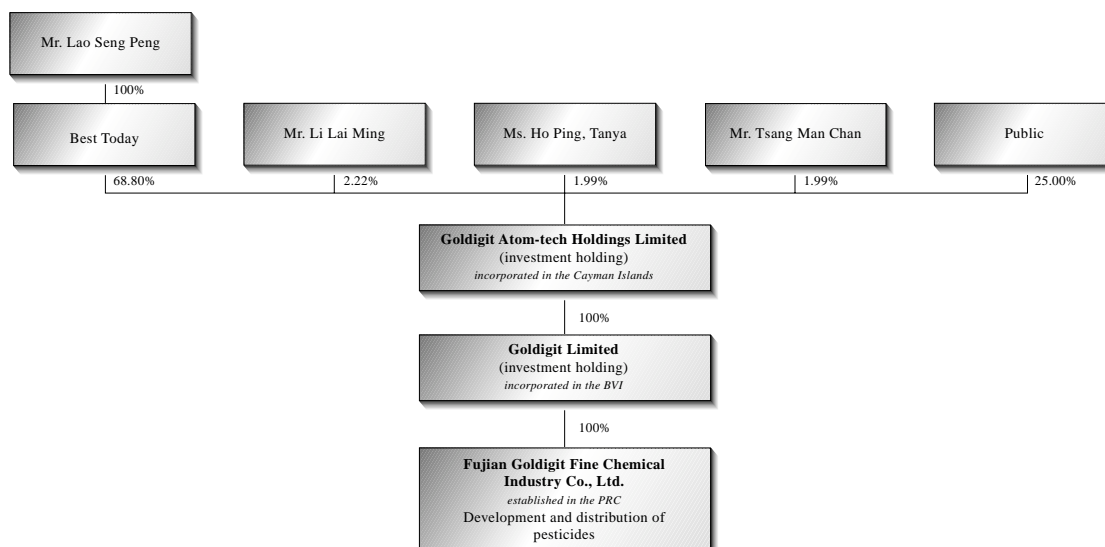


GENERAL OVERVIEW OF THE GROUP

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

G 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.

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, ethoprophos (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	<u>31</u>

G

ENERAL 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>

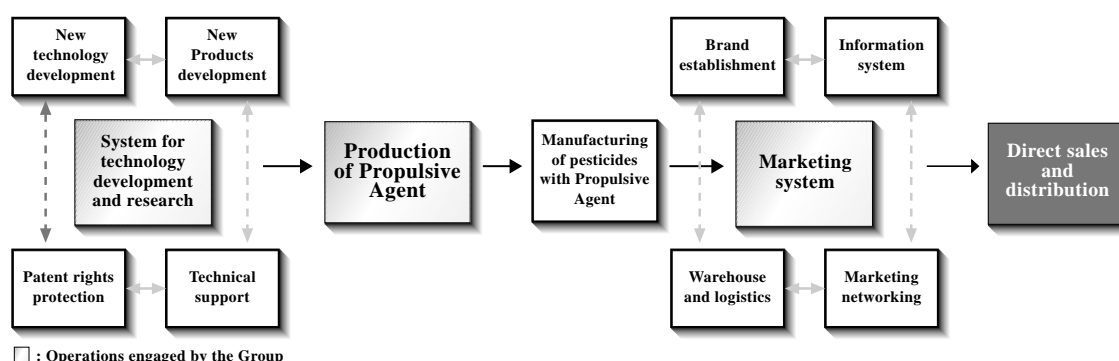
GENERAL OVERVIEW OF THE GROUP

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”.

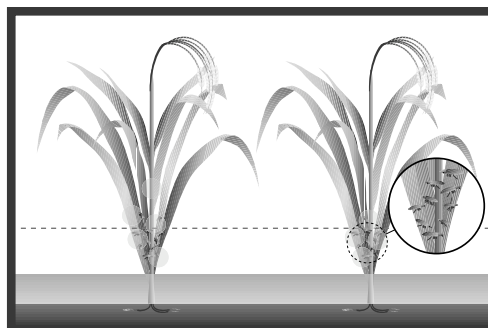
- **Innovative technology**

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.

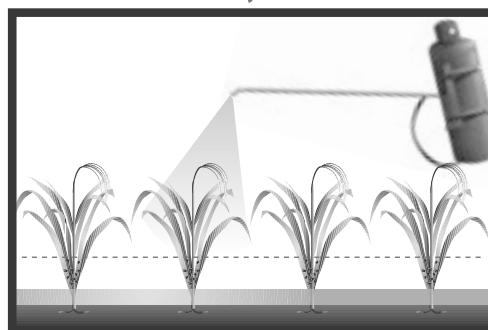
GENERAL OVERVIEW OF THE GROUP

Traditional pesticide

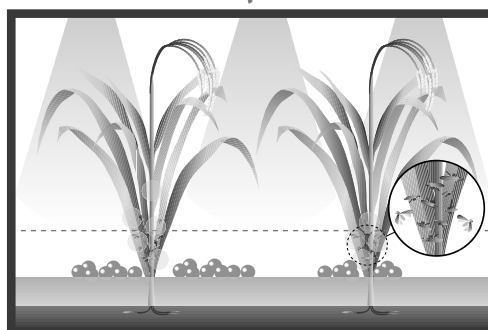
The application method of traditional pesticide is a “top-down” approach, using equipment to spray the granules of pesticides on the surface of paddy leaves. The efficiency of this application method relies heavily on the spray nozzles which influence the droplet size and distribution of the pesticides.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

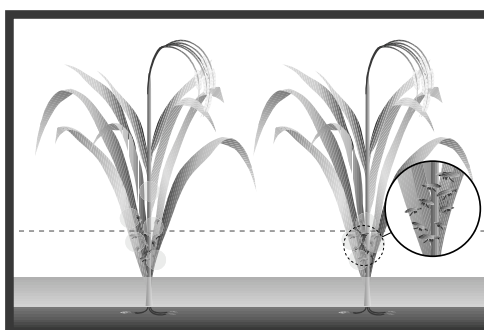


By traditional spraying, it is difficult for pesticides to reach the pests gathering at the bottom part of the paddy stem. Considerable amount of pesticides stay on the leaf and water surface causing wastage and pollution.

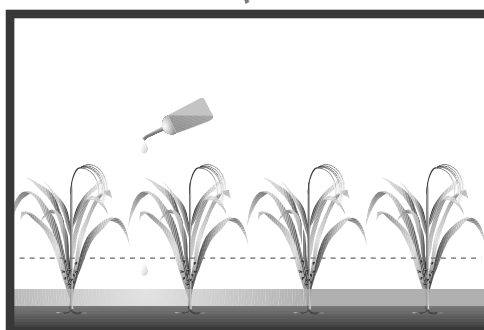
GENERAL OVERVIEW OF THE GROUP

Target Propellant New Pesticide

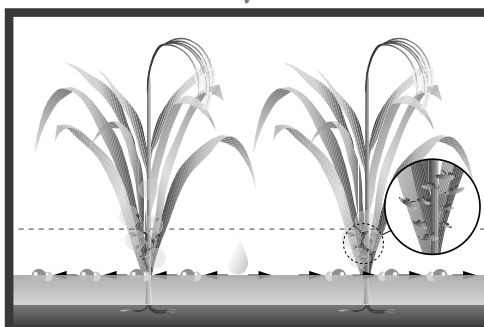
The application method of Target Propellant New Pesticide is direct dosage on the water surface. Since the Propulsive Agent allows the molecules of raw pesticides to diffuse profusely along the surface of water, the droplet of pesticides can be distributed evenly on the water surface with the utmost 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 Propellant 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

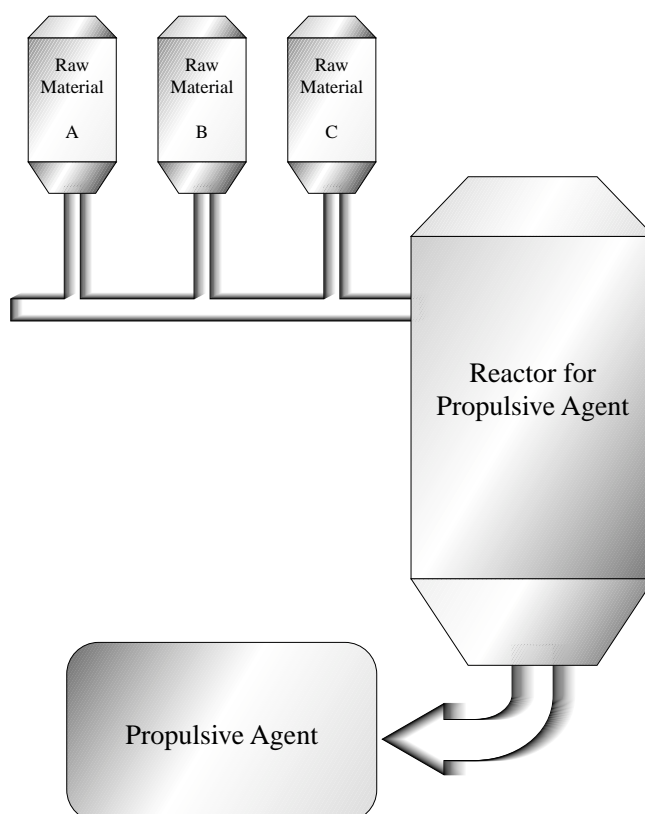
Pursuant to the relevant laws and regulations of the PRC, the PRC government has implemented a pesticide registration system whereby a pesticide can only be introduced to the market for sales after it has undergone a registration process (or a provisional registration of pesticide) and obtained a pesticide 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

G GENERAL OVERVIEW OF THE GROUP

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.

67

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

GENERAL OVERVIEW OF THE GROUP

(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.

GENERAL OVERVIEW OF THE GROUP

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.

GENERAL OVERVIEW OF THE GROUP

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.

71

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.

GENERAL OVERVIEW OF THE GROUP

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.

G GENERAL OVERVIEW OF THE GROUP

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.