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# STATEMENT OF BUSINESS OBJECTIVES

## Overall business objectives

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

## Bases and assumptions

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

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

75

## Market potential

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

- (1) *Government support*

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

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# S STATEMENT OF BUSINESS OBJECTIVES

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

## (2) *International market demand*

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

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

## (3) *Environmental safety*

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

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# S STATEMENT OF BUSINESS OBJECTIVES

## Business plan

### – Development of new products

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

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

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

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

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

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

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

(iv) Mosquito terminator for urban drains

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

(v) Development of nanotechnology on chemical pesticides

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

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# S STATEMENT OF BUSINESS OBJECTIVES

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

## – Investment in research and development centre

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

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

Initially, the Group plans to establish the following bases:

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

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

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

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

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# STATEMENT OF BUSINESS OBJECTIVES

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

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

– **Expansion of sales network**

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

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

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

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# S STATEMENT OF BUSINESS OBJECTIVES

– **Marketing and brand building of the Group's products**

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

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

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

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

# STATEMENT OF BUSINESS OBJECTIVES

## BUSINESS OBJECTIVES

Proposed strategy and implementation plan

### – Development of new products

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

# STATEMENT OF BUSINESS OBJECTIVES

## – Investment in a research and development centre

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

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

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



# STATEMENT OF BUSINESS OBJECTIVES

## – Expansion of sales network

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

## – Enhancement of the Group's website

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

# STATEMENT OF BUSINESS OBJECTIVES

## – Marketing and brand building

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

84

## Deployment of human resources

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

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

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

# STATEMENT OF BUSINESS OBJECTIVES

## Costs of implementing business objectives

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

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

## REASONS FOR THE PLACING AND USE OF PROCEEDS

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

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

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

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# S STATEMENT OF BUSINESS OBJECTIVES

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

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

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

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# STATEMENT OF BUSINESS OBJECTIVES

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

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

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