

**THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.** If you are in any doubt about the contents of this admission document, you should consult with a person authorised for the purposes of the Financial Services and Markets Act 2000 who specialises in advising on the acquisition of shares and other securities.

This admission document, which is an admission document required by the AIM Rules, has been prepared in connection with the proposed placing and subsequent admission to trading of the Company's Ordinary Shares on AIM. This admission document has been drawn up in accordance with the AIM Rules. It is not a prospectus drawn up pursuant to section 84(2) of the Financial Services and Markets Act 2000. A copy of this admission document has been delivered to the London Stock Exchange as an admission document in respect of the Ordinary Shares.

All consents of the Bermuda Monetary Authority required under the Exchange Control Act 1972 in Bermuda for the issue of Ordinary Shares have been obtained. In granting its consent, the Bermuda Monetary Authority in Bermuda does not accept responsibility for the financial soundness of any proposals or for the correctness of any statements made or opinions expressed with regard to them.

Application has been made for all of the Ordinary Shares, issued and to be issued, to be admitted to trading on AIM. It is expected that Admission will become effective and dealings for normal settlement in the Ordinary Shares will commence on 3 August 2005.

AIM is a market designed primarily for emerging or smaller companies to which a higher investment risk tends to be attached than to larger or more established companies. AIM securities are not admitted to the Official List of the UK Listing Authority. A prospective investor should be aware of the risks of investing in such companies and should make the decision to invest only after careful consideration and, if appropriate, consultation with an independent financial adviser. London Stock Exchange has not itself examined or approved the contents of this document.

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# Asian Citrus Holdings Limited

*(incorporated in Bermuda with registered number 33747)*

**Placing of 10,775,862 Ordinary Shares of HK\$0.10 each  
at 112 pence per share and admission to trading on AIM**

**Evolution Securities Limited**

*Nominated Adviser and Broker*

**Evolution Securities China Limited**

*Financial Adviser and Broker*

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Share capital immediately following Admission				
<i>Authorised Number</i>	<i>Amount</i>		<i>Issued and fully paid Number</i>	<i>Amount</i>
200,000,000	HK\$20,000,000	Ordinary Shares of HK\$0.10 each	60,775,862	HK\$6,077,586.20

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The directors of the Company, whose names appear on page 4 of this admission document, accept responsibility for the information contained in this admission document including individual and collective responsibility for compliance with the AIM Rules. To the best of the knowledge of the directors of the Company, having taken reasonable care to ensure that such is the case, the information contained in this admission document is in accordance with the facts and contains no omission likely to affect the import of such information.

Evolution Securities Limited is acting exclusively as nominated adviser and broker to the Company and Evolution Securities China Limited is acting exclusively as financial adviser and broker to the Company in connection with the Placing and proposed admission of the Ordinary Shares to trading on AIM. Neither Evolution Securities Limited nor Evolution Securities China Limited, each of which is authorised and regulated in the UK by the Financial Services Authority, will be responsible to anyone other than the Company for providing the protections afforded to clients of Evolution Securities Limited or Evolution Securities China Limited, or for providing advice in relation to the contents of this admission document or any other matter. Neither Evolution Securities Limited nor Evolution Securities China Limited has authorised the contents of any part of this admission document.

No action has been taken or will be taken in any jurisdiction by the Company, Evolution Securities Limited or Evolution Securities China Limited that would permit a public offer of Ordinary Shares in any jurisdiction where action for that purpose is required, nor has any such action been taken with respect to the possession or distribution of this document. Persons into whose possession this document comes are required by the Company, Evolution Securities Limited and Evolution Securities China Limited to inform themselves about and to observe any restrictions as to the Placing and the distribution of this document.

Copies of this admission document will be available free of charge during normal business hours on any day (except Saturdays, Sundays and public holidays) at the offices of Evolution Securities Limited for a period of one month from the date of Admission.

The Ordinary Shares are being offered to certain institutional investors in the United Kingdom and certain other jurisdictions. The Ordinary Shares have not and will not be registered under the US Securities Act 1933, as amended, or under the applicable state securities laws of any state of the US, or under the applicable securities laws of Australia, Canada, South Africa, Republic of Ireland or Japan. Subject to certain exceptions, the Ordinary Shares may not be offered or sold within the US, Australia, Canada, South Africa, Republic of Ireland or Japan or to or for the account of or benefit of any national, resident or citizen of the US, or any person resident in Australia, Canada, South Africa, Republic of Ireland or Japan. This document does not constitute an offer to sell or a solicitation of an offer to purchase or subscribe for Ordinary Shares in any jurisdiction where it is unlawful to make such offer or solicitation.

**Prospective investors should read the whole text of this admission document. Your attention is drawn to the risk factors set out in Part III of this admission document that should be taken into account in considering whether to invest in the Ordinary Shares.**

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## EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Publication of admission document	28 July 2005
Admission becomes effective and dealings in the Ordinary Shares commence on AIM	3 August 2005
CREST accounts credited with Depositary Interests	3 August 2005
Despatch of definitive share certificates (where applicable) by no later than	10 August 2005

## PLACING STATISTICS

Placing Price per Placing Share	112 pence
Number of new Ordinary Shares being issued by the Company pursuant to the Placing	9,072,813
Number of Placing Shares being sold by the Selling Shareholders pursuant to the Placing	1,703,049
Number of Ordinary Shares in issue immediately following Admission	60,775,862
Market capitalisation of the Company at the Placing Price following the Placing	£68,068,966
Estimated net proceeds receivable by the Company after expenses	£8,161,551

## DIRECTORS, SECRETARIES AND ADVISERS

<b>Directors</b>	Mr Tong Wang Chow, <i>Chairman</i> Mr Tong Hung Wai, Tommy, <i>Executive Director</i> Mr Cheung Wai Sun, <i>Executive Director</i> Mr Pang Yi, <i>Executive Director</i> Mr Ip Chi Ming, <i>Vice Chairman, Non-Executive Director</i> Mr Ma Chiu Cheung, Andrew, <i>Non-Executive Director</i> Mr Nicholas Smith, <i>Non-Executive Director</i> Dr Hon Lui Ming Wah, JP, <i>Non-Executive Director</i> Mr Yang Zhen Han, <i>Non-Executive Director</i>
<b>Registered Office</b>	Clarendon House 2 Church Street Hamilton, Bermuda HM11 Tel: (+441) 295 1422
<b>Head Office</b>	Rm 1109-1111 Wayson Comm. Building 28 Connaught Road West Hong Kong Tel: (+852) 2559 0323
<b>Company Secretary</b>	Sung Chi Keung ACCA, CPA
<b>Assistant Company Secretary</b>	Ira Stuart Outerbridge III
<b>Nominated Adviser and Broker</b>	Evolution Securities Limited 100 Wood Street London EC2V 7AN
<b>Financial Adviser and Broker</b>	Evolution Securities China Limited 29-30 Cornhill London EC3V 3ND  3606 Jin Mao Tower 88 Century Boulevard Pudong New Area Shanghai 200121 PRC
<b>UK and Hong Kong legal advisers to the Company</b>	Lovells Atlantic House Holborn Viaduct London EC1A 2FG  23/F, Cheung Kong Centre 2 Queen's Road Central Hong Kong
<b>Bermuda and BVI legal advisers to the Company</b>	Conyers Dill & Pearman 2901 One Exchange Square 8 Connaught Place Central Hong Kong

<b>PRC legal advisers to the Company</b>	GFE Law Office 18/F Guangdong Holdings Tower 55 Dongfeng East Road Guangzhou PRC
<b>UK and Hong Kong legal advisers to the Nominated Adviser</b>	Simmons & Simmons CityPoint One Ropemaker Street London EC2Y 9SS  35/F, Cheung Kong Centre 2 Queen's Road Central Hong Kong
<b>Auditors to the Company</b>	CCIF CPA Limited 37/F Hennessy Centre 500 Hennessy Road Causeway Bay Hong Kong
<b>Reporting Accountants</b>	CLB Littlejohn Frazer 1 Park Place Canary Wharf London E14 4HJ
<b>Transaction Services Accountants</b>	Deloitte & Touche LLP Hill House 1 Little New Street London EC4A 3TR
<b>Channel Islands Registrars</b>	Computershare Investor Services (Channel Islands) Limited PO Box 83 Ordnance House 31 Pier Road St Helier Jersey JE4 8PW Channel Islands
<b>Depositary Interest Registrars</b>	Computershare Investor Services PLC PO Box 82 The Pavilions Bridgwater Road Bristol BS99 7NH United Kingdom
<b>Bermuda Registrars</b>	Butterfield Fund Services (Bermuda) Limited Roseback Centre 11 Bermudiana Road Pembroke HM08 Bermuda

## DEFINITIONS

The following definitions apply throughout this admission document, unless the context otherwise requires:

“AAD”	the agricultural affairs department of the Group
“Admission”	the admission of the entire issued ordinary share capital of the Company to trading on AIM becoming effective in accordance with the AIM Rules
“AIM”	AIM, a market operated by the London Stock Exchange
“AIM Rules”	the rules of the London Stock Exchange governing admission to and the operation of AIM
“ASEAN”	the Association of South East Asian Nations
“Asian Citrus” or the “Company”	Asian Citrus Holdings Limited, an exempted company incorporated under the laws of Bermuda with limited liability on 4 June 2003
“Asian Citrus (H.K.)”	Asian Citrus (H.K.) Company Limited, a company incorporated under the laws of Hong Kong with limited liability on 13 October 2004, a wholly-owned subsidiary of Asian Citrus Management
“Asian Citrus Management”	Asian Citrus Management Company Limited (formerly known as Apex Reward International Limited), a company incorporated under the laws of BVI with limited liability on 18 June 2003, a wholly-owned subsidiary of Newasia
“Asian Citrus Shareholders”	Huge Market, Market Ahead and the other parties to the Relationship Agreement, excluding the Company
“Bermuda Act”	the Companies Act of Bermuda, as amended
“Business Day”	a day on which dealing in domestic securities may take place on AIM
“BVI”	the British Virgin Islands
“Bye-laws”	the bye-laws of the Company
“CAGR”	Compound Annual Growth Rate
“CCIF”	CCIF CPA Limited, the auditors of the Company
“CGFDC”	the China Green Food Development Centre established by the MOA in 1992 to set the “green food” standards and grant licences for qualified produce in PRC
“Chaoda”	Chaoda Modern Agriculture (Holdings) Limited, a company incorporated under the laws of the Cayman Islands
“Chaoda Group”	Chaoda and its subsidiaries
“Chaoda Vegetable”	Chaoda Vegetable & Fruits Limited, a company incorporated under the laws of Hong Kong, a wholly-owned subsidiary of Chaoda
“Combined Code”	the Principles of Good Governance and Code of Best Practice annexed to the Listing Rules of the UK Listing Authority
“Companies Ordinance”	the Companies Ordinance (chapter 32 of the Laws of Hong Kong), as amended
“CREST”	the relevant system of paperless settlement of share transfers and for the holding of shares in uncertificated form in respect of which CRESTCo is the Operator (each as defined in the CREST Regulations)

“CRESTCo”	CRESTCo Limited, a company incorporated under the laws of England and Wales and the operator of CREST
“CREST Regulations”	the Uncertificated Securities Regulations 2001 (SI 2001 No. 01/3755)
“Daily Official List”	the Daily Official List of the London Stock Exchange
“Depositary Interests” or “DIs”	dematerialised depositary interests in respect of underlying Ordinary Shares further details of which are set out in paragraphs 15, 16 and 17 of Part VI of this admission document
“Directors” or “Board”	the directors of the Company, whose names are set out on page 4 of this admission document
“Evolution Securities”	Evolution Securities Limited
“Evolution China”	Evolution Securities China Limited
“Executive Directors”	the executive directors of the Company whose names are set out in the paragraph headed, “Directors and employees” of Part II of this admission document
“FEIT”	PRC foreign enterprise income tax
“FIE”	foreign investment enterprise, including a Sino-foreign equity joint venture, a Sino-foreign co-operative joint venture and a wholly foreign-owned enterprise established in PRC
“FSMA”	the Financial Services and Markets Act 2000
“Fuzhou Chaoda”	Fuzhou Chaoda Modern Agricultural Development Company Limited, a WFOE incorporated under the laws of PRC, an indirect wholly-owned subsidiary of Chaoda
“Group”	the Company and its subsidiaries and, where the context so requires, in respect of the period before the Company became the holding company of its present subsidiaries, such subsidiaries as if they were the subsidiaries of the Company at the time
“Hepu Government”	The People’s Government of Hepu county in the Guangxi Zhuang Autonomous Region in PRC
“Hepu Plantation”	the Group’s plantation located in the Hepu county of the Guangxi Zhuang Autonomous Region in PRC
“Hepu Leases”	leases entered into between Newasia as the lessee and the relevant legal land owners as the lessors in relation to the Hepu Plantation, further details of which are set out in the sub-section headed “Summary of land information” in paragraph 11 of Part VI of this admission document.
“Huge Market”	Huge Market Investments Limited, a company incorporated under the laws of BVI with limited liability on 2 January 2001, a wholly-owned subsidiary of Chaoda
“ISIN”	International Securities Identification Number
“Listing Rules”	the latest edition of the “Listing Rules” issued by the UK Listing Authority made under Part VI of the FSMA
“London Stock Exchange”	London Stock Exchange plc
“Litian (Xinfeng)”	Litian Biological Sciences & Technology Development (Xinfeng) Co., Ltd., a WFOE incorporated under the laws of PRC on 21 November 2002, a wholly-owned subsidiary of Newasia

“Lock-up Agreement”	the lock-up agreement dated 28 July 2005 between Huge Market (1), Market Ahead (2), the Company (3) and Evolution Securities (4), further details of which are set out in paragraph 9 of Part VI of this admission document
“Lucky Team (Hepu)”	Lucky Team Biotech Development (Hepu) Ltd., a WFOE incorporated under the laws of PRC on 11 April 2000, a wholly-owned subsidiary of Newasia
“Market Ahead”	Market Ahead Investments Limited, a company incorporated under the laws of BVI with limited liability on 12 February 2002
“MAO”	the Ministry of Agriculture of PRC
“Memorandum of Association”	the memorandum of association of the Company
“Metage Notes”	convertible notes due 2008 issued by Newasia to Metage Funds Limited, Metage Special Emerging Markets Fund Limited and Mr Yim Hin Keung in the aggregate amount of HK\$100 million pursuant to the Metage Notes Subscription Agreement
“Metage Notes Subscription Agreement”	the subscription agreement dated 4 March 2005 between Newasia (1), Metage Funds Limited (2), Metage Special Emerging Markets Fund Limited (3), Mr Yim Hin Keung (4), Mr Tong Wang Chow (5) and Huge Market (6) in relation to the subscription for and issue of the Metage Notes, as amended by a supplemental agreement dated 16 March 2005
“NAV” or “Net Asset Value”	the net asset value per Ordinary Share
“Newasia”	Newasia Global Limited, a company incorporated under the laws of BVI with limited liability on 2 December 1997, a wholly-owned subsidiary of the Company
“Non-Executive Directors”	the non-executive directors of the Company whose names are set out in the paragraph headed, “Directors and employees” of Part II of this admission document
“Noteholders”	Metage Funds Limited (1), Metage Special Emerging Markets Fund Limited (2) and Mr Yim Hin Keung (3)
“Official List”	the official list of the UK Listing Authority
“Ordinary Shares”	ordinary shares of HK\$0.10 each in the share capital of the Company
“Placing”	the placing by Evolution Securities of the Placing Shares at the Placing Price pursuant to the Placing Agreement, as more particularly described in the paragraph headed “Details of the Placing” of Part II of this admission document
“Placing Agreement”	the conditional agreement dated 28 July 2005 between the Company (1), Evolution Securities (2), the Directors (3) and the Selling Shareholders (4) relating to the Placing, further details of which are set out in paragraph 9 of Part VI of this admission document
“Placing Price”	112 pence per Placing Share, the price at which each Placing Share is to be sold pursuant to the Placing
“Placing Shares”	the 10,775,862 Ordinary Shares to be issued by the Company and sold by the Selling Shareholders at the Placing Price pursuant to the Placing
“PRC” or “China”	the People’s Republic of China (for the purposes of this admission document excluding Hong Kong, Macau and Taiwan)
“PRC Government”	the central government of PRC, including all government sub-divisions (including provincial, municipal and other regional or local government entities)



“Registrars”	Computershare Investor Services PLC
“Relationship Agreement”	the agreement dated 28 July 2005 and entered into between the Company and the Asian Citrus Shareholders, further details of which are set out in paragraph 9 of Part VI of this admission document
“Reorganisation”	the corporate reorganisation, as described in more detail in paragraph 2 of Part VI of this admission document
“RMB” or “Renminbi”	Renminbi yuan, the lawful currency of PRC
“SAFE”	the State Administration for Foreign Exchange of PRC, the government agency responsible for matters relating to foreign exchange administration
“Selling Shareholders”	Robinson and Company as nominee for Metage Funds Limited and Metage Special Emerging Markets Fund Limited
“Shareholder(s)”	holder(s) of the Ordinary Shares
“Share Dealing Code”	the share dealing code adopted by the Company to ensure compliance with the rule 21 of the AIM Rules
“Share Option Plan”	the Asian Citrus Share Option Plan
“Summer Oranges”	a type of orange which includes species of Valencia orange, the characteristics of which are set out in the paragraph headed “The Group’s business” of Part II of this admission document
“Top Nation”	Top Nation Shipping Limited, a company incorporated under the laws of Hong Kong with limited liability
“UK” or “United Kindgom”	the United Kingdom of Great Britain and Northern Ireland
“UK Listing Authority”	the Financial Services Authority in its capacity as competent authority under the FSMA and in the exercise of its functions in respect of admissions to the Official List
“US” or “United States”	the United States of America
“Weizhou Chaoda”	Weizhou Chaoda Microbe Organic Fertiliser Company Limited, a company incorporated under the laws of PRC with limited liability, being one of the suppliers of the Group and a related party
“WFOE”	a wholly foreign-owned enterprise, a form of foreign invested enterprise in PRC with limited liability and power to contract and assume legal obligations
“Winter Oranges”	a type of orange which includes species of navel, pineapple, hamlin and hong jiang, the characteristics of which are set out in the paragraph headed “The Group’s business” of Part II of this admission document
“WTO”	the World Trade Organisation
“Xinfeng Government”	the People’s Government of Xinfeng county in the Jiangxi province in PRC
“Xinfeng Lease”	the lease in relation to Xinfeng Plantation as mentioned and described under the sub-section headed “Summary of land information” in paragraph 11 of Part VI of this admission document
“Xinfeng Plantation”	the Group’s plantation located in the Xinfeng county of the Jiangxi province in PRC
“Zhangzhou Chaoda”	Fujian Zhangzhou Chaoda Microbe Organic Fertiliser Company Limited, a company incorporated under the laws of PRC with limited liability, being one of the suppliers of the Group and a related party

## PART I

### Key information

The information below is only a summary of more detailed information included in other sections of this admission document. Prospective investors should read the whole of this document and not rely on this summarised information.

#### Introduction

Asian Citrus is engaged in the cultivation and sale of oranges and currently owns and operates orange plantations in PRC.

#### The Group's business

The Group has two plantations in PRC, namely the Hepu Plantation located in the Hepu county of the Guangxi Zhuang Autonomous Region and the Xinfeng Plantation located in the Xinfeng county of the Jiangxi province. The Hepu Plantation is operational and the Xinfeng Plantation is currently under development. The Directors expect that the first harvest at Xinfeng will be in winter 2007. The Group currently cultivates and sells two types of oranges and sells these oranges to corporate customers, wholesalers and sole proprietors.

#### Strategy

The Group's primary goal is to sell quality oranges at an affordable price and in so doing, strengthen its position as a leading, mechanised and industrialised orange grower and distributor in PRC. The Group's strategy comprises three main elements, namely the growth in its production volume, the building of a national brand in PRC and the establishment and development of an extensive sales and distribution network in areas identified by the Directors as key in PRC.

#### Directors and employees

The Board and senior management of the Group have proven knowledge and expertise in the agricultural industry. Certain members of the senior management have worked in the US for the US fruit juice company that previously operated the Hepu Plantation and have gained valuable and relevant experience in the cultivation and production of oranges.

#### Current trading and prospects

From 31 December 2004 to the date of this admission document, the Group has continued to trade in line with the Directors' expectations. Based on the current trading of the Group and the continuing maturity of the trees, the Directors are confident about the prospects of the Group for the current financial year.

#### Lock-in arrangements

The Directors, Huge Market and Market Ahead have agreed not to dispose, save in certain limited circumstances, of any interest in Ordinary Shares (or related financial instruments) prior to the Business Day following the publication of the Group's financial results for the year ended 30 June 2006 without the written consent of Evolution Securities. The Selling Shareholders have agreed not to sell any of their Ordinary Shares arising from the conversion of their convertible notes for 12 months after the date of Admission without the written consent of Evolution Securities.

For a further period of 12 months after the expiry of the above periods, the Directors, Huge Market and Market Ahead will only be able to sell their Ordinary Shares, provided that certain conditions are met, through Evolution Securities for such time as it shall remain nominated adviser and broker to the Company, with a view to maintaining an orderly market in the Company's Ordinary Shares.

## PART II

### Information on the Group

#### Introduction

The Group owns and operates orange plantations in PRC. The Group has two plantations in PRC occupying in total approximately 68 sq. km of land; approximately 30.9 sq. km located in the Hepu county of the Guangxi Zhuang Autonomous Region and approximately 37.1 sq. km in the Xinfeng county of the Jiangxi province. The Hepu Plantation is operational. The Xinfeng Plantation is currently under development with the Directors expecting its first harvest to be in winter 2007. The Group currently cultivates and sells two types of oranges, namely Winter Oranges (hamlin, pineapple and hong jiang oranges) and Summer Oranges (Valencia oranges). The Group currently sells its oranges to corporate customers, wholesalers and sole proprietors in PRC. According to the Guangxi Citrus Research Institute, the Group is currently the single largest orange plantation owner and operator in PRC.

#### Key strengths

The Directors consider the key strengths of Asian Citrus to include the following:

##### *Expected growth in demand for the Group's oranges*

The Directors believe that demand for oranges in PRC currently exceeds supply and that this can be attributed to the increasing GDP per capita in PRC. MAO officials estimate that PRC's current per capita consumption of citrus fruit is approximately 9 kg per person per annum. The PRC Government forecasts that per capita annual consumption will however, reach 11.7 kg and 16 kg per person, in 2015 and 2030 respectively, based on current consumption trends and growth in consumer purchasing ability. The Directors believe that demand for the Group's oranges will increase as demand for oranges in PRC increases.

##### *Barriers to entry*

The Directors believe that there are significant barriers to entry in establishing an orange plantation in PRC. A new entrant will require access to a sizeable piece of land in a location suitable for citrus cultivation, which is likely to involve lengthy negotiations with the relevant local government agencies and tenants to secure the land rights which are needed to operate a plantation. Once saplings have been planted, at least a further three years is required before orange trees start producing saleable fruit. Therefore, significant capital resources are required to support plantation development through to profitability.

##### *Pricing advantage*

The Directors believe that demand for US varieties of oranges currently outstrips supply in PRC by a considerable margin. At present, the Group prices its product between the cheaper indigenous orange species and the more expensive imported brands. Due to the location of PRC in relation to other major orange producers, the costs which must be incurred to import oranges from the US, Central and South America or Europe are high, placing Asian Citrus oranges in a strong competitive position in comparison to similar imported oranges. However, as the Group's business model expands in line with its strategic objectives, the Directors are aware that the Group's pricing policies are likely to be subject to further market forces.

##### *Low labour costs*

To protect the orange trees from damage and to help ensure higher quality oranges, the Group prefers to hand pick its oranges. Therefore, for picking, as well as for day-to-day management of the trees, plantations require access to large pools of labour. Minimum wage guidelines in the Guangxi and Jiangxi provinces are approximately RMB5,515 and RMB4,321 per person per annum respectively, which are generally lower than wage costs in more developed countries with higher wage demands. The Directors believe that the lower wage costs in PRC provide the Group with a cost advantage in the worldwide orange market.

### *Experienced management*

The Company's management has proven knowledge and expertise in the agricultural industry. Certain members of the senior management have also worked for the US fruit juice company that previously operated the Hepu Plantation and have also gained valuable relevant experience in Florida, US.

### *Plantations*

Both of the Group's plantations are located in areas of PRC which enjoy a significant amount of sunshine, good levels of rainfall and long frost free periods, with similarities to the climate in Florida, the main orange growing region in the US. As far as the Directors are aware, neither the Hepu Plantation nor the Xinfeng Plantation is situated in areas which are particularly exposed to unusually strong storms or similar adverse weather conditions. The Hepu Plantation was designed by US experts and is equipped with modern plant equipment, underground irrigation systems and advanced drainage systems.

### **The Group's business**

Currently, all the Group's oranges that are sold are grown at the Hepu Plantation. The Directors expect that the first harvest at the Xinfeng Plantation will take place in winter 2007. According to the Guangxi Citrus Research Institute, the Group is currently the single largest orange plantation operator and owner in PRC.

### *Oranges*

The Group is involved exclusively in the cultivation and sale of sweet oranges, the most commonly produced oranges in the world. Summer Oranges are generally harvested in PRC between mid-March and the beginning of June. Winter Oranges are generally harvested in PRC between October and January. Summer Oranges and the hamlin and pineapple species of Winter Orange originate from the US, whilst the hong jiang is a local species found in PRC. In general, US varieties of orange are larger in size than PRC oranges, whilst PRC oranges tend to be sweeter. Since their introduction into PRC, there has been increasing demand for the US varieties of orange due to their perceived better quality. The Hepu Plantation produces both Winter and Summer Oranges, while the Xinfeng Plantation will only produce Navel oranges (a type of Winter Orange originating from the US). The table below outlines the key characteristics typical of the different species of orange (other than the indigenous PRC oranges).

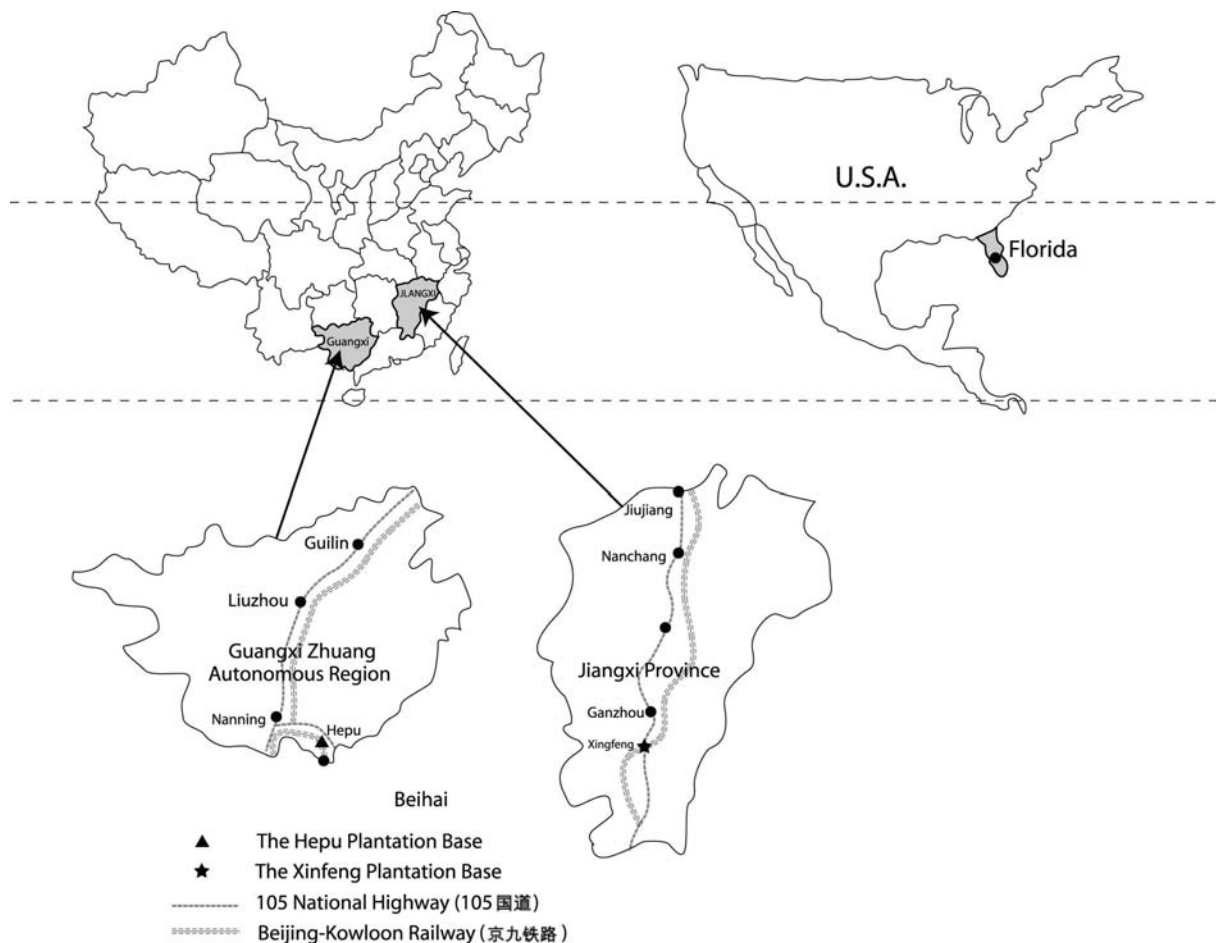
<i>Species Characteristic</i>	<i>Summer Orange</i>		<i>Winter Oranges</i>		
	<i>Valencia</i>	<i>Hamlin</i>	<i>Pineapple</i>	<i>Hong Jiang</i>	<i>Navel</i>
Shape	Globe shaped	Oval shaped	Globe to oval shaped	Globe shaped	Oval shaped
Harvesting period in PRC	March to June	October	November	December	November to January
Average weight (grams)	243	208	206	216	265
Average juice level (% of entire orange)	55.3	51.3	50.5	55.6	40.18
Average sugar level (%)	11.7	11.2	12.4	13.2	11.97

*Source: Company analysis of its 2004 harvest and the China Citrus Research Institute.*

## Plantations

The location of an orange plantation has a significant bearing on the level of productivity of its orange trees and on the quality of the oranges produced by those trees.

Set out below is an illustration of the location of the Guangxi Zhuang Autonomous Region where the Hepu Plantation is located, and the Jiangxi province, where the Xinfeng Plantation is located:



The Hepu Plantation is located approximately 20 km from the southern coastal city of Beihai in the Guangxi Zhuang Autonomous Region. The plantation occupies approximately 30.9 sq. km of land, and has been producing fruit for the last five years. The Hepu Plantation contains approximately 601,000 Winter Orange trees and approximately 644,000 Summer Orange trees.

The Xinfeng Plantation is located in the Jiangxi province in southeast PRC. The Group has leased a total of approximately 37.1 sq. km of land to develop the Xinfeng Plantation, and had, as at 31 December 2004, developed approximately 6.7 sq. km of that, planting approximately 400,000 Winter Orange trees. The Directors expect the first harvest of these oranges to occur during winter 2007.

The Group is currently in the process of developing a further 6.7 sq. km of land at the Xinfeng Plantation and planting a further approximately 400,000 Winter Orange trees and, accordingly, the Directors anticipate that by the year ended 30 June 2005, approximately 800,000 trees will have been planted at the Xinfeng Plantation. Due to the terraced nature of the terrain at the Xinfeng Plantation, it is possible to plant trees more densely than at the Hepu Plantation.

Construction work, such as land clearing, developing and levelling, will need to be carried out on the remaining area of land at the Xinfeng Plantation before the Group can plant any further seedlings. The Directors expect that this construction work will be completed by the end of 2006.

The Directors believe that both plantation locations offer favourable characteristics which are conducive to growing oranges, including:

- favourable climate conditions, such as mild weather, good levels of sunshine and high humidity, all of which help to provide a long growing season for the Group's produce;
- a large farmland area, which allows sufficient growing space and efficient usage of equipment;
- an ecological environment that encourages growth and which facilitates compliance with the CGFDC "green food" production standards;
- natural protection from adverse weather conditions in order to minimise the risks and effects of potential natural disasters, such as droughts, floods, typhoons, hailstorms and rainstorms; and
- convenient access to transportation networks, which facilitates the supply of raw materials and equipment and the delivery of oranges.

### *Orange trees*

New orange trees planted by the Group are cultivated by grafting their shoots onto the rootstock of a different species with a view to facilitating better growth. The selection of rootstock depends on a variety of factors including the weather, climate and soil. Additional factors that the Group takes into account in this process include the ability to resist disease, the time required to bear fruit and tree size (which should be of a sufficiently compact nature to ensure easy harvesting). The grafting process is carried out in a nursery and grafted seedlings are generally grown in a controlled environment for up to two years (to a height of approximately two feet) before the seedlings are planted. It will take another three years before the trees start bearing fruit. The yield of oranges typically increases between years five and ten. Thereafter, the trees continue to bear oranges for approximately a further 20 years.

The 2005 Summer Orange harvest was completed in early May 2005 due to favourable weather conditions during the growing season. Yield for the year ended 30 June 2005 was approximately 97 million kg with a turnover value of approximately RMB322 million compared to RMB275.2 million for the year ended 30 June 2004.

### *Summary of lease terms*

The parcels of land on which both of the Group's plantations are located are leased from, or on behalf of, various independent legal land owners, comprising mainly local "production teams" and "village committees". At Hepu, the Group entered directly into eighty eight 50-year leases (the Hepu Leases) in 2000 with such teams and committees. At Xinfeng, the Group entered into the Xinfeng Lease in 2002 with the Xinfeng Government which has, on behalf of the relevant legal owners, agreed to lease the land located in Jiading Town and Gubo Town to the Group for a term of 50 years. The Xinfeng Government has been authorised by the relevant legal land owners to lease the land on which the Xinfeng Plantation is situated to the Group. A more detailed explanation of the lease agreements can be found in paragraph 11 of Part VI of this admission document.

### *Harvesting process*

Asian Citrus relies on a large pool of part-time workers during its harvesting periods. The Directors estimate that the Group typically recruits between 800 and 1,000 part-time staff during the harvesting periods, in addition to employing 344 full-time farming and field management staff. If oranges are removed from the trees mechanically, there is a risk that they may be bruised or damaged, along with the tree. Damaged fruit and trees can be easily attacked by fungus and diseases. For this reason, Asian Citrus has all oranges handpicked before they are washed and dried. When requested by customers (who bear the associated costs), the oranges can be waxed with a coating containing fungicides and pesticides, which helps reduce the risk of damage during transportation.

### *Customers*

Asian Citrus sells its oranges to fruit distributors and wholesalers in PRC who are engaged in the trading of fruit produce. The Group's current customers can be divided into the following three categories:

- **Corporate customers** comprise companies that distribute oranges to a variety of organisations including large retailers. For the year ended 30 June 2004, corporate customers accounted for 32.5 per cent. of Asian Citrus' turnover.
- **Wholesale customers** who distribute oranges to wholesale markets, usually selling to small retailers. For the year ended 30 June 2004, wholesaler customers accounted for 36.8 per cent. of Asian Citrus' turnover.
- **Sole proprietors**, who are also wholesalers, but typically have no fixed location. They sell to a variety of different wholesale markets within PRC. For the year ended 30 June 2004, sole proprietors accounted for 30.7 per cent. of Asian Citrus' turnover.

The Group does not currently provide a distribution service. However, if a customer requests such a service, Asian Citrus can arrange delivery at the expense and risk of the customer.

### *Sales and marketing*

The Group's sales team comprises 65 staff, divided into four teams, covering Eastern, Southern, Western and Central China. The sales teams, who receive a commission based on sales, are responsible for developing business relationships with existing clients and for establishing new relationships with potential clients. In addition, the sales teams provide market research information on the price of oranges and report these to the Company. The sales teams are supported by limited advertising and promotional programme during the period immediately before each harvest.

Originally, the Group's strategy was to price oranges by grading them into three categories and pricing the oranges according to their grade. However, with growth in demand, the Group does not currently grade the oranges unless specifically asked to do so by customers (and then does so at their expense). The Group has now adopted a policy of selling oranges at a single flat price to all customers.

### *Research and development*

The Directors believe that research and development is crucial to the long-term development of the Group. Recommendations from the Group's research and development team assist the Group to continue to develop and grow high quality oranges.

The Group's research and development team is located at the Hepu Plantation and currently comprises 17 staff. This team is responsible for conducting quality control checks on raw materials, seedlings, rootstocks and oranges, and for further research and development projects. Major research and development projects that the team has undertaken in the past include the development of improved species of oranges, development of techniques for cross-breeding of selected species, and application of "green food" and organic plantation techniques.

The Group's research and development team has also collaborated with researchers from various government academic and government research institutions, including the Guangxi Citrus Research Institute and the Guangdong Entomology Research Institute in PRC, to undertake specific research and development projects. Such projects included research on CGFDC "green food" production techniques and preventive techniques against plant disease for Summer Oranges.

### *Raw materials*

The key purchases made on an ongoing basis by the Group include fertilisers, pesticides and packaging materials, which are all sourced from PRC suppliers. The Group does not have any long-term contracts with its suppliers and typically signs purchase contracts on a year-by-year

basis. The Directors believe that there are over a hundred fertiliser and pesticide suppliers in the Guangxi province and the neighbouring Guangdong province, and the Directors confirm that the Group has developed a good relationship with approximately eight key suppliers. Three suppliers are typically invited to provide quotes for raw materials on a regular basis and, as at the date of this admission document, the Group purchases fertilisers from, amongst others, Zhangzhou Chaoda and Weizhou Chaoda, companies related to Chaoda which is a significant shareholder in the Group. In the year ended 30 June 2004, these purchases amounted to RMB16.8 million. The Directors believe that all of the purchase contracts with Zhangzhou Chaoda and Weizhou Chaoda were entered into on an arm's length basis. Further information on the Group's relationship with Chaoda is set out in paragraph 5 of Part VI of this admission document. Further, the terms of the Relationship Agreement between the Group and Chaoda are summarised in paragraph 9 of Part VI of this admission document.

As all suppliers of raw materials to the Group are local PRC companies, all amounts are settled in Renminbi. The Group receives credit terms of 15 to 30 days from its key suppliers and, apart from the Chaoda entities, the Directors can confirm that no other supplier has a financial interest in the Group.

### Financial information

The following summary of financial information has been extracted from the financial information set out in Part IV of this admission document. Potential investors should read the whole of this admission document and not rely solely on the following summary information.

	Year ended 30 June			Six months ended
	2002	2003	2004	31 December
	RMB'000	RMB'000	RMB'000	2004
				RMB'000
Turnover	133,953	183,880	275,208	89,092
Gain arising from changes in fair value less estimated point-of-sale costs of biological assets	32,110	42,468	10,034	8,000
Other revenue	90	372	4	30
	<u>166,153</u>	<u>226,720</u>	<u>285,246</u>	<u>97,122</u>
Operating expenses	(68,386)	(96,271)	(120,110)	(52,693)
Profit from operations	97,767	130,449	165,136	44,429
Net finance income/(cost)	16	(738)	(941)	(312)
Profit from ordinary activities before taxation	97,783	129,711	164,195	44,117
Taxation	(3,365)	(9,788)	(12,380)	(3,580)
Profit attributable to shareholders	<u>94,418</u>	<u>119,923</u>	<u>151,815</u>	<u>40,537</u>

Exchange rate as at 27 July 2005: £1 : RMB 14.129

### Historical trading records

The Group has experienced significant increases in sales over the last three and half years ended 31 December 2004. The increases can be attributed to increases in sales volume and small increases in selling prices. The principal reason for this increase in volume and revenue relates to the maturing of the trees at the Hepu Plantation.

Lucky Team (Hepu), a WFOE and a subsidiary of Newasia, which is incorporated under the laws of PRC is subject to a preferential FEIT rate of 15 per cent. up to the year 2010 in accordance with the government policy to promote the economic development of Central and Western China. It is exempted from FEIT for two years starting from the year ended 30 June 2001, followed by a 50 per cent. reduction for the next three years. Accordingly, Lucky Team (Hepu) was exempted from FEIT for the years ended 30 June 2001 and 2002 and was subject to FEIT at a rate of 7.5 per cent. for the years ended 30 June 2003, 2004 and 2005. The due date of the first FEIT payment by Lucky Team (Hepu) is 31 December 2005.



### *Profit estimate for the Group for the year ended 30 June 2005*

The Directors, having made due and careful enquiry, estimate that for the year ended 30 June 2005, on the basis of preparation and the assumptions set out below, the Group's turnover and profit before tax (before gains and losses on biological assets) were not less than approximately RMB322 million and approximately RMB162 million respectively.

This compares with turnover and profit before tax (before gains and losses on biological assets) of RMB275.2 million and RMB154.2 million, respectively, for the year ended 30 June 2004.

### *Basis of preparation and assumptions*

The profit estimate for the year ended 30 June 2005 has been prepared using the accounting policies adopted by the Group as set out in the Accountants' report on Asian Citrus Holdings Limited set out in Part IV of this admission document. The estimate takes account of the results shown by the audited consolidated accounts for the six months ended 31 December 2004 and the results shown by unaudited consolidated management accounts of the Group for the six months ended 30 June 2005.

An estimate of profit before tax (before gains and losses on biological assets) has been provided rather than an estimate of profit before tax because, in the view of the Directors, provision of a profit number before gains and losses on biological assets presents a better representation of the underlying performance of the business.

No account has been taken of the expenses incurred or to be incurred in relation to the proposed Placing which cannot be set off against the share premium account. If material, these costs would be charged to the income statement in the audited accounts for the financial year ended 30 June 2005.

Since the estimate takes account of the results shown by the audited consolidated accounts for the six months ended 31 December 2004 and the results shown by unaudited consolidated management accounts of the Group for the six months ended 30 June 2005, the Directors have not made any material assumptions in preparing the profit estimate.

### *Current trading and prospects*

Since 31 December 2004 to the date of this admission document, the Group has continued to trade in line with the Directors' expectations. In the 6 months to 31 December 2004, the volume of Winter Oranges harvested and total revenues increased when compared to the same period in the previous year. The Directors consider that this performance has been assisted by increases in the productivity of the mature trees at the Hepu Plantation. Over the last six months, the Group's costs have increased due to legal and professional costs and increased costs relating to the development of the Xinfeng Plantation.

Based on the current trading of the Group and the continuing maturity of the trees, the Directors are confident about the prospects of the Group for the current financial year. However, the Group's overall performance may be adversely impacted by a number of factors, which include those described more fully in Part III of this admission document.

### **Strategy**

The Group's primary goal is to sell quality oranges at an affordable price, and in so doing, strengthen its position as a leading, mechanised and industrialised orange grower and distributor in PRC. This strategy can be divided into three main components:

#### *Growth in production volume*

The Group intends to increase production volume, as the Directors believe that there is ample existing demand in PRC for its oranges. Unlike the indigenous varieties, US varieties of orange (which the Group grows) are perceived as a luxury good by consumers in PRC. With increasing production volume, the Group hopes to establish a strong market share in what is currently a fragmented market.

Critical to achieving a strong market position in PRC is the ability to supply oranges year round. The Directors believe that currently, PRC's indigenous oranges are only available for sale between June and October. The Group's oranges are currently only available for sale between October

and January and between March and June. To increase the availability of its oranges, the Group plans to build a refrigeration unit close to the Xinfeng Plantation designed to store approximately 20,000 tonnes of oranges. This will allow the Group to pick the oranges while they are still green and ripen them over a nine month period in the refrigeration unit. It is hoped that this will allow the Group to stagger supply outside of the normal season.

It is anticipated that growth in production volume from the Hepu Plantation will be driven by the maturation of the existing trees, which are, on average, currently between 2 to 10 years old and so their yield is expected to increase until they reach a steady state of production (which typically occurs when a tree reaches an age of 10 years old). As stated above, production from the Xinfeng Plantation is expected to commence in winter 2007 and is expected to increase for 7 years thereafter as the trees currently planted there mature.

#### *Brand building*

The Group aims to support its existing sales network by establishing a national brand which the Directors believe should enhance the Group's ability to compete in the national PRC market. With an established national brand name, the Directors believe that the Group will be in a stronger position to compete against existing imported globally recognised brand names and to adjust its pricing structure accordingly.

#### *Distribution*

The Group's sale and distribution of oranges has to date followed the model described above. Over the next two to three years, the Group intends to establish an extensive sales and distribution network in PRC. The Directors believe demand for perceived higher quality oranges tends to be concentrated more in the larger and more affluent cities of PRC and, in order to capitalise on this, the Group intends to set up sales offices in each of Shanghai, Shenzhen, Guangzhou and Fuzhou over the next 12 to 18 months. The Group intends to open a further eight sales offices over the next two to three years in cities such as Beijing and Tianjin, and in other provinces of PRC such as Zhejiang, Jiangsu, Fujian, Shandong, Liaoning and the Jiangxi province.

In pursuing this strategy, the Group intends to distribute its oranges directly to supermarkets, chain stores, wholesale markets, schools and universities. It is likely that the requirements of these customers will be operationally more complex and financially more demanding than the terms on which the Group typically trades with its existing customers. However, it is hoped that the Group will be able to obtain a higher selling price from these new customers.

### **The Market**

#### *Demand*

The domestic consumption of oranges in PRC is reported to have increased from approximately 3.6 million tonnes in 2002 to approximately 4.2 million tonnes in 2004. By dividing the total consumption of oranges in PRC by the total population of PRC (assuming a population of approximately 1.3 billion people in 2004), annual orange consumption per capita in PRC was approximately 3.2 kg in 2004. However, the rate of annual consumption per capita in PRC is still significantly lower than that in the US, which was approximately 41.7 kg in 2002.

#### *Supply*

There are no official statistics relating to the market share of the major market players in the orange growing and distribution industry in PRC. As the operator and owner of the largest orange plantation in PRC, in terms of area, the Group's orange output only represents a relatively small share of the total PRC orange industry. The Group's annual output for the year ended 30 June 2004 was approximately 0.083 million tonnes, while the total output of the entire PRC orange industry was approximately 4.2 million tonnes in 2004. The Group's output therefore represents approximately 2 per cent. of the orange industry in PRC, highlighting how fragmented the domestic market is. This indicates that there is no apparent market dominance or monopoly by either local or overseas companies in the orange industry in PRC.

### *Competition*

The Group faces competition from both domestic and overseas competitors. The Directors believe that competition in this industry is based on, amongst other things, product quality, pricing, timeliness of delivery and cost of transportation.

The WTO and ASEAN aim to promote free trade among their signatory countries and they impose regulations and tariffs on their member countries. PRC became a member of the WTO and ASEAN in 2001 and 2003, respectively. As a result of the accession by PRC to the WTO, the PRC Government undertook to reduce tariffs on imports in respect of oranges, lemons and grapefruits. These have fallen from 28.4 per cent. in 2000 to 11.0 per cent. in 2005. All appropriately licensed entities are now able to import oranges into PRC, subject to the imposition of these tariffs. PRC's agricultural produce will also now be exported to WTO member countries in accordance with the terms and conditions agreed between these countries. PRC's accession to the WTO is likely to lead to greater competition in the orange market in PRC.

Therefore, whilst the Group may, on the one hand benefit from the lower import duty imposed by the signatory countries of the WTO and ASEAN, it is likely, on the other hand, to face increasing competition from overseas competitors. However, the Directors believe that the current competitive advantages of the Group mean that it will be able to continue to strengthen its existing market position in spite of these potential adverse future operating conditions.

One of the main threats to the Group is the arrival of new entrants to the market. The Directors however believe that the barriers to entry, referred to in the paragraph headed, "Key strengths" above, will provide Asian Citrus with the crucial lead time during which, it will be able to focus on establishing a national brand and increasing its market share.

### **History and background**

#### *Lucky Team (Hepu)*

On 11 April 2000, Lucky Team (Hepu) was incorporated as a WFOE under the laws of PRC to produce agricultural goods in Hepu county of the Guangxi Zhuang Autonomous Region. Lucky Team (Hepu) is responsible for the operation of the Hepu Plantation and the sale of oranges cultivated there.

In late 1999, in order to encourage foreign investment in Hepu county, the Hepu Government approached Mr Tong Wang Chow, the Chairman of the Company, and commenced negotiation with him in respect of the development and operation of the Hepu Plantation. The plantation had been developed previously and operated by a US fruit juice company since 1997. On 6 March 2000, the Hepu Government and Newasia, a subsidiary of the Group, entered into a written agreement in respect of the development and operation of the Hepu Plantation with approximately 30.9 sq. km of land for a period of 50 years. Under the agreement, Newasia obtained the title, interest and rights to the Hepu Plantation including planted orange trees, underground irrigation system, shelter belt/windbreakers, buildings and drains located on the Hepu Plantation.

Shortly after the agreement with the Hepu Government was signed, Newasia and the relevant legal land owners entered into the Hepu Leases. The Group has since obtained all of the Certificates of Other Rights on Land in respect of the Hepu Leases. A Certificate of Other Rights on Land is a PRC legal document which constitutes the valid and binding evidence of land use rights granted under a lease. A Certificate of Other Rights on Land is used by the relevant local Land Bureau on behalf of local government as authorised by the Ministry of Land and Natural Resources. Those Certificates of Other Rights on Land show that the Hepu Leases are effective and binding. The Group has since further developed the Hepu Plantation, including improving the orchard and other infrastructure. As at 31 December 2004, the Group had invested over RMB100 million in the development of the Hepu Plantation.

#### *Litian (Xinfeng)*

In order to expand the Group's plantation capacity, Newasia and the Xinfeng Government entered into an agreement dated 7 August 2002 pursuant to which, Newasia was granted the right to

operate the Xinfeng Plantation for a period of 50 years from September 2002. Newasia established another wholly-owned subsidiary, Litian (Xinfeng), under the laws of PRC on 21 November 2002 as a WFOE, to operate the Xinfeng Plantation.

The Xinfeng Plantation occupies approximately 37.1 sq. km of land located in Jiading Town and Gubo Town. The local governments of Jiading Town and Gubo Town entered into contracts with the legal land owners of all of the relevant parcels of land which collectively comprise the Xinfeng Plantation, under which those legal land owners agreed that the Xinfeng Government would enter into the Xinfeng Lease with the Group. The Group has since obtained all of the Certificates of Other Rights on Land in respect of the Xinfeng Lease, which show that the Xinfeng Lease is effective and binding.

The Xinfeng Plantation has been subject to development and improvement by the Group since its acquisition. As at 31 December 2004, the Group had developed approximately 6.7 sq. km of land and planted approximately 400,000 Winter Orange trees. The Directors expect that the first harvest at the Xinfeng Plantation will take place during winter 2007.

In April 2003, Newasia acquired approximately 0.11 sq. km of land at the Xinfeng County Zhongduan Industrial Park in the Xinfeng county for a consideration of RMB30.4 million on which it intends to establish an orange processing centre including warehouses, refrigerated storage facilities and a centre for cleaning, grading, packaging and waxing of Winter Oranges. The Directors expect that work will be completed and that this facility will become operational in 2007. In March 2004, Newasia acquired approximately 0.09 sq. km of land for a consideration of RMB26.6 million. This additional land is intended for the expansion of the Group's processing centre. The Group has obtained Land Use Rights Certificates (which are further certificates issued by the relevant land bureau confirming this right to use the land in question) in respect of the entire area of land.

#### **Directors and employees**

The Board consists of 4 executive directors and 5 non-executive directors, of whom 4 are classified as independent.

#### *Board composition*

Mr Tong Wang Chow, Executive Chairman, also acts as Chief Executive Officer. In compliance with the Combined Code, the Company intends, during the course of the financial year ending 30 June 2006, or as soon as is practicable thereafter, to appoint a suitably qualified Chief Executive Officer so as to ensure a clear division of responsibilities between the management of the Board and the management of the Company's business.

Similarly, the Directors recognise that it is now appropriate to have a finance director at board level and intend to make this appointment during the course of the financial year ending 30 June 2006.

#### *Executive Directors*

##### *Mr Tong Wang Chow*

Mr Tong Wang Chow, aged 66, is the Executive Chairman, Chief Executive Officer and the founder of the Group. Mr Tong is also the general manager of both the Hepu Plantation and the Xinfeng Plantation. He is responsible for the overall strategic planning and direction of the Group. Mr Tong has over 20 years of business development experience in PRC, principally in the brewing and transportation industries. He is currently a member of the CPPCC Guangdong Province Shantou Municipal Committee, the Chairman of Hong Kong Shantou Merchants Association, a director of the Chinese Manufacturers Association of Hong Kong, a director of the Chinese General Chamber of Commerce and the vice-chairman of the Federation of Hong Kong Chiu Chow Community Organisations. He is also a member of China Citrus Society.

##### *Mr Tong Hung Wai, Tommy*

Mr Tong Hung Wai, Tommy, aged 36, is a co-founder of the Group. He is responsible for the sales and marketing of the Group. Mr Tong obtained a bachelor's degree in international business in 1996 from Queensland University of Technology, Australia. He is the son of Mr Tong Wang Chow.

### *Mr Cheung Wai Sun*

Mr Cheung Wai Sun, aged 46, joined the Group as an Executive Director in 2004. He will work as a full time employee of the Group following Admission. Mr Cheung joined Chaoda Vegetable in 2000 and is currently the deputy general manager of Chaoda Vegetable, a major shareholder of the Company. Mr Cheung has over 25 years of experience in trading and marketing businesses and has gained extensive knowledge and experience in the agricultural business in PRC by virtue of his position in Chaoda Vegetable.

### *Mr Pang Yi*

Mr Pang Yi, aged 36, is the deputy general manager of the Hepu Plantation and he was appointed as investment service supervisor of Guangxi Zhuang Autonomous Region by Guangxi Foreign Trade and Economic Cooperation Department. Mr Pang joined the Group in 2000 and is responsible for overall operation and management of the Hepu Plantation.

### *Non-Executive Directors*

#### *Mr Ip Chi Ming*

Mr Ip Chi Ming, aged 44, is the Vice Chairman and joined the Group in August 2001. Mr Ip is also an executive director of Chaoda and the general manager of Chaoda Vegetable. Mr Ip has over 17 years of experience in trading and marketing in the food products industry as well as extensive experience in corporate strategic planning, overall management, business development and sales and marketing.

#### *Mr Ma Chiu Cheung, Andrew*

Mr Ma Chiu Cheung, Andrew, aged 63, joined the Group in July 2004. Mr Ma is a director of Andrew Ma DFK (CPA) Limited and Mayee Management Limited. He has approximately 30 years of experience in accounting and finance. He obtained a bachelor's degree in economics from the London School of Economics and Political Science. Mr Ma is a fellow of the Institute of Chartered Accountants in England and Wales and a fellow of the Hong Kong Institute of Certified Public Accountants. He is also an independent non-executive director of Tanrich Finance Holdings Limited, the People's Insurance Company of China (Hong Kong) Limited, China Resources People's Telephone Company Limited, Asia Financial Holdings Limited and Peaktop International Holdings Limited. He is currently also the president of the Hong Kong Federation of Youth Groups and vice-president of Hong Kong Chiu Chow Chamber of Commerce Limited.

#### *Dr Hon Lui Ming Wah, JP*

Dr Hon. Lui Ming Wah, JP, aged 67, joined the Group in June 2004. He is an industrialist serving as the honorary chairman of the Hong Kong Electronic Industries Association and the chairman of Hong Kong Shandong Business Association. He is also an executive committee member of the Chinese Manufacturers' Association of Hong Kong, a member of the Chinese People's Political Consultative Conference, a standing committee member of the Shandong Committee of Chinese Political Consultative Conference and the vice president of Shandong Federation of Industry and Commerce. Dr Lui was elected to the Legislative Council of Hong Kong in May 1998 for a term of two years. In the 2000 and 2004 Legislative Council elections, he was elected again for a term of four years each. He is a member of the Economic and Employment Council, a member of the Trade and Industry Advisory Board of the Trade and Industry Department, and the council of the Hong Kong Polytechnic University. He is also Vice Chairman of the Hong Kong Police Complaints Council and a Consultant Professor of Shandong University. He obtained his masters and doctorate degrees from the University of New South Wales in Australia and the University of Saskatchewan in Canada. He is currently the Managing Director of Keystone Electronics Co. Limited.

#### *Mr Yang Zhen Han*

Mr Yang Zhen Han, aged 73, joined the Group in June 2004. Mr Yang obtained a bachelor's degree in chemical engineering from Shanghai Jiao-Tong University in 1953. Mr Yang is a machine-building specialist with over 30 years of experience. Mr Yang was a director of the

Foreign Economic Relations and Trade Commission of Shanghai Municipality, responsible for the international trade and foreign investment affairs of Shanghai City from 1983 to 1985. Mr Yang is a member of Guangzhou Political Consultation Conference and a non-executive director of Proactive Technology Holdings Limited.

**Mr Nicholas Smith**

Mr Nicholas Smith, aged 53, joined the Group in July 2005. Mr Smith has had over 20 years of experience in investment banking, having worked for Flemings, Jardine Fleming and HSBC in Europe and Asia. His roles have included co-head of investment banking and Chief Financial Officer of the Jardine Fleming Group. Mr Smith is a Chartered Accountant having worked for KPMG and Ernst & Young.

**Senior management**

*Mr Liu Geng Feng*, aged 65, is the head of the Group’s research and development team. Mr Liu joined the Group in 2000. Before joining the Group, he supervised the PhD programme at the Hunan Agriculture Research Institute for 36 years.

*Madam Zhao Li Na*, aged 47, is the financial controller of the Hepu Plantation. Madam Zhao joined the Group in 2003 and has over 20 years of experience in the financial management and accounting field in PRC.

*Mr Xian Jia Xu*, aged 41, is the manager of the forestry department of the Hepu Plantation. Mr Xiang obtained his bachelor’s degree in agriculture from the University of Guangxi in 1986. Mr Xiang was trained by the US fruit juice company which was the original owner of the Hepu Plantation, and has over 15 years of experience in agricultural and cultivation management.

*Mr Xu Cheng Dong*, aged 31, is the irrigation supervisor of the Group, responsible for the design, installation, testing and daily management of the irrigation system at the Hepu Plantation. Mr Hui obtained his bachelor’s degree in agricultural hydraulic engineering from the University of Hehai in July 1994. Mr Hui joined the Group in 2000 and has over 10 years experience with agricultural irrigation systems.

*Mr Sung Chi Keung*, aged 30, is the financial controller and company secretary of the Group. Mr Sung holds a bachelor’s degree in business administration, majoring in accountancy, from the Chinese University of Hong Kong. Mr Sung is an associate member of the Hong Kong Institute of Certified Public Accountants and a member of the Association of Chartered Certified Accountants. Mr Sung has over seven years’ experience in financial management, accounting, taxation, auditing and corporate finance and held different positions in various international accounting firms and a corporate finance firm, before joining the Group in August 2004.

**Employees**

As at 31 March 2005, Asian Citrus employed 465 full time employees, whose roles can be broken down into the following departments:

	<i>Total</i>
Management and administration	38
Head office staff	1
Sales and marketing	65
Research and development	17
Farming and field management	344
Total	<u>465</u>

Source: Company payroll report

During the harvest period, part-time labour is required by the Group. The Directors estimate that between 800 and 1,000 part-time employees were recruited for this purpose during the year ended 30 June 2005.

**Corporate governance**

The Directors recognise the value of the principles of good governance and the Combined Code. Following Admission, the Company intends to comply with the Combined Code so far as is practicable and appropriate for a public company of its size and nature quoted on AIM.

Your attention is drawn to the paragraph headed “Board composition” under “Directors and employees” above concerning the Board’s intention to split the roles of Chairman and Chief Executive Officer and, in this respect, to appoint a suitably qualified Chief Executive Officer either during the current financial year, or as soon as is practicable thereafter. The Board also intends to appoint a board-level Finance Director during the current financial year.

The Board has established an audit committee and a remuneration committee with formally delegated duties and responsibilities. The audit committee will be chaired by Mr Ma Chiu Cheung, Andrew and will comprise Mr Ma and Mr Smith. The remuneration committee will be chaired by Mr Nicholas Smith and will comprise Mr Smith and Mr Ma.

The terms of reference for the audit committee provide that it will receive and review reports from management and the auditors relating to the annual and interim accounts and the accounting and internal control systems in use throughout the Group. The terms of reference for the audit committee provide for it to have unrestricted access to the auditors.

The terms of reference for the remuneration committee provide that it will review the scale and structure of the executive Directors’ remuneration and the terms of their service contracts. The remuneration and terms and conditions of appointment of the Non-Executive Directors are to be set by the Board. No Director may participate in any meeting at which discussions or decisions regarding his own remuneration take place. The remuneration committee will also administer the Share Option Plan.

The Directors do not consider that, given the size of the Board, it is appropriate to have a nomination committee. However, this will be kept under regular review by the Board.

The Directors intend to appoint an internationally recognised firm of accountants as auditors in respect of the financial year ending June 2006.

The Company will take all reasonable steps to ensure compliance by the Directors and applicable employees with the provisions of the AIM Rules relating to dealings in securities of the Company and has adopted the Share Dealing Code for this purpose.

### **Reasons for Admission and use of proceeds**

The Directors believe that the Group has reached that stage in its development where it will benefit from the Company being admitted to trading on a stock exchange and that this will raise the Group’s profile, enhance its standing with potential future partners and support the development of a national brand. It is intended that the net proceeds of the Placing will finance the Group’s capital expenditure and business expansion, strengthen the Group’s capital base and improve its financial position. The net proceeds from the Placing, net of expenses, are estimated to be approximately £8.16 million.

The Directors intend to use the net proceeds as follows:

- approximately £6.12 million to fund further development of the Xinfeng Plantation;
- approximately £0.82 million to help fund the building of processing and cold storage facilities in Xinfeng to enable the Group to offer oranges all year round;
- approximately £0.82 million to provide funding for the Group to help develop a national brand; and
- approximately £0.40 million to help establish a nationwide network of sales offices in key cities including Beijing and Shanghai, with a view to selling to supermarkets and other large retailers.

### **Details of the Placing**

The Company, the Directors, the Selling Shareholders and Evolution Securities have entered into the Placing Agreement relating to the Placing pursuant to which, subject to certain conditions, Evolution Securities has agreed to use its reasonable endeavours to procure subscribers for the 9,072,813 new Ordinary Shares to be issued by the Company and purchasers for the 1,703,049 Placing Shares to be sold by the Selling Shareholders under the Placing or, failing which, itself to subscribe for and/or purchase such Ordinary Shares in each case at the Placing Price.

The Placing will raise approximately £8.16 million, net of expenses, for the Company. The Selling Shareholders have agreed to meet any liability to stamp duty or stamp duty reserve tax arising on the sale of Placing Shares in accordance with the terms of the Placing Agreement.

The Placing is conditional upon Admission becoming effective and the Placing Agreement becoming unconditional in all respects and not having been terminated in accordance with its terms by 8.00 a.m. on 3 August 2005 (or such later date and/or time as may be agreed between the Company and Evolution Securities, being not later than 3.00 p.m. on 10 August 2005).

On Admission, the Company will have 60,775,862 Ordinary Shares in issue and a market capitalisation of £68,068,966 million at the Placing Price. The new Ordinary Shares to be issued pursuant to the Placing will be issued credited as fully paid and will, when issued, rank *pari passu* in all respects with the existing Ordinary Shares, including the right to receive all dividends and other distributions declared, paid or made after the date of issue.

Further details of the terms of the Placing Agreement are set out in paragraph 9 of Part VI of this admission document.

### **Share option arrangements**

The Directors recognise the need to attract, incentivise and retain employees and the importance of ensuring that all employees are well motivated and able to identify closely with the profitability of the Group. To this end, the Company has established the Share Option Plan. Under the Share Option Plan, the Company can grant options over up to 10 per cent. of its issued Ordinary Share capital to executive Directors and employees of the Company.

Options granted following Admission under the Share Option Plan will be subject to such performance criteria specified to the Board from time to time by the remuneration committee and will not be granted at an exercise price less than the higher of the nominal value of an Ordinary Share and the market value of an Ordinary Share on the day on which the option is granted. Details of the Share Option Plan are set out in paragraph 7 of Part VI of this admission document.

The following arrangements are not included in the limits described above.

Options over 1,155,000 Ordinary Shares were granted prior to and conditional on Admission which are exercisable at the Placing Price. These options will become exercisable at a rate of 10 per cent. of the Ordinary Shares over which they were granted each year.

The Directors intend to follow the Association of British Insurers guidelines on share option schemes in administering the Share Option Plan.

### **Lock-in arrangements**

The Directors, Huge Market and Market Ahead have agreed not to dispose, save in certain limited circumstances, of any interest in Ordinary Shares (or related financial instruments) prior to the Business Day following the publication of the Group's financial results for the year ended 30 June 2006 without the written consent of Evolution Securities. The Selling Shareholders have agreed not to sell any of their Ordinary Shares arising from the conversion of their convertible notes for 12 months after the date of Admission without the written consent of Evolution Securities.

For a further period of 12 months after the expiry of the above periods, the Directors, Huge Market and Market Ahead will only be able to sell their Ordinary Shares, provided that certain conditions are met, through Evolution Securities for such time as it shall remain nominated adviser and broker to the Company, with a view to maintaining an orderly market in the Company's Ordinary Shares.

Further details of the Placing Agreement and the lock-in arrangements are set out in paragraph 9 of Part VI of this admission document.

### **Dividend policy**

The first dividend that the Company intends to pay will be a final dividend for the year ending 30 June 2006.



The declaration and payment by the Company of any future dividends and the amount of any such dividends will depend upon the Group's results, financial condition, cash requirements, future prospects, profits available for distribution and any other factors considered by the Directors to be relevant at the time.

#### **Admission, settlement and dealings**

Application has been made to the London Stock Exchange for the Ordinary Shares that have been issued and for those that are proposed to be issued pursuant to the Placing to be admitted to trading on AIM. It is expected that Admission will become effective and that dealings will commence on 3 August 2005.

No temporary documents of title will be issued. All documents sent by or to a placee, or at his direction, will be sent through the post at the placee's risk. Pending the despatch of definitive share certificates, instruments of transfer will be certified against the register of members of the Company.

#### **CREST**

The Company, through the Registrars, has established a depositary arrangement in relation to which, depositary interests ("DIs") established pursuant to a deed of trust executed by the Registrars, acting as depositary and representing Ordinary Shares, will be issued to investors who wish to hold their Ordinary Shares in electronic form within the CREST system. The Company has applied for the DIs representing Ordinary Shares to be admitted to CREST with effect from Admission. Accordingly, settlement of transactions in Ordinary Shares, represented by DIs, following Admission may take place within the CREST system if the relevant investors so wish. CREST is a UK electronic paperless share transfer and settlement system, which allows shares and other securities, (including DIs), to be held in electronic rather than paper form. The Ordinary Shares may be traded using this system. Please note that CREST is a voluntary system and holders of shares who wish to receive and retain share certificates will also be able to do so.

Further details of the depositary arrangements are set out in paragraphs 15, 16 and 17 of Part VI of this admission document.

Further information regarding the depositary arrangement and the holding of Ordinary Shares in the form of DIs is available from the Registrars. The Registrars may be contacted at Computershare Investor Services PLC, PO Box 82, The Pavilions, Bridgwater Road, Bristol BS99 7NH, United Kingdom.

#### **Taxation**

Information regarding taxation is set out in paragraph 14 of Part VI of this admission document.

#### **Additional information**

**Your attention is drawn to Part III of this admission document, which contains risk factors relating to any investment in the Company and to Part VI of this admission document, which contains further information on the Company.**

## PART III

### Risk factors

Before deciding whether to invest in Ordinary Shares, prospective investors should carefully consider the risk factors set out below together with all other information contained in this admission document. If any of the following risks occur, Asian Citrus' business, financial condition or operating results could be materially adversely affected. In such circumstances, the trading price of the Ordinary Shares could decline, which may result in the loss of all or part of the initial investment. The risks listed below do not necessarily comprise all of those associated with an investment in Asian Citrus. The investments offered in this admission document may not be suitable for all of its recipients. An investment in Asian Citrus is only suitable for investors who are capable of evaluating the risks and merits of such investment and who have sufficient resources to bear any loss which might result from such investment.

#### 1. Risks relating to the business and operations of the Group

##### *Risks attaching to future strategy*

As part of its future strategy, the Group intends to expand its customer base by establishing a number of sales offices across PRC. These sales offices are intended to assist the Group to develop further distribution channels for the supply of oranges to supermarkets and large retailers. If it is successful in increasing sales to these types of customer, it is likely that the Group will have to implement tighter quality control procedures, grade, clean and wax oranges prior to delivery, implement a sales return policy and manage and coordinate distribution logistics. It is also likely that such customers will require the Group to supply oranges on credit terms. Unless the Group is able to manage distribution costs and the additional expenses associated with supplying to those customers, it may experience a detrimental effect on its operating profit margins and cash flow position.

As part of its future strategy, the Group intends to support its existing sales network by establishing a national brand in PRC. There can be no assurance that the Group will be successful in establishing such a brand. In particular, in attempting to establish such a brand, the Group will need to engage in more extensive publicity campaigns than previously and will require specialist sales and marketing skills which the Group does not currently possess. There can be no assurance that the Group will be successful in establishing such a brand.

##### *Dependence on future growth trends and reliability of future growth trends*

One of the bases for the Group's expected increase in turnover is the maintenance of high levels of demand for its oranges in PRC. There is a lack of reliable statistics relating to the consumption of oranges in PRC. Accordingly, it is difficult to predict accurately, future levels of demand for the Group's oranges. If the expected increase in demand does not materialise, this is likely to have a significant impact on the future growth of the Group.

##### *Limitation to expansion of the operation of the Group*

The Group is currently experiencing a period of substantial growth in its business in terms of the capacity of its plantations and its sales volume. As the scale of its operation grows, and in order to maintain a similar level of growth, the Group will have to continually improve the quality of its management, increase the efficiency of its operating and financial systems, procedures and controls and expand the size of its workforce. The Group will also need to maintain the relationships with its current customers and to develop relationships with new customers, suppliers as well as research and development institutions. There can be no assurance that the Group will be able to achieve any or all of the above successfully.

The expansion of the Group's operations and business also depends on its ability to implement its strategies for future growth. Whether these strategies can be implemented is dependent on a number of factors such as fluctuation in demand for the Group's oranges, changes in consumer preference as well as demand and availability of plantations should the Group need to increase its

plantation capacity. The Group may also require additional funds from time to time to pursue its future strategies. There can be no assurance that the Group's strategies can be implemented successfully or that funds required to implement such strategies will be available.

#### *Leasing of land in PRC*

Although the Group entered into leases with various legal landowners and has obtained all Certificates of Other Rights on Land in respect of the Group's plantations, the Group faces certain risks which are inherent to these leasing arrangements. The lessor under any one of these leases may breach its obligations under the relevant lease agreement. Should the Group lose the right to use all or any of its plantations as a result of any dispute or challenge and subsequently encounter difficulty in finding suitable alternative plantations, the Group's business may be disrupted and its financial performance may be adversely affected.

The parcels of land currently occupied by the Group's plantations are leased directly or indirectly from numerous different lessors (including local village committees and local production teams) that legally own the land. The lease term of the Group's plantations with each lessor is 50 years. The lease agreements can be terminated if there is any material breach of any of its obligations by the Group or breach of any PRC law or regulation in exercising its leasing rights under the relevant lease agreements. The leases may also be terminated as a result of a compulsory purchase of land by the PRC Government. There is also a risk that the leases may not be renewed upon expiry, though the Group has a contractual right to negotiate with the Xinfeng Government for an extension or renewal of the term under the Xinfeng Lease. There is no guarantee that the Group would be able to secure new leases on commercially viable terms with the owners of other agricultural land in respect of both the Hepu Leases and the Xinfeng Lease.

#### *Forestry Certificates*

The land on which the Hepu Plantation and the Xinfeng Plantation are located is forest land and is subject to forestry law in PRC, which provides for the registration of ownership and usage of forest land. Under the forest land registration system, various certificates are required to be obtained by the relevant users and owners of land ("Forestry Certificates").

However, in August 2004 each of the Hepu Government and the Xinfeng Government separately confirmed that they and their related bureau of forestry had not adopted the practice of issuing Forestry Certificates to the relevant users and owners since the promulgation of the Forestry Law in 1985. Both the Hepu Government and the Xinfeng Government have also confirmed that they have not been requested by a superior government agency or forest land administration authority to adopt such a practice. However, there is no guarantee that either the Hepu Government or the Xinfeng Government will continue to apply the same approach in relation to the enforcement of Forestry Law or that the PRC Government will not require the Hepu Government or the Xinfeng Government to enforce the Forestry Law. If the Group is required to obtain Forestry Certificates in respect of the Hepu Plantation or the Xinfeng Plantation and is, in either case, unable to do so, this may have an adverse effect on the Group's ability to cultivate the Hepu Plantation or the Xinfeng Plantation respectively as well as on its financial performance. The Directors however, consider that if the Hepu Government or the Xinfeng Government did require Forestry Certificates to be obtained in respect of the Hepu Plantation or the Xinfeng Planatation, the Group would be able to apply for and obtain such certificates.

#### *Reliance on farm employees*

At the Hepu Plantation, the Group relies upon large numbers of employees for its cultivation activities. The Group also employs local villagers on a part-time basis during the harvest season.

Whilst it has not done so to date, should the Group encounter disputes with its employees or face difficulties in recruiting farm employees in future (whether due to the imposition of any legal or regulatory restriction on the recruitment or employment of local villagers or otherwise), the Group's business could be disrupted and its financial performance may be adversely affected.

### *Seasonality*

The Group's turnover is subject to seasonal fluctuation. The Group normally records higher levels of sales during the harvest periods of the Group's oranges from October to January for Winter Oranges and from mid-March to the beginning of June for Summer Oranges. The Navel species of orange which will be produced at the Xinfeng Plantation is harvested from November to January. The Group plans to build a refrigeration unit close to the Xinfeng Plantation which may enable it to stagger supply outside of the harvest period. Any substantial disruption in the operations of the Group during the harvest periods may have a material adverse impact on the Group's turnover.

### *Sustainability of the profit margin of the Group*

The business of the Group is cultivating and selling oranges. If, for any reason, levels of sales of oranges by the Group cannot be sustained, or the selling price of oranges decreases, the Group's profit margin will be reduced. The relatively low labour cost in PRC is one of the factors which enables the Group to maintain its profit margin. There can however, be no assurance that the current level of labour costs can be sustained. Any increase in the level of labour costs is likely to reduce the Group's profit margin.

### *Reliance on PRC market*

The Group's entire turnover is currently derived from sales made in PRC. The business and profitability of the Group are entirely dependent on the demand for oranges in PRC. In the event that there are any adverse changes in political, economic and social conditions in PRC which result in the reduction in the demand for oranges, the Group's operating results and financial performance would be adversely affected.

### *Reliance on one agricultural product*

The Group derives its entire turnover from the sale of oranges. Further, the Group currently has no plan to diversify its range of produce. The business and profitability of the Group is therefore, entirely dependent on the demand for oranges in PRC. In the event that there are major adverse changes in market demand and/or prices of oranges, the Group's revenue and profitability would be adversely affected.

### *Reliance on one plantation*

Currently, the Group's entire turnover is derived from sales of oranges produced in the Hepu Plantation. Should there be any adverse factors affecting the yield of the Hepu Plantation, the Group's profitability and revenue would be adversely affected. The Directors do not expect the first harvest on the Xinfeng Plantation until winter 2007 and, as at 31 December 2004, only approximately 6.7 sq. km, out of a total of approximately 37 sq. km, of land at Xinfeng had been developed and planted with trees. Therefore, the Group will continue to be solely reliant upon the revenue stream derived from the production and sale of oranges from the Hepu Plantation for at least the next two years. Since the Xinfeng Plantation has no operating history, there can be no assurance that the Xinfeng Plantation will be successful.

### *Dependence on key management personnel and technical staff*

The operations of the Group are largely dependent upon the continuing employment by the Group of a number of key management personnel and executive Directors. The future results of the Group depend significantly upon the efforts and expertise of such individuals. The loss of the service of any key management personnel could have a material adverse effect on the business of the Group. The Group's future also depends on its ability to attract, employ and retain skilled and experienced technical staff to support any expansion plans of the Group. Failure of the Group to do so, may have a material adverse impact on the Group's operation and business.

### *Tax relief and change in tax rates*

Lucky Team (Hepu), a WFOE and a subsidiary of Newasia, which is incorporated under the laws of PRC, is subject to a preferential FEIT rate of 15 per cent. up to the year 2010, in accordance with the government policy to promote the economic development of Central and Western China. However, Lucky Team (Hepu) was exempted from FEIT for two years starting from the year ended

30 June 2001, followed by a 50 per cent. reduction for the next three years. Accordingly, Lucky Team (Hepu) was exempted from FEIT for the years ended 30 June 2001 and 2002 and was subject to FEIT at a rate of 7.5 per cent. for the years ended 30 June 2003, 2004 and 2005. Litian (Xinfeng), a WFOE and a subsidiary of Newasia which is incorporated under the laws of PRC, has not yet commenced business, and accordingly, is not yet subject to FEIT.

There can be no assurance that the PRC Government will continue to offer such preferential treatment to the Group. Any change in PRC tax legislation regarding the tax preferences granted to the Group may result in a change in the Group's effective tax rate, which may have an adverse impact on the Group's profitability.

#### *Product liability insurance*

The Group, like other food producers, faces an inherent risk of product liability claims. If the Group's oranges are found to be unfit for consumption, the Group may be required to compensate affected consumers for any illness or injury suffered. Personal injury and product liability claims could be expensive to defend and may result in damages being awarded against the Group. The Group does not have any insurance policy to cover product liability as the Directors believe that the Group's product liability risks cannot be insured at a commercially acceptable cost relative to the overall cost of sales of the Group. Any liability and possible claims relating to defective oranges could have a material adverse effect on the profitability of the Group. Further, if such incidents are publicised, the Group's reputation could be adversely affected.

#### *Inability to renew and obtain the relevant green food certificate for the produce*

The certificate issued by the CGFDC in respect of compliance by the Hepu Plantation with its "green food" production standards is due to expire in September 2005. The renewal of this certificate is subject to the approval of the CGFDC upon re-examination of the Group's orange growing process to determine whether it complies with the "green food" production standards and other environmental requirements set out by the CGFDC. There can be no assurance that the Group will be able to renew this certificate. Failure to renew and/or obtain such certification may cause delays to or otherwise affect the Group's future plans to pursue new business opportunities or enter into new markets, thereby possibly adversely affecting the sales and financial position of the Group.

#### *Natural disasters*

The Group's oranges are subject to a high degree of exposure to the risks associated with natural disasters and adverse weather conditions. While during 2004, the Group did not experience any material loss arising from the occurrence of natural disasters, the Group's operations will continue to be subject to a high degree of exposure to such risks. In the event that any such natural disasters occur, in close proximity to either of the Group's plantations, the Group's business is likely to suffer a material decline in productivity resulting from damage to farming and other equipment. The Group's business and profitability may be adversely affected.

#### *Accession to the WTO*

On becoming a member of the WTO, PRC agreed to lower tariffs on imports of agricultural produce and to eliminate quotas and other quantitative restrictions on agricultural imports. In particular, the average tariffs imposed on the imported oranges have been reduced progressively from 28.4 per cent. in 2000 to 11.0 per cent. in 2005. The Directors expect that the lowering of import tariffs and the elimination of quotas and other import restrictions by PRC in respect of agricultural produce will bring increased competition from overseas suppliers. Such increased competition may have a material adverse effect on the Group's business and profitability.

#### *Competition*

The agricultural industry is open to competition from local and overseas competitors engaged in the cultivation and sale of agricultural produce similar to that grown by the Group. The Group faces considerable competition from a large number of domestic and foreign citrus fruit growers.

### *Environmental*

Given the nature of the Group's business, the Group is susceptible to the damage caused by pollution including air, water and soil pollution. In recent years, air and water pollution have been reported in various parts of PRC, resulting in extensive damage to crops. So far as the Directors are aware, the Group has not suffered any loss as a result of pollution. However, to the extent that pollution continues to pose environmental risks to the Group's plantations, the Group's business, revenue and profitability may be adversely affected.

In the course of its operations, the Group may have unknowingly produced pollutants or otherwise caused environmental damage. These acts may have breached the applicable environmental laws and regulations of PRC. Also, the Group may continue to do so unless and until such breaches are brought to the Group's attention. Any such pollutant, damage or act of non-compliance may subject the Group to environmental claims, production thereby adversely affecting the Group's business and profitability.

## **2. Risks relating to PRC**

### *Changes in government policies*

The agricultural industry in PRC is subject to the policies which are implemented by the PRC Government from time to time. These policies may have a material impact on PRC agricultural industry. The PRC Government may, for instance, impose control over the pricing and sale of agricultural produce. It may also withdraw any subsidies or forms of preferential treatment such as tax benefits or favourable financing arrangements. If the Group's plantations and/or sale of the Group's agricultural produce should become subject to any form of negative government control, there could be a material adverse effect on the Group's business and operating results.

### *Economic considerations*

PRC has a long history of planned economy and is subject to annual, five and ten year plans formulated by the PRC Government. In recent years, the PRC Government has introduced economic reforms aimed at transforming the PRC economy from a planned economy into a market economy with socialist characteristics. These economic reforms allow greater utilisation of market forces in the allocation of resources and greater autonomy for enterprises in their operations. However, many rules and regulations implemented by the PRC Government are still at an early stage of development, and further refinements and amendments are necessary to enable the economic system to develop into a more sophisticated form. It is unclear how future economic reforms and macroeconomic measures to be adopted by the PRC Government will affect the economic development of or the agricultural industry in PRC. Further, there can be no assurance that such measures will be applied consistently and effectively or that the Group will benefit from or will be able to capitalise on such reforms.

### *Political and social considerations*

PRC has been undergoing a series of political reforms since 1978. It is expected that such reforms will continue. Such reforms have in the past resulted in significant economic growth and social progress. However, there can be no assurance that any future reform policy of the PRC Government will be effective. The Group's business may be affected by such future reforms.

### *Legal considerations*

Since 1979, many laws and regulations dealing with economic matters with respect to general and foreign investments have been promulgated in PRC. In 1982, PRC National People's Congress amended the constitution to attract foreign investments and to safeguard the "lawful rights and interests" of foreign investors in PRC. Since then, the trend of legislation has been to enhance the protection afforded to foreign investors and to allow more active control by foreign investors of FIEs in PRC. However, despite significant improvements in its legal system, there still exist difficulties in obtaining swift and equitable enforcement and in obtaining enforcement of judgments by a court of another jurisdiction in PRC. Further, as a result of political changes, the interpretation of statutes and regulations may be subject to government policies. Such uncertainties may affect the Group's operations and accordingly, its profitability.

### *Devaluation or appreciation in the value of the Renminbi or restrictions on convertibility of the Renminbi*

The external value of the Renminbi is subject to changes in policies of the PRC Government and to international economic and political developments. From 1994, the conversion of the Renminbi into foreign currencies, including Hong Kong Dollars and US Dollars, was based on rates set by the People's Bank of China, which were set daily based on the previous day's interbank foreign exchange market rates and current exchange rates on the world financial markets. The Renminbi to US Dollar exchange rate experienced volatility prior to 1994, including periods of sharp devaluation, and the PRC Government was under international pressure to allow this rate to float.

On 21 July 2005, the People's Bank of China reformed the Renminbi exchange rate regime by moving to a managed floating exchange rate based on market supply and demand with reference to a basket of currencies. From that date, the Renminbi was no longer pegged to the US Dollar.

The People's Bank of China will periodically adjust the Renminbi exchange rate band as necessary and, as a consequence, the Renminbi exchange rate will be more flexible than before. There is therefore a risk that the fluctuations in the Renminbi exchange rate may be greater than were previously experienced and any large appreciation or devaluation of the Renminbi against the US Dollar could have an adverse effect on the Group's business and operating results.

In addition, financial markets in many Asian countries have in the past experienced severe volatility. As a result, some Asian currencies have been subject to significant devaluation from time to time. The devaluation of some Asian currencies may have the effect of rendering exports from China more expensive and less competitive. An appreciation in the value of the Renminbi could have a similar effect.

Under the current regulations on foreign exchange control in PRC, FIEs are allowed to distribute their profits or dividends in foreign currencies to foreign investors through designated foreign exchange bank without the prior approval of the SAFE. However, the exchange of the Renminbi into foreign currencies for capital items such as direct investment, loans and security investment, is under strict control and requires the approval of the SAFE. The distribution of the Group's profits and dividends may be adversely affected if the PRC Government imposes greater control on the ability of the Renminbi to exchange into foreign currencies. There can be no assurance that the Group will be able to obtain sufficient foreign exchange to pay dividends or satisfy other foreign exchange requirements in the future.

### *Receipt of dividends from, and transfer of funds to, the Group's Chinese operating subsidiaries*

The Company is a Bermuda incorporated company, holding the operating subsidiaries of the Group through Newasia, a BVI incorporated company. The operating subsidiaries, namely Lucky Team (Hepu) and Litian (Xinfeng) are FIEs. The ability of these subsidiaries to declare dividends and other payments to the Company may be restricted by factors that include changes in applicable foreign exchange and other laws and regulations in PRC and in BVI. In particular, under PRC law, profit available for distribution from PRC operating subsidiaries is determined in accordance with generally accepted accounting principles in PRC. The result of such a calculation may differ from the result of the calculation performed in accordance with International Financial Reporting Standards. As a result of the potential difference in profit calculation, there is a risk that PRC subsidiaries may not have sufficient profits to distribute to the Company through Newasia nor make any distributions to Shareholders in the future. In addition, distributions by the Company's subsidiaries to the Company through Newasia other than as dividends may be subject to governmental approval and taxation. Any transfer of funds from the Company to its PRC subsidiaries, either as a shareholder loan or as an increase in registered capital, is subject to registration or the approval of certain PRC governmental authorities, including the relevant administration of foreign exchange and/or the relevant examining and approval authority. Further, it is not permitted under PRC law for the Company's PRC subsidiaries to directly lend money to each other. Therefore, it is difficult to change the Group's capital expenditure plans once the relevant funds have been remitted from the Company or Newasia to its PRC subsidiaries. These limitations on the free flow of funds between Newasia and its PRC subsidiaries could restrict the Group's ability to act in response to changing market conditions by reallocating funds from one PRC subsidiary to another in a timely manner.

### 3. Risks relating to the Ordinary Shares

#### *Bermuda company law*

As a company incorporated in Bermuda, the Company is subject to Bermuda company law. A summary of certain provisions of the Bermuda Act is set out in paragraph 3 of Part VI of this admission document.

#### *Takeover Code*

It is currently understood that the City Code on Takeovers and Mergers (the “Takeover Code”) will not apply to the Company and, therefore, a takeover of the Group would be unregulated by the UK takeover authorities. While the Bye-laws contain certain takeover protections, these will not provide the full protections afforded by the Takeover Code. The relevant provisions of the Bye-laws are summarised in paragraph 3 of Part VI of this admission document.

#### *Transferability of Ordinary Shares*

As a Bermuda incorporated company, the Company is subject to the consent of the Bermuda Monetary Authority over the free transferability of its Ordinary Shares. General permission has been given by the Bermuda Monetary Authority for the issue and subsequent transfer of the Ordinary Shares from and/or to a non-resident of Bermuda for exchange control purposes for so long as the Ordinary Shares are listed on AIM. If, at any time following Admission, the Bermuda Monetary Authority withdraws its consent to the free transferability of the Company’s Ordinary Shares, then the trading of the Company’s Ordinary Shares on AIM will be suspended with immediate effect.

#### *Liquidity and possible price volatility of the Ordinary Shares*

An active trading market for the Ordinary Shares may not develop and the trading price for Ordinary Shares may fluctuate significantly. Prior to the Placing, there has been no public market for any of the Ordinary Shares. The offer price may not be indicative of the price at which the Ordinary Shares will trade following completion of the Placing. In addition, there can be no assurance that an active trading market for the Ordinary Shares will develop, or, if it does develop, that it will be sustained following completion of the Placing, or that the market price of the Ordinary Shares will not decline below the Placing Price.

Admission to AIM should not be taken as implying that there will be a liquid market for the Ordinary Shares. It may be more difficult for an investor to realise his investment in the Company than in a company whose shares are quoted on the Official List of the UK Listing Authority.

The trading price of the Ordinary Shares will also be subject to significant volatility in response to, among other factors:

- investor perceptions of the Group and the Group’s business plans;
- variations in the Group’s operating results;
- announcements of new agricultural produce;
- changes in pricing policy made by the Group, the Group’s competitors or other agricultural producers;
- changes in senior management personnel; and
- general economic and other factors.

#### *Dividends*

There can be no assurance as to the level of future dividends. The declaration, payment and amount of any future dividends of the Company are subject to the discretion of the Directors, and will depend upon, among other things, the Company’s earnings, financial position, cash requirements and availability of profits, as well as the provisions of relevant laws or generally accepted accounting principles in PRC from time to time.



#### *Dilution of Shareholders' interest as a result of additional equity fund raising*

The Group may need to raise additional funds in the future to finance the expansion of or new developments relating to its existing operations or new acquisitions. If additional funds are raised through the issuance of new equity or equity-linked securities of the Company other than on a *pro rata* basis to existing Shareholders, the percentage ownership of the Shareholders may be reduced, Shareholders may experience subsequent dilution and/or such securities may have preferred rights, options and pre-emption rights senior to the Ordinary Shares.

#### *Control by major Shareholders*

Upon completion of the Placing, Market Ahead and Huge Market will be interested in an aggregate of 77 per cent. of the issued share capital of the Company (taking no account of the options that may be granted under the Share Option Plan). Mr Tong Wang Chow and Mr Tong Hung Wai, Tommy, who own in aggregate 82 per cent. of the issued share capital of Market Ahead, have been appointed as executive Directors of the Company. They will therefore, be able to exercise significant influence over certain corporate governance matters requiring Shareholder approval, including the election of Directors and the approval of significant corporate transactions and any other transactions requiring a majority vote.

## PART IV

### Accountants' report on Asian Citrus Holdings Limited

The following is the text of a report received from CLB Littlejohn Frazer, reporting accountants:

CLB LITTLEJOHN FRAZER  
Chartered Accountants

The Directors  
Asian Citrus Holdings Limited  
Clarendon House  
2 Church Street  
Hamilton HM11  
Bermuda

The Directors  
Evolution Securities Limited  
100 Wood Street  
London EC2V 7AN

28 July 2005

Dear Sirs

#### Asian Citrus Holdings Limited

##### Introduction

We report on the financial information set out below relating to Asian Citrus Holdings Limited (the "Company") and its subsidiary undertakings (together "the Group"). This information has been prepared for inclusion in the AIM admission document dated 28 July 2005 (the "Admission Document") relating to proposed admission to AIM of Asian Citrus Holdings Limited and is given for the purpose of complying with Schedule Two of the AIM Rules and for no other purpose.

##### Responsibility

The Directors of the Company are responsible for preparing the financial information on the basis of preparation set out in the notes to the financial information and in accordance with the financial reporting framework.

It is our responsibility to form an opinion on the financial information as to whether the financial information gives a true and fair view, for the purposes of the Admission Document, and to report our opinion to you.

##### Basis of opinion

We conducted our work in accordance with Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. It also included an assessment of significant estimates and judgements made by those responsible for the preparation of the financial information and whether the accounting policies are appropriate to the Group, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement, whether caused by fraud, other irregularity or error.

##### Opinion

In our opinion, the financial information gives, for the purposes of the Admission Document dated 27 July 2005, a true and fair view of the state of affairs of the Group as at 30 June 2002, 30 June 2003, 30 June 2004 and 31 December 2004 and of its results, cash flows and changes in equity for

the periods then ended in accordance with the basis of preparation set out in note 2 and in accordance with the applicable financial reporting framework as described in note 3.

**Declaration**

For the purposes of Paragraph a of Schedule Two of the AIM Rules we are responsible for this report as part of the Admission Document and declare we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Admission Document in compliance with Schedule Two of the AIM Rules.

Yours faithfully

CLB Littlejohn Frazer  
Reporting accountants

## I. CONSOLIDATED FINANCIAL STATEMENTS

### (a) Consolidated Income Statements

	Note	Year ended 30 June			Six months ended
		2002	2003	2004	31 December
		RMB'000	RMB'000	RMB'000	2004
				RMB'000	
Turnover	4	133,953	183,880	275,208	89,092
Gain arising from changes in fair value less estimated point-of-sale costs of biological assets	17	32,110	42,468	10,034	8,000
Other revenue	5	10	–	4	30
Other net income	6	80	372	–	–
		<u>166,153</u>	<u>226,720</u>	<u>285,246</u>	<u>97,122</u>
Inventories used		(37,485)	(47,338)	(62,556)	(22,750)
Staff costs	7	(6,668)	(9,441)	(10,731)	(5,344)
Depreciation	7	(8,613)	(10,080)	(11,276)	(5,829)
Other operating expenses	7	(15,620)	(29,412)	(35,547)	(18,770)
Profit from operations	7	<u>97,767</u>	<u>130,449</u>	<u>165,136</u>	<u>44,429</u>
Finance income		16	56	46	39
Finance expenses	8	–	(794)	(987)	(351)
Net finance income/(cost)		<u>16</u>	<u>(738)</u>	<u>(941)</u>	<u>(312)</u>
Profit from ordinary activities before taxation		97,783	129,711	164,195	44,117
Taxation	9	(3,365)	(9,788)	(12,380)	(3,580)
Profit attributable to shareholders		<u>94,418</u>	<u>119,923</u>	<u>151,815</u>	<u>40,537</u>
Dividends		–	–	–	–
Earnings per share – basic and diluted	10	<u>RMB1.88</u>	<u>RMB2.40</u>	<u>RMB3.04</u>	<u>RMB0.81</u>

**(b) Consolidated Balance Sheets**

		<i>As at 30 June</i>		<i>As at</i>	
		<i>2002</i>	<i>2003</i>	<i>2004</i>	<i>31 December</i>
	<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>2004</i>
					<i>RMB'000</i>
<b>ASSETS</b>					
<b>Non-current assets</b>					
Property, plant and equipment	14	157,516	217,155	206,373	222,717
Land use rights	15	–	–	29,868	55,943
Construction-in-progress	16	33,614	54,144	189,652	219,004
Biological assets	17	346,792	389,399	402,148	410,148
Deferred development costs	18	3,000	8,960	9,000	8,000
Deferred tax assets	9	1,960	–	–	–
		<u>542,882</u>	<u>669,658</u>	<u>837,041</u>	<u>915,812</u>
<b>Current assets</b>					
Inventories	19	1,808	398	252	334
Other receivables	20	8,400	30,092	28,288	3,601
Cash and bank balances		4,195	10,280	19,130	27,658
		<u>14,403</u>	<u>40,770</u>	<u>47,670</u>	<u>31,593</u>
<b>Total assets</b>		<u><u>557,285</u></u>	<u><u>710,428</u></u>	<u><u>884,711</u></u>	<u><u>947,405</u></u>
<b>EQUITY AND LIABILITIES</b>					
<b>Equity</b>					
Issued capital	26	106	106	106	106
Reserves		72,210	192,239	826,573	887,674
		<u>72,316</u>	<u>192,345</u>	<u>826,679</u>	<u>887,780</u>
<b>Non-current liabilities</b>					
Taxation payable	9	–	5,792	16,993	–
Deferred tax liabilities	9	–	2,036	3,215	3,965
		<u>–</u>	<u>7,828</u>	<u>20,208</u>	<u>3,965</u>
<b>Current liabilities</b>					
Interest bearing loans and borrowings	21	–	18,000	20,000	–
Trade payables and accrued expenses	22	2,223	4,306	4,552	10,253
Due to related parties	23	633	1,267	3,557	14,701
Due to shareholders	24	482,113	482,519	–	1,168
Due to ultimate holding company	25	–	4,163	9,715	9,715
Taxation payable	9	–	–	–	19,823
		<u>484,969</u>	<u>510,255</u>	<u>37,824</u>	<u>55,660</u>
<b>Total liabilities</b>		<u><u>484,969</u></u>	<u><u>518,083</u></u>	<u><u>58,032</u></u>	<u><u>59,625</u></u>
<b>Total equity and liabilities</b>		<u><u>557,285</u></u>	<u><u>710,428</u></u>	<u><u>884,711</u></u>	<u><u>947,405</u></u>

(c) Consolidated Statement of Changes in Equity

	<i>Share capital</i> RMB'000	<i>Merger reserve</i> RMB'000	<i>Capital reserve</i> RMB'000	<i>Accumulated (loss)/ retained profit</i> RMB'000	<i>Total</i> RMB'000
As at 1 July 2001	106	307	–	(22,929)	(22,516)
Issue of ordinary shares in a subsidiary	–	414	–	–	414
Consolidated profit for the year	–	–	–	94,418	94,418
As at 30 June and 1 July 2002	106	721	–	71,489	72,316
Issue of ordinary shares	–	106	–	–	106
Consolidated profit for the year	–	–	–	119,923	119,923
As at 30 June and 1 July 2003	106	827	–	191,412	192,345
Consolidated profit for the year	–	–	–	151,815	151,815
Capitalisation of shareholders loans	–	–	482,519	–	482,519
As at 30 June and 1 July 2004	106	827	482,519	343,227	826,679
Consolidated profit for the period	–	–	–	40,537	40,537
Issue of ordinary shares in a subsidiary	–	21,200	–	–	21,200
Issue expenses	–	(636)	–	–	(636)
As at 31 December 2004	<u>106</u>	<u>21,391</u>	<u>482,519</u>	<u>383,764</u>	<u>887,780</u>

**(d) Consolidated Cash Flow Statement**

	Year ended 30 June			Six months ended
				31 December
	2002	2003	2004	2004
	RMB'000	RMB'000	RMB'000	RMB'000
<b>Cash flows from operating activities</b>				
Profit before taxation	97,783	129,711	164,195	44,117
Interest income	(16)	(56)	(46)	(39)
Interest expenses	–	794	987	351
Depreciation charges	8,613	10,080	11,276	5,829
Amortisation of land use rights	–	–	532	525
Amortisation of deferred development costs	–	–	1,000	1,000
Revaluation gain of biological assets	<u>(32,110)</u>	<u>(42,468)</u>	<u>(10,034)</u>	<u>(8,000)</u>
<b>Operating profit before changes in working capital</b>	74,270	98,061	167,910	43,783
(Increase)/decrease in inventories	(1,614)	1,410	146	(82)
(Increase)/decrease in other receivables, deposits and prepayment	(7,931)	(21,575)	1,724	24,687
Increase in trade payable and accrued expenses	2,027	2,083	246	35
(Increase)/decrease in due from related parties	(69)	(11)	80	–
(Decrease)/increase in due to related parties	<u>(1,809)</u>	<u>634</u>	<u>2,290</u>	<u>(1,356)</u>
<b>Net cash inflow from operating activities</b>	<u>64,874</u>	<u>80,602</u>	<u>172,396</u>	<u>67,067</u>
<b>Cash flows from investing activities</b>				
Purchase of property, plant and equipment	(663)	(1,868)	(471)	(33)
Purchase of land use rights	–	–	(30,400)	(21,570)
Purchase of construction-in-progress	(37,636)	(88,381)	(135,531)	(51,492)
Purchase of biological assets	–	(139)	(2,715)	–
Payment of deferred development costs	(3,000)	(5,960)	(1,040)	–
Interest received	<u>16</u>	<u>56</u>	<u>46</u>	<u>39</u>
<b>Net cash used in investing activities</b>	<u>(41,283)</u>	<u>(96,292)</u>	<u>(170,111)</u>	<u>(73,056)</u>
<b>Cash flows from financing activities</b>				
Proceeds from issue of new shares in subsidiaries	–	–	–	21,200
Proceeds from new short-term bank loans	–	20,000	20,000	–
(Decrease)/increase in due to related parties	(5,000)	–	–	12,500
Advance from shareholders (Note a)	–	406	–	1,168
Advance from ultimate holding company	–	4,163	5,552	–
Repayment of short-term bank loans	–	(2,000)	(18,000)	(20,000)
Repayment of due to shareholders (Note b)	(16,949)	–	–	–
Finance costs paid	<u>–</u>	<u>(794)</u>	<u>(987)</u>	<u>(351)</u>
<b>Net cash (outflow)/inflow from financing activities</b>	<u>(21,949)</u>	<u>21,775</u>	<u>6,565</u>	<u>14,517</u>
<b>Net increase in cash and cash equivalents</b>	1,642	6,085	8,850	8,528
<b>Cash and cash equivalents at beginning of year/period</b>	<u>2,553</u>	<u>4,195</u>	<u>10,280</u>	<u>19,130</u>
<b>Cash and cash equivalents at end of year/period</b>	<u>4,195</u>	<u>10,280</u>	<u>19,130</u>	<u>27,658</u>

## Notes:

- (a) The amount due to shareholders of RMB482,519,000 had been capitalised as a capital reserve during the year ended 30 June 2004.
- (b) The amount due to shareholders of RMB414,000 in Newasia Global Limited (“Newasia”) was taken as consideration for the issue of new shares within the subsidiary during the year ended 30 June 2002. This amount has been taken to the merger reserve within the consolidated financial statements.

## II. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### 1. Basis of presentation

The consolidated income statements and cash flow statements of the Group as set out in (a) and (d) above and the consolidated balance sheets as set out in (b) above, have been prepared as if the Company was in existence and had wholly owned each subsidiary throughout the years ended 30 June 2002, 2003, 2004 and the six months ended 31 December 2004 or since their respective dates of incorporation. The Company was incorporated on 4 June 2003 under the jurisdiction of Bermuda.

The following subsidiaries have been included within the consolidated financial statements:

	<i>Place of Incorporation</i>	<i>Date of Incorporation</i>
Newasia Global Limited (“Newasia”)	British Virgin Islands	2 December 1997
Lucky Team Biotech Development (Hepu) Limited (“Lucky Team (Hepu)”)	People’s Republic of China	11 April 2000
Litian Biological Science & Technology Development (Xinfeng) Company Limited (“Litian (Xinfeng)”)	People’s Republic of China	21 November 2002
Asian Citrus Management Company Limited	British Virgin Islands	18 June 2003
Asian Citrus (H.K.) Company Limited	Hong Kong	13 October 2004

### 2. Basis of preparation and statement of compliance

The financial statements are presented in Renminbi, rounded to the nearest thousand.

The financial statements are prepared under the historical cost convention as modified by the revaluation of the biological assets and in accordance with International Financial Reporting Standards (“IFRSs”) issued by the International Accounting Standards Board (“IASB”).

The IASB has issued a number of new or revised International Financial Reporting Standards and International Accounting Standards (“new IFRSs”), which are generally effective for accounting periods beginning on or after 1 January 2005. The Group has not early adopted these new IFRSs in the financial statements for the years ended 30 June 2002, 2003, 2004 and the six months ended 31 December 2004.

### 3. Summary of significant accounting policies

#### (a) Consolidation

As IFRS does not specify the accounting for business combinations of enterprises under common control, the Group has elected to apply the principles of uniting of interests (merger accounting) in the consideration of the consolidated financial statements under IFRS. Under the principles of uniting of interests, there is no goodwill arising on consolidation.

The consolidated financial statements include the financial statements of the Company and all of its subsidiaries. All material inter-company transactions and balances are eliminated on consolidation.

#### (b) Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation.

Depreciation is calculated on the straight-line basis to write off the cost of each asset over its estimated useful life. The principal annual rates used for this purpose are as follows:

Buildings	2.22% to 3.57%
Leasehold improvements	3.33%
Furniture, fixtures and office equipment	20%
Motor vehicles	20%
Farmland infrastructure and machinery	2% to 20%

Major costs incurred in restoring property, plant and equipment to their normal working condition are charged to the income statement. Improvements are capitalised and depreciated over their expected useful lives.



Subsequent expenditure relating to property, plant and equipment that has already been recognised is added to the carrying amount of the asset when it is probable that future economic benefits, in excess of the originally assessed standard of performance of the existing asset, will flow to the enterprise. All other subsequent expenditure is recognised as an expense in the period in which it is incurred.

(c) Land use rights

Land use rights are stated at cost less accumulated amortisation and impairment losses. Cost represents consideration paid for the right to use the land on which various warehouses, office premises and processing factory are situated. Amortisation of land use rights are calculated on a straight-line basis over the period of the land use right of 50 years.

(d) Impairment

Assets are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of an asset's net selling price and value in use. For the purposes of assessing impairment, assets are grouped at the lowest level for which there are separately identifiable cash flows.

(e) Construction-in-progress

Construction-in-progress is stated at cost. Cost comprises all direct costs of construction relating to property, plant and equipment. Construction-in-progress is transferred to fixed assets and depreciation commences when construction is completed and the asset is put into use.

(f) Biological assets

A biological asset is a living animal or plant managed by an enterprise which is involved in the agricultural activity of the transformation of biological assets for sale, into agricultural produce, or into additional biological assets.

The fair values of orange tree biological assets are based on the present value of expected net cash flows from the orange trees discounted at a current market-determined pre-tax rate (the "Valuation Methodology").

Infant trees and immature seedlings purchased from the open market which are to undergo the process of transformation until they become mature and productive are also stated at fair value less estimated point-of-sale costs. The fair values are based on market-determined prices of infant trees and immature seedlings with similar size, species and age or alternative estimates of fair values.

A gain or loss arising on initial recognition of biological assets at fair value less estimated point-of-sale costs and from a change in fair value less estimated point-of-sale is recognised in the consolidated income statement.

Agricultural produce harvested from the Group's biological assets are measured at their fair value less estimated point-of-sale costs. The fair value of agricultural produce is based on market prices of agricultural produce of similar size and weight or alternative estimates of fair value.

A gain or loss arising on initial recognition of agricultural produce at fair value less estimated point-of-sale costs is recognised in the consolidated income statement.

The Group has early adopted IAS 41 (2001) "Agriculture" in respect of the annual financial statements starting from 1 July 2001, according to the terms and context of IAS 41.

(g) Translation of foreign currencies

The functional and presentational currency of the group is Renminbi ('RMB'), the currency of the People's Republic of China.

Foreign currency transactions during the year or period are translated into Renminbi at the exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in

foreign currencies are translated into Renminbi at the exchange rates ruling at the balance sheet date. Foreign currency assets, being equity investments or other long-term non-monetary assets, the holding or use or the subsequent disposal of which will generate receipts in a foreign currency, are translated into Renminbi at the exchange rates ruling at the balance sheet date.

Exchange gains and losses are dealt with in the income statement, except those arising from the translation at closing rates of foreign currency assets hedged by foreign currency borrowings, and the gains and losses on those foreign currency borrowings (to the extent of exchange differences arising on the foreign currency assets), which are taken directly to reserves.

The results of foreign enterprises are translated into Renminbi at the average exchange rates for the year; balance sheet items are translated into Renminbi at the rates of exchange ruling at the balance sheet date. The resulting exchange differences are dealt with as a movement in reserves.

(h) Employee benefits

Costs of employee retirement benefits are recognised as an expense in the year in which they are incurred.

(i) Other receivables, deposits and prepayments

Provision is made against other receivables, deposits and prepayments to the extent which they are considered to be doubtful. Other receivables, deposits and prepayments in the balance sheet are stated net of such provision if any.

(j) Inventories

The Group's inventories comprising agricultural materials, consumables and packing materials and finished goods are stated at the lower of cost and estimated net realisable value.

Costs of agricultural materials, consumables and packing materials are stated at their purchase costs calculated on a weighted average basis.

Finished goods, which represent orange juices, are calculated on a weighted average basis.

Estimated net realisable value is based on anticipated sales proceeds less estimated selling expenses.

(k) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

(l) Deferred taxation

Deferred taxation is provided in full, using the liability method, for all temporary differences arising between the tax base of assets and liabilities and their carrying values in the accounts. Deferred tax liabilities are provided in full on all taxable temporary differences while deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences can be utilised. Deferred income tax assets and liabilities are measured at the rate expected to apply when the asset is realised or the liability is settled.

(m) Operating leases

Leases of assets, including cultivation bases, under which all the risks and benefits of ownership are effectively retained by the lessor are classified as operating leases. Operating lease payments are charged to operating profit on a straight-line basis over the period of the respective leases.

(n) Research and development costs

Research costs are charged to the income statement in the year in which they are incurred. Project development costs are expensed as incurred, except where a specific project is

undertaken where the technical feasibility of the product under development has been demonstrated, costs are identifiable and a market exists for the product such that the development costs are recoverable from related future economic benefits. Such development costs are recognised as deferred development costs in the balance sheet and amortised on a straight-line basis over a period of 5 years to reflect the pattern in which the related economic benefits are recognised.

(o) **Revenue recognition**

Sales of agricultural products are recognised on the transfer of ownership, which coincides with the time of delivery of the products.

Interest income is recognised on a time proportion basis, taking into account the principal amounts outstanding and the interest rates applicable.

(p) **Borrowing costs**

All borrowing costs are charged to the income statement in the year in which they are incurred.

(q) **Related parties**

For the purposes of this report, parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

**4. Turnover**

Turnover represents the fair value of picked oranges which is equal to the consideration received.

**5. Other revenue**

	<i>Year ended 30 June</i>			<i>Six months ended</i>
	<i>2002</i>	<i>2003</i>	<i>2004</i>	<i>31 December</i>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>2004</i>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Exchange gain	<u>10</u>	<u>–</u>	<u>4</u>	<u>30</u>

**6. Other net income**

Other net income represents the net gain from sales of orange juice.

## 7. Profits from operations

Profit from operations is stated after charging the following:

	Year ended 30 June			Six months ended
				31 December
	2002	2003	2004	2004
	RMB'000	RMB'000	RMB'000	RMB'000
Auditors' remuneration	20	25	25	53
Write-off of inventories	123	—	—	—
Inventories used				
– production	37,170	47,140	60,923	22,037
– general and administration	315	198	1,633	713
	<u>37,485</u>	<u>47,338</u>	<u>62,556</u>	<u>22,750</u>
Staff costs (including directors' emoluments)				
– production	5,204	7,711	8,856	4,267
– selling and distribution	943	982	773	477
– general and administration	521	748	1,102	600
	<u>6,668</u>	<u>9,441</u>	<u>10,731</u>	<u>5,344</u>
Depreciation of owned property, plant and equipment				
– production	8,195	9,568	10,709	5,535
– general and administration	418	512	567	294
	<u>8,613</u>	<u>10,080</u>	<u>11,276</u>	<u>5,829</u>
Other operating expenses				
– production	3,965	4,007	4,131	1,910
– selling and distribution	8,129	15,618	17,541	6,731
– general and administration	3,526	9,787	13,875	10,129
	<u>15,620</u>	<u>29,412</u>	<u>35,547</u>	<u>18,770</u>
Of which:				
Amortisation of land use rights	—	—	532	525
Amortisation of deferred development costs	—	—	1,000	1,000
Operating lease expenses				
– plantation base	2,681	5,462	6,018	3,009
– office premises	95	95	95	47
Research expenses	491	3,373	4,147	1,198

## 8. Finance Costs

	Year ended 30 June			Six months ended
				31 December
	2002	2003	2004	2004
	RMB'000	RMB'000	RMB'000	RMB'000
Interest on bank loans wholly repayable within five years	—	794	980	350
Bank charges	—	—	7	1
	<u>—</u>	<u>794</u>	<u>987</u>	<u>351</u>

## 9. Taxation

The amount of taxation charged to the consolidated income statement represents:

	Note	Year ended 30 June			Six months ended
		2002	2003	2004	31 December 2004
		RMB'000	RMB'000	RMB'000	RMB'000
PRC foreign enterprise income tax ("FEIT")	(a)	–	5,792	11,201	2,830
Deferred tax	(c)	3,365	3,996	1,179	750
		<u>3,365</u>	<u>9,788</u>	<u>12,380</u>	<u>3,580</u>

Taxation payable in the consolidated balance sheet represents:

		As at 30 June			As at
		2002	2003	2004	31 December 2004
		RMB'000	RMB'000	RMB'000	RMB'000
Balance of provision relating to prior years		–	–	5,792	16,993
FEIT provision for the year/period		–	5,792	11,201	2,830
		<u>–</u>	<u>5,792</u>	<u>16,993</u>	<u>19,823</u>

### (a) PRC foreign enterprise income tax ("FEIT")

Lucky Team (Hepu), a wholly owned subsidiary established in Hepu county, Guangxi Zhuang Autonomous Region, PRC, is subject to a preferential PRC FEIT rate of 15 per cent. up to the year 2010. However, it is exempted from PRC FEIT for two years starting from the first year ended 30 June 2001, followed by a 50 per cent. reduction for the next three years. The due date of FEIT payment for all years to 30 June 2004 for Lucky Team (Hepu) is 31 December 2005. Therefore, the taxation payables as at 30 June 2003 and 2004 are classified under long-term liabilities in the consolidated balance sheets.

Litian (Xinfeng), a wholly owned subsidiary established in Xinfeng county, Jiangxi province, PRC, had not commenced business as at 31 December 2004 and accordingly is not subject to FEIT.

### (b) Hong Kong and other jurisdiction profits tax

No Hong Kong profits tax has been provided as the Group had no assessable profit arising in or derived from Hong Kong. The other members of the group are registered as exempt companies within their country of incorporation.

### (c) Deferred taxation

		As at 30 June			As at
		2002	2003	2004	31 December 2004
		RMB'000	RMB'000	RMB'000	RMB'000
At beginning of year/period		5,325	1,960	(2,036)	(3,215)
Provision for deferred tax		(3,365)	(3,996)	(1,179)	(750)
Deferred tax assets/(liabilities)		<u>1,960</u>	<u>(2,036)</u>	<u>(3,215)</u>	<u>(3,965)</u>

Net tax asset/liability by type of temporary difference:	As at 30 June			As at
	2002	2003	2004	31 December
	RMB'000	RMB'000	RMB'000	2004
				RMB'000
Tax assets				
Construction-in-progress	78	2,113	2,612	2,799
Land use rights	—	—	40	79
Biological assets	3,967	771	—	—
Accounts payable and accrued expenses	104	104	104	229
Other items	—	226	499	512
	<u>4,149</u>	<u>3,214</u>	<u>3,255</u>	<u>3,619</u>
Tax liabilities				
Property, plant and equipment	2,189	5,250	6,285	6,799
Biological assets	—	—	185	785
	<u>2,189</u>	<u>5,250</u>	<u>6,470</u>	<u>7,584</u>
Net asset/(liability)	<u>1,960</u>	<u>(2,036)</u>	<u>(3,215)</u>	<u>(3,965)</u>

- (d) As the Group's major operation and income were located in PRC and classified as an 'encouraged category', the applicable preferential tax rate to the Group was 7.5 per cent. in relation to the PRC subsidiary as stated in (a) above.

The charges can be reconciled to the profit in the consolidated income statements as follows:

	Year ended 30 June			Six months
	2002	2003	2004	ended
	RMB'000	RMB'000	RMB'000	31 December
				2004
				RMB'000
Profit from ordinary activities before taxation	<u>97,783</u>	<u>129,711</u>	<u>164,195</u>	<u>44,117</u>
Tax at the applicable tax rate of 15%	14,667	19,457	24,629	6,618
Tax effect of tax exemption	(11,255)	—	—	—
Tax effect of tax reduction to 7.5%	—	(9,729)	(12,314)	(3,309)
Tax effect of prior year expenses not claimed	(104)	—	—	—
Tax effect of expenses in group companies not subject to taxation	<u>57</u>	<u>60</u>	<u>65</u>	<u>271</u>
Tax expenses for the year/period	<u>3,365</u>	<u>9,788</u>	<u>12,380</u>	<u>3,580</u>

## 10. Earnings per share

The calculation of the basic earnings per share is based on the profit attributable to shareholders during the years/period and assuming 50,000,000 shares are in issue and issuable throughout the years ended 30 June 2002, 2003, 2004 and the six months ended 31 December 2004, being 1,000,000 shares in issue and issuable and taking account of 49,000,000 shares issued on 29 June 2005 (see note 31 below).

## 11. Employee retirement benefits

Both Lucky Team (Hepu) and Litian (Xinfeng), participate in a state-sponsored retirement scheme and commenced contributions from January 2000 and January 2003 respectively. The state-sponsored retirement plan is responsible for the entire pension obligations payable to retired employees, thus Lucky Team (Hepu) and Litian (Xinfeng) have no further obligations for the actual pension payments or other post-retirement benefits beyond the annual contributions. For the years ended 30 June 2002, 2003, 2004 and six months ended 31 December 2004, the Group's expenses related to the retirement scheme amounted to approximately RMB326,000, RMB448,000, RMB494,000 and RMB246,000 respectively.

## 12. Employees and directors

	<i>Year ended 30 June</i>			<i>Six months ended</i>
				<i>31 December</i>
	2002	2003	2004	2004
	RMB'000	RMB'000	RMB'000	RMB'000
Staff costs for the group during the year/period:				
Wages and salaries	6,349	9,008	10,257	5,107
Social security costs	319	433	474	237
	<u>6,668</u>	<u>9,441</u>	<u>10,731</u>	<u>5,344</u>

	<i>Year ended 30 June</i>			<i>Six months ended</i>
				<i>31 December</i>
	2002	2003	2004	2004
Average monthly number of people (including directors) employed by business group				
Production	296	340	340	340
Selling and distribution	63	65	65	65
General and administrative	44	64	69	70
	<u>403</u>	<u>469</u>	<u>474</u>	<u>475</u>

### Director's emoluments

	<i>Year ended 30 June</i>			<i>Six months ended</i>
				<i>31 December</i>
	2002	2003	2004	2004
	RMB'000	RMB'000	RMB'000	RMB'000
Tong Hung Wai	<u>24</u>	<u>48</u>	<u>48</u>	<u>24</u>

No other directors of the Company or Group received remuneration throughout the years ended 30 June 2002, 2003, 2004 and the six months ended 31 December 2004. Tong Hung Wai's remuneration is in respect of Lucky Team (Hepu).

## 13. Segmental reporting

### (a) Business segment

Throughout the years ended 30 June 2002, 2003, 2004 and the six months ended 31 December 2004 the Group operated in one business segment, which was planting, cultivation and selling of agricultural products.

### (b) Geographical segment

Throughout years ended 30 June 2002, 2003, 2004 and the six months ended 31 December 2004 the Group operated in one geographical segment, which was the PRC.

## 14. Property, plant and equipment

Movements of property, plant and equipment are:

	<i>Buildings</i> RMB'000	<i>Leasehold improve- ments</i> RMB'000	<i>Furniture, fixtures and office equipment</i> RMB'000	<i>Motor vehicles</i> RMB'000	<i>Farmland infrastructure and machinery</i> RMB'000	<i>Total</i> RMB'000
<b>Cost</b>						
As at 1 July 2001	3,970	–	287	659	165,065	169,981
Additions	–	8	49	231	375	663
Transfer from construction-in-progress	<u>3,870</u>	<u>423</u>	<u>–</u>	<u>–</u>	<u>29</u>	<u>4,322</u>
As at 30 June and 1 July 2002	7,840	431	336	890	165,469	174,966
Additions	–	–	16	–	1,852	1,868
Transfer from construction-in-progress	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>67,851</u>	<u>67,851</u>
As at 30 June and 1 July 2003	7,840	431	352	890	235,172	244,685
Additions	–	–	26	10	435	471
Transfer from construction-in-progress	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>23</u>	<u>23</u>
As at 30 June and 1 July 2004	7,840	431	378	900	235,630	245,179
Additions	–	–	–	–	33	33
Transfer from construction-in-progress	<u>500</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>21,640</u>	<u>22,140</u>
As at 31 December 2004	<u>8,340</u>	<u>431</u>	<u>378</u>	<u>900</u>	<u>257,303</u>	<u>267,352</u>
<b>Accumulated depreciation</b>						
As at 1 July 2001	46	–	31	168	8,592	8,837
Provision for the year	<u>168</u>	<u>10</u>	<u>64</u>	<u>176</u>	<u>8,195</u>	<u>8,613</u>
As at 30 June and 1 July 2002	214	10	95	344	16,787	17,450
Provision for the year	<u>221</u>	<u>14</u>	<u>70</u>	<u>178</u>	<u>9,597</u>	<u>10,080</u>
As at 30 June and 1 July 2003	435	24	165	522	26,384	27,530
Provision for the year	<u>221</u>	<u>14</u>	<u>73</u>	<u>180</u>	<u>10,788</u>	<u>11,276</u>
As at 30 June and 1 July 2004	656	38	238	702	37,172	38,806
Provision for the period	<u>115</u>	<u>7</u>	<u>38</u>	<u>90</u>	<u>5,579</u>	<u>5,829</u>
As at 31 December 2004	<u>771</u>	<u>45</u>	<u>276</u>	<u>792</u>	<u>42,751</u>	<u>44,635</u>
<b>Carrying amounts</b>						
As at 30 June 2002	<u>7,626</u>	<u>421</u>	<u>241</u>	<u>546</u>	<u>148,682</u>	<u>157,516</u>
As at 30 June 2003	<u>7,405</u>	<u>407</u>	<u>187</u>	<u>368</u>	<u>208,788</u>	<u>217,155</u>
As at 30 June 2004	<u>7,184</u>	<u>393</u>	<u>140</u>	<u>198</u>	<u>198,458</u>	<u>206,373</u>
As at 31 December 2004	<u>7,569</u>	<u>386</u>	<u>102</u>	<u>108</u>	<u>214,552</u>	<u>222,717</u>



## 15. Land use rights

	<i>As at 30 June</i>			<i>As at</i>
	2002	2003	2004	31 December
	RMB'000	RMB'000	RMB'000	2004
				RMB'000
<b>Cost</b>				
At beginning of year/period	–	–	–	30,400
Additions	–	–	30,400	26,600
At end of year/period	–	–	30,400	57,000
<b>Accumulated amortisation</b>				
At beginning of year/period	–	–	–	532
Charge for the year/period	–	–	532	525
At end of year/period	–	–	532	1,057
<b>Carrying amounts</b>	–	–	29,868	55,943

Land use rights represent the right to use two pieces of land located in Xinfeng County, Jiangxi Province, PRC. The land use rights are valid for a period of 50 years up to August 2053 and for a period of 50 years up to July 2054 respectively.

## 16. Construction-in-progress

	<i>Year ended 30 June</i>			<i>Six months ended</i>
	2002	2003	2004	31 December
	RMB'000	RMB'000	RMB'000	2004
				RMB'000
At beginning of year/period	300	33,614	54,144	189,652
Additions	37,636	88,381	135,531	51,492
Transfer to property, plant and equipment (Note 14)	(4,322)	(67,851)	(23)	(22,140)
At end of year/period	33,614	54,144	189,652	219,004
Construction-in-progress is split as follows:				
Lucky Team (Hepu)	33,614	–	19,921	3,895
Litian (Xinfeng)	–	54,144	169,731	215,109
	33,614	54,144	189,652	219,004
Infrastructure	19,614	4,642	41,253	41,189
Land improvements	14,000	49,502	148,399	177,815
	33,614	54,144	189,652	219,004

## 17. Biological assets

Biological assets represent orange trees, infant trees and immature seedlings. The role of orange trees is to supply oranges through the processes of growth in each production cycle. The infant trees and immature seedlings are held for transforming into orange trees. The biological assets can be summarised as follows:

	<i>Immature seedlings</i>		<i>Infant trees</i>		<i>Orange trees</i>		<i>Total</i>
	<i>Number</i>	<i>RMB'000</i>	<i>Number</i>	<i>RMB'000</i>	<i>Number</i>	<i>RMB'000</i>	
<b>Valuation</b>							
At 1 July 2001	311,276	1,682	–	–	–	313,000	314,682
Inter-transfer	(42,300)	(229)	42,300	229	–	–	–
Gain arising from changes in fair value less estimated point-of-sale costs	–	–	–	110	–	32,000	32,110
At 30 June and 1 July 2002	268,976	1,453	42,300	339	1,023,572	345,000	346,792
Additions	17,800	139	–	–	–	–	139
Inter-transfer	(180,180)	(973)	180,180	973	–	–	–
Gain arising from changes in fair value less estimated point-of-sale costs	–	–	–	468	–	42,000	42,468
At 30 June and 1 July 2003	106,596	619	222,480	1,780	1,023,572	387,000	389,399
Additions	22,000	110	372,200	2,605	–	–	2,715
Inter-transfer	(27,800)	(189)	27,800	189	–	–	–
Gain arising from changes in fair value less estimated point-of-sale costs	–	–	–	34	–	10,000	10,034
At 30 June and 1 July 2004	100,796	540	622,480	4,608	1,023,572	397,000	402,148
Gain arising from changes in fair value less estimated point-of-sale costs	–	–	–	–	–	8,000	8,000
At 31 December 2004	<u>100,796</u>	<u>540</u>	<u>622,480</u>	<u>4,608</u>	<u>1,023,572</u>	<u>405,000</u>	<u>410,148</u>

The biological assets, including oranges trees, infant trees and immature seedlings, were stated at fair values less estimated point-of-sale costs as at 1 July 2001, 30 June 2002, 30 June 2003, 30 June 2004 and 31 December 2004.

The Valuation Methodology, used to determine the fair value less estimated point-of-sale costs of orange trees, is in compliance with both IAS 41 and the International Valuation Standards issued by the International Valuation Standard Committee which aims to determine the fair value of a biological asset in its present location and condition. Sallmanns (Far East) Limited, the independent valuers, assisted the Directors in the calculation of the fair values less estimated point-of-sale costs of the orange trees at the respective dates.

Both the infant trees and immature seedlings are immature in nature and still undergoing biological transformation before they are able to produce oranges. Once the infant trees and immature seedlings become mature and productive they will be transferred to the category of oranges trees and measured at fair value less estimated point-of-sale costs at each balance sheet date.

## Output of oranges

	Year ended 30 June		Six months ended	
	2002	2003	2004	31 December 2004
	Tonnes	Tonnes	Tonnes	Tonnes
Total output for the year/period	<u>41,673</u>	<u>56,697</u>	<u>83,170</u>	<u>35,924</u>

### Valuation Methodology – significant assumptions

The fair value less estimated point-of-sale costs of orange trees is calculated by deducting the market value of machinery and equipment and the book value of other assets from the market value of the orange tree operation. In doing so the following major assumptions were made:

- With regard to the purchase price indices in PRC over the past 10 years, it has been assumed that the price of oranges will remain stable at the current level throughout the life of the assets (“Projection Period”). Based on company records, the sales prices of Summer and Winter oranges are assumed to be RMB3,750 per tonne and RMB2,450 per tonne respectively.
- Production per tree will increase from ages 6 to 8 and remain stable for approximately another 22 years thereafter, subsequently entering a diminishing phase and would effectively become non-productive at the age of 35 years.

Age (Years)	6	7	8
Annual total yield per tree (kg)	<u>67.2</u>	<u>68.9</u>	<u>81.2</u>

- Based on historic records of the Group, direct and other operating costs are assumed to be as follows:

Direct costs and operating expenses	% Sales
Supplies and direct costs (excluding depreciation)	32%
Selling expenses	10%
Management expenses	<u>6%</u>

- In order to realise the growth potential in yield and maintain a competitive edge, additional manpower equipment and facilities are necessary to be employed. For the valuation exercise it is assumed that proposed facilities and systems are sufficient for future expansion.
- It has been assumed that there will be no material change in the existing political, legal, technological, fiscal or economic conditions during the Projection Period that would adversely affect the business. In addition, competitive advantages and disadvantages of the operation relating to orange trees do not change significantly during the Projection Period.
- Based on local weather information over the past 20 years and taking into account the opinion of an expert consultant, it is assumed that no unusual change in weather that would have a significant impact on production during the Projection Period will occur.
- The Capital Asset Pricing Model (the “CAPM”) has been used to determine a discount rate of 21 per cent. applied to the orange tree operation.
- With reference to machinery and equipment valuation, the market values of machinery, equipment and structures as at 30 June 2003 and 30 June 2004 are approximately RMB148 million and RMB136 million respectively. The land currently occupied by the Group is leased from third parties and has no commercial value. The book value of other assets (represented by improvements in the structures and buildings, wind breakers etc.) is approximately RMB25 million at 30 June 2003 and RMB24 million at 30 June 2004.

## 18. Deferred development costs

	<i>As at 30 June</i>			<i>Six months ended</i>
	2002	2003	2004	31 December 2004
	RMB'000	RMB'000	RMB'000	RMB'000
<b>Cost</b>				
At beginning of year/period	–	3,000	8,960	10,000
Additions	3,000	5,960	1,040	–
At end of year/period	<u>3,000</u>	<u>8,960</u>	<u>10,000</u>	<u>10,000</u>
<b>Accumulated amortisation</b>				
At beginning of year/period	–	–	–	1,000
Amortisation	–	–	1,000	1,000
At end of year/period	<u>–</u>	<u>–</u>	<u>1,000</u>	<u>2,000</u>
<b>Carrying amounts</b>	<u>3,000</u>	<u>8,960</u>	<u>9,000</u>	<u>8,000</u>

Deferred development costs relate to expenditure incurred in developing techniques relating to the cultivation of orange trees, which will increase the productivity of the biological assets in future periods.

## 19. Inventories

	<i>Note</i>	<i>As at 30 June</i>			<i>As at</i>
		2002	2003	2004	31 December 2004
		RMB'000	RMB'000	RMB'000	RMB'000
Finished goods	(i)	893	–	–	–
Agricultural materials	(ii)	821	303	168	251
Packing materials	(iii)	94	95	84	83
<b>Total</b>		<u>1,808</u>	<u>398</u>	<u>252</u>	<u>334</u>

### Notes

- (i) Finished goods represent orange juices.
- (ii) Agricultural materials include fertilisers and pesticides not yet utilised as at each year/period end.
- (iii) Packing materials represent packing materials not yet utilised as at each year/period end.

## 20. Other receivables

	<i>As at 30 June</i>			<i>As at</i>
	2002	2003	2004	31 December 2004
	RMB'000	RMB'000	RMB'000	RMB'000
Other receivables	331	246	530	556
Prepayments	8,000	29,660	27,652	2,939
Amounts due from related parties	69	80	–	–
Amounts due from shareholders	–	106	106	106
	<u>8,400</u>	<u>30,092</u>	<u>28,288</u>	<u>3,601</u>

Amounts due from related parties relate to Chaoda Vegetable & Fruits Limited. The amounts were unsecured, interest free and had no fixed term of repayment. At 30 June 2002, 2003 and 2004 and 31 December 2004 there were no outstanding overdue interests and no provision has been made for the amount due.

Amounts due from shareholders relate to unpaid share capital in the company.

## 21. Short-term bank loans

The short-term bank loans of RMB20,000,000 (2002: Nil; 2003: RMB18,000,000) as at 30 June 2004 have been repaid during the period ended 31 December 2004 and were interest bearing at a range of 0.4425 per cent. to 0.48675 per cent. per month.

The bank loans were secured on the Group's farmland infrastructure and biological assets.

## 22. Trade payables and accrued expenses

Trade payables and accrued expenses consist of:

	<i>As at 30 June</i>		<i>As at 31 December</i>	
	2002	2003	2004	2004
	RMB'000	RMB'000	RMB'000	RMB'000
Trade payables	590	2,316	3,160	1,057
Accrued expenses	1,633	1,990	1,392	9,196
	<u>2,223</u>	<u>4,306</u>	<u>4,552</u>	<u>10,253</u>

All of the trade payables and accrued expenses are expected to be settled within one year of the balance sheet date.

## 23. Due to related parties

	<i>As at 30 June</i>		<i>As at 31 December</i>	
	2002	2003	2004	2004
	RMB'000	RMB'000	RMB'000	RMB'000
Top Nation Shipping Limited	633	1,267	1,892	2,201
Fujian Zhangzhou Chaoda Microbe Organic Fertiliser Company Limited	–	–	1,665	–
Fuzhou Chaoda Modern Agriculture Development Company Limited	–	–	–	12,500
	<u>633</u>	<u>1,267</u>	<u>3,557</u>	<u>14,701</u>

The amounts due to related parties are unsecured, interest free and have no fixed terms of repayment.

Top Nation Shipping Limited is related by virtue of the Tong family's interest in the share capital.

Fujian Zhangzhou Chaoda Microbe Organic Fertiliser Company Limited ("Zhangzhou Chaoda") is a related part of Lucky Team (Hepu) by virtue of Mr. Kwok Ho's interest. The entire registered share capital of Zhangzhou Chaoda is indirectly held by Mr Kwok Ho, a director of Lucky Team (Hepu) and a substantial shareholder in Chaoda Modern Agriculture (Holdings) Limited ("Chaoda"). Chaoda is in turn the holding company of Huge Market Investments Limited, a major shareholder in the Company.

Fuzhou Chaoda Modern Agriculture Development Company Limited is a wholly-owned subsidiary of Chaoda.

## 24. Due to shareholders

	<i>Transfer of orange orchard in Hepu plantation base by a shareholder</i> RMB'000	<i>Repayment to shareholders for transfer of property, plant and equipment/ transfer of property, plant and equipment by a shareholder</i> RMB'000	<i>Total</i> RMB'000
At 30 June 2001	398,000	101,476	499,476
Decrease	—	(17,363)	(17,363)
At 30 June 2002 and 1 July 2002	398,000	84,113	482,113
Increase	—	406	406
At 30 June 2003 and 1 July 2003	398,000	84,519	482,519
Capitalisation	(398,000)	(84,519)	(482,519)
At 30 June 2004 and 1 July 2004	—	—	—
Increase	—	1,168	1,168
At 31 December 2004	—	1,168	1,168

The amounts due to shareholders are unsecured, interest free and have no fixed terms of repayment.

## 25. Due to ultimate holding company

The amount due to ultimate holding company is unsecured, interest free and has no fixed terms of repayment.

## 26. Share capital

	<i>Authorised, issued and fully paid ordinary shares of HK\$0.10 each</i>		
	<i>No. of shares</i>	<i>HK\$'000</i>	<i>RMB'000</i>
Share capital as at 30 June 2002, 2003, 2004 and 31 December 2004 represents share capital of the Company	1,000,000	100	106

## 27. Commitments

### (a) Capital commitments

The Group had the following capital commitments:

	<i>As at 30 June</i>			<i>As at</i>
	<i>2002</i>	<i>2003</i>	<i>2004</i>	<i>31 December</i>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>2004</i>
				<i>RMB'000</i>
Contracted but not provided for				
– Research and development expenditures	7,000	1,040	39	—
– Purchase of construction-in-progress	27,080	127,744	213,751	166,662
– Purchase of land use rights	—	3,040	5,030	—
	<u>34,080</u>	<u>131,824</u>	<u>218,820</u>	<u>166,662</u>

(b) *Operating leases commitments*

The Group had future minimum lease payments under non-cancellable operating leases which fall due as follows:

	<i>As at 30 June</i>		<i>As at 31 December</i>	
	2002	2003	2004	2004
	RMB'000	RMB'000	RMB'000	RMB'000
Within 1 year	2,776	2,776	6,113	6,113
After 1 year but within 5 years	11,103	11,103	24,450	24,450
After 5 years	119,354	116,578	257,570	254,513
	<u>133,233</u>	<u>130,457</u>	<u>288,133</u>	<u>285,076</u>

Operating leases relate to the lease of land on which the Group's two plantations in Hepu and Xinfeng County are situated. Both leases are for 50 years expiring in 2050 and 2052 respectively.

**28. Dividends**

No dividend has been declared or paid by the Company during the years ended 30 June 2002, 2003, 2004 or six months ended 31 December 2004.

**29. Reserves**

As the Group has adopted merger accounting, the merger reserve reflects the share capital and share premium of subsidiary companies.

The capital reserve consists of amounts due to shareholders which have been capitalised.

**30. Related party transactions**

The following is a summary of significant related party transactions which were carried out in the normal course of the Group's business:

	<i>Year ended 30 June</i>		<i>Six months ended 31 December</i>	
	2002	2003	2004	2004
	RMB'000	RMB'000	RMB'000	RMB'000
Purchase of organic fertilisers:				
Fujian Zhangzhou Chaoda Microbe Organic Fertiliser Company Limited	9,620	11,061	12,330	3,330
Weizhou Chaoda Microbe Organic Fertiliser Company Limited	7,071	3,804	4,481	2,175
	<u>16,691</u>	<u>14,865</u>	<u>16,811</u>	<u>5,505</u>
Sales of oranges:				
Chaoda Vegetable & Fruits Limited	69	11	-	-
Management fee paid:				
Top Nation Shipping Limited	633	633	625	308
Advance of funds:				
Fuzhou Chaoda Modern Agriculture Development Company Limited	-	-	-	12,500

The advance of funds is unsecured, interest free and has no fixed term of repayment.

All the above parties are controlled by entities that exert significant influence or control over the Company.

### **31. Significant subsequent events**

The following significant events took place subsequent to 31 December 2004:

1. On 29 June 2005 the Company entered into a sale and purchase agreement with (1) Mr. Tong Wang Chow (“Mr. Tong”) and (2) Huge Market Investments Limited (“Huge Market”) pursuant to which the Company purchased the entire issued share capital of Newasia in consideration of the Company (i) issuing 49,000,000 Shares, credited as fully paid, to Market Ahead Investments Limited (“Market Ahead”) at the direction of Mr. Tong (as to 24,990,000 Shares) and Huge Market (as to 24,010,000 Shares) and (ii) crediting as fully paid at par the 1,000,000 nil paid Shares then held by Market Ahead (as to 510,000 Shares) and Huge Market (as to 490,000 Shares).
2. On the 4 March 2005, Newasia issued HK\$100,000,000 convertible unsecured loan notes (“Notes”), the principal terms of which include:
  - (a) Maturity date three years from date of issue;
  - (b) Interest payable semi-annually of 5 per cent. per annum;
  - (c) Within 10 business days of Newasia becoming a wholly owned subsidiary of the Company to exchange the Notes for notes of the Company on terms that protect the Note holders’ conversion rights. On 14 July 2005 the Notes were cancelled as part of the reorganisation pursuant to (1) above and new notes totalling HK\$100,000,000 were issued by the Company with the same terms;
  - (d) Convert into ordinary shares of the Company at the initial rate of HK\$8,147.88 per share, subject to achieving an annualised investment return of not less than twenty five per cent.
3. On 14 February 2005 Newasia, has repurchased 3,061 shares from its shareholder, Mr. Yim Hin Keung, for an aggregate consideration of HK\$20,000,000 derived from the distributable surplus of Newasia.
4. Subsequent to 31 December 2004, the Group has entered into construction work agreements totaling RMB116,978,232. In addition, the Group has entered into an agreement to purchase infant orange trees for a total consideration of RMB4,500,000 from an independent third party.

### **32. Parent and ultimate controlling party**

Through a direct shareholding Market Ahead is the parent of the Company.

The Directors regard the Tong family through its direct shareholding in Market Ahead as being the ultimate controlling party.



## PART V

### Profit estimate for the year ended 30 June 2005



Asian Citrus Holdings Limited  
Clarendon House  
2 Church Street  
Hamilton  
Bermuda  
HM11

28 July 2005

Dear Sirs,

#### **Asian Citrus Holdings Limited (“the Company”)**

We have reviewed the profit estimate of the Company for the year ended 30 June 2005.

The estimate and principal assumptions upon which the estimate is based (for which the directors of the Company are solely responsible) are set out in Part II of the Company’s admission document dated today. The estimate includes results shown by audited interim accounts for the period ended 31 December 2004.

We confirm that we have satisfied ourselves that the profit estimate has been made after due and careful enquiry by the directors of the Company.

Yours faithfully,

Evolution Securities Limited  
Nominated Adviser and Broker

## PART VI

### Additional information

#### 1. Incorporation, share capital and subsidiaries

- 1.1 The Company was incorporated and registered in Bermuda on 4 June 2003 under the name of Asian Citrus Holdings Limited (which is also the Company's commercial name) with registered number 33747 as an exempted company with limited liability under the Bermuda Act. The Company is domiciled in Bermuda and the Ordinary Shares were created under the Bermuda Act. The principal legislation under which the Company operates is the Bermuda Act. The liability of the Company's members is limited.
- 1.2 The registered office of the Company is Clarendon House, 2 Church Street, Hamilton, Bermuda HM11 (telephone number (+441) 295 14222).
- 1.3 The Company's principal activity is to act as an investment holding company in respect of the Group, which is primarily engaged in the research and development, plantation and sales of citrus produce, as more particularly described in Part I of this admission document.
- 1.4 The Company was incorporated with an authorised share capital of HK\$100,000 divided into 1,000,000 Ordinary Shares of HK\$0.10 each, all of which were issued and allotted nil paid at par, as to 510,000 Ordinary Shares to Market Ahead and as to 490,000 Ordinary Shares to Huge Market on 18 November 2003 and such Ordinary Shares were subsequently credited as fully paid.

As a consequence of the Reorganisation, 50,000,000 Ordinary Shares are in issue at the date of this admission document, all of which are fully paid up or credited as fully paid.

On 14 July 2005, the Directors of the Company passed a resolution to issue 1,703,049 new Ordinary Shares to the Selling Shareholders on conversion of part of their holding of the New Metage Notes (as defined below).

On 28 July 2005, the Directors of the Company passed a resolution to issue 9,072,813 new Ordinary Shares for the purposes of the Placing and the new Ordinary Shares are to be issued on 3 August 2005. The percentage of immediate dilution resulting from the Placing is set out below.

<i>Shareholders</i>	<i>Prior to Placing</i>		<i>Post-Placing</i>		<i>Percentage dilution</i>
	<i>No. of Ordinary Shares</i>	<i>Percentage Shareholding</i>	<i>No. of Ordinary Shares</i>	<i>Percentage Shareholding</i>	
Market Ahead	25,500,000	49.320	25,500,000	41.957	7.363
Huge Market	24,500,000	47.386	24,500,000	40.312	7.074
Metage Funds Limited	1,170,847	2.265	1,170,847	1.927	0.338
Metage Special Emerging Markets Fund Limited	532,202	1.029	532,202	0.876	0.154
New Ordinary Shares	—	—	9,072,813	14.928	N/A
Total	<u>51,703,049</u>	<u>100.000</u>	<u>60,775,862</u>	<u>100.000</u>	<u>14.928</u>

- 1.5 The Ordinary Shares may be traded both in certificated form, and in uncertificated form through Depository Interests in the CREST system.
- 1.6 Save as described in this paragraph 1 and paragraphs 4 and 5 below, since the date of its incorporation, no share or loan capital of the Company has been issued or is now proposed to be issued fully or partly paid either for cash or for a consideration other than cash to any person, nor has any share capital been put under option.

1.7 Information on the Company's subsidiary undertakings is listed below:

<i>Name of subsidiary</i>	<i>Registered address</i>
Newasia Global Limited (a company incorporated under the laws of BVI, with limited liability)	Sea Meadow House Blackburne Highway (P.O. Box 116) Road Town Tortola British Virgin Islands
Lucky Team Biotech Development (Hepu) Ltd (a WFOE established in PRC)	Wujia Town Hepu County Guangxi PRC
Litian Biological Sciences & Technology Development (Xingfeng) Co., Ltd. (a WFOE established in PRC)	Jiading Town Xinfeng Country Jiangxi Province PRC
Asian Citrus Management Company Limited (a company incorporated under the laws of the BVI, with limited liability)	The offices of Offshore Incorporation Limited P.O. Box 857 Offshore Incorporations Centre Road Town Tortola British Virgin Islands
Asian Citrus (H.K.) Company Limited (a company incorporated under the laws of Hong Kong with limited liability on 13 October 2004 and a wholly-owned subsidiary of Asian Citrus Management)	Room 1109-1111 Wayson Commercial Building 28 Connaught Road West Hong Kong

All the Company's subsidiary undertakings are directly or indirectly wholly-owned.

1.8 *Share capital as at 31 December 2004*

As at 31 December 2004:

- (a) the only class of shares in issue were Ordinary Shares; and
- (b) 1,000,000 Ordinary Shares were authorised and 1,000,000 Ordinary Shares of HK\$0.10 each were issued and allotted nil paid at par.

The number of shares in issue on 1 January 2004 was 1,000,000 Ordinary Shares.

As at 31 December 2004, there were no convertible securities, exchangeable securities or securities with warrants in issue nor were there any acquisition rights or obligations over authorised but unissued capital or any undertaking to increase the capital of the Company nor was there any capital of any member of the Group which was under option or agreed conditionally or unconditionally to be put under option.

1.9 There have been no public takeover bids in respect of the Company's equity.

## 2. The Reorganisation

The companies comprising the Group recently underwent a reorganisation in preparation for Admission. As a result, the Company became the holding company of the Group. The major steps of the reorganisation involved the following:

1. On 29 June 2005, Newasia acquired one share of US\$1.00 representing the entire issued share capital of Asian Citrus Management from Mr Tong Wang Chow at a cash consideration of US\$1.00.

2. On 29 June 2005, the Shareholders of the Company passed a written resolution to:
  - (a) approve an increase in the authorised share capital from HK\$100,000 to HK\$20,000,000 by the creation of an additional 199,000,000 Ordinary Shares; and
  - (b) adopt the Company's current Bye-laws with a view to Admission.
3. On 29 June 2005, the Company entered into a sale and purchase agreement with (1) Mr Tong Wang Chow and (2) Huge Market pursuant to which the Company purchased the entire issued share capital of Newasia in consideration of the Company (i) issuing 49,000,000 Ordinary Shares, credited as fully paid, to Market Ahead at the direction of Mr Tong Wang Chow (as to 24,990,000 Ordinary Shares) and Huge Market (as to 24,010,000 Ordinary Shares) and (ii) crediting as fully paid at par the 1,000,000 nil paid Ordinary Shares then held by Market Ahead (as to 510,000 Ordinary Shares) and Huge Market (as to 490,000 Ordinary Shares).
4. On 14 July 2005, the Company issued the New Metage Notes in the aggregate principal amount of HK\$100,000,000 to, through its nominee holder, Metage Funds Limited (as to HK\$55,000,000), through its nominee holder, Metage Special Emerging Markets Fund Limited (as to HK\$25,000,000) and Mr Yim Hin Keung (as to HK\$20,000,000) as consideration for the cancellation of the Metage Notes.

### 3. Summary of the constitution of the Company and Bermuda company law

#### 3.1 Memorandum of Association

The Memorandum of Association states, *inter alia*, that the liability of members of the Company is limited to the amount, if any, for the time being unpaid on the Ordinary Shares respectively held by them and that the Company is an exempted company as defined in the Bermuda Act. Clause 6 of the Memorandum of Association also sets out the objects for which the Company was formed, including acting as a holding and investment company, and its powers, including the powers set out in the First Schedule to the Bermuda Act, excluding paragraph 8 thereof and clause 7 of the Memorandum of Association sets out the powers of the Company. As an exempted company, the Company will be carrying on business outside Bermuda from a place of business within Bermuda.

In accordance with and subject to section 42A of the Bermuda Act, the Memorandum of Association empowers the Company to purchase its own shares and pursuant to its Bye-laws, this power is exercisable by the Board upon such terms and subject to such conditions as it thinks fit.

#### 3.2 Bye-laws

The share capital of the Company consists of a single class of Ordinary Shares and the Bye-laws were adopted on 29 June 2005. The following is a summary of certain provisions of the Bye-laws:

##### (a) Directors

##### (i) Power to issue shares and warrants and pre-emption rights

Subject to any special rights conferred on the holders of any shares or class of shares, any share may be issued with or have attached thereto such rights, or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as the Company may by ordinary resolution determine (or, in the absence of any such determination or so far as the same may not make specific provision, as the Board may determine). Subject to the Bermuda Act, any preference shares may be issued or converted into shares that are liable to be redeemed, at a determinable date or at the option of the Company or, if so authorised by the Memorandum of Association, at the option of the holder, on such terms and in such manner as the Company before the issue or conversion may by ordinary resolution determine. Subject to the Bye-laws, the Board may issue warrants conferring the right upon the holders thereof to subscribe for any class of shares or securities in the capital of the Company on such terms as it may from time to time determine.

The Board may not exercise any power of the Company to allot shares in the Company (other than shares allotted in pursuance of an employees' share scheme) or grant any right to subscribe for, or to convert any security into, shares in the Company (a) without prior authorisation from the Company in general meeting and (b) unless the Company has made an offer of such shares or right to subscribe for, or to convert securities into, shares in the Company to certain existing shareholders of the Company in accordance with the Bye-laws.

Subject to the provisions of the Bermuda Act, the Bye-laws relating to authority, pre-emption rights or otherwise, any direction that may be given by the Company in general meeting and, where applicable, the AIM Rules and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, the unissued shares of the Company (whether forming part of the original or any increased capital) shall be at the disposal of the Board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times and for such consideration and on such terms and conditions as the Board may in its absolute discretion determine, but so that no shares shall be issued at a discount.

Note: The pre-emption rights contained in the Bye-laws have been drafted to comply substantially with guidelines published by the Association of British Insurers.

(ii) *Power to dispose of the assets of the Company or any of its subsidiaries*

There are no specific provisions in the Bye-laws relating to the disposal of the assets of the Company or any of its subsidiaries.

Note: The Directors may, however, exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Bye-laws or the Bermuda Act to be exercised or done by the Company in general meeting.

(iii) *Compensation or payments for loss of office*

Payments to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must be approved by the Company in general meeting.

(iv) *Loans and provision of security for loans to Directors*

There are no provisions in the Bye-laws relating to the making of loans to Directors. However, the Bermuda Act contains restrictions on companies making loans or providing security for loans to their directors, the relevant provisions of which are summarised in the paragraph headed “Bermuda company law” in paragraph 3.4 below.

(v) *Financial assistance to purchase shares of the Company*

Neither the Company nor any of its subsidiaries shall directly or indirectly give financial assistance to a person who is acquiring or proposing to acquire shares in the Company for the purpose of that acquisition whether before or at the same time as the acquisition takes place or afterwards, provided that the Bye-laws shall not prohibit transactions permitted under the Bermuda Act.

(vi) *Disclosure of interests in contracts with the Company or any of its subsidiaries*

A Director may hold any other office or place of profit with the Company (except that of auditor of the Company) in conjunction with his office of Director for such period and, subject to the Bermuda Act, upon such terms as the Board may determine, and may be paid such extra remuneration (whether by way of salary, commission, participation in profits or otherwise) in addition to any remuneration provided for by or pursuant to any other Bye-laws. A Director may be or become a director or other officer of, or a member of, any company promoted by the Company or any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration, profits or other benefits received by him as a director, officer or member of, or from his interest in, such other company.

Subject to the Bermuda Act and to the Bye-laws, no Director or proposed or intending Director shall be disqualified by his office from contracting with the Company, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other manner whatsoever, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company or the members for any remuneration, profit or other benefits realised by any such contract or arrangement by reason of such Director holding that office or the fiduciary relationship thereby established. A Director who is in any way, whether directly or indirectly, interested in a transaction or arrangement with the Company shall declare in accordance with the Bermuda Act the nature of his interest at the meeting of the Board at which the question of entering into the transaction is first taken into consideration or if the Director did not at the date of that meeting know his interest existed in the transaction, at the first meeting of the Board after he knows that he is or has become interested.

Save as provided in the Bye-laws, a Director shall not vote in respect of any contract, arrangement, transaction or any other proposal in which he has an interest which (together with any interest of any person connected with him) is a material interest otherwise than by virtue of his interests in shares or debentures or other securities of or otherwise in or through the Company. A Director shall not be counted in the quorum at a meeting in relation to any resolution on which he is prohibited from voting.

A Director shall (in the absence of some other material interest than is indicated below) be entitled to vote (and be counted in the quorum) on any resolution including:

- (aa) the giving of any security or indemnity to him in respect of money lent or obligations incurred by him at the request of or for the benefit of the Company or any of its subsidiaries;
- (bb) the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which he himself has assumed responsibility in whole or in part under a guarantee or indemnity or by the giving of security;
- (cc) any proposal concerning an offer of shares or debentures or other securities of or by the Company or any of its subsidiaries for subscription or purchase in which offer he is or is to be interested as a participant in the underwriting or sub-underwriting thereof;
- (dd) any contract, arrangement, transaction or other proposal concerning any other company in which he is interested, directly or indirectly and whether as an officer or shareholder or otherwise howsoever provided that he is not the holder of or beneficially interested in one per cent or more of any class of the equity share capital of such company (or of a third company through which his interest is derived) or of the voting rights available to members of the relevant company (any such interest being deemed for this purpose to be a material interest in all circumstances);
- (ee) any contract, arrangement, transaction or other proposal concerning the adoption, modification or operation of a superannuation fund or retirement benefits scheme or employees' share scheme under which he may benefit and which either relates to both employees and Directors or has been approved by or is subject to and conditional upon approval by the Board of the Inland Revenue of the United Kingdom for taxation purposes;
- (ff) any contract, arrangement, transaction or proposal concerning the adoption modification or operation of any scheme for enabling employees including full time executive Directors of the Company and/or any subsidiary to acquire shares of the Company or any arrangement for the benefit of employees of the Company or any of its subsidiaries under which the Director benefits in a similar manner to employees and which does not accord to any Director as such any privilege not accorded to the employees to whom the scheme relates; and
- (gg) any arrangement for purchasing or maintaining for any officer or auditor of the Company or any of its subsidiaries insurance against any liability which by virtue of any rule of law would otherwise attach to him in respect of any negligence, breach of duty or breach of trust for which he may be guilty in relation to the Company or any of its subsidiaries of which he is a director, officer or auditor.

The Board may also cause the voting power conferred by the shares in any other company held or owned by the Company or exercisable by them as directors of such other company to be exercised in such manner in all respects as it thinks fit, including the exercise thereof in favour of any resolution appointing the Directors or any of them to be directors or other officers or servants of such other company, or voting or providing for the payment of remuneration to such officers or servants.

(vii) *Remuneration*

Directors are to be paid out of funds of the Company for their services subject to such limit (if any) as the Directors may from time to time determine not exceeding the aggregate annual sum of HK\$5 million as currently prescribed in the Bye-laws (excluding amounts payable under other provisions of the Bye-laws) or such larger amount as the Company by ordinary resolution may determine.

The Directors shall also be entitled to be prepaid or repaid all travelling, hotel and incidental expenses reasonably incurred or expected to be incurred by them in attending any Board meetings, committee meetings or general meetings or separate meetings of any class of shares or of debentures of the Company or otherwise in connection with the discharge of their duties as Directors.

Any Director who, by request, goes or resides abroad for any purpose of the Company or who performs services which in the opinion of the Board go beyond the ordinary duties of a Director may be paid such extra remuneration (whether by way of salary, commission, participation in profits or otherwise) as the Board may determine and such extra remuneration shall be in addition to or in substitution for any ordinary remuneration provided for by or pursuant to any other Bye-law. A Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration (but not by way of a commission on, or percentage of, operating revenue, profits or otherwise unless with the prior approval of the members) and such other benefits (including pension and/or gratuity and/or other benefits on retirement) and allowances as the Board may from time to time determine. Such remuneration may be either in addition to or in lieu of his remuneration as a Director.

The Board may establish or concur or join with other companies (being subsidiary companies of the Company or companies with which it is associated in business) in establishing and making contributions out of the Company's monies to any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or ex-Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and ex-employees of the Company and their dependants or any class or classes of such persons.

The Board may pay, enter into agreements to pay or make grants of revocable or irrevocable, and either subject or not subject to any terms or conditions, pensions or other benefits to employees and ex-employees and their dependants, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or ex-employees or their dependants are or may become entitled under any such scheme or fund as is mentioned in the previous paragraph. Any such pension or benefit may, as the Board considers desirable, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

(viii) *Retirement, appointment and removal*

At each annual general meeting, one third of the Directors for the time being (or if their number is not a multiple of three, then the number nearest to but not greater than one third) will retire from office by rotation. The Directors to retire every year will be those who have been longest in office since their last re-election or appointment but as between persons who became or were last re-elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot.

Note: There are no provisions relating to retirement of Directors upon reaching any age limit.

The Directors shall have the power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy on the Board or, subject to authorisation by the members in general meeting, as an addition to the existing Board but so that the number of Directors so appointed shall not exceed any maximum number determined from time to time by the members in general meeting. Any Director so appointed shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election at the meeting. Neither a Director nor an alternate Director is required to hold any shares in the Company by way of qualification.

A Director may be removed by a special resolution of the Company before the expiration of his period of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) provided that the notice of any such meeting convened for the purpose of removing a Director shall contain a statement of the intention to do so and be served on such Director 14 days before the meeting and, at such meeting, such Director shall be entitled to be heard on the motion for his removal. Unless otherwise determined by the Company in general meeting, the number of Directors shall not be less than two. There is no maximum number of Directors unless otherwise determined from time to time by members of the Company.

The Board may from time to time appoint one or more of its body to be managing director, joint managing director, or deputy managing director or to hold any other employment or executive office with the Company for such period (subject to their continuance as Directors) and upon such terms as the Board may determine and the Board may revoke or terminate any of such appointments (but without prejudice to any claim for damages that such Director may have against the Company or vice versa). The Board may delegate any of its powers, authorities and discretions to committees consisting of such Director or Directors and other persons as the Board thinks fit, and it may from time to time revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed shall, in the exercise of the powers, authorities and discretions so delegated, conform to any regulations that may from time to time be imposed upon it by the Board.

(ix) *Borrowing powers*

The Board may from time to time at its discretion exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and assets (present and future) and uncalled capital of the Company and, subject to the Bermuda Act, to issue debentures, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

Note: These provisions, in common with the Bye-laws in general, can be varied with the sanction of a special resolution of the Company.

(b) *Alterations to constitutional documents*

The Bye-laws may be rescinded, altered or amended by the Directors subject to the confirmation of the Company in general meeting. The Bye-laws state that a special resolution shall be required to alter the provisions of the Memorandum of Association, to confirm any such rescission, alteration or amendment to the Bye-laws or to change the name of the Company.

(c) *Alteration of capital*

The Company may from time to time by ordinary resolution in accordance with the relevant provisions of the Bermuda Act:

- (i) increase its share capital by such sum, to be divided into shares of such amounts as the resolution shall prescribe;
- (ii) consolidate and divide all or any of its share capital into shares of larger amount than its existing shares;
- (iii) divide its share capital into several classes of shares and without prejudice to any special rights previously conferred on the holders of existing shares as the directors may determine;
- (iv) sub-divide its shares or any of them into shares of smaller amount than is fixed by the Memorandum of Association;
- (v) change the currency denomination of its share capital;
- (vi) make provision for the issue and allotment of shares which do not carry any voting rights; and
- (vii) cancel any shares which, at the date of passing of the resolution, have not been taken, or agreed to be taken, by any person, and diminish the amount of its capital by the amount of the shares so cancelled.

The Company may, by ordinary resolution, subject to any confirmation or consent required by law, reduce its issued share capital or, save for the use of share premium as expressly permitted by the Bermuda Act, any share premium account or other undistributable reserve.

(d) *Variation of rights of existing shares or classes of shares*

Subject to the Bermuda Act, all or any of the special rights attached to the shares or any class of shares may (unless otherwise provided for by the terms of issue of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths of the issued shares of that class or with the sanction of a special resolution passed at a separate general



meeting of the holders of the shares of that class. To every such separate general meeting, the provisions of the Bye-laws relating to general meetings will mutatis mutandis apply, but so that the necessary quorum (other than at an adjourned meeting) shall be two persons (or in the case of a member being a corporation, its duly authorised representative) holding or representing by proxy not less than one-third in nominal value of the issued shares of that class and at any adjourned meeting two holders present in person (or in the case of a member being a corporation, its duly authorised representative) or by proxy whatever the number of shares held by them shall be a quorum. Every holder of shares of the class shall be entitled on a poll to one vote for every such share held by him, and any holder of shares of the class present in person or by proxy may demand a poll.

(e) *Special resolution-majority required*

A special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, voting in person or, in the case of such members as are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which not less than 21 clear days' notice, specifying the intention to propose the resolution as a special resolution, has been duly given. Provided that, except in the case of an annual general meeting, if it is so agreed by a majority in number of the members having a right to attend and vote at such meeting, being a majority together holding not less than 95 per cent. in nominal value of the shares giving that right and, in the case of an annual general meeting, if so agreed by all members entitled to attend and vote thereat, a resolution may be proposed and passed as a special resolution at a meeting of which, not less than 21 clear days' notice has been given.

(f) *Voting rights (generally and on a poll) and right to demand a poll*

Subject to any special rights or restrictions as to voting for the time being attached to any shares by or in accordance with the Bye-laws, at any general meeting on a show of hands, every member who is present in person (or being a corporation, is present by its duly authorised representative) or by proxy shall have one vote and on a poll every member present in person or by proxy or, being a corporation, by its duly authorised representative shall have one vote for every fully paid share of which he is the holder but so that no amount paid up or credited as paid up on a share in advance of calls or installments is treated for the foregoing purposes as paid up on the share. On a poll, a member entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided on a show of hands unless (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) a poll is demanded by (i) the chairman of the meeting or (ii) at least three members present in person or, in the case of a member being a corporation, by its duly authorised representative or by proxy for the time being entitled to vote at the meeting or (iii) any member or members present in person or, in the case of a member being a corporation, by its duly authorised representative or by proxy and representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting or (iv) a member or members present in person or, in the case of a member being a corporation, by its duly authorised representative or by proxy and holding shares in the Company conferring a right to vote at the meeting being shares on which an aggregate sum has been paid equal to not less than one-tenth of the total sum paid up on all the shares conferring that right.

(h) *Convening of special general meeting on requisition*

Members holding at the date of deposit of the requisition no less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company have the right, by written requisition to the Board or the secretary of the Company, to require a special general meeting to be called by the Board for the transaction of any business specified in such requisition and such a meeting must be held within two months after the deposit of such requisition. If the Board does not within twenty-one days from the date of the deposit of the requisition proceed to convene such a meeting, the requisitionists themselves may convene a meeting but any meeting so convened cannot be held after the expiration of three months from the said date.

(i) *Corporate representatives*

Any corporation which is a member may by resolution of its directors or other governing body authorise such person as it thinks fit to act as its representative at any general meeting of the Company. The person so authorised is entitled to exercise the same powers on behalf of such corporation as the corporation could exercise if it were an individual member and such corporation shall for the purposes of the Bye-laws be deemed to be present in person at any such meeting if a person so authorised is present thereat.

(j) *Requirements for annual general meetings*

An annual general meeting of the Company must be held in each year other than the year in which its statutory meeting is convened at such time (within a period of not more than 15 months after the holding of the last preceding annual general meeting unless a longer period would not infringe the AIM Rules) at such place as may be determined by the Board.

(k) *Accounts and audit*

The Board shall cause true accounts to be kept of the sums of money received and expended by the Company, and the matters in respect of which such receipt and expenditure take place, and of the property, assets, credits and liabilities of the Company and of all other matters required by the provisions of the Bermuda Act or necessary to give a true and fair view of the Company's affairs and to explain its transactions.

The accounting records shall be kept at the registered office of the Company or, subject to the Bermuda Act, at such other place or places as the Board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right of inspecting any accounting record or book or document of the Company except as conferred by law or authorised by the Board or the Company in general meeting.

Subject to the Bermuda Act, a printed copy of the Directors' report, accompanied by the balance sheet and profit and loss account, including every document required by law to be annexed thereto, made up to the end of the applicable financial year and containing a summary of the assets and liabilities of the Company under convenient heads and a statement of income and expenditure, together with a copy of the auditors' report, shall be sent to each person entitled thereto at least 21 days before the date of the general meeting and at the same time as the notice of annual general meeting and laid before the Company in general meeting in accordance with the requirements of the Bermuda Act provided that this provision shall not require a copy of those documents to be sent to any person whose address the Company is not aware of or to more than one of the joint holders of any shares or debentures; however, to the extent permitted by and subject to compliance with all applicable laws, including the AIM Rules, the Company may send to such persons summarised financial statements derived from the Company's annual accounts and the Directors' report instead provided that any such person may by notice in writing served on the Company, demand that the Company sends to him, in addition to the summarised financial statements, a complete printed copy of the Company's annual financial statement and the Directors' report thereon.

Subject to the Bermuda Act, at the annual general meeting or at a subsequent special general meeting in each year, the members shall appoint an auditor to audit the accounts of the Company and such auditor shall hold office until the members appoint another auditor. Such auditor may be a member but no Director or officer or employee of the Company shall, during his continuance in office, be eligible to act as an auditor of the Company. The remuneration of the auditor shall be fixed by the Company in general meeting or in such manner as the members may determine.

The financial statements of the Company shall be audited by the auditor in accordance with generally accepted auditing standards. The auditor shall make a written report thereon in accordance with generally accepted auditing standards and the report of the auditor shall be submitted to the members in general meeting. The generally accepted auditing standards referred to herein may be those of a country or jurisdiction other than Bermuda. If the auditing standards of a country or jurisdiction other than Bermuda are used, the financial statements and the report of the auditor should disclose this fact and name such country and jurisdiction.

(i) *Notices of meetings and business to be conducted thereat*

An annual general meeting and any special general meeting at which it is proposed to pass a special resolution shall (save as set out in sub-paragraph (e) above) be called by at least 21 clear days' notice in writing, and any other special general meeting shall be called by at least 14 clear days' notice (in each case exclusive of the day on which the notice is given or deemed to be given and of the day for which it is given or on which it is to take effect). The notice must specify the time and place of the meeting and, in the case of special business, the general nature of that business. The notice convening an annual general meeting shall specify the meeting as such.

(l) *Transfer of shares*

All transfers of shares may be effected by an instrument of transfer in the usual or common form or in a form prescribed by the London Stock Exchange or in such other form as the Board may approve. The instrument of transfer (which need not be under seal) must be executed by or on behalf of the transferor and the transferee provided that the Board may dispense with the execution of the instrument of transfer by the transferee in any case in which it thinks fit, in its discretion, to do so and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members in respect thereof. The Board may also resolve either generally or in any particular case, upon request by either the transferor or the transferee, to accept mechanically executed transfers.

The Board in so far as permitted by any applicable law may, in its absolute discretion, at any time and from time to time transfer any share upon the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

Unless the Board otherwise agrees, no shares on the principal register shall be transferred to any branch register nor may shares on any branch register be transferred to the principal register or any other branch register. All transfers and other documents of title shall be lodged for registration and registered, in the case of shares on a branch register, at the relevant registration office and, in the case of shares on the principal register, at the registered office in Bermuda or such other place in Bermuda at which the principal register is kept in accordance with the Bermuda Act.

The Board may, in its absolute discretion, and without assigning any reason, refuse to register a transfer of any share (not being a fully paid up share) to a person of whom it does not approve or any share issued under any share incentive scheme for employees upon which a restriction on transfer imposed thereby still subsists (provided that the refusal does not prevent dealings in shares of that class in the Company taking place on an open and proper basis), and it may also refuse to register any transfer of any share to more than four joint holders or any transfer of any share (not being a fully paid up share) on which the Company has a lien.

The Board may decline to recognise any instrument of transfer unless a fee of such maximum sum as prescribed in the AIM Rules to be payable or such lesser sum as the Directors may from time to time require is paid to the Company in respect thereof, the instrument of transfer, if applicable, is properly stamped, is in respect of only one class of share and is lodged at the relevant registration office or registered office or such other place at which the principal register is kept accompanied by the relevant share certificate(s) and such other evidence as the Board may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The Board may, subject to applicable laws and if permitted by the Bermuda Act, permit shares of any class held in uncertificated form to be transferred without an instrument of transfer by means of a relevant system, including CREST.

The registration of transfers of shares may be suspended at such times and for such periods as the Board may determine and either generally or in respect of any class of shares provided that the register of members shall not be closed for more than 30 days in any year.

(m) *Power for the Company to purchase its own shares*

The Bye-laws supplement the Company's Memorandum of Association (which gives the Company the power to purchase its own shares) by providing that, subject to authorisation by members at a general meeting by way of a special resolution, the power is exercisable by the Board upon such terms and conditions as it thinks fit provided that the aggregate nominal value of the shares of the Company that may be purchased must not exceed the amount determined by the members.

(n) *Power for any subsidiary of the Company to own shares in the Company*

There are no provisions in the Bye-laws relating to ownership of shares in the Company by a subsidiary.

(o) *Dividends and other methods of distribution*

Subject to the Bermuda Act, the Board may declare dividends in any currency to be paid to the members. The Board may also make a distribution to its members out of contributed surplus (as ascertained in accordance with the Bermuda Act). No dividend shall be paid or distribution made out of contributed surplus if to do so would render the Company unable to pay its liabilities as they become due or the realisable value of its assets would thereby become less than the aggregate of its liabilities and its issued share capital and share premium account.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide, (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect whereof the dividend is paid but no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share and (ii) all dividends shall be apportioned and paid pro rata according to the amount paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. The Directors may deduct from any dividend or other monies payable to a member by the Company on or in respect of any shares all sums of money (if any) presently payable by him to the Company on account of calls or otherwise.

Whenever the Board has resolved that a dividend be paid or declared on the share capital of the Company, the Board may further resolve either (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the shareholders entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment, or (b) that shareholders entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the Board may think fit. The Company may also upon the recommendation of the Board by an ordinary resolution resolve in respect of any one particular dividend of the Company that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to shareholders to elect to receive such dividend in cash in lieu of such allotment.

Whenever the Board has resolved that a dividend be paid or declared, the Board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

All dividends or bonuses unclaimed for one year after having been declared may be invested or otherwise made use of by the Board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends or bonuses unclaimed for six years after having been declared may be forfeited by the Board and shall revert to the Company.

(p) *Proxies*

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company. In addition, a proxy or proxies representing either a member who is an individual or a member which is a corporation shall be entitled to exercise the same powers on behalf of the member which he or they represent as such member could exercise.

(q) *Call on shares and forfeiture of shares*

Subject to the Bye-laws and to the terms of allotment, the Board may from time to time make such calls upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium). A call may be made

payable either in one lump sum or by installments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding 20 per cent. per annum as the Board may agree to accept from the day appointed for the payment thereof to the time of actual payment, but the Board may waive payment of such interest wholly or in part. The Board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the monies uncalled and unpaid or installments payable upon any shares held by him, and upon all or any of the monies so advanced the Company may pay interest at such rate (if any) as the Board may decide.

If a member fails to pay any call on the day appointed for payment thereof, the Board may serve not less than 14 clear days' notice on him requiring payment of so much of the call as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment and stating that, in the event of non-payment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the Board to that effect.

Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, notwithstanding, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the shares, together with (if the Board shall in its discretion so require) interest thereon from the date of forfeiture until the date of actual payment at such rate not exceeding 20 per cent. per annum as the Board determines.

(r) *Inspection of register of members*

The register and branch register of members shall be open to inspection on every business day, subject to such reasonable restrictions as the Board may impose, so that not less than two hours in each business day be allowed for inspection, unless the register is closed in accordance with the Bermuda Act.

(s) *Quorum for meetings and separate class meetings*

For all purposes the quorum for a general meeting shall be two members present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

(t) *Rights of the minorities in relation to fraud or oppression*

There are no provisions in the Bye-laws relating to rights of minority shareholders in relation to fraud or oppression. However, certain remedies are available to shareholders of the Company under Bermuda law, as summarised in paragraph 3.4(f) below.

(u) *Procedures on liquidation*

A resolution that the Company be wound up by the court or be wound up voluntarily shall be an ordinary resolution.

If the Company shall be wound up (whether the liquidation is voluntary or by the court) the liquidator may, with the authority of an ordinary resolution and any other sanction required by the Bermuda Act, divide among the members in specie or kind the whole or any part of the assets of the Company whether the assets shall consist of property of one kind or shall consist of properties of different kinds and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members. The liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like authority, shall think fit, but so that no contributory shall be compelled to accept any shares or other property in respect of which there is a liability.

(v) *Untraceable members*

The Company may sell any of the shares of a member who is untraceable if (i) all cheques or warrants (being not less than three in total number) for any sum payable in cash to the holder of such shares have remained uncashed for a period of 12 years; (ii) upon the expiry of the 12 year period, the Company has not during that time received any indication of the existence of the member; and (iii) the Company has caused an advertisement to be published in newspapers giving notice of its intention to sell such shares and a period of three months has elapsed since such advertisement and the London Stock Exchange has been notified of such intention. The net proceeds of any such sale shall belong to the Company and upon receipt by the Company of such amount, it shall become indebted to the former member of the Company for such amount.

(w) *Failure to disclose interests in shares*

If any member, or any other person with an interest in a member's shares, has been duly served with a notice in the form referred to in section 212 of the Companies Act 1985 of the United Kingdom and is in default for the prescribed period referred to in the Bye-laws in supplying the Company with the information required, then, unless the Directors determine otherwise, that member will not, for so long as the default continues, be entitled to attend or vote, either personally or by proxy, at a general meeting of members or to exercise any other right conferred on members in relation to members' meetings in respect of the shares to which the default relates (the "Default Shares").

Where the Default Shares represent at least 0.25 per cent. of the share capital of the Company, the Board may direct that (1) any dividend or other money that otherwise would be payable in respect of the Default Shares will be retained by the Company, without any liability to pay interest when such money is finally paid to the member; and (2) no transfer of any of the Default Shares held by the member will be registered unless the member is not himself in default in supplying the information required and the transfer is only part of the member's holding and the member proves to the satisfaction of the Board that no person in default as regard supplying such information is interested in any shares the subject of the transfer.

(x) *Share control limits*

Except in certain situations as prescribed in the Bye-laws, a person may not (1) whether by himself, or with persons determined by the Board to be acting in concert with him ("associated persons"), acquire shares which, taken together with shares held or acquired by such associated persons, carry thirty per cent or more of the voting rights attributable to ordinary shares of the Company; or (2) whilst he, together with associated persons, holds not less than thirty but not more than fifty per cent of the voting rights attributable to Ordinary Shares of the Company, acquire, whether by himself or with associated persons, additional shares which, taken together with shares held by associated persons, increases his voting rights attributable to ordinary shares of the Company.

The Board has full authority to determine the application of the Bye-laws relating to share control limits and may take such action as it thinks fit to enforce the Bye-laws relating to share control limits.

There are no mandatory takeover bids under the Bye-laws or Bermuda law but the "squeeze out" of minority shareholders may be effected pursuant to schemes of arrangement, general offers, amalgamations and in situations where a member or a group of members together hold 95 per cent. of the issued shares of the Company.

Note: It is currently understood that the City Code on Takeovers and Mergers (the "Takeover Code") will not apply to the Company and therefore, a takeover of the Company will be unregulated by the UK takeover authorities. The Bye-laws contain certain takeover protections, as described above although these will not provide the full protections afforded by the Takeover Code.

### 3.3 *Variation of Memorandum of Association and Bye-laws*

The Memorandum of Association may be altered by the Company in general meeting. The Bye-laws may be amended by the Directors subject to the confirmation of the Company in general meeting. The Bye-laws state that a special resolution shall be required to alter the provisions of the

Memorandum of Association or to confirm any amendment to the Bye-laws or to change the name of the Company. For these purposes, a resolution is a special resolution if it has been passed by a majority of not less than three-fourths of the votes cast by such members of the Company as, being entitled to do so, vote in person or, in the case of such members as are corporations, by their respective duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which not less than 21 clear days' notice specifying the intention to propose the resolution as a special resolution has been duly given. Except in the case of an annual general meeting, the requirement of 21 clear days' notice may be waived by a majority in number of the members having the right to attend and vote at the relevant meeting, being a majority together holding not less than 95 per cent. in nominal value of the shares giving that right.

#### 3.4 *Bermuda company law*

The Company is incorporated in Bermuda and, therefore, operates subject to Bermuda law. The Company complies with the applicable Bermuda corporate governance regime. Set out below is a summary of certain provisions of Bermuda company law, although this does not purport to contain all applicable qualifications and exceptions nor to be a complete review of all matters of Bermuda company law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar:

##### (a) *Share capital*

The Bermuda Act provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount or value of the premiums on those shares shall be transferred to an account, to be called the "share premium account", to which the provisions of the Bermuda Act relating to a reduction of share capital of a company shall apply as if the share premium account were paid up share capital of that company except that the share premium account may be applied by the company:

- (i) in paying up unissued shares of the company to be issued to members of the company as fully paid bonus shares;
- (ii) in writing off:
  - (aa) the preliminary expenses of the company; or
  - (bb) the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company; or
- (iii) in providing for the premiums payable on redemption of any shares or of any debentures of the company.

In the case of an exchange of shares the excess value of the shares acquired over the nominal value of the shares being issued may be credited to a contributed surplus account of the issuing company.

The Bermuda Act permits a company to issue preference shares and subject to the conditions stipulated therein to convert those preference shares into redeemable preference shares.

The Bermuda Act includes certain protections for holders of special classes of shares, requiring their consent to be obtained before their rights may be varied. Where provision is made by the memorandum of association or bye-laws for authorising the variation of rights attached to any class of shares in the company, the consent of the specified proportions of the holders of the issued shares of that class or the sanction of a resolution passed at a separate meeting of the holders of those shares is required, and where no provision for varying such rights is made in the memorandum of association or bye-laws and nothing therein precludes a variation of such rights, the written consent of the holders of three-fourths of the issued shares of that class or the sanction of a resolution passed as aforesaid is required.

##### (b) *Meeting of shareholders*

A meeting of members of a company shall be convened at least once in every calendar year: this meeting shall be referred to as the annual general meeting. The directors may, whenever they think fit, convene a general meeting; all meetings other than annual general meetings shall be called special general meetings.

The directors of a company, notwithstanding anything in its bye-laws shall, on the requisition of members holding at the date of the deposit of the requisition not less than 10 per cent. of the paid-up capital as at the date of the deposit carries the right of voting at general meetings, or in the case of a company not having a share capital, members of the company representing not less than one-tenth of the total voting rights of all the members having at the date a right to vote at general meetings forthwith proceed duly to convene a special general meeting of the company. If the directors do not within 21 days after the date of the deposit of the requisition proceed to convene the special general meeting, the requisitionists (or any of them representing more than 50 per cent. of the total voting rights of all of them) may themselves convene a meeting, but any meeting so convened shall not be held after the expiration of three months from that date.

A member which is a corporation may authorise such person or, to the extent expressly permitted by the bye-laws, such persons as it thinks fit to act as its representative at any meeting of the company or of any class of members. Each representatives so authorised is entitled to exercise the same powers on behalf of the corporation or its nominee could exercise as if it were an individual member, and in addition, the right to vote individually on a show of hands.

(c) *Financial assistance to purchase shares of a company or its holding company*

A company is prohibited from providing financial assistance for the purpose of an acquisition of its own or its holding company's shares unless there are reasonable grounds for believing that the company is, and would after the giving of such financial assistance be, able to pay its liabilities as they become due. In certain circumstances, the prohibition from giving financial assistance may be excluded such as where the assistance is only an incidental part of a larger purpose or the assistance is of an insignificant amount such as the payment of minor costs. In addition, the Bermuda Act expressly permits the grant of financial assistance where (i) the financial assistance does not reduce the company's net assets or, to the extent the net assets are reduced, such financial assistance is provided for out of funds of the company which would otherwise be available for dividend or distribution; (ii) an affidavit of solvency is sworn by the directors of the company; and (iii) the financial assistance is approved by resolution of shareholders of the company.

(d) *Purchase of shares and warrants by a company and its subsidiaries*

A company may, if authorised by its memorandum of association or bye-laws, purchase its own shares. Such purchases may only be effected out of the capital paid up on the purchased shares or out of the funds of the company otherwise available for dividend or distribution or out of the proceeds of a fresh issue of shares made for the purpose. Any premium payable on a purchase over the par value of the shares to be purchased must be provided for out of funds of the company otherwise available for dividend or distribution or out of the company's share premium account. Any amount due to a shareholder on a purchase by a company of its own shares may (i) be paid in cash; (ii) be satisfied by the transfer of any part of the undertaking or property of the company having the same value; or (iii) be satisfied partly under (i) and partly under (ii). Any purchase by a company of its own shares may be authorised by its Board of directors or otherwise by or in accordance with the provisions of its bye-laws. Such purchase may not be made if, on the date on which the purchase is to be effected, there are reasonable grounds for believing that the company is, or after the purchase would be, unable to pay its liabilities as they become due. The shares so purchased will be treated as cancelled and the company's issued but not its authorised, capital will be diminished accordingly.

A company is not prohibited from purchasing and may purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. There is no requirement under Bermuda law that a company's memorandum of association or its bye-laws contain a specific provision enabling such purchases and the directors of a company may rely upon the general power contained in its memorandum of association to buy and sell and deal in personal property of all kinds.

Under Bermuda law, a subsidiary may hold shares in its holding company and in certain circumstances, may acquire such shares. The holding company is, however, prohibited from giving financial assistance for the purpose of the acquisition, subject to certain circumstances provided by the Bermuda Act. A company, whether a subsidiary or a holding company, may only purchase its own shares for cancellation if it is authorised to do so in its memorandum of association or bye-laws pursuant to section 42A of the Bermuda Act.



(e) *Dividends and distributions*

A company may not declare or pay a dividend, or make a distribution out of contributed surplus, if there are reasonable grounds for believing that (i) the company is, or would after the payment be, unable to pay its liabilities as they become due; or (ii) the realisable value of the company's assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts. Contributed surplus is defined for purposes of section 54 of the Bermuda Act to include the proceeds arising from donated shares, credits resulting from the redemption or conversion of shares at less than the amount set up as nominal capital and donations of cash and other assets to the company.

(f) *Protection of minorities*

Class actions and derivative actions are generally not available to shareholders under the laws of Bermuda. The Bermuda courts, however, would ordinarily be expected to permit a shareholder to commence an action in the name of a company to remedy a wrong done to the company where the act complained of is alleged to be beyond the corporate power of the company or is illegal or would result in the violation of the company's memorandum of association and bye-laws. Furthermore, consideration would be given by the court to acts that are alleged to constitute a fraud against the minority shareholders or, for instance, where an act requires the approval of a greater percentage of the company's shareholders than actually approved it.

Any member of a company who complains that the affairs of the company are being conducted or have been conducted in a manner oppressive or prejudicial to the interests of some part of the members, including himself, may petition the court which may, if it is of the opinion that to wind up the company would unfairly prejudice that part of the members but that otherwise the facts would justify the making of a winding up order on just and equitable grounds, make such order as it thinks fit, whether for regulating the conduct of the company's affairs in future or for the purchase of shares of any members of the company by other members of the company or by the company itself and in the case of a purchase by the company itself, for the reduction accordingly of the company's capital, or otherwise. Bermuda law also provides that the company may be wound up by the Bermuda court, if the court is of the opinion that it is just and equitable to do so. Both these provisions are available to minority shareholders seeking relief from the oppressive conduct of the majority, and the court has wide discretion to make such orders as it thinks fit.

Except as mentioned above, claims against a company by its shareholders must be based on the general laws of contract or tort applicable in Bermuda.

A statutory right of action is conferred on subscribers of shares in a company against persons, including directors and officers, responsible for the issue of a prospectus in respect of damage suffered by reason of an untrue statement therein, but this confers no right of action against the company itself. In addition, such company, as opposed to its shareholders, may take action against its officers including directors, for breach of their statutory and fiduciary duty to act honestly and in good faith with a view to the best interests of the company.

(g) *Management*

The Bermuda Act contains no specific restrictions on the power of directors to dispose of assets of a company, although it specifically requires that every officer of a company, which includes a director, managing director and secretary, in exercising his powers and discharging his duties must do so honestly and in good faith with a view to the best interests of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances. Furthermore, the Bermuda Act requires that every officer should comply with the Bermuda Act, regulations passed pursuant to the Bermuda Act and the bye-laws of the company.

(h) *Accounting and auditing requirements*

The Bermuda Act requires a company to cause proper records of accounts to be kept with respect to (i) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place; (ii) all sales and purchases of goods by the company and (iii) the assets and liabilities of the company.

Furthermore, it requires that a company keeps its records of account at the registered office of the company or at such other place as the directors think fit and that such records shall at all times be open to inspection by the directors or the resident representative of the company. If the records of account are kept at some place outside Bermuda, there shall be kept at the office of the company in Bermuda such records as will enable the directors or the resident representative of the company to ascertain with reasonable accuracy the financial position of the company at the end of each three month period, except that where the company is listed on an appointed stock exchange, there shall be kept such records as will enable the directors or the resident representative of the company to ascertain with reasonable accuracy the financial position of the company at the end of each six month period.

The Bermuda Act requires that the directors of the company must, at least once a year, lay before the company in general meeting financial statements for the relevant accounting period. Further, the company's auditor must audit the financial statements so as to enable him to report to the members. Based on the results of his audit, which must be made in accordance with generally accepted auditing standards, the auditor must then make a report to the members. The generally accepted auditing standards may be those of a country or jurisdiction other than Bermuda or such other generally accepted auditing standards as may be appointed by the Minister of Finance of Bermuda under the Bermuda Act; and where the generally accepted auditing standards used are other than those of Bermuda, the report of the auditor shall identify the generally accepted auditing standards used. All members of the company are entitled to receive a copy of every financial statement prepared in accordance with these requirements, at least five days before the general meeting of the company at which the financial statements are to be tabled. A company the shares of which are listed on an appointed stock exchange may send to its members summarised financial statements instead. The summarised financial statements must be derived from the company's financial statements for the relevant period and contain the information set out in the Bermuda Act. The summarised financial statements sent to the company's members must be accompanied by an auditor's report on the summarised financial statements and a notice stating how a member may notify the company of his election to receive financial statements for the relevant period and/or for subsequent periods.

The summarised financial statements together with the auditor's report thereon and the accompanied notice must be sent to the members of the company not less than 21 days before the general meeting at which the financial statements are laid. Copies of the financial statements must be sent to a member who elects to receive the same within 7 days of receipt by the company of the member's notice of election.

(i) *Auditors*

At each annual general meeting, a company must appoint an auditor to hold office until the close of the next annual general meeting; however, this requirement may be waived if all of the shareholders and all of the directors, either in writing or at the general meeting, agree that there shall be no auditor.

A person, other than an incumbent auditor, shall not be capable of being appointed auditor at an annual general meeting unless notice in writing of an intention to nominate that person to the office of auditor has been given not less than 21 days before the annual general meeting. The company must send a copy of such notice to the incumbent auditor and give notice thereof to the members not less than 7 days before the annual general meeting. An incumbent auditor may, however, by notice in writing to the secretary of the company waive the requirements of the foregoing.

Where an auditor is appointed to replace another auditor, the new auditor must seek from the replaced auditor a written statement as to the circumstances of the latter's replacement. If the replaced auditor does not respond within 15 days, the new auditor may act in any event. An appointment as auditor of a person who has not requested a written statement from the replaced auditor is voidable by a resolution of the shareholders at a general meeting. An auditor who has resigned, been removed or whose term of office has expired or is about to expire, or who has vacated office is entitled to attend the general meeting of the company at which he is to be removed or his successor is to be appointed; to receive all notices of, and other communications relating to, that meeting which a member is entitled to receive; and to be heard at that meeting on any part of the business of the meeting that relates to his duties as auditor or former auditor.

(j) *Exchange control*

An exempted company is usually designated as “non-resident” for Bermuda exchange control purposes by the Bermuda Monetary Authority. Where a company is so designated, it is free to deal in currencies of countries outside the Bermuda exchange control area which are freely convertible into currencies of any other country. The permission of the Bermuda Monetary Authority is required for the issue of shares and warrants by the company and the subsequent transfer of such shares and warrants. In granting such permission, the Bermuda Monetary Authority accepts no responsibility for the financial soundness of any proposals or for the correctness of any statements made or opinions expressed in any document with regard to such issue. Before the company can issue or transfer any further shares and warrants in excess of the amounts already approved, it must obtain the prior consent of the Bermuda Monetary Authority.

Permission of the Bermuda Monetary Authority will normally be granted for the issue and transfer of shares and warrants to and between persons regarded as resident outside Bermuda for exchange control purposes without specific consent for so long as the shares and warrants are listed on an appointed stock exchange (as defined in the Bermuda Act). Issues to and transfers involving persons regarded as “resident” for exchange control purposes in Bermuda will be subject to specific exchange control authorisation.

(k) *Taxation*

Under present Bermuda law, no Bermuda withholding tax on dividends or other distributions, nor any Bermuda tax computed on profits or income or on any capital asset, gain or appreciation will be payable by an exempted company or its operations, nor is there any Bermuda tax in the nature of estate duty or inheritance tax applicable to shares, debentures or other obligations of the company held by non-residents of Bermuda. Furthermore, a company may apply to the Minister of Finance of Bermuda for an assurance, under the Exempted Undertakings Tax Protection Act 1966 of Bermuda, that no such taxes shall be so applicable until 28th March 2016, although this assurance will not prevent the imposition of any Bermuda tax payable in relation to any land in Bermuda leased or let to the company or to persons ordinarily resident in Bermuda.

(l) *Stamp duty*

An exempted company is exempt from all stamp duties except on transactions involving “Bermuda property”. This term relates, essentially, to real and personal property physically situated in Bermuda, including shares in local companies (as opposed to exempted companies). Transfers of shares and warrants in all exempted companies are exempt from Bermuda stamp duty.

(m) *Loans to directors*

Bermuda law prohibits the making of loans by a company to any of its directors or to their families or companies in which they hold more than a 20 per cent. interest, without the consent of any member or members holding in aggregate not less than nine-tenths of the total voting rights of all members having the right to vote at any meeting of the members of the company. These prohibitions do not apply to anything done to provide a director with funds to meet the expenditure incurred or to be incurred by him for the purposes of the company, provided that the company gives its prior approval at a general meeting or, if not, the loan is made on condition that it will be repaid within six months of the next following annual general meeting if the loan is not approved at or before such meeting. If the approval of the company is not given for a loan, the directors who authorised it will be jointly and severally liable for any loss arising therefrom.

(n) *Inspection of corporate records*

Members of the general public have the right to inspect the public documents of a company available at the office of the Registrar of Companies in Bermuda which will include the company’s certificate of incorporation, its memorandum of association (including its objects and powers) and any alteration to the company’s memorandum of association. The members of the company have the additional right to inspect the bye-laws of a company, minutes of general meetings and the company’s audited financial statements, which must be presented to the annual general meeting. Minutes of general meetings of a company are also open for inspection by directors of the company without charge for not less than two hours during business hours each day. The register of members

of a company is open for inspection by members without charge and to members of the general public for a fee. The company is required to maintain its share register in Bermuda but may, subject to the provisions of the Bermuda Act, establish a branch register outside Bermuda. Any branch register of members established by the company is subject to the same rights of inspection as the principal register of members of the company in Bermuda. Any person may require a copy of the register of members or any part thereof which must be provided within fourteen days of a request. Bermuda law does not, however, provide a general right for members to inspect or obtain copies of any other corporate records.

A company is required to maintain a register of directors and officers at its registered office and such register must be made available for inspection for not less than two hours in each day by members of the public without charge. If summarized financial statements are sent by a company to its members pursuant to section 87A of the Bermuda Act, a copy of the summarized financial statements must be made available for inspection by the public at the registered office of the company in Bermuda.

(o) *Winding up*

A company may be wound up by the Bermuda court on application presented by the company itself, its creditors or its contributors. The Bermuda court also has authority to order winding up in a number of specified circumstances including where it is, in the opinion of the Bermuda court, just and equitable that such company be wound up.

A company may be wound up voluntarily when the members so resolve in general meeting, or, in the case of a limited duration company, when the period fixed for the duration of the company by its memorandum expires, or the event occurs on the occurrence of which the memorandum provides that the company is to be dissolved. In the case of a voluntary winding up, such company is obliged to cease to carry on its business from the time of passing the resolution for voluntary winding up or upon the expiry of the period or the occurrence of the event referred to above. Upon the appointment of a liquidator, the responsibility for the company's affairs rests entirely in his hands and no future executive action may be carried out without his approval.

Where, on a voluntary winding up, a majority of directors make a statutory declaration of solvency, the winding up will be a members' voluntary winding up. In any case where such declaration has not been made, the winding up will be a creditors' voluntary winding up.

In the case of a members' voluntary winding up of a company, the company in general meeting must appoint one or more liquidators within the period prescribed by the Bermuda Act for the purpose of winding up the affairs of the company and distributing its assets. If the liquidator at any time forms the opinion that such company will not be able to pay its debts in full, he is obliged to summon a meeting of creditors.

As soon as the affairs of the company are fully wound up, the liquidator must make up an account of the winding up, showing how the winding up has been conducted and the property of the company has been disposed of, and thereupon call a general meeting of the company for the purposes of laying before it the account and giving an explanation thereof. This final general meeting requires at least one month's notice published in an appointed newspaper in Bermuda.

In the case of a creditors' voluntary winding up of a company, the company must call a meeting of creditors of the company to be summoned on the day following the day on which the meeting of the members at which the resolution for winding up is to be proposed is held. Notice of such meeting of creditors must be sent at the same time as notice is sent to members. In addition, such company must cause a notice to appear in an appointed newspaper on at least two occasions.

The creditors and the members at their respective meetings may nominate a person to be liquidator for the purposes of winding up the affairs of the company provided that if the creditors nominate a different person, the person nominated by the creditors shall be the liquidator. The creditors at the creditors' meeting may also appoint a committee of inspection consisting of not more than five persons.

If a creditors' winding up continues for more than one year, the liquidator is required to summon a general meeting of the company and a meeting of the creditors at the end of each year to lay before such meetings an account of his acts and dealings and of the conduct of the winding up during the

preceding year. As soon as the affairs of the company are fully wound up, the liquidator must make an account of the winding up, showing how the winding up has been conducted and the property of the company has been disposed of, and thereupon shall call a general meeting of the company and a meeting of the creditors for the purposes of laying the account before such meetings and giving an explanation thereof.

#### 4. Directors

4.1 The names of all companies and partnerships of which each Director is currently or has been a director or partner at any time in the five years preceding the date of this admission document are set out at paragraph 4.2 below.

4.2 <i>Name and age</i>	<i>Current directorships</i>	<i>Past directorships</i>
Mr Tong Wang Chow (66)	Newasia Global Limited Lucky Team Biotech Development (Hepu) Ltd. Litian Biological Science & Technology Development (Xingfeng) Co., Ltd. Asian Citrus (HK) Company Limited Asian Citrus Management Company Limited Giant Full Limited King Dragon Development Limited Wai Ma Beer (Hong Kong) Limited	Lucky Team Holdings Limited Pan Air & Sea Forwarders (HK) Limited Kingsrich Wharf Limited Wholly Development Limited
Mr Tong Hung Wai, Tommy (36)	Newasia Global Limited Lucky Team Biotech Development (Hepu) Ltd. Litian Biological Science & Technology Development (Xingfeng) Co., Ltd.	Asia Link International (HK) Limited
Mr Cheung Wai Sun (46)	Xin Xiu International Trading Company ( <i>Note: direct translation from Chinese</i> )	–
Mr Pang Yi (36)	–	–
Mr Ip Chi Ming (44)	Chaoda Modern Agriculture (Holdings) Limited Young West Investment Limited ENG Express Electronic Limited Wellmake West Investments Limited Supreme Bonus Limited Wanson (Asia) Limited Profit Tech Limited	–
Mr Ma Chiu Cheung, Andrew (63)	Tanrich Financial Holdings Limited The People's Insurance Company of China (Hong Kong) Limited China Resources People's Telephone Company Limited Asia Financial Holdings Limited Peaktop International Holdings Limited	Andrew Ma & Company Magician Industries (Holdings) Limited

<i>Name and age</i>	<i>Current directorships</i>	<i>Past directorships</i>
Mr Ma Chiu Cheung, Andrew (63) ( <i>cont</i> )	Andrew Ma DFK (CPA) Limited Mayee Management Limited Ping Chung Hing Trading Limited Asia Insurance Company Limited Asia Commercial Bank Limited	
Dr Hon Lui Ming Wah JP (67)	Keystone Electronics Company Limited S.A.S. Dragon Holding Limited Gold Peak Industries (Holdings) Limited A V Concept Holdings Limited Glory Mark Hi-Tech (Holdings) Limited L. K. Technology Holdings Limited	Fujikon Industrial Holdings Limited WKP Technologies Limited WKP Investment Limited
Mr Yang Zhen Han (73)	Proactive Technology Holdings Limited Yang & Tan Consultants Company Wahlin Limited Yang & Tan Company Limited Yang & Tan (Shanghai) Company Limited Yang & Tan Company (U.S.) Limited Yang & Associates Limited Guobao Holdings Limited	N M Rothschild & Sons (Hong Kong) Limited Shanghai Chlor Alkali Chemical Company Limited Shanghai Diesel Engine Company Limited
Mr Nicholas Smith (53)	4C Associates Limited	Robert Fleming International Limited Sonetica Limited

4.3 Except as noted at paragraph 4.2 above, as at the date of this admission document, none of the Directors named in this admission document:

- (a) is currently a director of a company or a partner in a partnership or has been a director of a company or a partner in a partnership within the five years immediately preceding the date of this admission document;
- (b) has any unspent convictions for any indictable offences or has been declared bankrupt or has made any voluntary arrangement with his creditors;
- (c) has been a director of a company at the time of or within the twelve months preceding any receivership, compulsory liquidation, creditors' voluntary liquidation, administration or voluntary arrangement of that company or any composition or arrangement with its creditors generally or any class of its creditors;
- (d) has been a partner in a partnership at the time of or within the twelve months preceding any compulsory liquidation, administration or voluntary arrangement of that partnership;
- (e) has had any asset which has been subject to a receivership or has been a partner in a partnership at the time of or within the twelve months preceding an asset of the partnership being subject to a receivership; or
- (f) has been publicly criticised by any statutory or regulatory authority (including any recognised professional body) or has been disqualified by a Court from acting as a director of, or in the management or conduct of the affairs of, any company.

- 4.4 The date on which each Director was appointed and, if applicable, the date of expiration of each of the Director's current term of office is listed below:

<i>Director</i>	<i>Date of Appointment</i>	<i>Expiration of Term</i>
Mr Tong Wang Chow	18 November 2003	1 July 2008
Mr Tong Hung Wai, Tommy	18 November 2003	1 July 2008
Mr Cheung Wai Sun	18 November 2003	1 July 2008
Mr Pang Yi	16 June 2005	1 July 2008
Mr Ip Chi Ming	18 November 2003	18 November 2006
Mr Ma Chiu Chung, Andrew	7 August 2004	7 August 2007
Dr Hon Lui Ming Wah JP	2 June 2004	2 June 2007
Mr Yang Zhen Han	2 June 2004	2 June 2007
Mr Nicholas Smith	1 July 2005	1 July 2008

- 4.5 Save as disclosed above and at paragraph 5 headed "Interests of Directors and other major Shareholders" the Company and the Directors are not aware of any person who, as at the date of this admission document, directly or indirectly, jointly or severally, will exercise or could exercise control over the Company or will be interested directly or indirectly in 3 per cent. or more of the issued share capital of the Company. The Company's major shareholders do not have different voting rights to other holders of the Company's Ordinary Shares.
- 4.6 No loans or guarantees granted or provided by the Company to or for the benefit of any Directors are outstanding.
- 4.7 Save as disclosed in this admission document, no Director is or has been interested in any transaction which is or was unusual in its nature or conditions or significant to the business of the Company and which was effected by the Company and remains in any respect outstanding or unperformed.

## 5. Interests of Directors and other major Shareholders

- 5.1 At the date of this admission document, approximately 50 per cent. of the issued Ordinary Shares of the Company is held by Market Ahead. The beneficial interests of the Directors and of persons connected to them in the share capital of Market Ahead, at the date of this admission document, are set out below:

<i>Name</i>	<i>Number of shares</i>	<i>Percentage of issued shares</i>
Tong Wang Chow <sup>1</sup>	38,000	76
Tong Hung Wai, Tommy <sup>2</sup>	3,000	6
Tong Lee Fung Kiu <sup>3</sup>	3,000	6
Tong Mei Lin <sup>4</sup>	3,000	6
Lee Kung Chung <sup>5</sup>	3,000	6

Notes:

- 1 Mr Tong Wang Chow is the Chairman and an executive Director
- 2 Mr Tong Hung Wai, Tommy is an executive Director and the son of Mr Tong Wang Chow
- 3 Mrs Tong Lee Fung Kiu is a non-executive Director and the spouse of Mr Tong Wang Chow
- 4 Miss Tong Mei Lin is the daughter of Mr Tong Wang Chow
- 5 Mr Lee Kun Chung is the brother-in-law of Mr Tong Wang Chow

No Director or member of the Director's family has a related financial product referenced to the Company's Ordinary Shares.

5.2 In addition to the shareholdings detailed at paragraph 5.1 above, the following entities have direct or indirect shareholdings in the Company, as at the date of this admission document.

<i>Name</i>	<i>Capacity</i>	<i>Number and class of shares</i>	<i>% share holding</i>
Huge Market	Beneficial owner <sup>1</sup>	24,500,000 Ordinary Shares	47.60
Chaoda	Interest of a controlled corporation <sup>1</sup>	24,500,000 Ordinary Shares	47.60
Kailey Investment Limited	Interest of a controlled corporation <sup>1&amp;2</sup>	24,500,000 Ordinary Shares	47.60
Mr Kwok Ho	Interest of a controlled corporation <sup>1,2&amp;3</sup>	24,500,000 Ordinary Shares	47.60
Metage Funds Limited	Beneficial owner	1,011,522 Ordinary Shares	1.97
Metage Special Emerging Markets Fund Limited	Beneficial owner	459,783 Ordinary Shares	0.89

1 The Ordinary Shares are held by Huge Market, a company incorporated in the BVI and the entire issued share capital of which is held by Chaoda.

2 Chaoda, a company incorporated in the Cayman Islands, the shares of which are listed on the main board of the Stock Exchange of Hong Kong Limited and are beneficially owned by Kailey Investment Limited, by Value Partners Limited and the public.

3 Kailey Investment Limited, a company incorporated in the BVI and is beneficially owned by Mr Kwok Ho.

Upon Admission, the following Director and substantial shareholders will have the following shareholdings in the Company:

<i>Name</i>	<i>Number and class of shares</i>	<i>% share holding</i>
Market Ahead	25,500,000 Ordinary Shares	41.96
Huge Market	24,500,000 Ordinary Shares	40.31
Henderson Global Investors	2,600,000 Ordinary Shares	4.28
Kingston Corporate Finance Limited	1,980,000 Ordinary Shares	3.26
Mr. Nicholas Smith	25,000 Ordinary Shares	0.04

No Director or member of the Director's family has, or will have, following Admission, a related financial product referenced to the Company's Ordinary Shares.

5.3 The following Directors hold options over shares in the Company, as of the date of Admission.

<i>Name</i>	<i>Number of options</i>
Mr Pang Yi	150,000 Ordinary Shares

Mr Pang Yi's options are exercisable at the Placing Price and will vest over 10 years (at a rate of 10 per cent. per year).

#### 5.4 *Relationship with Huge Market and Chaoda*

Upon completion of the Placing, Huge Market will be interested in an aggregate of approximately 38 per cent. of the issued share capital of the Company. The entire issued share capital of Huge Market is held by Chaoda. The Chaoda Group is a group of companies principally engaged in the agricultural produce and live stock businesses. The Group and the Chaoda Group have distinct businesses and they each have their own management team, administrative and sales support, plantation bases and facilities, operations, research and development teams and customers. The Chaoda Group has in the past produced Winter Oranges at its research and development centre at Beifeng Guo Yuan located in the Fujian province, PRC. However, the Directors have confirmed that, as far as they are aware, the Chaoda Group has never sold or otherwise distributed its oranges produced for its research and development purpose directly or indirectly to the general public.



In entering into the Relationship Agreement, further details of which are set out in paragraph 9 below, the Chaoda Group has agreed to cease all its research and development activities in PRC immediately following Admission in order to avoid any potential competition with the Group.

#### 5.5 *Control and Change of Control*

Upon completion of the Placing, Market Ahead and Huge Market will be interested in an aggregate of approximately 77 per cent. of the issued share capital of the Company (taking no account of the options that may be granted under the Share Option Plan). Mr Tong Wang Chow and Mr Tong Hung Wai, Tommy, who own in aggregate 82 per cent. of the issued share capital of Market Ahead, have been appointed as executive Directors of the Company. They will, therefore, be able to exercise significant influence over certain matters requiring shareholder approval, including the election of Directors and the approval of significant corporate transactions and any other transactions requiring a majority vote.

As set out above, the Chaoda Group has agreed to cease all its research and development activities in PRC and to not produce any oranges, whether for sale or as part of their research programme, immediately following Admission. In addition, the Company has entered into the Relationship Agreement as set out in paragraph 9 below. There are no arrangements known to the Company, the operation of which may at a subsequent date result in a change of control of the Company.

### 6. Directors' service arrangements

The following Executive Directors entered into service agreements with the Company on 1 July 2005, which are conditional upon Admission occurring before 10 August 2005, details of which are set out below.

<i>Director</i>	<i>Title</i>	<i>Date of Service Agreement</i>	<i>Remuneration per annum</i>
Mr Tong Wang Chow	Chairman and Chief Executive Officer	1 July 2005	HK\$1,300,000
Mr Tong Hung Wai, Tommy	Executive Director	1 July 2005	HK\$780,000
Mr Cheung Wai Sun	Executive Director	1 July 2005	HK\$650,000
Mr Pang Yi	Executive Director	1 July 2005	HK\$650,000

- 6.1 The Company has entered into a service agreement with Mr Tong Wang Chow which will become effective upon Admission. The contract provides for Mr Tong to act as the Executive Chairman and Chief Executive Officer of the Company at a salary of HK\$1,300,000 per annum. The contract has no fixed term and is terminable by 12 months' notice in writing by the Company and by 3 months' notice in writing by Mr Tong. Under the contract, Mr Tong is entitled to 21 paid working days holiday each year, medical insurance and life assurance (covering accidental death). He is subject to a non-compete covenant for a period of 12 months following termination of his employment and non-solicitation of customers and key employee covenants for a period of 12 months following termination of his employment and he is also subject to a confidentiality undertaking during that time.
- 6.2 The Company has entered into a service agreement with Mr Tong Hung Wai, Tommy on terms (not including remuneration) identical to those of Mr Tong Wang Chow set out in paragraph 6.1 above save that Mr Tong Hung Wai, Tommy will be appointed as an Executive Director of the Company with effect from Admission.
- 6.3 The Company has entered into a service agreement with Mr Cheung Wai Sun on terms (not including remuneration) identical to those of Mr Tong Wang Chow set out in paragraph 6.1 above save that Mr Cheung Wai Sun will be appointed as an Executive Director of the Company with effect from Admission.
- 6.4 The Company has entered into a service agreement with Mr Pang Yi on terms (not including remuneration) identical to those of Mr Tong Wang Chow set out in paragraph 6.1 above save that Mr Pang Yi will be appointed as an Executive Director of the Company with effect from Admission.

The following Non-Executive Directors have entered into letters of appointment in connection with services to be provided to the Company with effect from Admission:

<i>Non-Executive Director</i>	<i>Date of Appointment Letter</i>	<i>Initial term (years)</i>	<i>Fee per annum</i>
Mr Ip Chi Ming	1 July 2005	3	HK\$600,000
Mr Ma Chiu Cheung, Andrew (Independent)	1 July 2005	3	£31,000
Dr Hon Lui Ming Wah, JP (Independent)	1 July 2005	3	HK\$240,000
Mr Yang Zhen Han (Independent)	1 July 2005	3	HK\$240,000
Mr Nicholas Smith (Independent)	1 July 2005	3	£31,000

- 6.5 Mr Ip Chi Ming is engaged by the Company as a Non-Executive Director and with effect from Admission he will be so engaged on the terms of a letter of appointment dated 1 July 2005 for an initial term of 3 years, terminable on one month's written notice from either party. Mr Ip will receive a fee of HK\$600,000 per annum, which is payable in monthly instalments. Mr Ip's letter of appointment includes restrictions in respect of conflicts of interest and confidential information.
- 6.6 Mr Ma Chiu Cheung, Andrew is engaged by the Company as a Non-Executive Director and, with effect from Admission, he will be so engaged on terms (other than as to fees and expenses) identical to those of Mr Ip Chi Ming set out in paragraph 6.5.
- 6.7 Dr Hon Lui Ming Wah is engaged by the Company as a Non-Executive Director and, with effect from Admission, he will be so engaged on terms (other than as to fees) identical to those of Mr Ip Chi Ming set out in paragraph 6.5.
- 6.8 Mr Yang Zhen Han is engaged by the Company as a Non-Executive Director and, with effect from Admission, he will be so engaged on terms (other than as to fees) identical to those of Mr Ip Chi Ming set out in paragraph 6.5.
- 6.9 Mr Nicholas Smith is engaged by the Company as a Non-Executive Director and, with effect from Admission on terms (other than as to fees and expenses) identical to those of Mr Ip Chi Ming set out in paragraph 6.5.
- 6.10 The aggregate of the remuneration paid and benefits in kind granted to the Directors of the Company in respect of the year ended 30 June 2004 was RMB48,000.
- 6.11 It is estimated that the aggregate remuneration payable and benefits in kind to be granted to the Directors under arrangements in force at the date of this admission document (including pension contributions) from any member of the Group in respect of the year ended 30 June 2005 will be approximately RMB48,000 for Executive Directors and zero for Non-Executive Directors.
- 6.12 Save as set out above, there are no existing or proposed service contracts between any of the Directors and the Company or any member of the Group and there are no existing or proposed service contracts between any of the Directors and the Company or any member of the Group which provides for benefits upon termination of employment.

## **7. The Asian Citrus Share Option Plan**

The Company has established in connection with Admission, a company share option plan, details of which are set out in this paragraph.

### **Summary of the principal features of the Share Option Plan**

#### *7.1 The Share Option Plan*

It is proposed that the Share Option Plan rules comply substantially with guidelines published by the Association of British Insurers.

#### *7.2 Administration*

The Share Option Plan will be administered by a committee of the Board of the Company (the "Committee") in accordance with its rules.

### 7.3 *Eligible employees*

Options may be granted to such employees including directors who are required to devote substantially the whole of their working time to the Company or any of its participating subsidiaries as the Committee shall select.

### 7.4 *Grant of options*

Options may be granted within the periods of three months following the adoption of the Share Option Plan and Admission and thereafter within 42 days following the preliminary announcement of the annual or half yearly results of the Company for any financial period; the expiry of restrictions imposed on the Company; the announcement or coming into force of any amendments to legislation affecting share option plans or at any other time if the Committee in its absolute discretion resolves that it is appropriate to grant options. Options are over Ordinary Shares. No option may be granted later than ten years from the date of adoption of the Share Option Plan. Options granted under the Share Option Plan are personal to the option holder and may not be transferred. Benefits under the Share Option Plan will not be pensionable.

### 7.5 *Exercise price*

The exercise price at which options may be exercised is determined by the Committee and will be not less than the greater of:

- (a) the nominal value of an Ordinary Share if Ordinary Shares are to be subscribed; and
- (b) at any time when the Ordinary Shares are listed, the middle-market quotation of an Ordinary Share as derived from the AIM Appendix to the Daily Official List on the dealing day immediately preceding the date of grant of an option (or if the Committee so determines, the average of such quotations for the three dealing days immediately preceding the date of grant of an option).

No consideration is payable for the grant of an option.

### 7.6 *Limit*

No option may be granted under the Share Option Plan following Admission if, as a result, the aggregate number of Ordinary Shares issued and issuable pursuant to options granted under the Share Option Plan, or under any other employees' share plan adopted by the Company in general meeting would in any period of 10 years (commencing at least three months following Admission) exceed 10 per cent. of the issued ordinary share capital of the Company from time to time.

#### *Individual limit*

In any financial year an eligible employee shall not receive options under the Share Option Plan and any other company share option plans established by the Company over Ordinary Shares worth more on the date of grant than a maximum of 200 per cent. of such employee's annual remuneration.

Options granted before the expiry of three months from Admission will not be counted towards these limits.

### 7.7 *Exercise of options*

7.7.1 An option will not normally be exercisable before the expiry of one year from the date of grant. An option may be exercisable earlier if the option holder dies, if the option holder's employment terminates by reason of injury, disability, ill-health, redundancy, retirement at normal retirement age or his employer ceasing to be a member of the Group, early retirement, or because the business in which he is employed is transferred out of the Group. If an option holder ceases to be employed for any other reason his options will lapse unless the Committee determines otherwise. Options will lapse at the expiry of ten years from the date of grant. Special provisions apply in the event of a takeover or liquidation of the Company.

7.7.2 The exercise of options will normally be subject to objective performance target(s) which will be specified on the grant of any option.

Initially, it is proposed to restrict the exercise of options granted so that they may, under the Share Option Plan, only be exercised as to 10 per cent. of the Ordinary Shares subject to the option for each year that the option is held. The option would therefore only be capable of exercise in full 10 years from the date of grant.

#### 7.8 *Ordinary Shares*

Ordinary Shares issued on the exercise of an option will rank *pari passu* with existing Ordinary Shares except for any rights attached to such Ordinary Shares by reference to a record date prior to the date of allotment. The Company will use its reasonable endeavours to obtain admission to trading on AIM for any Ordinary Shares so allotted.

#### 7.9 *Variation of share capital*

On any variation or reorganisation of the share capital of the Company by way of rights or capitalisation issue or by consolidation, sub-division or reduction of capital or otherwise, the Committee may make such adjustments as it considers appropriate to the exercise price and/or the number and/or the denomination of Ordinary Shares comprised in an option, provided that there is no increase in the exercise price or reduction below nominal value. No such adjustment may be made without the prior written confirmation from the Company's auditors that it is in their opinion fair and reasonable.

#### 7.10 *Amendments to the Share Option Plan*


The Board may amend the Share Option Plan at any time in any respect.

No amendment may be made to alter to the material disadvantage of any option holder any rights already acquired by him without the consent of option holders holding options over at least 75 per cent. of the Ordinary Shares under option under the Share Option Plan.

### 8. Intellectual property

#### 8.1 *PRC*

##### *Trademarks*

The trade mark registration certificates issued by the Trade Mark Bureau of the State Administration of Industry and Commerce show that Lucky Team (Hepu) is the registered proprietor of the trade marks of “新雅奇” (“xinyaqi”) logo and the  logo in PRC. Lucky Team (Hepu) has been selling its produce in PRC under these trade marks. As registered proprietor of these trade marks, Lucky Team (Hepu) has the legal right to use these trade marks on the produce sold in PRC.

#### 8.2 *Non-PRC*

##### *Trademarks*

Asian Citrus Management is the registered proprietor of the two “AAA” logos ( and ) and Asian Citrus is the registered proprietor of the “Asian Citrus Holdings Limited” logos () in Hong Kong.

None of the Group companies:

- (a) has entered into any trade mark licensing arrangement with a third party or each other;
- (b) owns any registered domain name or internet website; or
- (c) is using other intellectual property rights without authorisation or licence in or outside PRC.

The Group has confirmed that it does not own any non-registrable intellectual property rights.

### 9. Material contracts

The following contracts are the only contracts (not being entered into in the ordinary course of business) which have been entered into, or are expected to be entered into prior to Admission by

members of the Group, within the two years immediately preceding the date of this admission document and are, or may be, material and contain provisions under which any member of the Group has any obligation or entitlement which is or may be material to the Group as at the date of this admission document:

- (a) an agreement dated 20 March 2003 between Litian (Xinfeng) and the Nanan City Civil Construction Engineering Company Fifth Engineering Team (“NCCCEC”) pursuant to which NCCCEC agreed to construct a dam for Litian (Xinfeng) for a construction fee of RMB2.5 million in the period from 1 April 2003 to 20 June 2005;
- (b) a deed of release (from a tax indemnity dated 26 July 2001) dated 2 July 2003 between Huge Market, Newasia, Lucky Team (Hepu) and Mr Tong Wang Chow pursuant to which, Huge Market, Newasia and Lucky Team (Hepu) released and discharged Mr Tong Wang Chow from all claims and liabilities relating to a deed of tax indemnity dated 26 July 2001;
- (c) an agreement dated 15 November 2003 between Litian (Xinfeng) and NCCCEC pursuant to which NCCCEC agreed to construct a bridge at the Xinfeng Plantation in the period from 15 November 2003 to 8 May 2005 for a construction fee of RMB2.5 million;
- (d) Relationship Agreement

The Relationship Agreement was entered into on 28 July 2005, and is between the Company (1), Huge Market (2), Market Ahead (3), Chaoda (4), Kailey Investment Limited (5), Mr Kwok Ho (6) and Mr Tong Wang Chow (7) and takes effect from Admission.

Each Asian Citrus Shareholder undertakes severally to exercise its powers in relation to the Company to ensure that (a) the Company is capable of carrying on its business independently of the Asian Citrus Shareholders; and (b) that all transactions and relationships between the Company and the Asian Citrus Shareholders are conducted at arm’s length and on a normal commercial basis. The obligations in the Relationship Agreement do not prevent the parties from complying with their obligations under the Metage Notes Subscription Agreement.

Each Asian Citrus Shareholder also undertakes to abstain from voting in general meetings of the Company in respect of any contract or arrangement in which it has a material interest, and not to exercise its voting rights in favour of any amendment to the Bye-laws of the Company which would be inconsistent with or in violation of the terms of the Relationship Agreements.

Each of the Asian Citrus Shareholders has additionally agreed and covenanted with the Company that it will not, subject to certain limited exceptions, in PRC, Hong Kong, Macau, Taiwan, Japan, Thailand, Singapore, Vietnam, Canada, the US or Europe engage or invest in the business of cultivation, supply, marketing, sale or research and development of any type of orange or lemon or any associated produce.

Each of Mr Tong Wang Chow, Mr Kwok Ho, Market Ahead, Huge Market, Chaoda and Kailey Investment Limited has further agreed and that, commencing from Admission, it will cease to, and will use its best endeavors to procure that its subsidiaries (other than any member of the Group) will cease to engage in the sale, marketing and/or distribution of Winter Oranges cultivated or otherwise grown by it and/or its subsidiaries (other than any member of the Group) prior to Admission, if applicable.

In relation to each of Market Ahead, Huge Market, Chaoda and Kailey Investment Limited, the undertakings, agreements and covenants given by it under the Relationship Agreement will remain in full force and effect (i) so long as it and/or its subsidiaries shall, singly or together, have an interest in Ordinary Shares with not less than 10 per cent. of the voting rights in the Company; and (ii) for one year thereafter.

In relation to each of Mr Tong Wang Chow and Mr Kwok Ho, the undertakings, agreements and covenants given by him under the Relationship Agreement will remain in full force and effect (i) so long as he and/or his associates, will individually or together, have an interest in Ordinary Shares with not less than 10 per cent. of the voting rights of the Company; and (ii) for one year thereafter.

The undertakings, agreements and covenants given by the Asian Citrus Shareholders, cease to have any effect should the Ordinary Shares cease to be listed or traded on AIM.

(e) Placing Agreement

Under the Placing Agreement, Evolution Securities has agreed, subject to certain conditions, to use its reasonable endeavours to procure placees, as agent for the Company, to subscribe for 9,072,813 new Ordinary Shares and, as agent for the Selling Shareholders, to procure purchasers for 1,703,049 existing Ordinary Shares in each case at the Placing Price, or failing which to subscribe for or purchase itself (as the case may be), as principal, for such Placing Shares at the Placing Price.

The Placing Agreement is conditional upon, *inter alia*, Admission occurring on or before 8.00 a.m. on 3 August 2005 (or such later date as the Company and Evolution Securities may agree, being not later than 3.00 p.m. on 10 August 2005). The Placing Agreement contains warranties by the Company and the Directors in favour of Evolution Securities in relation to, *inter alia*, the accuracy of the information in this document and other matters relating to the Group and its business. In addition, the Company has agreed to indemnify Evolution Securities in respect of certain liabilities it may incur in respect of the Placing. Evolution Securities has the right to terminate the Placing Agreement in certain circumstances prior to Admission, in particular, in the event of a material breach of the warranties.

Under the Placing Agreement, Evolution Securities will be paid (i) by the Company, a corporate finance fee of £350,000 (less US\$50,000, such amount to be converted to sterling at the prevailing conversion rate on the publication date of this document) and (ii) and subject to it becoming unconditional and not being terminated in accordance with its terms, by the Company, a commission of 4.5 per cent., and by the Selling Shareholders, a commission of 2.0 per cent., both on the value at the Placing Price of the Placing Shares together in each case with any applicable VAT. Evolution China is also entitled for a period of five years to subscribe for one per cent. of the Company's Ordinary Shares in issue on Admission at the Placing Price per Ordinary Share (the "Option"). The Option is described in further detail at paragraph 12.2 below.

Pursuant to the terms of the Placing Agreement, each of the Selling Shareholders has undertaken to the Company and Evolution Securities (subject to certain limited exceptions including transfers to family members or to trustees for their benefit and disposals by way of acceptance of a takeover offer for the entire issued share capital of the Company), not to dispose of the Ordinary Shares held by each of them following Admission or any other securities in exchange for or convertible into, or substantially similar to, Ordinary Shares (or any interest in them or in respect of them) at any time prior to at least 12 months after the Admission ("Vendor Lock-in Period") without the prior written consent of Evolution Securities.

Pursuant to the terms of the Placing Agreement, each of the Directors has undertaken to the Company and Evolution Securities (for as long as Evolution Securities is the Company's broker) (subject to certain limited exceptions including transfers to family members or to trustees for their benefit and disposals by way of acceptance of a takeover offer for the entire issued share capital of the Company), not to dispose of the Ordinary Shares held by each of them following Admission or any other securities in exchange for or convertible into, or substantially similar to, Ordinary Shares (or any interest in them or in respect of them) at any time prior to the Business Day following publication of the reports and accounts of the Company for the financial year ending 30 June 2006 ("Director Lock-in Period") without the prior written consent of Evolution Securities.

Furthermore, each of the Directors has also undertaken to the Company and Evolution Securities that for a period of 12 months following the expiry of the Director Lock-in Period, any Director shall, where reasonably possible and subject to certain conditions, not to dispose of their Ordinary Shares otherwise than through Evolution Securities for such time as it shall remain nominated adviser and broker to the Company.

The Selling Shareholders are:

- Metage Funds Limited of Strathvale House, North Church Street, George Town, Grand Cayman, Cayman Islands, PO Box 513GT.

- Metage Special Emerging Markets Fund Limited of Strathvale House, North Church Street, George Town, Grand Cayman, Cayman Islands, PO Box 513GT.
- (f) Metage Notes Subscription Agreement
- 1.1 Pursuant to the Metage Notes Subscription Agreement, Newasia agreed to issue the Metage Notes in the aggregate principal amount of HK\$100 million in favour of the Noteholders. In accordance with the Metage Notes Subscription Agreement, the proceeds from the issue of the Notes are to be applied towards funding the development of the Hepu Plantation and the Xinfeng Plantation.
- 1.2 In accordance with the Metage Notes Subscription Agreement, Newasia issued the Metage Notes to the Noteholders on 16 March 2005. The Metage Notes bear interest at a rate of 5 per cent. p.a., payable semi-annually in arrears on 16 September and 16 March each year, commencing on 16 March 2005. The Noteholders may convert the Metage Notes into shares in Newasia at any time from 16 March 2005 until 15 March 2008 at a conversion price of HK\$8,147.88 per share, subject to adjustments as stipulated in the conditions of the Metage Notes. The Noteholders may transfer or assign the Metage Notes to third parties, except to those engaging in the same business as the Group. The assignment and transfer of the Metage Notes must be effected in integral multiples of HK\$500,000. The principal amount and interest due under the Metage Notes must be repaid in full by 15 March 2008. Prior to such date and subject to a lock-up period of six months from the date of listing, Newasia may redeem the Metage Notes in part or in full, provided that the Metage Notes, if, at the time of redemption, were converted into shares, would (taking into account of any interest that has been paid to the Noteholders) yield a return of 30 per cent. or more of the principal amount of the Metage Notes. Should the existing shareholders sell their entire shareholding in Newasia, the Noteholders are entitled to require Newasia to redeem the Notes at a rate which will yield an annual return of 25 per cent. for the period between the subscription date and the redemption date.
- 1.3 Other material terms of the Metage Notes Subscription Agreement and the Metage Notes are set out below as follows:
- (a) *Corporate governance*
- Under the Metage Notes Subscription Agreement, the Noteholders are entitled jointly to appoint one representative as a “non-executive” director to Newasia’s board. The written approval of such director is required for, among other things:
- (i) any increase, decrease or alteration of the existing issued share capital of Newasia, including the creation of further convertible notes;
  - (ii) any amendment to the constitutional documents of Newasia;
  - (iii) any change to the business strategy of Newasia and any capital expenditure exceeding US\$5 million; and
  - (iv) any related party transaction, save as previously disclosed to the Noteholders.
- This veto right will cease upon Admission.
- (b) *Obligations and undertakings of the existing Shareholders*
- Pursuant to the Metage Notes Subscription Agreement, the existing shareholders of Newasia undertook not to sell, transfer or assign, or otherwise create any security interests or encumbrance over their shares until (i) there is a listing of shares in Newasia or the proposed listed company, or (ii) the entire issued share capital of Newasia is sold. Where any of the existing shareholders has received a bona fide offer from a third party purchaser, the Noteholders have “tag along” rights which require such shareholder to procure the purchase of the Noteholders’ conversion shares along with the shares being sold by the existing shareholders. Pursuant to the conditions of the Metage Notes, if the existing shareholders sell all of the shares in Newasia held by them, the Noteholders may require the Company to redeem each Metage Note.

(c) *Obligations of Newasia*

Newasia must maintain a gearing ratio of 40 per cent. or less and an interest coverage ratio (as defined in the Metage Notes Subscription Agreement) of not less than four for the period that the Metage Notes remain outstanding. Newasia has given certain representations and warranties in favour of the Noteholders and agrees to indemnify the Noteholders against any loss resulting from the breach of such warranties. The liability of Newasia has been capped at the higher of (i) the outstanding principal amount plus interest or (ii) the fair or market price of the conversion shares had the outstanding principal under the Metage Notes been converted.

(d) *Listing*

In contemplation of a listing, the Metage Notes conditions of the Metage Notes provide that the Metage Notes, to the extent that they have not been redeemed or converted into shares in Newasia, shall be cancelled and exchanged for notes to be issued by the listed company (ie, Asian Citrus) on the same terms and conditions, provided that each Noteholder shall be entitled to the same shareholding in the listed company as held in Newasia. Should the Noteholders wish to retain any or all of the conversion shares, their rights over the conversion shares are subject to a lock up of 6 months from the listing date, or longer as required by the relevant stock exchange or the relevant rules and regulations.

1.4 In contemplation of a listing, the Noteholders are entitled to have the Metage Notes cancelled and exchanged for Metage Notes to be issued by the listed company, that is, Asian Citrus. The Metage Notes were cancelled and new convertible notes (the “New Metage Notes”) were issued to the Noteholders by Asian Citrus on 14 July 2005. The New Metage Note issued to Mr Yim Hin Keung was issued on the same terms and conditions as the original Metage Note. Asian Citrus has separately agreed with Metage Funds Limited and Metage Special Emerging Markets Fund Limited that, in contemplation of Admission, the New Metage Notes be issued to them on, save for the following provisions, the same terms and conditions as the Metage Notes:

- the New Metage Notes do not bear any interest;
- Metage Funds Limited and Metage Special Emerging Markets Fund Limited cannot sell, transfer or otherwise dispose of, or create any security interests or encumbrance over any conversion shares for the period commencing on the date of Admission and ending the date of issue of the first annual report of Asian Citrus following Admission (the “new lock-up period”); and
- Asian Citrus will no longer have the right to redeem the New Metage Notes after the new lock-up period in the event that the New Metage Notes, if converted, would yield a return of 30 per cent. or more.

In the event that Admission does not take place on or before 31 August 2005 (or such later date as agreed between Asian Citrus and Metage Funds Limited and Metage Special Emerging Markets Fund Limited), the New Metage Notes will be amended so that their terms and conditions will be the same as the original Metage Notes.

Asian Citrus has further agreed with Metage Funds Limited and Metage Special Emerging Markets Fund Limited, that, among other things:

- Asian Citrus will maintain the gearing ratio and interest coverage ratio for the new lock-up period; and
- Metage Funds Limited and Metage Special Emerging Markets Fund Limited will have the joint right to appoint one representative as a non-executive director to the Board.

The Company is aware that the Noteholders intend to exercise their right to appoint a Non-Executive Director to the Board following Admission.



(g) Lock-up Agreement

Pursuant to the Lock-up Agreement, each of Huge Market and Market Ahead has undertaken to the Company and Evolution Securities (subject to certain limited exceptions including disposals made pursuant to a general offer made to acquire the entire issued share capital of the Company), not to dispose of their Ordinary Shares following Admission or any other securities in exchange for or convertible into, or substantially similar to, Ordinary Shares (or any interest in respect of them) at any time prior to one Business Day following the date of publication of the reports and accounts of the Company for the financial year ending 30 June 2006 (the "First Lock-up Period"), without the prior written consent of Evolution Securities.

Furthermore, each of Huge Market and Market Ahead has also undertaken to the Company and Evolution Securities that for a period of 12 months following the expiry of the First Lock-up Period, where reasonably possible and subject to certain conditions, not to dispose of their Ordinary Shares otherwise than through Evolution Securities for such time as it shall remain broker to the Company.

## 10. Related party transactions

The Company has entered into several material transactions with related parties since incorporation, the details of which are set out below.

### 10.1 *Lucky Team (Hepu)*

#### *Fertiliser Purchase Contracts*

Lucky Team (Hepu) has purchased the fertilisers required for its operations from Zhangzhou Chaoda and Weizhou Chaoda which are both related parties of Lucky Team (Hepu) by virtue of Mr Kwok Ho's interests in them. The entire registered share capital of Zhangzhou Chaoda and Weizhou Chaoda are indirectly held by Mr Kwok Ho, a director of Lucky Team (Hepu) and a substantial shareholder of Chaoda. Chaoda is in turn the holding company of Huge Market, which holds approximately 49 per cent. of the shareholding in Newasia, the parent company of Lucky Team (Hepu).

Lucky Team (Hepu) entered into four purchase contracts with Zhangzhou Chaoda dated 17 January 2002, 22 December 2002, 16 December 2003 and 21 December 2004 respectively. The terms of these contracts are substantially similar and the key terms are set out below:

- (a) Zhangzhou Chaoda supplies Lucky Team (Hepu) with fertiliser at the price of RMB 1,500 per tonne (the amount of fertiliser supplied under the four contracts are 7,000 tonnes, 7,000 tonnes, 7,500 tonnes and 8,000 tonnes respectively);
- (b) the fertilisers are delivered to the warehouses of Lucky Team (Hepu) in Hepu county by road transport and at the suppliers' cost;
- (c) the fertilisers must meet the quality and technical standards stipulated by Lucky Team (Hepu);
- (d) Lucky Team (Hepu) has the right to reject the products within 15 days of delivery and refuse payment for non-conforming products;
- (e) payment for the fertiliser is made by Lucky Team (Hepu) on a monthly basis by cash or by telegraphic transfer; and
- (f) any party failing to perform its obligations pursuant to the relevant contract is subject to a fixed penalty of RMB200 per day (without prejudice to the right to claim for further damages).

Lucky Team (Hepu) has also entered into various purchase contracts for fertiliser with Weizhou Chaoda under which, Weizhou Chaoda are to supply Lucky Team (Hepu) with fertiliser at a price of RMB1,500 per tonne. The amount of fertiliser to be supplied under the four contracts ranges between 3,000 and 4,000 tonnes. Other terms contained in these contracts are substantially similar to those as provided for under the contracts with Zhangzhou Chaoda as set out above.

### *Loan from Fuzhou Chaoda*

An amount of RMB12.5 million was advanced from Fuzhou Chaoda to the Group during the six months ended 31 December 2004. Fuzhou Chaoda is a wholly-owned subsidiary of Chaoda and is therefore a related party of Lucky Team (Hepu). The Company has confirmed that such sum was advanced by Fuzhou Chaoda to Lucky Team (Hepu) and Litian (Xinfeng) by way of loan notes on an unsecured and interest-free basis. There is no fixed term of repayment; the loan notes being repayable on demand. Lucky Team (Hepu) and Litian (Xinfeng) have confirmed that the purpose of the advance is to finance the ongoing capital needs of Lucky Team (Hepu) and Litian (Xinfeng) respectively.

### 10.2 *Newasia*

Newasia has been sharing the office and facilities of Top Nation at Rooms 1109 and 1111, Wayson Commercial Building, 28 Connaught Road West, Central, Hong Kong since July 2001. Top Nation is a related party of Newasia by virtue of the Tong family's interests in it.

Top Nation is the lessee of the office. There is no written agreement to this office sharing arrangement. Top Nation pays management fees to Pan Air and Sea Forwarders (H.K.) Limited for occupying the office premises and Newasia, in turn, pays management fees to Top Nation in consideration of the office sharing arrangement. Top Nation has agreed to supply office equipment and facilities and provide management and clerical support to Newasia in return for the monthly fee. During the three financial years ended 30 June 2004 and the six months ended 31 December 2004, the fees paid by Newasia to Top Nation were HK\$597,600, HK\$597,600, HK\$589,800, and HK\$291,000 respectively.

The Company has confirmed its intention to discontinue its relationship with Top Nation and has provided written confirmation to this effect. The parties have agreed that Newasia will pay Top Nation management fees up to the date of Admission and will have the right to occupy the office premises until the staff members are relocated to new premises.

Saved as indicated above, the Company has confirmed that it has not entered into in any other related party transactions, and the Directors believe that all of the above transactions were entered into on arm's length basis.

The percentage of the turnover of the Company accounted for by related party transactions is approximately 6.3 per cent. for the year ended 30 June 2004.

## **11. Summary of land information**

Set out below is a summary of the material terms of the leases entered into by the Group in respect of land at both the Hepu and Xinfeng Plantations.

### 11.1 *Hepu Plantation*

Newasia has entered into 88 Hepu Leases with 84 collective economic entities comprising local village committees and production teams (the "Collectives") and one state owned entity in respect of the parcels of land on which the Hepu Plantation is located. The terms contained in each of the Hepu Leases are identical. A summary of the key terms of the Hepu Leases is set out below.

#### (a) *Duration, rent and payment terms*

The term of the leases is 50 years commencing on 25 June 2000. The leases do not contain any clauses granting Newasia any right to renew or extend the term. Accordingly, should Newasia wish to continue to occupy the land on which the Hepu Plantation is located following the expiry of the 50-year term, it will need to negotiate an extension or renewal with each of the lessors.

Rent of RMB60 per annum is payable for each approximately 0.07 sq. km of land leased. This amount is payable by Newasia in arrears every six months. The rent is subject to review every three years during the term of the leases. On review, the rent may be increased by an amount equal to 72.5 per cent. of the average increase in the retail price index published by the State Statistic Bureau of PRC for each of the three years preceding the adjustment.

(b) *Rights and obligations*

The lessors have acknowledged and agreed that the benefits under the leases may be enjoyed by either Newasia or its wholly-owned subsidiary Lucky Team (Hepu). The leases provide that Newasia has the right to use the land to conduct the activities as set out in the business licence of Lucky Team (Hepu), including farming and processing crops and the construction and maintenance of ancillary facilities necessary for the conduct of such business activities. Newasia is permitted to use the adjacent road, water resources (at preferential rate if any fee is to be charged), and canals and has the right to install electricity and telecommunications cables. The lessors have also agreed to lease the land to Newasia free from any encumbrance and to indemnify Newasia against any losses incurred by Newasia arising from claims brought by third parties relating to Newasia's right to use the land. Under the leases, Newasia is required to manage its operations in accordance with applicable PRC law and good farming practice, to preserve the land, maintain the irrigation system and the soil and surrender the land on expiry of the lease in a state suitable for farming in no worse condition than when the lease was entered into. Newasia may assign its rights under the leases to Lucky Team (Hepu) or any other affiliated companies without the consent or approval of the respective lessors. However, if the rights are to be assigned to a non-affiliated company, the prior approval of the lessor must be obtained.

(c) *Events of termination*

(i) Newasia may terminate any of the leases by giving 30 days' prior written notice to the respective lessor if:

- (1) Lucky Team (Hepu) is unable to continue its business operation in accordance with its articles of association or use the land in connection with its business due to "business or financial reasons", a force majeure event occurs which lasts over 90 days or (in Newasia's sole judgment) or in the event that its operation or the financial performance of its business are deemed "unsatisfactory";
- (2) Newasia or any of its affiliates ceases to exercise control over the management or assets of Lucky Team (Hepu) as a result of the acts or decisions of PRC Government or any of its agents; or
- (3) the lessor is in material breach of its obligations under the lease or any other contract between Newasia (or its affiliates) and the lessor and fails to remedy the breach within 60 days after Newasia has given notice to remedy the breach.

(ii) The lessors may terminate their respective leases by giving 30 days' prior written notice to Newasia if:

- (1) any rent is overdue for 30 or more days and Newasia fails to pay such rent within 60 days after the lessor has issued a notice to terminate the lease; or
- (2) Newasia is in material breach of its obligations under the lease and fails to remedy such breach within 60 days after the lessor has given Newasia notice to remedy the breach.

## 11.2 *Xinfeng Plantation*

Newasia entered into the Xinfeng Lease with the Xinfeng County Government. Set out below is a summary of the key terms of the Xinfeng Lease.

(a) *Duration, rent and payment terms*

The term of the lease is 50 years commencing from 25 September 2002. There is no express provision granting Newasia any right to renew or extend the term beyond the initial 50 years. The lease provides that upon the expiry of the term, the parties may negotiate for an extension or renewal of the lease, but must enter into a new agreement.

Rent of RMB60 per annum is payable for each approximately 0.07 sq. km of land leased. This amount is payable in arrears every six months. Newasia is also required to make additional payments for any use of the adjacent paddy fields and ponds.

(b) *Rights and obligations*

Under the lease, Newasia is entitled to build and/or develop facilities including office buildings, a warehouse, cold storage facilities, staff quarters and a processing plant.

The Xinfeng Government has, among other things, agreed to:

- (i) undertake all necessary steps in relation to Certificates of Other Rights on Land to ensure that the Xinfeng Lease is valid and effective;
- (ii) waive any government fees for the development of the Xinfeng Plantation;
- (iii) clear any vegetation on the land at its cost, to enable Newasia to develop the Xinfeng Plantation;
- (iv) grant Newasia all state, provincial, city and county benefits and privileges permitted under the investment policies applicable to the fruit industry and general investment; and
- (v) ensure that any applicable special agricultural tax would be waived during the first eight years of planting at the Xinfeng Plantation. Thereafter, preferential treatment will be granted to Newasia in accordance with relevant policies.

(c) *Events of termination*

The lease does not contain any termination provisions. The Xinfeng Government has however guaranteed that during the term of the lease, the legal owners of the land (ie, the Collectives) will not interfere with the Group's operations, nor take any steps to recover the land from Newasia. The Xinfeng Government also agreed to assist Newasia in resolving any disputes in relation to the land involving any third parties. In order to continue to occupy the Xinfeng Plantation, upon the expiry of the initial 50-year term of the lease, Newasia will need to negotiate with the Xinfeng Government with a view to executing a new agreement for extending the term of the lease.

## **12. Arrangements with Evolution Securities**

### **12.1 *Nominated adviser and broker agreement***

The Company and Evolution Securities have entered into a nominated adviser and broker agreement dated 28 July 2005 (the "Nominated Adviser and Broker Agreement") pursuant to which, the Company appointed Evolution Securities to act as nominated adviser and broker to the Company for the purposes of the AIM Rules commencing with effect from Admission and continuing thereafter. Under the Nominated Adviser and Broker Agreement, the Company has agreed to pay Evolution Securities a fee of £50,000 per annum (plus any applicable VAT) for its services as nominated adviser and broker under the agreement. The agreement contains certain undertakings given by the Company. After an initial period of 6 months, the agreement is subject to termination on the giving of one month's notice by either party to the other. The agreement may also be terminated in certain other circumstances.

### **12.2 *Option agreement***

The Company and Evolution China entered into an option agreement on 28 July 2005 (the "Option Agreement") which takes effect on Admission.

Pursuant to the Option Agreement, Evolution China has, for the option price of one pound, been granted the right, exercisable at any time up to the fifth anniversary of the date of Admission, to subscribe for up to a number of Ordinary Shares equal to one per cent. of the Ordinary Shares in issue immediately following Admission at a price per share equal to the Placing Price. Evolution China may exercise the option in whole or in part (or in several parts). The Option Agreement provides for an adjustment to the number of Ordinary Shares

granted to Evolution China and/or the exercise price payable on exercise in certain circumstances including in the event of an issue of equity shares or securities convertible into shares by way of a capitalisation or profits or reserves or a consolidation or reduction in the ordinary share capital of the Company.

The Option Agreement also contains provisions requiring the options to be exercised (or for them to lapse) in the event of a takeover of the Company.

### 13. Insurance

13.1 Lucky Team (Hepu) has been issued with an insurance policy by PICC Property and Casualty Company Limited, Guangxi Branch (“PICC”) on 7 June 2005 in respect of its fixed assets for the value of up to RMB400 million. The key terms of the insurance policy are as follows:

- (a) the insured property includes all of the properties (i) owned by; (ii) put under the charge or in the custody of; (iii) operated or managed by; or (iv) that are otherwise the economic interests of Lucky Team (Hepu). Among other things, land, mineral deposit, mine, pit, forest, water resources and un-harvested or harvested but not yet stored agricultural products are excluded;
- (b) PICC will indemnify Lucky Team (Hepu) against any loss arising from fire, explosion, thunderstorms, rainstorms, floods, typhoons, violent storms, tornados, snow storms, hail storms, ice jam floods, mud rock slides, rock falls, sudden landslides and sudden land sinks, and any flying objects; and
- (c) PICC will not indemnify Lucky Team (Hepu) against, among other things, (i) any direct losses caused to the insured by any suspension of utilities supply; (ii) any loss caused as a result of Lucky Team (Hepu) failing to take reasonable and necessary preventative or remedial measures; (iii) war, hostilities, military action, armed conflict, strike, riots; (iv) intentional acts or acts of Lucky Team (Hepu); (v) any nuclear reaction, radiation and radioactive pollution; (vi) indirect losses; (vii) all losses caused by earthquake; (viii) damages resulting from the inherent defect or improper maintenance of the insured property; (ix) losses arising from the spoilage, deterioration, dampness, rodent, natural wear and tear, self-combustion and melting of the subject insured; (x) losses arising from the insured property being stored outdoors or under shed or losses caused by violent storm or rainstorm; (xi) losses resulting from administrative acts or law enforcement acts.

### 14. Taxation

#### (a) *Bermuda taxation*

Under present Bermuda law, no Bermuda withholding tax on dividends or other distributions, nor any Bermuda tax computed on profits or income or on any capital asset, gain or appreciation, will be payable by an exempted company or its operations, nor is there any Bermuda tax in the nature of estate duty or inheritance tax applicable to shares, debentures or other obligations of an exempted company held by non-residents of Bermuda.

The Company is exempt from all stamp duties except on transactions involving “Bermuda property”. This term relates, essentially, to real and personal property physically situated in Bermuda (and excludes the shares of other exempted companies). Transfers of Ordinary Shares and warrants in the Company are also exempt from stamp duty in Bermuda.

In addition, the Company has been granted an undertaking by the Minister of Finance at the Government of Bermuda under the Exempted Undertakings Tax Protection Act 1966 which exempts the Company until 28 March 2016, from any Bermuda tax computed on profits or income or on any capital asset, gain, appreciation, or any tax in the nature of estate duty or inheritance tax (apart from the application of any such tax or duties on such persons as are ordinarily resident in Bermuda and apart from taxes on land in Bermuda owned by or leased to the Company).

Though incorporated in Bermuda, the Company is classified as non-resident in Bermuda for exchange control purposes and, as such, is free to acquire, to hold and to sell any foreign currency or other assets (other than property situated in Bermuda) without restriction. The issue and transfer of Ordinary Shares of the Company between persons regarded as resident outside Bermuda for exchange control purposes may be effected without specific concern under the Bermuda Exchange Control Act 1972 and the regulations made thereunder for so long as the Ordinary Shares are listed on AIM.

As an exempted company, the Company is liable to an annual registration fee in Bermuda based on its assessable capital (being its authorised share capital and share premium (if any)). The minimum fee payable is US\$1,780 and the maximum fee is US\$27,825. The current fee for the Company is US\$7,475.

(b) *UK taxation*

The comments set out below are based on the assumption that the Company is not resident for tax purposes in the UK. The comments set out below are based on existing United Kingdom law and what is understood to be current HM Revenue and Customs practice. They are intended as a general guide only and apply only to persons resident or individuals ordinarily resident for tax purposes in the United Kingdom, who hold Ordinary Shares or Depositary Interests as an investment, otherwise than under a personal equity plan or individual savings account, and who are the absolute beneficial owners thereof. Certain categories of Shareholder may be subject to special rules and this summary does not apply to such Shareholders. Shareholders who are in any doubt about their tax position, or who are resident or otherwise subject to taxation in a jurisdiction outside the United Kingdom, should consult their own professional advisers immediately.

Shareholders will receive dividend distributions from the Company without deductions of withholding tax. Dividends payable by the Company to individual Shareholders resident in the UK will be subject to UK income tax at the applicable rate depending upon the individual's circumstances.

Any UK domiciled individual Shareholders who are either resident or ordinarily resident in the UK will be subject to UK capital gains tax on profits realised on the sale of Ordinary Shares or Depositary Interests held in the Company.

As the Company's principal share register is situated in Bermuda, the Ordinary Shares are considered to be located abroad for UK capital gains purposes. The Depositary Interests should be regarded as interests in the underlying Ordinary Shares and are considered to be located abroad for UK capital gains purposes. Non-UK domiciled individual Shareholders who are either resident or ordinarily resident in the UK will therefore only be subject to UK capital gains tax on profits realised on the sale of Ordinary Shares or Depositary Interests held in the Company to the extent that these profits are remitted to the UK. Deals in the Company's Ordinary Shares on AIM may give rise to remitted profits which would therefore be taxable.

Individual Shareholders who are not resident and not ordinarily resident in the UK will not be subject to UK income or capital gains tax in respect of income or profits arising on their shareholding or Depositary Interests.

Under UK inheritance tax law, registered Ordinary Shares are located where they are registered, which is generally the place where the share register is maintained and where transfer of the Ordinary Shares can legally be executed. In the case of the Company, the principal register is maintained in Bermuda and, therefore, Ordinary Shares held in the Company will not have a UK location and hence will be excluded from the estate of non UK domiciled Shareholders for UK Inheritance Tax purposes. The Depositary Interests should be regarded as interests in the underlying Ordinary Shares and are therefore considered to be located in the same place as Ordinary Shares.

UK resident corporate Shareholders will normally be subject to corporation tax on dividend income received from the Company. Capital gains arising on the disposal of Ordinary Shares or Depositary Interests held in the Company will also normally be taxable for UK-resident corporate Shareholders, subject to exemptions appropriate to their specific circumstances.

The intended activities of the Company are such that the Directors are advised that the Ordinary Shares or Depositary Interests will not rank as eligible shares for Enterprise Investment Scheme tax relief.

No UK stamp duty or stamp duty reserve tax (“SDRT”) will be payable by places on the issue of the Ordinary Shares or Depositary Interests pursuant to the placing. However, stamp duty at the rate of 0.5 per cent. may be due on any instrument transferring Ordinary Shares executed in the UK or relating to any property situate, or matter or thing done or to be done in the UK.

Assuming that transfers of Depositary Interests operate without any written instrument or transfer or written assignment to transfer, no stamp duty will be payable by the purchasers of such Depositary Interests. However, SDRT at a rate of 0.5 per cent. will be payable (generally by the purchaser) in respect of agreements to transfer Depositary Interests (whether electronic or written) because the Depositary Interests do not meet all the criteria set out for the SDRT exemption granted in the Stamp Duty Reserve Tax (UK Depositary Interests in Foreign Securities Regulations 1999 (SI 1999/2383) as amended by SI 2000/1871 and SI 2001/3779). The Company will not be responsible for the payment of stamp duty or stamp duty reserve tax in any case.

#### **15. CREST and Depositary Interests**

The Ordinary Shares are in registered form and are in certified form. However, it is proposed that, with effect from Admission, Ordinary Shares may be delivered, held and settled in CREST by means of the creation of dematerialised depositary interests representing such Ordinary Shares. Pursuant to a method proposed by CRESTCo under which transactions in international securities may be settled through the CREST system, the Registrars, will issue dematerialised depositary interests representing entitlements to Ordinary Shares, known as Depositary Interests or “DIs”. The DIs will be independent securities constituted under English law which may be held and transferred through the CREST system.

The Depositary agreement under which the Company has appointed the Registrars to provide the DI arrangements is summarised in paragraph 16 below.

The DIs will be created pursuant to and issued on the terms of a deed poll executed by the Registrars in favour of the holders of the DIs from time to time (the “Deed Poll”). Prospective holders of DIs should note that they will have no rights in respect of the underlying Ordinary Shares or the DIs representing them against CRESTCo or its subsidiaries.

Ordinary Shares will be transferred to an account of the Registrars or their nominated Custodian (the “Custodian”) and the Registrars will issue DIs to participating CREST members.

Each DI will be treated as one Ordinary Share for the purposes of determining, for example, eligibility for any dividends. The Registrars will pass on to holders of DIs any stock or cash benefits received by it as holder of Ordinary Shares on trust for such DI holder. DI holders will also be able to receive notices of meetings of holders of Ordinary Shares and other notices issued by the Company to its Shareholders.

The DIs will have the same security code (ISIN) as the underlying Ordinary Shares and will not require a separate listing on AIM.

#### **16. Depositary Interests – Terms of the Deed Poll**

Prospective subscribers for and purchasers of the Ordinary Shares are referred to the Deed Poll available for inspection at the offices of Evolution Securities. In summary, the Deed Poll contains, among other things, provisions to the following effect which are binding on holders of DIs.

- (a) The Registrars will hold (itself or through its nominated Custodian), as bare trustee, the underlying securities issued by the Company and all and any rights and other securities, property and cash attributable to the underlying securities pertaining to the DIs for the benefit of the holders of the relevant DIs.
- (b) Holders of DIs warrant, among other things, that the securities in the Company transferred or issued to the Custodian on behalf of the Registrars are free and clear of all liens, charges, encumbrances or third party interests and that such transfers or issues are not in contravention of the Company's constitutional documents or any contractual obligation, law or regulation.
- (c) The Registrars and any custodian must pass on to DI holders and exercise on behalf of DI holders all rights and entitlements received or to which they are entitled in respect of the underlying securities which are capable of being passed on or exercised. Rights and entitlements to cash distributions, to information, to make choices and elections and to call for, attend and vote at meetings shall, subject to the Deed Poll, be passed on in the form which they are received together with any amendments and additional documentation necessary to effect such passing-on, or, as the case may be, exercised in accordance with the Deed Poll.
- (d) The Deed Poll contains provisions excluding and limiting the Registrars' liability. For example, the Registrars shall not be liable to any DI holder or any other person for liabilities in connection with the performance or non-performance of obligations under the Deed Poll or otherwise except as may result from its negligence or wilful default or fraud or that of any person for whom it is vicariously liable, provided that the Registrars shall not be liable for the negligence, wilful default or fraud of any Custodian or agent which is not a member of its group unless it has failed to exercise reasonable care in the appointment and continued use and supervision of such Custodian or agent. Furthermore, the Registrars' liability to a holder of DIs will be limited to the lesser of (a) the value of the Ordinary Shares and other deposited property properly attributable to the DIs to which the liability relates and (b) that proportion of £5,000,000 which corresponds to the portion which the amount the Registrars would otherwise be liable to pay to the DI holder bears to the aggregate of the amounts the Registrars would otherwise be liable to pay to all such holders in respect of the same act, omission or event or, if there are no such amounts, £5,000,000.
- (e) The Registrars are entitled to charge holders fees and expenses for the provision of its services under the Deed Poll.
- (f) Each holder of DIs is liable to indemnify the Registrars and any custodian (and their agents, officers and employees) against all liabilities arising from or incurred in connection with, or arising from any act related to, the Deed Poll so far as they relate to the property held for the account of DIs held by that holder, other than those resulting from the wilful default, negligence or fraud of the Registrars, or the Custodian of the same group, the Registrars shall have failed to exercise reasonable care in the appointment and continued use and supervision of such Custodian or agent.
- (g) The Registrars may terminate the Deed Poll by giving at least 90 days' notice. During such period, holders may cancel their DIs and withdraw their deposited property and, if any DIs remain outstanding after termination, the Registrars must, among other things, deliver the deposited property in respect of the DIs to the relevant DI holders or, at its discretion sell all or part of such deposited property. It shall, as soon as reasonable practicable, deliver the net proceeds of any such sale, after deducting any sums due to the Registrars, together with any other cash held by it under the Deed Poll *pro rata* to holders of DIs in respect of their DIs.
- (h) The Registrars or the Custodian may require from any holder or former or prospective information as to the capacity in which DIs are owned or held and the identity of any other person with any interest of any kind in such DIs or the underlying Ordinary Shares and the holders are bound to provide such information requested. Furthermore, to the extent that, among other things, the Company's constitutional documents require disclosure to the Company of, or limitations in relation to, beneficial or other ownership of, or interests of any kind whatsoever, in the Company's securities, the holders of DIs are to comply with such provisions and with the Company's instructions with respect thereto.



It should also be noted that holders of DIs may not have the opportunity to exercise all of the rights and entitlements available to holders of Ordinary Shares including, for example, the ability to vote on a show of hands. In relation to voting, it will be important for holders of DIs to give prompt instructions to the Registrars or its nominated Custodian, in accordance with any voting arrangements made available to them, to vote the underlying Ordinary Shares on their behalf or, to the extent possible, to take advantage of any arrangements enabling holders of DIs to vote such Ordinary Shares as a proxy of the Registrars or its nominated Custodian.

#### **17. Depositary Interests – terms of Depositary Agreement**

The terms of the depositary agreement dated 5 July 2005 between the Company and Computershare (the “Depositary Agreement”) under which the Company has appointed Computershare to issue the DIs on the terms of the Deed Poll and to provide certain other services in connection with the DIs, are summarised below.

- (a) The Registrars agree to provide certain depositary and custodian services under the Depositary Agreement (the “Depositary and Custodian Services”) with reasonable skill and care and in accordance with the FSMA and the CREST Regulations. The services include complying with the provisions of the Deed Poll, maintaining a depositary interest register and dealing with routine correspondence with holders of DIs.
- (b) The agreement is for an initial fixed term at which point, either party may give the other party notice to terminate the agreement. The agreement may be terminated in certain other circumstances.
- (c) The Company agrees to provide to the Registrars all information, data and documentation reasonably required by the Registrars to carry out the Depositary and Custodian Services.
- (d) Each party gives certain undertakings in relation to compliance with relevant data protection legislation.
- (e) The Registrars are entitled, by serving prior written notice on the Company, to change the Depositary Agreement if it is reasonably necessary to do so to reflect any change to CREST services or law.
- (f) The Registrars are to indemnify the Company against any loss arising as a result of the fraud, negligence or wilful default of the Registrars (including agents engaged by Registrars to carry out the Depositary or Custodian Services) or which arises out any breach of the terms of the Depositary Agreement or the Deed Poll.
- (g) The Company is to pay certain fees and charges including, among other things, an annual fee, a fee based on the number of DIs held in each month and certain CREST related fees. The Registrars are also entitled to recover out of pocket fees and expenses.

#### **18. Share Dealing Code**

18.1 The Directors intend to comply with rule 21 of the AIM Rules relating to Directors’ and applicable employees’ dealings in the Company’s Ordinary Shares and to this end, the Company has adopted an appropriate share dealing code, the details of which are set out below.

18.2 The Share Dealing Code provides that, in accordance with the AIM Rules, a Director cannot deal in the Company’s Ordinary Shares in the following circumstances:

- (a) during the two month period prior to notification of the Company’s annual results and half-yearly results; during the one month period prior to the notification of its quarterly results or, if shorter, the period from the relevant financial period end up to and including the time of notification;
- (b) whilst the Company is in possession of unpublished price-sensitive information; or
- (c) at any other time when it has become reasonably probable that such information be required to be notified to a Regulatory Information Service under the AIM Rules.

18.3 The Company will also be subject to UK legislation prohibiting market abuse and insider dealing under the FSMA. Guidance notes on the market abuse regime are set out in full in the Share Dealing Code.

#### **19. Significant change**

Save as disclosed in this admission document, there has been no significant change in the financial or trading position of the Group since 31 December 2004, the end of the last financial period for which audited financial information, or interim financial information, has been published.

#### **20. Working capital**

In the opinion of the Directors, having made due and careful enquiry, and taking into account existing cash resources, the facilities available to the Group and the net proceeds of the Placing receivable by the Company, the working capital available to the Group will be sufficient for its present requirements, that is for at least the next 12 months following the date of Admission.

#### **21. Litigation**

No governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Company is aware) are active, pending or threatened against, or being brought by, by the Group which have had over the last 12 months are having or may have a significant effect on the Company and/or the Group's financial position or profitability.

#### **22. General**

22.1 The accounting reference date of the Company is 30 June. CCIF CPA Limited have been the only auditors of the Company for the period ended 31 December 2004. CCIF CPA Limited is a member of the Hong Kong Institute of Certified Public Accountants.

22.2 The principal activities of the Company and the important events in the development of the Company's business are as described in Part II of this admission document. Save as disclosed in this admission document, there are no exceptional factors which have influenced the Company's activities.

22.3 CLB Littlejohn Frazer have given and not withdrawn their written consent to the inclusion of their report in the form set out in Part IV of this admission document and the references to such report in the form and context in which they appear and accept responsibility for the contents of their report for the purposes of the AIM Rules.

22.4 Evolution Securities Limited and Evolution Securities China Limited have given and not withdrawn their written consent to the issue of this admission document with the inclusion of references to their name in the form and context in which they are included.

22.5 The total costs and expenses payable by the Company in connection with the Admission (including professional fees, the costs of printing and the fees payable to the Registrars and Evolution Securities) are estimated to amount to approximately £2.0 million (with no VAT payable thereon).

22.6 The financial information for the relevant accounting period set out in the Accountants' report on Asian Citrus Holdings Limited in Part IV concerning the Company does not constitute statutory accounts of the Company within the meaning of section 240 of the UK Companies Act 1986.

22.7 Save as disclosed herein, no person has received, directly or indirectly (other than the Company's professional advisers otherwise disclosed in this admission document and trade suppliers), in the 12 months preceding the application for Admission or is contractually entitled to receive, directly or indirectly, from the Company on or after Admission, fees totalling £10,000 or more or securities in the Company with a value of £10,000 or more and any other benefit with a value of £10,000 or more as at the date of Admission.

- 22.8 Save as disclosed in Parts I, II, III, IV, V and VI of this admission document, the Directors are not aware of any patents, licences, industrial, commercial or financial contracts or new manufacturing processes which are of material importance to the Company's business or profitability.
- 22.9 The information sourced from Guangxi Research Institute and China Citrus Institute in this admission document has been accurately reproduced and as far as the Company is aware, and is able to ascertain from information published by Guangxi Citrus Research Institute and China Citrus Institute respectively, no facts have been omitted which would render the reproduced information inaccurate or misleading. The source of the information from Guangxi Citrus Research Institute was a private confirmation given to the Company dated 17 June 2005 and the source of the information from China Citrus Institute was "Industrialization for Orange Plantation" (October 2003).
- 22.10 The ISIN for the Company's Ordinary Shares and Depositary Interests is BMG0620W1029.

### **23. Documents available for inspection**

Copies of the following documents will be available free of charge to the public for inspection during normal business hours on any day (except Saturdays, Sundays and public holidays) at the offices of Lovells, Atlantic House, Holborn Viaduct, London EC1A 2FG for a period of 14 days from the date of this admission document:

- 23.1 the Memorandum of Association and Bye-laws of the Company;
- 23.2 the report from the Reporting Accountants set out in Part IV of this admission document;
- 23.3 the service contracts referred to in paragraph 6 of this Part VI;
- 23.4 the conditions of the share options referred to in paragraph 7 of this Part VI; and
- 23.5 the Deed Poll referred to in paragraph 16 of this Part VI.

Copies of this admission document are available free of charge from the offices of Evolution Securities Limited, 100 Wood Street, London EC2V 7AN during normal business hours on any day (except Saturdays, Sundays and public holidays) and shall remain available for at least one month after the date of Admission.

28 July 2005

