維奧生物科技控股有限公司

Vital BioTech Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

Annual Results Announcement
(Year ended 31st December, 2001)

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This document, for which the directors of Vital BioTech Holdings Limited collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange for the purpose of giving information with regard to Vital BioTech Holdings Limited. The directors of Vital BioTech Holdings Limited, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (i) the information contained in this document is accurate and complete in all material respects and not misleading; (ii) there are no other matters the omission of which would make any statement in this document misleading; and (iii) all opinions expressed in this document have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

HIGHLIGHTS

— Profit attributable to shareholders amounted to approximately HK$38,125,000 for the year ended 31st December, 2001, representing an approximately 162% increase as compared with that for the corresponding period in 2000

— Turnover amounted to approximately HK$122,825,000 for the year ended 31st December, 2001

— The Directors do not recommend the payment of a final dividend for the year ended 31st December, 2001

ANNUAL RESULTS

On behalf of the Board of Directors (the "Board"), I am pleased to present to our shareholders the first annual report of Vital BioTech Holdings Limited ("Vital BioTech" or the "Company") and its subsidiaries formed upon the completion of the group reorganisation on 26th January, 2002 (collectively the "Group") for the year ended 31st December, 2001.

In 2001, the Group had achieved and exceeded the objectives of the year, sales of the Group's main products was buoyant resulting a significant improvement of the Group's turnover and profit attributable to shareholders. Turnover for the year ended 31st December, 2001 amounted to approximately HK$122,825,000, representing an increase of 92% as compared with that for the previous year. Profit attributable to shareholders of the Group amounted to approximately HK$38,125,000 representing an increase of approximately 162%.

The audited proforma consolidated results of the Group for the year ended 31st December, 2001 together with the comparative figures for the corresponding period in 2000 are as follows:

Proforma consolidated profit and loss account
For the year ended 31st December, 2001

	Notes	**2001** **HK$'000**	2000 HK$'000
Turnover	3	**122,825**	64,128
Cost of sales		**(61,052)**	(37,921)
Gross profit		**61,773**	26,207
Other revenues	3	**129**	28
Selling and distribution expenses		**(3,157)**	(1,452)
Administrative expenses		**(13,021)**	(5,504)
Other operating expenses (net)		**(3,715)**	(2,146)
Operating profit	5	**42,009**	17,133
Finance costs	6	**(2,910)**	(1,836)
Profit before taxation		**39,099**	15,297
Taxation	7	**(60)**	(15)
Profit after taxation		**39,039**	15,282
Minority interests		**(914)**	(743)
Profit attributable to shareholders	9	**38,125**	14,539
Dividends		**—**	—
Proforma earnings per share	8	**HK3.97 cents**	HK1.51 cents

Proforma consolidated net assets
As at 31st December, 2001

Net assets	10	**53,994**	15,750

Notes:

1. **Group reorganisation**

   The Company was incorporated in the Cayman Islands on 30th May, 2001 under the name of Vital*BioTech Holdings Limited as an exempted company with limited liability under the Companies Law Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. On 16th July, 2001, the Company changed its name to Vital BioTech Holdings Limited.

Pursuant to a group reorganisation (the "Group Reorganisation") to rationalise the group structure in preparation for the listing of the Company's shares on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the Company became the holding company of the subsidiaries upon the completion of the Group Reorganisation on 26th January, 2002 (collectively the "Group"), details of which are set out in the prospectus issued by the Company dated 30th January, 2002. The shares of the Company were listed on the Stock Exchange on 7th February, 2002.

2. Basis of preparation

Although the current group structure resulting from the Group Reorganisation, as referred to in note 1 above, did not legally exist until 26th January, 2002, the directors of the Company (the "Directors") consider that meaningful information is provided by treating the Group as a continuing entity. Accordingly, the proforma consolidated accounts have been prepared on the basis of merger accounting as if the Company had been the holding company of the companies comprising the Group throughout the two years ended 31st December, 2001, or from the respective dates of incorporation or acquisition, where this is a shorter period.

The proforma consolidated accounts incorporate the effects of the Group Reorganisation completed on 26th January, 2002. This treatment is not in accordance with the Statement of Standard Accounting Practice 2.127 "Accounting for group reconstructions" issued by the Hong Kong Society of Accountants ("SSAP 27") because, although the Group Reorganisation meets the definition of a group reconstruction under SSAP 27, SSAP 27 specifies that accounts should not incorporate a combination which occurs after the date of the most recent balance sheet included in the accounts.

The proforma consolidated accounts have been prepared in accordance with accounting principles generally accepted in Hong Kong and comply with the accounting standards issued by the Hong Kong Society of Accountants (the "HKSA") except for the adoption of merger accounting which is not in compliance with SSAP 27 as described above. The proforma accounts have been prepared under the historical cost convention.

3. Revenues and turnover

The Group is principally engaged in the trading and manufacturing of pharmaceutical products, the provision of consultancy services in connection with pharmaceutical business and licencing for a right to use the Group's technology.

Turnover represents invoiced value of sales, net of returns, discounts allowed or sales taxes where applicable, consultancy fee income and licence fee income. Revenues recognised during the year are as follows:

	2001	2000
	HK$'000	*HK$'000*
Turnover		
Sales of goods	**119,995**	63,725
Consultancy fee income	**—**	403
Licence fee income	**2,830**	—
	122,825	64,128
Other revenues		
Interest income	**46**	28
Rental income from hire of plant and machinery	**83**	—
	129	28
Total revenues	**122,954**	64,156

4. Segmental information

All the Group's revenues, expenses, results, assets and liabilities are primarily attributable to the trading and manufacturing of pharmaceutical products.

The Group's principal market is China mainland.

5. Operating profit

Operating profit is stated after crediting and charging the following:

	2001	2000
	HK$'000	*HK$'000*
Crediting		
Grants and subsidy from governments (note)	**451**	16
Charging		
Amortisation of intangible assets	**862**	692
Auditors' remuneration	**1,082**	104
Cost of inventories sold	**49,968**	30,602
Depreciation and amortisation of fixed assets		
— leased fixed assets under finance leases	**33**	—
— owned fixed assets held for use under operating leases	**37**	—
— owned fixed assets	**1,062**	669
Loss on disposal of fixed assets	**77**	856
Operating lease rental expense on land and buildings	**813**	712
Provision for trade receivables	**73**	221
Provision for other receivables	**95**	286
Provision for inventories	**311**	259
Research and development costs	**807**	216
Staff costs (including Directors' emoluments)	**8,889**	3,843

Note: During the year, the Group received subsidies of approximately HK$142,000 and HK$255,000 respectively from the People's Government of Wuhan City and Chengdu Municipal Finance Bureau, the People's Republic of China (the "PRC"), in respect of finance costs of certain subsidiaries as assistance for the Group's development of the pharmaceutical business in those regions.

The grants and subsidy have been deducted from other operating expenses.

6. Finance costs

	2001	2000
	HK$'000	*HK$'000*
Interest expense on:		
— bank loans	**1,649**	1,289
— other loans wholly repayable within five years	**181**	313
— trade payables	**191**	165
— amount due to a minority shareholder of a subsidiary	**—**	16
— loans due to staff	**85**	—
— trust receipt loans	**1,395**	69
— finance leases	**14**	—
Total borrowing costs incurred	**3,515**	1,852
Less: interest capitalised on construction in progress	**(605)**	(16)
Total borrowing costs charged to the proforma consolidated profit and loss account	**2,910**	1,836

The capitalisation rate applied to funds borrowed generally and used for the development of construction in progress is between 6.63% and 18% per annum (2000: 7.56% per annum).

7. Taxation

The amount of taxation charged to the proforma consolidated profit and loss account represents:

	2001	2000
	HK$'000	*HK$'000*
Hong Kong profits tax	**60**	15

Hong Kong profits tax has been provided at the rate of 16% (2000: 16%) on the estimated assessable profits for the year.

The subsidiaries operating in China mainland have been granted tax exemption from income tax for two years starting from the first year of profitable operations after setting off accumulated losses brought forward, followed by a 50% reduction in income tax for the next three years. These subsidiaries were still under the tax holiday for the current and previous years.

No Australian income tax has been provided as the subsidiary operating in Australia had no estimated assessable profit for the current and previous years.

Deferred taxation in respect of timing differences between profit as computed for taxation purposes and profit as stated in the proforma accounts has not been accounted for as the effect of timing differences is not material (2000: HK$Nil).

8. Proforma earnings per share

Basic proforma earnings per share is calculated based on the proforma profit attributable to shareholders of HK$38,125,000 (2000: HK$14,539,000) and 960,000,000 shares (2000: 960,000,000 shares) in issue during the year, and on the assumption that the Group Reorganisation and the capitalisation issue of 941,818,180 shares of the Company had been effective on 1st January, 2000.

Diluted proforma earnings per share is not presented as the Company has no dilutive potential ordinary shares as at 31st December, 2001 (2000: HK$Nil).

9. Reserves

	Merger reserve	**Exchange reserve**	**Reserve fund**	**Enterprise development fund**	**(Accumulated losses)/ retained profits**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(note a)					
At 1st January, 2000	1,719	—	—	—	(690)	1,029
Transfer (note (b))	—	—	42	22	(64)	—
Profit for the year	—	—	—	—	14,539	14,539
At 31st December, 2000	1,719	—	42	22	13,785	15,568
At 1st January, 2001	1,719	—	42	22	13,785	15,568
Transfer (note (b))	—	—	1,189	594	(1,783)	—
Exchange translation differences	—	119	—	—	—	119
Profit for the year	—	—	—	—	38,125	38,125
At 31st December, 2001	1,719	119	1,231	616	50,127	53,812

Notes:

(a) The merger reserve of the Group represents the difference between the nominal value of the shares of the subsidiaries that would have been acquired and amounts due to directors that would have been capitalised pursuant to the Group Reorganisation, over the nominal value of the Company's shares issued in exchange therefor.

(b) In accordance with the relevant government regulations and the articles of association of a subsidiary in the PRC, it is required to appropriate at each year end 10% and 5% respectively of the profit for the year after setting off accumulated losses brought forward (based on figures reported in the statutory accounts) to reserve fund and enterprise development fund respectively. These reserves are required to be retained in the accounts of the subsidiary for specific purposes.

10. Net assets

	HK$'000
Opening net assets of the Group as at 1st January, 2001	15,750
Profit for the year	38,125
Movement in exchange reserve	119
Closing net assets of the Group as at 31st December, 2001	53,994

11. Employee information

As at 31st December, 2001, the Group had 436 employees, comprising 35 in research and development, 128 in production, 212 in sales and distribution, and 61 in general administration and finance. 421 of these employees were located in China mainland, 8 in Australia and 7 in Hong Kong.

None of the Group's employees is represented by a labour union or is subject to a collective bargaining agreement, nor has the Group experienced any work disruption during the year ended 31st December, 2001. The Directors believe its relationship with the employees is good.

Dividends

In order to reserve additional financial resources for future developments of the Group, the Board has resolved not to recommend the payment of a final dividend for the year ended 31st December, 2001 (2000: HK$Nil).

The Register of Members of the Company will be closed from 15th April, 2002 (Monday) to 19th April, 2002 (Friday), both days inclusive, during which period no transfer of shares will be effected.

MANAGEMENT DISCUSSION AND ANALYSIS

Business and Operation Review

The success of a company is largely related to the prosperity of the economy, the markets that it serves and its ability to produce premier products. Nowhere is this principle hold truer than for Vital BioTech. Year 2001 was a milestone for the Group, not only because of the listing of the Group's shares on GEM in February 2002 but also the ability to attain several important achievements which further strengthen the Group's international standing as a world-class research and development based biotechnology group in the pharmaceutical industry.

Products

Opin

Opin, an interferon-based drug for the treatment of chronic erosive cervicitis, is one of our commercial success of our Protein Stabilisation Delivery ("PSD") technology. During the year under review, its turnover reached approximately HK$38,442,000, 31% higher than that for the year ended 31st December, 2000.

When compared to the conventional methods for treating chronic erosive cervicitis, Opin offers a more distinct non-invasive features and functions. This enables it to capture a larger market share. Currently, as an interferon based gynecological medication, Opin has been monopolising the PRC market of such product with almost 100% market share. Opin commands an approximately 5% market share when taking into account of other products which contain active ingredients other than interferon and which are for the treatment of erosive cervicitis.

The Group has applied for a new indication for Opin as a "Class 5 new drug" for the treatment of genital herpes. Final phase of relevant clinical trials is on schedule, and will be ready for the market with new indication by mid to late 2002. Given the large female population in the PRC, the Group is confident that the sale of Opin will be more encouraging in the years to come.

Osteoform

Osteoform is a new generation of health supplement of biological calcium, trace minerals, vitamin D3 and vitamin C. It is formulated for the prevention and treatment of diseases caused by calcium deficiency. Osteoform has been approved by and registered with the State Drug Administration of the PRC (the "SDA") as an over-the-counter ("OTC") drug. Osteoform will not only continue to serve as the foundation for establishing and developing the Group's OTC product distribution network in the PRC, but also, provide a steady revenue stream to fund the Group's future research and development.

The Group holds an exclusive right to process and distribute this technologically more advanced calcium supplement product in the Asian market for a term of 20 years. Osteoform has captured an approximately 4% share of the market of rare elements, minerals, and other nutrients in dollar terms in the PRC. Turnover of Osteoform for the year ended 31st December, 2001 was approximately HK$80,841,000, representing a substantial increase of approximately 151% as compared to last year. According to an investigation conducted in 1998, Chinese population has an average calcium level intake of 50% less than the recommended daily dose. With a population of approximately 1.3 billion, the market for calcium supplement in the PRC is immense.

During the year ended 31st December, 2001, total sales of Opin and Osteoform accounted for approximately 97% of the total turnover of the Group. The Board believes that these two products will continue to contribute substantially to the Group's profit and turnover in future.

Spray-On Bandage

The Spray-On Bandage was developed from the Group's unique Skin Drug Delivery System ("SDDS") technology. This product is in liquid spray form. When the spray is applied to a wound, it forms a temporary skin membrane that contains antiseptics.

The Spray-On Bandage has been registered with the Australia TGA since April 1999. Registration in the PRC had just been approved by the SDA in February 2002. The Group plans to allocate more resources to promote this product in the PRC which has an annual bandage market of approximately RMB100 million.

Apart from the Spray-On Bandage, more products such as anti-fungal, anti-inflammatory spray, can be developed through utilising the SDDS technology.

Proprietary Platform Technologies

PSD and SDDS Technologies

Traditionally, protein stability and protein drug delivery are two major obstacles which have made the commercialisation of biological products unviable or limited their market potential. The Group's PSD technology utilises a micro bio-encapsulation process to achieve room temperature stabilisation and mucosal delivery of biological proteins. The encapsulated products can now be administered in a more convenient dose forms such as oral, mucosal, vaginal and nasal. This technical breakthrough allows the Group tapping of new market by enhancing existing biotechnology based pharmaceutical products.

The polymer based SDDS technology is a convenient way to deliver drugs through topical application onto an intact skin surface. This technology is most effective for chemical pharmaceuticals. The system is based on sophisticated polymer membrane technology. The most significant feature of products developed from the SDDS technology is that it can deliver drug through the polymer membrane in a handy spray form. This system is highly convenient and user-friendly. There are no tablets or capsules to swallow, or injection given.

The Group believes that the PSD and the polymer based SDDS technologies have high commercial value and potential.

Technology and Marketing Alliance

The Group is actively seeking opportunities to commercialise the two platform technologies, both in the PRC and the international market. Initial success of the Group's marketing effort to expand its future income and revenue sources is evidenced by the Group's entering into its first technology cooperative agreement with Jiangsu Hengrui Pharmaceutical Company Limited (江蘇恒瑞醫藥股份有限公司) ("Jiangsu Hengrui") in November 2001. Jiangsu Hengrui, a Shanghai listed company established in the PRC, is the largest anti-cancer drug researcher, manufacturer and distributor with sole production rights of three anti-cancer drugs in the PRC. Under the agreement, Vital BioTech and Jiangsu Hengrui will develop a value added anti-cancer drug with improved target delivery and minimal side effects for cancer patients. This alliance not only marks the cooperation between the two companies but also the milestone to the Group to commercialise its proprietary drug delivery system technologies.

The agreement has brought to the Group licence fee income of approximately HK$2.83 million for the year ended 31st December, 2001.

The Group will continue to seek cooperative partnerships and strategic alliances both domestically and internationally to accelerate the commercialisation of the Group's platform technologies. Both technologies are in the process of going through international patent approval.

Production Facilities

The Group has a new production centre located at Chengdu City, Sichuan Province, the PRC ("Chengdu"). It obtained the Good Manufacturing Practice ("GMP") certification in December 2001. Full-scale production will commence during the first quarter of 2002. GMP certification is an official acknowledgement of the Group's quality management in pharmaceutical production. It is believed that the compliance with the GMP standards of the Group's production facilities will foster the customers' confidence towards our products. The packaging process of Osteoform is currently sub-contracted to a third party manufacturer. Following the completion of the construction of the Group's production facilities in Chengdu, packaging of Osteoform will gradually be shifted back to the Group itself. This change in business operation is expected to lead to a lower production cost and a better control over the supply pattern in the coming years.

Sales and Marketing

The establishment of an extensive and efficient distribution network is crucial to the successful commercialisation of pharmaceutical products. It is also important for a pharmaceutical company to maintain a strong revenue generating capability. The Group has developed an extensive sales and marketing network to ensure the speedy distribution of its products. The number of marketing and liaison offices were increased from 5 at the end of 2000 to 22 at the end of 2001. This number is expected to grow to 39 shortly. These marketing and liaison offices will not only promote the Group's products, but also provide after-sales services, improve customer acceptance, strengthen brand image, and increase the Group's awareness in the pharmaceutical industry and market in the PRC. Currently, the Group employs over 200 staff in its sales and marketing team. Members of the team pay regular visit to customers including distributors, hospitals, clinics and drug stores across the country to obtain feedbacks and follow up sales orders.

As the packaging process of Osteoform will be gradually shifted back to the Group's production centre in Chengdu, thus enabling the Group taking charge of its own distribution of Osteoform in the PRC. This will undoubtedly improve the efficiency of our distribution network and eventually enhance the corporate image of the Group.

Research and Development

The Group's research and development ("R&D") centre is situated in Melbourne, the State of Victoria, Australia. The Group also proposed to construct another GLP standard R&D centre in Chengdu, and this new centre will be responsible for the later stage of product development and management of clinical trials for the Group's new products. The Melbourne R&D centre will mainly be responsible for new product concept and new technology development work.

Currently, six products are under development. “Depile”, which has an indication for the relief of symptoms of hemorrhoid, is undergoing the final stage of clinical trial in the PRC. It is expected that this product will be available for sale in the PRC market in mid to late 2002.

“Iron Orotate”, is an iron supplement for chronic anemia. The active ingredient is chelated iron undergoing the stage of protocol preparation. It is expected to be launched in 2003.

“Interferon nasal spray”, has an proposed indication for the relief of upper respiratory tract viral infections e.g. flu and cold. The Group, is preparing for clinical trials and is expected to be launched in late 2003.

“Receptase”, is an oral medicaton for farm animals, with enzyme as the active ingredient, is preparing for field trials. It is expected to be launched in late 2003.

“Probiotic”, is an ingestable live beneficial bacteria product for healthy bowels with probiotic bacteria are the active ingredients. The product is undergoing stability testing and is expected to be launched in 2003–4.

“EPO”, tablets have an indication for increasing red blood cell count in chronic subclinical anemia. The product is undergoing animal testing and stability study. It is expected to be launched in 2004.

The R&D function of the Group has laid down a solid foundation for the Group’s success in the past. The Group will continue to commit substantial resources to strengthen the Group’s R&D capacity for the benefit of the well being of human kind.

Prospects

Leveraging on its strength in research and development and its commitment to increase its bottom line, Vital BioTech will utilise its greatest endeavor to increase shareholders’ value and to consistently achieve solid results in the years ahead.

Looking ahead, with the improvement in living standard, longer life expectancy, rapid advancement in biotechnology and the availability of data from the Human Genome Programe, the demand for effective and affordable biopharmaceutical and conventional pharmaceutical products worldwide will continue to grow. The Group will continue to capitalise on its strength in research and development to cater for this increase in demand for quality medication. Resources will be allocated for the development of new medicinal products and the enhancement of existing products with the initial focus on expanding the current OTC market and prescription drug market for its flagship products.

The PRC will remain as Vital BioTech’s primary market, as it has always been over the past years. As the Group continues to build its success story in the PRC, the Group will explore new business opportunities and expand its distribution network in selected countries in the Asia Pacific and Europe. Initial marketing work has been commenced in Thailand, Taiwan, Singapore, Korea, the Philippines and Russia. Local agents will be appointed in these countries to tap the potential for the Group’s biopharmaceutical products.

The PRC's entry into World Trade Organisation will inspire the opening up of this huge potential market. Deep rooted in the PRC and the ability to expedite product development cycle, Vital BioTech is well poised to seize the opportunities to partner with leading global pharmaceutical companies with the intention of entering the PRC market.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 31st December, 2001, the Group had outstanding borrowings of approximately HK$42.2 million (2000: HK$26.9 million), comprising long-term bank loans of approximately HK$14.3 million (2000: HK$Nil), short-term bank loans of approximately HK$18.6 million (2000: HK$17.3 million), other loans of approximately HK$4.8 million (2000: HK$6.0 million), trust receipt loans of approximately HK$2.4 million (HK$3.6 million), bank overdrafts of approximately HK$1.8 million (HK$Nil) and obligations under finance leases of approximately HK$0.3 million (2000: HK$Nil).

Long-term bank loans were secured by certain fixed assets of a subsidiary of the Group.

Short-term bank loans of approximately HK$12.6 million (2000: HK$12.6 million) and approximately HK$3.4 million (2000: HK$Nil) were secured by properties of a related party and certain bank deposits of a subsidiary respectively. Short-term bank loans of approximately HK$2.6 million (2000: HK$2.8 million) were guaranteed by a related party. Other loan of approximately HK$2.8 million (2000: HK$2.8 million) was secured by the properties of a related party.

As at the date of this announcement, the relevant banker and lender of bank and other loans have released the above guarantees and securities by the related party in exchange for the corporate guarantees provided by the Company and a subsidiary.

A subsidiary of the Group had aggregate banking facilities for trust receipt loans and bank overdrafts of approximately HK$12 million. Such facilities were secured by a corporate guarantee of HK$25 million and 1% of each export bill proceeds.

The gearing ratio (total debts over equity) of the Group as at 31st December, 2001 was 78.1% (2000: 170.4%).

Pursuant to the written resolutions of the shareholders of the Company dated 26th January, 2002, a share option scheme was approved and adopted.

The summary of the terms of the share option scheme has been set out in the prospectus in connection with the placing of the Company's shares dated 30th January, 2002.

DIRECTORS' INTERESTS IN EQUITY SECURITIES

As at the date of this announcement, the interests of the Directors in the share capital of the Company and its associated corporations (within the meaning of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance") which will have to be notified to the Company and the Stock Exchange pursuant to section 28 of the SDI Ordinance (including interests in which they are taken or deemed to have under section 31 of, or Part I of the Schedule to, the SDI Ordinance) once the shares are listed or which will be required pursuant to section 29 of the SDI Ordinance to be entered in the register referred to therein, once the shares are listed, or pursuant to Rules 5.40 to 5.59 of the Rules Governing the

Listing of the Securities on GEM of the Stock Exchange (the "Listing Rules") to be notified to the Company and the Stock Exchange once the shares are listed will be as follows:

Ordinary shares of HK$0.01 each in the Company

		Number of shares				
Director		**Corporate interests** *(note)*	**Personal interests**	**Family interests**	**Other interests**	**Total**
Mr. Ko Sai Ying, Thomas	("Mr. Ko")	—	48,422,400	—	—	48,422,400
Mr. Au Yeung Ping Yuen, Terence	("Mr. Au Yeung")	—	7,852,800	—	—	7,852,800
Mr. Liu Jin, James	("Mr. Liu")	—	14,630,400	—	—	14,630,400
Mr. Tao Lung	("Mr. Tao")	612,000,000	103,315,200	—	—	715,315,200

Note: These shares are registered in the name of Perfect Develop Holding Inc. ("Perfect Develop"). Mr. Tao is the beneficial owner of 49% of the entire issued share capital of Perfect Develop. Under the SDI Ordinance, Mr. Tao is deemed to be interested in all the shares registered in the name of Perfect Develop.

At no time during the period from 7th February, 2002 (the "Listing Date") to the date of this announcement was the Company or its holding company a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS

The Company became a listed company on 7th February, 2002. The register of substantial shareholders maintained by the Company pursuant to Section 16(1) of the SDI Ordinance showed that the Company has been notified of the following interests, being 10% or more of the issued share capital of the Company as at 7th February, 2002:

Name	**Number of shares held**	**Approximate percentage of shareholding**
Perfect Develop (note (1))	612,000,000	51.00%
Mr. Tao (note (2))	715,315,200	59.61%

Notes:

(1) The entire issued share capital of Perfect Develop is owned as to 49% by Mr. Tao, 33% by Mr. Ko, 6% by Mr. Au Yeung and 12% by Mr. Liu respectively. All of Mr. Tao, Mr. Ko, Mr. Au Yeung and Mr. Liu are founders of the Group.

(2) Mr. Tao owns in aggregate 49 shares in, representing approximately 49% of the issued share capital of Perfect Develop. Accordingly, Mr. Tao is deemed, by virtue of the SDI Ordinance, to be interested in all the shares in which Perfect Develop is interested, amounting to 612,000,000 shares immediate after the placing and the capitalisation issue. Together with 103,315,200 shares registered in his own name, Mr. Tao is deemed, by virtue of the SDI Ordinance, to be interested in, 715,315,200 shares in aggregate, amounting to approximately 59.61% of the share in issue immediately after the placing and the capitalisation issue.

At no time during the period from the Listing Date to the date of this announcement, the Directors and chief executive (including their spouse and children under 18 years of age) had any interest in, or had been granted, or exercised, any rights to subscribe for shares (or warrants or debentures, if applicable) of the Company and its associated corporations (within the meaning of the SDI Ordinance).

DIRECTORS' INTERESTS IN COMPETING BUSINESS

The Directors believe that none of the Directors or the initial management shareholders of the Company (as defined in the Listing Rules) had an interest in a business which causes or may cause any significant competition with the business of the Group.

SPONSOR'S INTERESTS

As updated and notified by the Company's sponsor, Core Pacific-Yamaichi Capital Limited (the "Sponsor"), as at the date of this announcement, neither the Sponsor nor any of its respective directors, employees or associates (as referred to in note 3 to Rule 6.35 of the Listing Rules) had any interests in the Company's shares.

Pursuant to the agreement dated 30th January, 2002 entered into between the Company and the Sponsor, the Sponsor will receive a fee for acting as the Company's retained sponsor for the period from the Listing Date to the earlier of 31st December, 2004 or the date on which the agreement is terminated upon the terms and conditions as set out therein the agreement.

AUDIT COMMITTEE

The Company has established an audit committee on 26th January, 2002. The audit committee has two members comprising Messrs. Lee Kwong Yiu and Lo Wa Kei, both of them are independent non-executive Directors. Mr. Lo Wa Kei has been appointed as chairman of the audit committee. The terms of reference of the audit committee have been established with regard to Rules 5.23, 5.24 and 5.25 of the Listing Rules. The primary duties of the audit committee are (i) to review the Company's annual reports and accounts, half-yearly and quarterly reports, (ii) to provide advice and comments thereon to the Board, and (iii) to review and supervise the financial reporting process and internal control procedures of the Group. The audit committee has met 2 times since its establishment with the management to discuss and review the Group's various issues with a view to further improve the Group's corporate governance.

BOARD PRACTICES AND PROCEDURES

The Company has complied with board practices and procedures as set out in rules 5.28 to 5.39 of the Listing Rules since listed on GEM on 7th February, 2002.

PURCHASE, SALE OR REDEMPTION OF SHARES

The Company has not redeemed any of its shares during the period from the Listing Date to the date of this announcement. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the period from the Listing Date to the date of this announcement.

KO Sai Ying, Thomas
Chairman

Hong Kong, 22nd March, 2002