

## PROSPECTS

The Group consistently puts emphasis on the research and development of production technologies. Extensive research and development were conducted with regard to the planting of selected organic green fruits and vegetables, organic cultivation technologies, preservation and processing of agricultural produce. With the application of these new technologies and new products in the plantation, preservation and processing of the Company's organic green fruits and vegetables produce, the production cost will be reduced and the output, quality, and competitiveness of the same will be efficiently enhanced. This will in turn bring substantial return to the Company.

With the rapid development of the Company, the area of farmland at Huang Shan Technological Farm in Fuzhou increased from 45 mu to almost 130 mu. The capability in research and development will enhance the expansion of the production bases in the future. The farm will act as a centre to support the Group. The Huang Shan Technological Farm, after expansion, will be equipped with state-of-art technology in the PRC, research and development centre for nursery and processing operation. In respect of the vegetable and fruits in PRC market that have the characteristic of popular, special and excellent, research and development will be conducted on selection, optimization and new processing technology. The farm will also establish first class quality inspection laboratory for organic green agricultural products, and will be responsible for the inspection of organic green fruits and vegetables produced, in order to ascertain the quality of products in meeting the international standard.

Hence, following the expansion of Huang Shan Technological Farm, new technologies and new products will be continuously developed and applied. With China's accession into the World Trade Organization, the Group will rely on its own strong research and development capabilities to increase its market share in the domestic and international markets.

After China's accession into the World Trade Organisation, cost advantages in China's vegetable and fruit agricultural industry are even more outstanding. The Group's management is aiming at a unique and key target: to accelerate the development of international trade market within 3 to 5 years. This will maximize profit through direct exports to end consumers without being traded through middlemen. At the same time, the Group is also equipped to increase export capabilities by developing the food processing business. This extends the corporate operation chain and copes with the development of direct export sales of the international arena. The Group is now negotiating with some international agriculture companies for preparation of major international co-operation.

The “Chaoda Model” has achieved a high degree of recognition among the government and farmers. The Agricultural Department, the Local Government and farmers have visited the Group to gain a better understanding of the model. Currently, the majority of China’s farmlands is allocated to individual farmers. Consolidation of farmland and institutionalized farming will become the main development trend. With the importance of ecological farming under the environmental protection concerns, organic green agricultural business operation like “Chaoda Model” has been recognized as the future direction for China’s modern agricultural industry. The management believes that they must continue to work hard, exploring new horizons for product species, technology and markets, to maintain the Group as a flagship in China’s agricultural industry.

The Group has put strong emphasis in the establishment of direct sales network in the PRC, such as actively participating in the government project for the “introduction of agricultural products in supermarkets”. Outlets will be set up for the sales of agricultural products. The Group will also strengthen its cooperation with eminent retail chains in the PRC for direct sales of the Group’s agricultural products.

The Group intends to expand its range of products through expansion in sales network and results in research and development. On the basis of existing fruits and vegetables currently available, it will develop the cultivation of edible mushroom and organic livestock breeding, so as to develop new profit centre for the Group.