

**FURTHER INFORMATION ABOUT THE COMPANY AND ITS SUBSIDIARIES****1. Incorporation of the Company**

The Company was incorporated in the Cayman Islands under the Companies Law as an exempted company on 30th May, 2001 with an authorised share capital of HK\$390,000 divided into 3,900,000 shares of HK\$0.10 each and on the same day, one share of HK\$0.10 each was allotted and issued to Trident Nominees (Cayman) Limited for cash at par. On 31st May, 2001, Trident Nominees (Cayman) Limited transferred the one share of HK\$0.10 each to Mr. Ko. On the same day, two shares of HK\$0.10 each were allotted and issued by the Company as to one share of HK\$0.10 each to Mr. Au Yeung and one share of HK\$0.10 each to Mr. Liu for cash at par.

The Company was incorporated in the Cayman Islands and is subject to Cayman Islands law. Its constitution comprises a memorandum and articles of association. A summary of certain relevant parts of its constitution and certain relevant aspects of Cayman Islands company law is set out in Appendix III to this prospectus.

**2. Changes in share capital of the Company**

Immediately following completion of the Placing and the Capitalisation Issue but not taking into account of any Shares which may be issued pursuant to the exercise of the Over-allotment Option or the options granted or may be granted under the Share Option Scheme, the authorised share capital of the Company will be HK\$500,000,000 divided into 50,000,000,000 Shares of which 1,200,000,000 Shares will be allotted and issued, fully paid or credited as fully paid, and 48,800,000,000 Shares will remain unissued. In the event that the Over-allotment Option is exercised in full, 1,245,000,000 Shares will be allotted and issued, fully paid or credited as fully paid, and 48,755,000,000 Shares will remain unissued. Other than pursuant to the exercise of the Over-allotment Option or the options granted or which may be granted under the Share Option Scheme, there is no present intention to issue any of the authorised but unissued share capital of the Company and, without the prior approval of the shareholders of the Company at general meeting, no issue of Shares will be made which would effectively alter the control of the Company.

Save as disclosed herein and in paragraphs 3 and 4 of this Appendix, there has been no alteration in the share capital of the Company since its incorporation.

**3. Resolutions in writing of all shareholders of the Company passed on 26th January, 2002**

On 26th January, 2002 pursuant to resolutions in writing passed by all shareholders of the Company:

- (a) the then issued and unissued shares having a par value of HK\$0.10 each in the capital of the Company were sub-divided into ten Shares;
- (b) the Company adopted its existing articles of association;
- (c) conditional on the GEM Listing Committee granting the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus and on the obligations of the Underwriters under the Underwriting Agreement becoming unconditional and not being terminated in accordance with the terms of the Underwriting Agreement or otherwise, in each case on or before the day following 30 days after the date of this prospectus:

- (i) the authorised share capital was increased from HK\$390,000 to HK\$500,000,000 by the creation of a further 49,961,000,000 Shares;
- (ii) the Placing and the Over-allotment Option were approved and the Directors were authorised to allot and issue the Placing Shares and to approve the transfer of the Sale Shares pursuant thereto and such number of Shares as may be allotted and issued upon the exercise of the Over-allotment Option;
- (iii) the rules of the Share Option Scheme, the principal terms of which are set out in paragraph 16 of this Appendix, were approved and adopted and the Directors were authorised to grant options to subscribe for Shares thereunder and to allot, issue and deal with Shares pursuant to the exercise of options granted under the Share Option Scheme;
- (iv) conditional on the share premium account being credited as a result of the Placing, the Directors were authorised to capitalise HK\$9,418,181.80 standing to the credit of the share premium account of the Company by applying such sum in paying up in full at par 941,818,180 Shares for allotment and issue to holders of Shares whose names appear on the register of members of the Company at the close of business on 26th January, 2002 (or as they may direct) in proportion (as nearly as possible without involving fractions) to their then existing shareholding;
- (v) a general unconditional mandate was given to the Directors to allot, issue and deal with, otherwise than by way of rights, scrip dividend schemes or similar arrangements in accordance with the articles of association of the Company, or pursuant to the grant of options under the Share Option Scheme or the exercise of any options which may be granted under the Share Option Scheme or under the Placing or the Capitalisation Issue or upon the exercise of the Over-allotment Option, Shares with an aggregate nominal amount of not exceeding the sum of (aa) 20% of the aggregate nominal amount of the share capital of the Company in issue and to be issued as mentioned in this prospectus (including the Shares which may be issued pursuant to the exercise of the Over-allotment Option) and (bb) the nominal amount of the share capital of the Company which may be purchased by the Company pursuant to the authority granted to the Directors as referred to in paragraph (vi) below, until the conclusion of the next annual general meeting of the Company, or the date by which the next annual general meeting of the Company is required by the articles of association of the Company or any applicable Cayman Islands law to be held or the passing of an ordinary resolution by shareholders of the Company revoking or varying the authority given to the Directors, whichever occurs first; and
- (vi) a general unconditional mandate (the “**Repurchase Mandate**”) was given to the Directors to exercise all powers of the Company to purchase Shares with an aggregate nominal amount of not exceeding 10% of the aggregate nominal amount of the share capital of the Company in issue and to be issued as mentioned in this prospectus (including the Shares which may be issued pursuant to the exercise of the Over-allotment Option) until the conclusion of the next annual general meeting of the Company, or the date by which the next annual general meeting of the Company is required by the articles of association of the Company or any applicable Cayman Islands law to be held or the passing of an ordinary resolution by shareholders of the Company revoking or varying the authority given to the Directors, whichever occurs first.

#### 4. Group reorganisation

The companies comprising the Group underwent a reorganisation to rationalise the Group's structure in preparation for the listing of the Shares on GEM which involved the following:

(a) The Company

- (i) On 17th December, 2001, the Company allotted and issued an aggregate of 909,087 new shares of HK\$0.10 each, nil paid, as to 303,080 shares of HK\$0.10 each to Mr. Ko, 53,953 shares of HK\$0.10 each to Mr. Au Yeung, 106,599 shares of HK\$0.10 each to Mr. Liu, 381,818 shares of HK\$0.10 each to Mr. Tao, 36,364 shares of HK\$0.10 each to Goldfield and 27,273 shares of HK\$0.10 each to Pernanga.
- (ii) On 23rd January, 2002, each of Mr. Ko, Mr. Au Yeung, Mr. Liu, Mr. Tao, Goldfield and Pernanga transferred to the Company 103 shares of US\$1 each, in aggregate, being the entire issued share capital in Yugofoil, in consideration of and exchange for which the Company (aa) allotted and issued, credited as fully paid, 909,090 new shares of HK\$0.10 each, as to 303,081 shares of HK\$0.10 each to Mr. Ko, 53,954 shares of HK\$0.10 each to Mr. Au Yeung, 106,600 shares of HK\$0.10 each to Mr. Liu, 381,818 shares of HK\$0.10 each to Mr. Tao, 36,364 shares of HK\$0.10 each to Goldfield and 27,273 shares of HK\$0.10 each to Pernanga; and (bb) credited as fully paid at par the 909,087 nil paid shares of HK\$0.10 each (as referred to in the preceding sub-paragraph (i)) held by Mr. Ko, Mr. Au Yeung, Mr. Liu, Mr. Tao, Goldfield and Pernanga.
- (iii) On 23rd January, 2002, an aggregate of 201,836 shares of HK\$0.10 each in the Company were transferred from Mr. Ko as to 131,942 shares of HK\$0.10 each in the Company, Mr. Au Yeung as to 23,487 shares of HK\$0.10 each in the Company and Mr. Liu as to 46,407 shares of HK\$0.10 each in the Company to the following persons at the consideration of AUD2.3534 (approximately HK\$9.4136) per share, with the number of shares of HK\$0.10 each in the Company transferred set opposite their respective names:

<b>Name</b>	<b>Number of shares of HK\$0.10 each in the Company</b>
David Kwok Ching Chu	57,655
Diamond Clear Associates Limited	28,836
Active Device Co., Ltd.	28,836
Ho Louis Kok Hay & Ho Yue Lai Fong	28,836
Chu Chan Sai Wah, Grace	14,418
Chu Wing Cheong	14,418
Canterbury 2000 Limited	8,652
Lam Yiu Cheung	5,764
Kenneth Walter Glynn	5,764
Margaret Carmel D'Arcy-Evans	2,891
Elizabeth Wong Tuen Yee	2,883
Angela Cutri	2,883

- (iv) On 23rd January, 2002, the Company allotted and issued, at the joint direction of Mr. Ko, Mr. Au Yeung and Mr. Liu, one share of HK\$0.10 each to Mr. Ko for the settlement of a loan of AUD475,000 (approximately HK\$1,900,000) due from the Company to Mr. Ko, Mr. Au Yeung and Mr. Liu.

(v) On 26th January, 2002, an aggregate of 1,159,092 shares of HK\$0.10 each in the Company were transferred from Mr. Ko as to 382,500 shares of HK\$0.10 each in the Company, Mr. Au Yeung as to 69,545 shares of HK\$0.10 each in the Company, Mr. Liu as to 139,091 shares of HK\$0.10 each in the Company and Mr. Tao as to 567,956 shares of HK\$0.10 each in the Company to Perfect Develop in consideration of and exchange for which Perfect Develop allotted and issued, credited as fully paid, an aggregate of 100 new shares of US\$1 each in the capital of Perfect Develop, as to 33 shares to Mr. Ko, 6 shares to Mr. Au Yeung, 12 shares to Mr. Liu and 49 shares to Mr. Tao.

(b) Farthinghoe

On 23rd January, 2002, each of Mr. Ko, Mr. Au Yeung and Mr. Liu transferred one share of US\$1 each in the capital in Farthinghoe to Yugofoil in consideration of and exchange for which Yugofoil allotted and issued, credited as fully paid, one share of US\$1 each to each of Mr. Ko, Mr. Au Yeung and Mr. Liu respectively.

(c) Ever Power and Gainful Plan

(i) On 16th June, 2001, a deed of assignment was entered into between Ever Power, as assignee and Mr. Ko, as assignor, for the assignment of all right, title and interest in the International Patent Application No. PCT/AU00/01419, entitled "Novel compositions and methods".

(ii) On 16th June, 2001, a deed of assignment was entered into between Gainful Plan, as assignee and Mr. Ko and Mr. Au Yeung, as assignors, for the assignment of all right, title and interest in the Australian Provisional Patent Application No. PR2729, entitled "Method of preparing biological materials and preparations produced using the same".

(iii) On 1st November, 2001, a deed of assignment was entered into between Ever Power, as assignee and Mr. Ko, as assignor, for the assignment of all right, title and interest in the US Patent Application No. 09/717,088, entitled "Novel compositions and methods".

(iv) On 17th December, 2001, each of Mr. Ko and Mr. Au Yeung transferred one share of US\$1 each in Everpower and one share of US\$1 each in Gainful Plan to the Company in consideration of and exchange for which the Company allotted and issued, credited as fully paid, one Share, at the joint direction of Mr. Ko and Mr. Au Yeung, to Mr. Au Yeung.

## 5. Changes in share capital of subsidiaries

The subsidiaries of the Company are listed in the accountants' report set out in Appendix I to this prospectus. The following alterations in the share capital of the Company's subsidiaries took place within the two years immediately preceding the date of this prospectus:

(a) On 29th March, 2000, Maxsun was incorporated in Hong Kong with an authorised capital of HK\$10,000 divided into 10,000 shares of HK\$1 each.

(b) On 23rd August, 2000, two subscriber's shares of HK\$1 each in Maxsun were acquired by each of Beshabar (BVI) and Pharmco, respectively, for cash at par.

- (c) On 23rd August, 2000, 50 shares of and 48 shares of HK\$1 each in Maxsun were allotted and issued to Beshabar (BVI) and Pharmco, respectively, for cash at par.
- (d) On 15th September, 2001, Pharmco transferred an aggregate of 49 shares of HK\$1 each in Maxsun as to 24 shares to Ms. Betty Wei Bai and as to 25 shares to Mr. Tse-Ruo Kuo, respectively, at the consideration of HK\$1 each.
- (e) On 25th August, 2000, 99 shares and one share of HK\$1 each in Beshabar (HK) were allotted and issued to Yugofoil and its nominee for cash at par.
- (f) On 8th November, 2000, the registered capital of Weiao was increased from RMB3,000,000 to RMB9,000,000.
- (g) On 17th November, 2000, Vital BioTech (Hong Kong) was incorporated with an authorised capital of HK\$10,000 divided into 10,000 shares of HK\$1 each.
- (h) On 19th June, 2001, two subscriber's shares of HK\$1 each in Vital BioTech (Hong Kong) were acquired by each of the Company and its nominee for cash at par.
- (i) On 25th May, 2001, Ever Power was incorporated in BVI with an authorised capital of US\$50,000 divided into 50,000 shares of US\$1 each.
- (j) On 16th June, 2001, one share of US\$1 each in Ever Power was allotted and issued to each of Mr. Ko and Mr. Au Yeung for cash at par.
- (k) On 25th May, 2001, Gainful Plan was incorporated in BVI with an authorised capital of US\$50,000 divided into 50,000 shares of US\$1 each.
- (l) On 16th June, 2001, one share of US\$1 each in Gainful Plan was allotted and issued to each of Mr. Ko and Mr. Au Yeung for cash at par.
- (m) On 25th July, 2001, Vital (Sichuan) was established with a registered capital of US\$1,400,000.

Save as disclosed herein and in paragraph 4 of this Appendix, there has been no alteration in the share capital of any of the subsidiaries of the Company within the two years immediately preceding the date of this prospectus.

## **6. Repurchase by the Company of its own securities**

This paragraph 6 includes information required by the Stock Exchange to be included in this prospectus concerning the repurchase by the Company of its own securities.

(a) *Stock Exchange Rules*

The GEM Listing Rules permit companies with a primary listing on GEM to repurchase their securities on GEM subject to certain restrictions, the most important of which are summarised below:

Source of funds

Repurchases must be paid out of funds legally available for the purpose in accordance with the Company's memorandum and articles of association and the Companies Law. A listed company may not repurchase its own securities on GEM for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange. Under Cayman Islands law, repurchases by the Company may only be made out of profits of the Company or out of the proceeds of a fresh issue of shares made for the purpose, or, if so authorised by its articles of association and subject to the provisions of the Companies Law, out of capital. Any premium payable on a redemption or purchase over the par value of the shares to be purchased must be provided for out of profits of the Company or out of the Company's share premium account, or, if so authorised by its articles of association and subject to the provisions of the Companies Law, out of capital.

(b) *Reasons for repurchases*

The Directors believe that it is in the best interests of the Company and its shareholders for the Directors to have general authority from the shareholders to enable the Company to repurchase Shares in the market. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value per Share and/or earnings per Share and will only be made if the Directors believe that such repurchases will benefit the Company and its shareholders.

(c) *Funding of repurchases*

In repurchasing securities, the Company may only apply funds legally available for such purpose in accordance with its memorandum and articles of association, the GEM Listing Rules and the applicable laws of the Cayman Islands.

On the basis of the current financial position of the Group as disclosed in this prospectus and taking into account the current working capital position of the Group, the Directors consider that, if the Repurchase Mandate were to be exercised in full, it might have a material adverse effect on the working capital and/or the gearing position of the Group as compared with the position disclosed in this prospectus. However, the Directors do not propose to exercise the Repurchase Mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements of the Group or the gearing levels which in the opinion of the Directors are from time to time appropriate for the Group.

The exercise in full of the Repurchase Mandate, on the basis of 1,200,000,000 Shares in issue immediately after the listing of the Shares on GEM (assuming the Over-allotment Option is not exercised), would result in up to 120,000,000 Shares being repurchased by the Company during the period in which the Repurchase Mandate remains in force.

In the event the Over-allotment Option is exercised in full, 1,245,000,000 Shares will be in issue immediately after the listing of the Shares on GEM. The exercise in full of the Repurchase Mandate on such basis would result in up to 124,500,000 Shares being repurchased by the Company during the same period.

(d) *General*

None of the Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their associates (as defined in the GEM Listing Rules) currently intends to sell any Shares to the Company or its subsidiaries if the Repurchase Mandate is exercised.

The Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the GEM Listing Rules and the applicable laws of the Cayman Islands.

If, as a result of a securities repurchase, a shareholder's proportionate interest in the voting rights of the Company is increased, such increase will be treated as an acquisition for the purpose of the Hong Kong Code on Takeovers and Mergers (the "**Takeovers Code**"). Accordingly, a shareholder or a group of shareholders acting in concert could obtain or consolidate control of the Company and become obliged to make a mandatory offer in accordance with rule 26 of the Takeovers Code. Save as aforesaid, the Directors are not aware of any consequences which would arise under the Takeovers Code as a consequence of any repurchases pursuant to the Repurchase Mandate.

No connected person (as defined in the GEM Listing Rules) has notified the Company that he has a present intention to sell Shares to the Company, or has undertaken not to do so if the Repurchase Mandate is exercised.

## **7. Registration under Part XI of the Companies Ordinance**

The Company has established a place of business in Hong Kong at Units 1001 and 1002, 10th Floor, Kwai Hung Holdings Centre, 89 King's Road, North Point, Hong Kong. On 23rd November, 2001, the Company was registered as an oversea company under Part XI of the Companies Ordinance. Mr. Ko and Mr. Tao, both being Directors, were appointed as agents of the Company for the acceptance of service of process in Hong Kong.

## **FURTHER INFORMATION ABOUT THE BUSINESS OF THE GROUP**

### **8. Summary of material contracts**

The following contracts (not being contracts in the ordinary course of business) have been entered into by members of the Group within the two years preceding the date of this prospectus and are or may be material:

- (a) a share purchase agreement dated 23rd January, 2002 and entered into among (i) each of Mr. Ko, Mr. Au Yeung, Mr. Liu, Mr. Tao, Goldfield and Pernanga as vendors, (ii) Ip Yu Chak and Yeung Wing Sang as warrantors and (iii) the Company as purchaser for the acquisition of the entire issued capital of Yugofoil, in consideration of and exchange for which the Company (aa) allotted and issued, credited as fully paid, 909,090 new shares of HK\$0.10 each, as to 303,081 shares of HK\$0.10 each to Mr. Ko,

53,954 shares of HK\$0.10 each to Mr. Au Yeung, 106,600 shares of HK\$0.10 each to Mr. Liu, 381,818 shares of HK\$0.10 each to Mr. Tao, 36,364 shares of HK\$0.10 each to Goldfield and 27,273 shares of HK\$0.10 each to Pernanga; and (bb) credited as fully paid at par the 909,087 nil paid shares of HK\$0.10 each held by Mr. Ko, Mr. Au Yeung, Mr. Liu, Mr. Tao, Goldfield and Pernanga;



- (b) a deed of indemnity dated 30th January, 2002 and executed by Perfect Develop, Mr. Ko, Mr. Au Yeung, Mr. Liu, Mr. Tao, in favour of the Company containing the indemnities more particularly referred to in paragraph 17 of this Appendix;
- (c) the Underwriting Agreement;
- (d) a capital transfer agreement dated 15th August, 2000 entered into between Yugofoil and Mas International (HK) Company Limited in respect of the acquisition of 30% of the registered capital in Weiao from Mas International (HK) Company Limited by Yugofoil at the consideration of RMB900,000 (approximately HK\$849,057);
- (e) an agreement dated 15th September, 2000 entered into between Yugofoil and Bright Future in connection with the termination of the trust arrangement between the parties pursuant to which Bright Future transferred 90% of the registered capital in Tianao back to Yugofoil, the beneficiary, at nil consideration;
- (f) a deed of assignment dated 16th June, 2001 entered into between Ever Power, as assignee, and Mr. Ko, as assignor, for the assignment of all right, title and interest in the International Patent Application No. PCT/AU00/01419, entitled "Novel compositions and methods";
- (g) a deed of assignment dated 16th June, 2001 entered into between Gainful Plan, as assignee, and Mr. Ko and Mr. Au Yeung, as assignors, for the assignment of all right, title and interest in the Australian Provisional Patent Application No. PR2729 entitled "Method of preparing biological materials and preparations produced using the same"; and
- (h) a deed of assignment dated 1st November, 2001 entered into between Ever Power, as assignee, and Mr. Ko, as assignor, for the assignment of all right, title and interest in the US Patent Application No. 09/717,088, entitled "Novel compositions and methods".



## 9. Intellectual property rights of the Group

### Trade marks





The Group is the registered proprietor and beneficial owner of the following trade marks:

Trade marks	Class	Registration number	Duration of validity	Place of registration
	5 (note 1)	1092945	10 years from 7th September, 1997 to 6th September, 2007	PRC
	5 (note 2)	1218332	10 years from 28th October, 1998 to 27th October, 2008	PRC
"VITAPHARM MEDIKO"	3 (note 3)	768659	10 years from 28th July, 1998 to 27th July, 2008	Australia
"VITAPHARM MEDIKO"	5 (note 4)	768659	10 years from 28th July, 1998 to 27th July, 2008	Australia

Notes:

1. The products covered under this class include Western medicine.
2. The products covered under this class include injection and suppository medicine.
3. The products covered under this class include cosmetics preparations including anti-wrinkle preparations, anti-ageing preparations, skin lightening compositions and emollient creams.
4. The products covered under this class include pharmaceutical and cosmetic preparations including anti-acne preparations, compositions for preventing hair loss, depilatory compositions, anti-psoriasis creams, topical anti-microbial and anti-viral preparations including topical cold sore treatment compositions, blackhead and/or whitehead removing preparations.

As at the Latest Practicable Date, the Group had applied for registration of the following trade marks, the registration of which has not yet been granted:

Trade marks	Place of application	Class	Application date	Application number
	Hong Kong	5 (note 1)	29th September, 2001	2001 15862
	Hong Kong	10 (note 2)	29th September, 2001	2001 15863
	Hong Kong	42 (note 3)	29th September, 2001	2001 15861
美迪高	PRC	5 (note 4)	18th December, 2000	2000198269
VITAPHARMMEDIKO	PRC	5 (note 4)	18th December, 2000	2000200488
	PRC	5 (note 4)	11th June, 2001	2001098786

Notes:

- The products covered under this class include pharmaceutical, veterinary and sanitary preparations; dietetic substances adapted for medical use, food for babies; plasters, materials for dressings; material for stopping teeth, dental wax; disinfectants; preparations for destroying vermin; fungicides, herbicides; all included in class 5.
- The products covered under this class include surgical, medical, dental and veterinary apparatus and instruments, artificial limbs, eyes and teeth; orthopedic articles; suture materials; all included in class 10.
- The products covered under this class include providing of food and drink, temporary accommodation; medical, hygienic and beauty care; veterinary and agricultural services; legal services; scientific and industrial research; computer programming; services that cannot be placed in other classes; all included in class 42.
- The products covered under this class include medicines for human purposes; biological preparations for pharmaceutical purposes; nurture for medical purposes; dietetic foods adapted for medical purposes; sterilising preparations; biochemical medicines; pilatory for medical purposes; medicines for veterinary purposes; diagnostic preparations for medical purposes; medical preparations

**Patents**

The Group is the registered proprietor and beneficial owner of the following patents:

<b>Title of inventions</b>	<b>Place of registration</b>	<b>Approving date</b>	<b>Registration number</b>	<b>International patent classification</b>
Hard porous loose-foam body bolt and its manufacturing process	PRC	22nd January, 2000	941012557	A61K9/02
Frozen dry bolt and its manufacturing process	PRC	5th February, 2000	941076695	A61K9/02

As at the Latest Practicable Date, the Group had applied for registration of the following patents, the registration of which has not yet been granted:

<b>Title of inventions</b>	<b>Place of application</b>	<b>Application date</b>	<b>Application number</b>	<b>International patent classification</b>
Method of preparing biological materials and preparations produced using the same	Australia	25th January, 2001	PR2729	A61K 9/00, 9/50, 9/52 A61K 35/66, 37/00 A61K 37/00, 37/24, 37/48
A propellant free spray-on skin patch composition for improving wound healing and for drug administration	Geneva	22nd November, 2000	PCT/AU00/01419	A61L 26/00, 27/60, A61K 9/12, 9/70, A61P 17/02, 31/02, 31/04, 31/10
Novel compositions and methods	US	22nd November, 2000	09/717,088	A61F 13/00+

**Domain names**

The Group is the registered proprietor and beneficial owner of the domain names specified below:

<b>Domain names</b>	<b>Date of registration</b>
vitapharm.com.au	23rd February, 1999
etianao.com	16th November, 2000
osteofarm.com	15th December, 2000

## 10. Further information about the Group's PRC equity joint ventures and wholly foreign-owned enterprise

The Group has established two Sino-foreign equity joint ventures in the PRC. Summaries of corporate information and the principal terms of the joint venture contract in respect of each of the joint venture enterprises are as follows:

### (a) Sichuan Weiao Pharmacy Co., Ltd.

Corporate nature	:	Sino-foreign equity joint venture enterprise
Joint venture partners	:	(i) 四川康奧醫藥科技開發有限責任公司 (Sichuan Kangao Pharmaceutical Technology Development Co., Ltd.) (the PRC joint venture partner); and (ii) Yugofoil
Total investment	:	RMB9,000,000
Total registered capital	:	RMB9,000,000
Attributable interest of the Company	:	76.7%
Term of joint venture	:	30 years
Scope of business	:	Production, sales and marketing of western and Chinese pharmaceutical preparations and raw materials

The board of directors of Weiao consists of five directors, two of whom are appointed by the PRC joint venture partner and the remaining three are appointed by Yugofoil.

The profit of Weiao is shared between the Group and the PRC joint venture partner in proportion to their respective equity interests in Weiao. Upon the termination of the joint venture contract, the assets of Weiao will be distributed to the Group and the PRC joint venture partner in proportion to their respective equity interests in Weiao.

### (b) Wuhan Tianao Pharmaceuticals Co., Ltd.

Corporate nature	:	Sino-foreign equity joint venture enterprise
Joint venture partners	:	(i) 武漢天奧製藥廠 (Wuhan Tianao Pharmaceutical Factory) (the PRC joint venture partner); and (ii) Yugofoil
Total investment	:	RMB10,200,000

Total registered capital	:	RMB7,140,000
Attributable interest of the Company	:	95%
Term of joint venture	:	15 years
Scope of business	:	Research, development, production, sales and marketing of broad spectrum anti-viral and biological line of pharmaceutical products

The board of directors of Tianao consists of seven directors, two of whom are appointed by the PRC joint venture partner and the remaining five are appointed by Yugofoil.

The profit of Tianao is shared between the Group and the PRC joint venture partner in proportion to their respective equity interests in Tianao. Upon the termination of the joint venture contract, the assets of Tianao will be distributed to the Group and the PRC joint venture partner in proportion to their respective equity interests in Tianao.

The Group has also established a wholly foreign-owned enterprise, namely, Vital (Sichuan) BioTech Co., Ltd., in the PRC. Summary of corporate information of Vital Sichuan is as follows:

Corporate nature	:	Wholly foreign-owned enterprise
Total investment	:	US\$2,000,000
Total registered capital	:	US\$1,400,000
Term of operation	:	15 years
Scope of business	:	Research and development of biotechnology

## FURTHER INFORMATION ABOUT DIRECTORS, MANAGEMENT AND STAFF

### 11. Directors

#### *Disclosure of interests of Directors*

- (i) Save as disclosed in this prospectus, none of the Directors or their respective associates was engaged in any dealings with the Group during the two years preceding the date of this prospectus.
- (ii) Each of Mr. Ko, Mr. Au Yeung, Mr. Liu and Mr. Tao is interested in the corporate reorganisation referred to in paragraph 4 of this Appendix and changes in share capital of subsidiaries of the Group referred to in paragraph 5 of this Appendix.

#### *Particulars of service contracts*

Each of Mr. Ko, Mr. Au Yeung, Mr. Liu and Mr. Tao, being all the executive Directors, has entered into a service contract with the Company for an initial term of two years commencing from 1st December,

2001, and will continue thereafter until terminated by not less than three months' notice in writing served by either party on the other. Each of these executive Directors is entitled to the respective basic salary set out below (subject to an annual increment after 30th November, 2002 at the discretion of the Directors). In addition, the executive Directors are also entitled to a discretionary management bonus provided that the aggregate amount of the bonuses payable to all the executive Directors for any financial year of the Company may not exceed 10% of the audited combined profits attributable to the shareholders of the Company (after taxation and minority interests but before extraordinary and exceptional items and the payments of such bonuses) in respect of that financial year of the Company. An executive Director may not vote on any resolution of the Directors regarding the amount of the management bonus payable to him. The current basic annual salaries of the executive Directors are as follows:

<b>Name</b>	<b>Amount</b>
Mr. Ko	HK\$720,000
Mr. Au Yeung	HK\$720,000
Mr. Liu	HK\$720,000
Mr. Tao	HK\$720,000

Save as aforesaid, none of the Directors has or is proposed to have a service contract with the Company or any of its subsidiaries (other than contracts expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation)).

#### *Directors' remuneration*

- (a) The Company's policies concerning remuneration of executive Directors are as follows:
- (i) the amount of remuneration payable to the executive Directors will be determined on a case by case basis depending on the experience, responsibility, workload and the time devoted to the Group by the relevant Director;
  - (ii) non-cash benefits may be provided to the Directors under their remuneration package; and
  - (iii) the executive Directors may be granted, at the discretion of the board of Directors, share options of the Company, as part of the remuneration package.
- (b) During the year ended 31st December, 2000, the aggregate emoluments paid by the Group to the Directors was approximately HK\$1,251,000. Details of the Directors remuneration are set out in note (9) to section II of the accountants' report set out in Appendix I to this prospectus.
- (c) During the year ended 31st December, 2001, the aggregate emoluments paid by the Group to the Directors was approximately HK\$2,278,000.
- (d) Under the arrangements currently in force, the aggregate emoluments payable by the Group to the Directors for the year ending 31st December, 2002 are estimated to be approximately HK\$2,880,000.
- (e) No emoluments were paid by the Group to the Directors as an inducement to join or upon joining the Group or as compensation for loss of office. None of the Directors has waived any emoluments.

- (f) Save for directors' fees, none of the non-executive Directors is expected to receive any other remuneration for holding his office as a non-executive Director.

*Interests of Directors in the share capital of the Company and its associated corporations*

Immediately following completion of the Placing and the Capitalisation Issue, the interests of the Directors in the share capitals of the Company and its associated corporations (within the meaning of 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 GEM Listing Rules to be notified to the Company and the Stock Exchange once the Shares are listed will be as follows:

Director	Number of Shares				Total interests
	Corporate interests	Personal interests	Family interests	Other interests	
Mr. Ko	–	48,422,400	–	–	48,422,400
Mr. Au Yeung	–	7,852,800	–	–	7,852,800
Mr. Liu	–	14,630,400	–	–	14,630,400
Mr. Tao	612,000,000 (Note)	103,315,200	–	–	715,315,000

Note: These Shares are registered in the name of 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.

## 12. Substantial shareholders

So far as the Directors are aware, immediately upon completion of the Placing and the Capitalisation Issue and taking no account of Shares which may be taken up under the Placing or upon the exercise of the Over-allotment Option, the following persons will be interested in more than 10% of the Shares then in issue:

Name	Number of Shares directly or indirectly held immediately after the Placing and the Capitalisation Issue	Approximate percentage shareholding in the Company held immediately after the Placing and the Capitalisation Issue
Perfect Develop	612,000,000 (Note 1)	51
Mr. Tao	715,315,000 (Note 1(d))	59.61

Notes:

1. The issued share capital of Perfect Develop is beneficially owned by the following persons:

Name of shareholders	Number of shares	Approximate percentage of shareholding
Mr. Ko (a)	33	33
Mr. Au Yeung (b)	6	6
Mr. Liu (c)	12	12
Mr. Tao (d)	49	49
Total	<u>100</u>	<u>100</u>

- (a) Mr. Ko, one of the executive Directors, owns in aggregate 33 shares in, representing approximately 33% of, the issued share capital of Perfect Develop. Perfect Develop is an investment holding company with no assets other than the Shares. Mr. Ko has an attributable interest in 33% of the Shares in which Perfect Develop is interested, amounting to 201,960,000 Shares, and together with 48,422,400 Shares registered in his own name, immediately after the Placing and the Capitalisation Issue, representing 20.86% of the issued share capital of the Company. On this basis, Mr. Ko is deemed to be an Initial Management Shareholder for the purpose of Rules 13.15 to 13.21 of the GEM Listing Rules.
- (b) Mr. Au Yeung, one of the executive Directors, owns in aggregate 6 shares in, representing approximately 6% of, the issued share capital of Perfect Develop. Perfect Develop is an investment holding company with no assets other than the Shares. Mr. Au Yeung has an attributable interest in 6% of the Shares in which Perfect Develop is interested, amounting to 36,720,000 Shares, and together with 7,852,800 Shares registered in his own name, immediately after the Placing and the Capitalisation Issue, representing 3.71% of the issued share capital of the Company. On this basis, Mr. Au Yeung is deemed to be an Initial Management Shareholder for the purpose of Rules 13.15 to 13.21 of the GEM Listing Rules.
- (c) Mr. Liu owns in aggregate 12 shares in, representing approximately 12% of, the issued share capital of Perfect Develop. Perfect Develop is an investment holding company with no assets other than the Shares. Mr. Liu has an attributable interest in 12% of the Shares in which Perfect Develop is interested, amounting to 73,440,000 Shares, and together with 14,630,400 Shares registered in his own name, immediately after the Placing and the Capitalisation Issue, representing 7.34% of the issued share capital of the Company. On this basis, Mr. Liu is deemed to be an Initial Management Shareholder for the purpose of Rules 13.15 to 13.21 of the GEM Listing Rules.
- (d) 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 immediately 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, 715,315,000 Shares in aggregate, amounting to approximately 59.61% of the Shares in issue immediately after the Placing and the Capitalisation Issue. On this basis, Mr. Tao is deemed to be an Initial Management Shareholder for the purpose of Rules 13.15 to 13.21 of the GEM Listing Rules.
2. Assuming the Over-allotment Option is not exercised.



**13. Agency fees or commissions received**

The Underwriters will receive a commission of 4.5% of the aggregate Placing Price per Placing Share in respect of all the Placing Shares, out of which they will pay any sub-underwriting commissions and selling concessions. CPY International will receive a documentation and financial advisory fee. Such commissions, selling concessions, documentation fees and expenses, together with the Stock Exchange listing fees, legal and other professional fees, and printing and other expenses relating to the Placing, which are estimated to amount in aggregate to approximately HK\$15 million, will be payable as to 80% by the Company and as to 20% by Vendors.

**14. Related party transactions**

During the two years preceding the date of this prospectus, the Group had engaged in dealings with certain Directors and their associates as described in:

- (a) note 12 to section III of the accountants' report set out in Appendix I to this prospectus; and
- (b) paragraphs 4 and 5 of this Appendix.

**15. Disclaimers**

Save as disclosed in this prospectus:

- (i) and taking no account of any Shares which may be taken up or acquired under the Placing or upon the exercise of the Over-allotment Option or the options granted or which may be granted under the Share Option Scheme, the Directors are not aware of any person who immediately following completion of the Placing and the allotment and issue of the Over-allotment Option Shares will hold either directly or indirectly, or be beneficially interested in, Shares representing 10% or more of the share capital of the Company in issue and to be issued as mentioned in this prospectus;
- (ii) none of the Directors has for the purpose of section 28 of the SDI Ordinance or the GEM Listing Rules, nor is any of them taken to or deemed to have under section 31 of, or Part I of the Schedule to, the SDI Ordinance, any interests in the securities of the Company or any associated corporations (within the meaning of the SDI Ordinance) or any interests which will have to be entered in the register to be kept by the Company pursuant to section 29 of the SDI Ordinance or which will be required to be notified to the Company and the Stock Exchange pursuant to Rules 5.40 to 5.59 of the GEM Listing Rules once the Shares are listed on GEM;
- (iii) none of the Directors or the experts named in paragraph 22 of this Appendix has been interested in the promotion of, or has any direct or indirect interest in any assets acquired or disposed of by or leased to, any member of the Group within the two years immediately preceding the date of this prospectus, or which are proposed to be acquired or disposed of by or leased to any member of the Group nor will any Director apply for Shares either in his own name or in the name of a nominee;
- (iv) none of the Directors or the experts named in paragraph 22 of this Appendix is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of the Group taken as a whole; and

- (v) none of the experts named in paragraph 22 of this Appendix has any shareholding in any company in the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any company in the Group.

## OTHER INFORMATION

### 16. Share option scheme

(a) *Summary of terms*

The following is a summary of the principal terms of the Share Option Scheme conditionally adopted by a resolution in writing passed by all shareholders of the Company on 26th January, 2002:

(i) Purposes of the scheme

The purpose of the Share Option Scheme is to enable the Group to grant options to selected participants as incentives or rewards for their contribution to the Group.

(ii) Who may join

The Directors may, at their absolute discretion, invite any person belonging to any of the following classes of participants to take up options to subscribe for Shares:

- (aa) any employee or proposed employees (whether full-time or part-time) of the Company or any of its subsidiaries or any entity (the "**Invested Entity**") in which any member of the Group holds an equity interest, including any executive director of the Company, any of such subsidiaries or any Invested Entity;
- (bb) any non-executive directors (including independent non-executive directors) of the Company, any of its subsidiaries or any Invested Entity;
- (cc) any supplier of goods or services to any member of the Group or any Invested Entity;
- (dd) any customer of the Group or any Invested Entity;
- (ee) any person or entity that provides research, development or other technological support to the Group or any Invested Entity; and
- (ff) any shareholder of any member of the Group or any Invested Entity or any holder of any securities issued by any member of the Group or any Invested Entity.

and for the purposes of the Share Option Scheme, the options may be granted to any company wholly owned by one or more persons belonging to any of the above classes of participants at sole discretion of the Company.

The eligibility of any of the above class of participants to the grant of any option shall be determined by the Directors from time to time on the basis of their contribution to the development and growth of the Group.

(iii) Subscription price for Shares

The subscription price for Shares under the Share Option Scheme will be a price determined by the Directors, but shall not be less than the highest of (i) the closing price of Shares on GEM as stated in the Stock Exchange's daily quotations sheet for trades in one or more board lots of Shares on the date of the offer of grant, which must be a business day; or (ii) the average closing price of the Shares on GEM as stated in the Stock Exchange's daily quotations sheet for trades in one or more board lots of shares for the five trading days immediately preceding the date of the offer of grant; and (iii) the nominal value of the Shares. A nominal consideration of HK\$1 is payable on acceptance of the grant of an option.

(iv) Maximum number of Shares

- (aa) The maximum number of securities to be issued upon the exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option scheme of the Group must not in aggregate exceed 30% of the relevant shares of securities of the Company (or the subsidiary) in issue from time to time.
- (bb) The total number of Shares which may be issued upon exercise of all options (excluding, for this purpose, options which have lapsed in accordance with the terms of the Share Option Scheme and any other share option scheme of the Group) to be granted under the Share Option Scheme and any other share option scheme of the Group must not in aggregate exceed 30,000,000 Shares, representing 10% of the Shares in issue upon completion of the Placing and the Capitalisation Issue (the "**General Scheme Limit**").
- (cc) Subject to (aa) above but without prejudice to (dd) below, the Company may seek approval of its Shareholders at general meeting to refresh the General Scheme Limit (a circular containing information required by the GEM Listing Rules to be despatched to Shareholders for that purpose) provided that the total number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share options scheme of the Group must not exceed 10% of the Shares in issue as at the date of approval of the limit and for the purpose of calculating the limit, options (including those outstanding, cancelled, lapsed or exercised in accordance with the Share Option Scheme and any other share option scheme of the Group) previously granted under the Share Option Scheme and any other share option scheme of the Group will not be counted.
- (dd) Subject to (aa) above and without prejudice to (cc) above, the Company may seek separate Shareholders' approval at general meeting to grant options beyond the General Scheme Limit or, if applicable, the extended limit referred to in (cc) above to participants specifically identified by the Company (a circular containing information required by the GEM Listing Rules to be despatched to Shareholders for that purpose) before such approval is sought.

(v) Maximum entitlement of each participant

The total number of Shares issued and which may fall to be issued upon exercise of the options granted under the Share Option Scheme and any other share option scheme of the Group (including both exercised or outstanding options) to each participant in any 12-month period shall not exceed 1% of the issued share capital of the Company for the time being (the “**Individual Limit**”). Any further grant of options in excess of the Individual Limit in any 12-month period up to and including the date of such further grant shall be subject to Shareholders' approval at general meeting of the Company (a circular containing information required by the GEM Listing Rules to be despatched to Shareholders for that purpose) with such participant and his associates abstaining from voting.

(vi) Grant of options to connected persons

(aa) Any grant of options under the Share Option Scheme to a Director, the chief executive, management shareholder or substantial shareholder of the Company or any of their respective associates must be approved by independent non-executive Directors (excluding independent non-executive Director who or whose associate is also the grantee of the options).

(bb) Where any grant of options to a substantial shareholder or an independent non-executive Director, or any of their respective associates, would result in the Shares issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant:

(i) representing in aggregate over 0.1% of the Shares in issue; and

(ii) having an aggregate value, based on the closing price of the Shares at the date of each grant, in excess of HK\$5 million;

such further grant of options must be approved by Shareholders at the general meeting. The Company must send a circular to the Shareholders. All connected persons of the Company must abstain from voting at such general meeting, except that any connected person may vote against the relevant resolution at the general meeting provided that his intention to do so has been stated in the circular. Any vote taken at the meeting to approve the grant of such options must be taken on a poll. Any change in the terms of options granted to a substantial shareholder or an independent non-executive Director, or any of their respective associates must be approved by the Shareholders at general meeting.

(vii) Time of acceptance and exercise of option

An option may be accepted by a participant at a nominal consideration of HK\$1 within 21 days from the date of the offer of grant of the options.

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period to be determined and notified by the Directors to each grantee, which period may commence from the date of acceptance of the offer of the grant of the options but shall end in any event not later than ten years from the date on which the offer for grant of the option is made subject to the provisions for early termination thereof.

Unless the Directors otherwise determine and state in the offer of the grant of options to a grantee, a grantee is not required to hold an option for any minimum period before any options granted under the Share Option Scheme can be exercised.

(viii) Rights are personal to grantee

An option is personal to a grantee and shall not be transferable or assignable save as provided under the rules of the Share Option Scheme.

(ix) Performance targets

Unless otherwise determined by the Directors and stated in the offer of the grant of options to a grantee, a grantee is not required to achieve any performance targets before any options granted under the Share Option Scheme can be exercised.

(x) Rights on death, ill-health or retirement

If the grantee of an option is an Eligible Employee and ceases to be an Eligible Employee by reason of his death, ill-health or retirement in accordance with his contract of employment before exercising the option in full, his personal representative(s), or, as appropriate, the grantee may exercise the option (to the extent not already exercised) in whole or in part within a period of 12 months following the date of cessation of employment which date shall be the last day on which the grantee was at work with the Group or the Invested Entity whether salary is paid in lieu of notice or not or such longer period as the Directors may determine.

Eligible Employee means any employee or proposed employee (whether full time or part time employee, including any executive director but not any non-executive director) of the Company, any of its subsidiaries or any Invested Entity.

(xi) Rights on ceasing employment

If a grantee of an option is an Eligible Employees and ceases to be an Eligible Employee of the Group by reason other than death, ill-health or retirement in accordance with his contract of employment or any of the events specified in paragraphs (xii) and (xiii) below before exercise his option in full, the option (to the extent not already exercised) will lapse on the date of cessation and will not be exercisable unless the Directors otherwise determine in which event the grantee may exercise the option in whole or in part within such period as the Directors may determine following the date of cessation which will be taken to be the last day on which the grantee was at work with the Group or the Invested Entity whether salary is paid in lieu of notice or not.

(xii) Rights on dismissal, bankruptcy or insolvency

If the grantee of an option is an Eligible Employee and ceases to be an Eligible Employee by reason that he has been guilty of persistent or serious misconduct or has committed any act of bankruptcy or has become insolvent or has made any arrangement or composition with his creditors generally, or has been convicted of any criminal offence (other than an offence which in the opinion of the Directors does not bring the grantee or the Group or the Invested Entity into disrepute), his option will lapse automatically and will not in any event be exercisable on or after the date of cessation to be an Eligible Employee.

(xiii) Rights on voluntary winding up

In the event of an effective resolution being proposed for the voluntary winding-up of the Company during the option period, the grantee may, subject to the provisions of all applicable laws, by notice in writing to the Company at any time prior to the date on which such resolution is passed, exercise his option (to the extent not already exercised) either to its full extent or to the extent specified in such notice and shall accordingly be entitled, in respect of the Shares falling to be allotted and issued upon the exercise of his option, to participate in the distribution of the assets of the Company available in liquidation *pari passu* with the holders of the Shares in issue on the day prior to the date of such resolution.

(xiv) Rights on breach of contract

If the Directors shall at their absolute discretion determine that (i) the grantee of any option (other than an Eligible Employee) or his associates has committed any breach of any contract entered into between the grantee or his associates on the one part and the Group or any Invested Entity on the other or that the grantee has committed any act of bankruptcy or has become insolvent or is subject to any winding-up, liquidation or analogous proceedings or has made any arrangement or composition with his creditors generally; and (ii) the option granted to the grantee under the Share Option scheme shall lapse, his option will lapse automatically and will not in any event be exercisable on or after the date on which the Directors have so determined.

(xv) Rights on a general offer, a compromise or arrangement

If a general or partial offer, whether by way of take-over offer, share re-purchase offer, or scheme of arrangement or otherwise in like manner is made to all the holders of Shares, or all such holders other than the offeror and/or any person controlled by the offeror and/or any person acting in association or concert with the offeror, the Company shall use all reasonable endeavours to procure that such offer is extended to all the grantees on the same terms, *mutatis mutandis*, and assuming that they will become, by the exercise in full of the options granted to them, Shareholders. If such offer becomes or is declared unconditional, a grantee shall be entitled to exercise his option (to the extent not already exercised) to its full extent or to the extent specified in the grantee's notice to the Company in exercise of his option at any time before the close of such offer (or any revised offer). Subject to the above, an option will lapse automatically (to the extent not exercised) on the date on which such offer (or, as the case may be, revised offer) closes.

(xvi) Adjustments to the subscription price

In the event of a capitalisation issue, rights issue, sub-division or consolidation of Shares or reduction of capital of the Company whilst an option remains exercisable, such corresponding alterations (if any) certified by the auditors for the time being or an independent financial adviser to the Company as fair and reasonable will be made to the number or nominal amount of Shares the subject matter of the Share Option Scheme and the option so far as unexercised and/or the option price and/or the method of exercise of the option concerned, provided that (i) such adjustment will be made on the basis that the aggregate subscription price payable by the grantee upon the full exercise of any option shall remain as nearly as possible the same (but shall not be greater than) it was before such event; (ii) any adjustments shall give a grantee the same proportion of the issued share capital to which he was entitled prior to such alteration; (iii) the issue of Shares or other securities of the Group as consideration in a transaction may not be regarded as a circumstance requiring adjustment; (iv) no adjustment shall be made the effect of which would be to enable a Share to be issued at less than its nominal value. In addition, in respect of any such adjustments, other than any made on a capitalisation issue, such auditors or independent financial adviser must confirm to the Directors in writing that the adjustments satisfy the requirements of the relevant provision of the GEM Listing Rules.

(xvii) Ranking of Shares

Shares allotted and issued upon the exercise of an option will be subject to all the provisions of the articles of association of the Company for the time being in force and will rank *pari passu* in all respects with the then existing fully paid Shares in issue on the date on which the option is duly exercised (the “**Exercise Date**”) and accordingly will entitle the holders thereof to participate in all dividends or other distributions paid or made on or after the Exercise Date other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the record date therefor shall be before the Exercise Date. A Share allotted and issued upon the exercise of an option shall not carry voting rights until completion of the registration of the grantee as the holder thereof.

(xviii) Period of the Share Option Scheme

The Share Option Scheme will remain in force for a period of ten years commencing on the date on which the Share Option Scheme becomes unconditional.

(xix) Alterations to terms and conditions

The Share Option Scheme may be altered in any respect by a resolution of the Directors except that any material alteration to its terms and conditions of the Share Option Scheme including matters contained in Rule 23.03 of the GEM Listing Rules and set out below:

- (i) the terms and conditions of the Share Option Scheme relating to the matters set out in Rule 23.03 of the GEM Listing Rules shall not be altered to the advantage of grantees of the options except with the prior approval of the shareholders of the Company at general meeting;

- (ii) any alterations to the terms and conditions of the Share Option Scheme which are of a material nature or any change to the terms of option granted must be approved by the shareholders of the Company at general meeting, except where the alterations take effect automatically under the existing terms of the Share Option Scheme;
- (iii) amended terms of the Share Option Scheme or the options must comply with the relevant requirements in Chapter 23 of the GEM Listing Rules; and
- (iv) any change of the authority of the Directors or the scheme administrators in relation to any alteration to the terms of the Share Option Scheme shall be approved by shareholders of the Company at general meeting.

(xx) Cancellation of options

Any cancellation of options granted but not exercised must be approved by shareholders of the Company at general meeting, with participants and their associates abstaining from voting. Any vote taken at the general meeting to approve such cancellation shall be taken by poll.

Where the Company cancels options and issues new ones to the same grantees, the issue of such new options may only be made under a scheme with available unissued options (excluding the cancelled options) within the limit approved by shareholders of the Company at general meeting as referred to in paragraph (iv) above.

(xxi) Termination of the Share Option Scheme

The Company may by resolution at general meeting at any time terminate the Share Option Scheme and in such event no further options shall be granted or offered but in all other respects the provisions of the Share Option Scheme shall remain in full force and effect. Upon such termination, details of the options granted (including options exercised or outstanding) under the Share Option Scheme are required under the GEM Listing Rules to be disclosed in the circular to shareholders seeking approval of the first new scheme established thereafter.

(xxii) General

Unless the context otherwise requires, references to "Shares" in this paragraph 16 include references to shares in the ordinary equity share capital of the Company of such nominal amount as shall result from a sub-division, consolidation, re-classification or reduction of the share capital of the Company from time to time.

(b) *Present status of the Share Option Scheme*

(i) Approval of GEM Listing Committee required

The Share Option Scheme is conditional on the GEM Listing Committee of the Stock Exchange granting the listing of and permission to deal in the Shares to be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme.



- (ii) Application for approval

Application has been made to the GEM Listing Committee of the Stock Exchange for the approval of the listing of and permission to deal in the Shares to be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme.

- (iii) Grant of option

As at the date of this prospectus, no options has been granted or agreed to be granted under the Share Option Scheme.

## 17. Estate duty, tax and other indemnities

Each of Perfect Develop, Mr. Ko, Mr. Au Yeung, Mr. Liu and Mr. Tao (collectively the "**Indemnifiers**") has entered into a deed of indemnity with and in favour of the Company (for itself and as trustee for each of its present subsidiaries) (being the material contract referred to in paragraph 8(b) of this Appendix) and all its present subsidiaries to provide indemnities on a joint and several basis in respect of, among other matters, any liability for Hong Kong estate duty which might be incurred by any member of the Group by reason of any transfer of property (within the meaning of section 35 of the Estate Duty Ordinance (Chapter 111 of the Laws of Hong Kong)) to any member of the Group on or before the date on which the Placing becomes unconditional. The Directors have been advised that no material liability for estate duty is likely to fall on the Company or any of its subsidiaries in the Cayman Islands.

Under the deed of indemnity, the Indemnifiers have also given indemnities to the Group in relation to taxation which might be payable by any member of the Group in respect of any income, profits or gains earned, accrued or received on or before the date on which the Placing becomes unconditional.

The Indemnifiers shall be under no liability under the deed of indemnity in respect of any taxation:

- (a) to the extent that provision or reserve has been made for such taxation in the consolidated audited accounts of the Company and its subsidiaries made up to 30th June, 2001; or
- (b) to the extent of any provisions or reserve made for taxation in the consolidated audited accounts of the Company and its subsidiaries made up to 30th June, 2001 is finally established to be an over-provision or an excessive reserve; or
- (c) where liability for such taxation arises as a result of transactions in the ordinary course of business of the Company or any of its subsidiaries after 30th June, 2001; or
- (d) where liability for such taxation would not have arisen but for any act or omission by any member of the Group voluntarily effected otherwise than in the ordinary course of business after 30th June, 2001; or
- (e) to the extent that such taxation claim arises or is incurred as a consequence of any retrospective change in the law or the interpretation or practice thereof coming into force after the Placing becoming unconditional or to the extent that such taxation claim arises or is increased by an increase in rates of taxation after such date with retrospective effect.

Under the deed of indemnity, the Indemnifiers have also jointly and severally undertaken in favour of the Company to indemnify the Group for any depletion in value of assets, costs, fees, expenses, claims, losses, liabilities and proceedings which may be incurred or suffered by any of them as a result of the Trust Agreements in respect of the interests of Yugofoil, Mr. Ko and Farthinghoe in Wuhan Tianao Pharmaceuticals Co., Ltd. and Vitapharm Research Pty. Ltd. being declared or determined by any court or governmental authority of any jurisdiction to be illegal, invalid, unenforceable or otherwise have failed to create the trusts contemplated thereunder or as a result of claims or disputes in respect of any transfer pursuant thereto.

For the purpose of this paragraph, “Trust Agreements” means the following agreements/documents:

- (a) declaration of trust dated 10th November, 1998 and entered into between Yugofoil and Bright Future in respect of a 70% interest in Tianao and other trust agreement(s), written or unwritten, in respect of a further 20% interest in Tianao previously held by Bright Future in favour of Yugofoil;
- (b) declarations of trust dated 1st April, 1998 by King Laboratories Pty. Ltd. and WB Nominees Pty. Ltd. in favour of Mr. Ko in respect of 20 issued shares of AUD20 each in Vitapharm Research; and
- (c) declaration of trust dated 1st April, 1998 by Mr. Ko in respect of the said 20 issued shares in Vitapharm Research in favour of Farthinghoe.

## **18. Litigation**

Neither the Company nor any of its subsidiaries is engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatened against the Company or any of its subsidiaries.

## **19. Sponsor**

The Sponsor has made an application for and on behalf of the Company to the GEM Listing Committee for the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus and any Share that may be issued upon the exercise of the Over-allotment Option or of any option which may be granted under the Share Option Scheme on GEM.

## **20. Preliminary expenses**

The estimated preliminary expenses of the Company are approximately US\$2,500 (equivalent to HK\$19,500) and are payable by the Company.

## **21. Promoter**

- (a) The promoters of the Company are Mr. Ko, Mr. Au Yeung, Mr. Liu and Mr. Tao.
- (b) Save as disclosed herein, within the two years preceding the date of this prospectus, no amount or benefit has been paid or given to the promoters named in paragraph 21(a) above in connection with the Placing or the related transactions described in this prospectus.

**22. Qualification of experts**

The qualification of the experts who have given opinions in this prospectus are as follows:

<b>Name</b>	<b>Qualification</b>
Acuity Technology Management Pty. Ltd.	Professional consultant
Core Pacific – Yamaichi Capital Limited	Registered investment adviser and securities dealer
Chan, Warren C.H., S.C.	Senior Counsel
Conyers Dill & Pearman, Cayman	Cayman Islands attorneys-at-law
Nevett Ford	Legal financial consultant
PricewaterhouseCoopers	Certified Public Accountants
Shu Jin & Co. Solicitors & attorneys	Licensed legal advisers on PRC securities law
Vigers Hong Kong Limited	Professional valuers and surveyors

**23. Consents of experts**

Each of Acuity Technology Management Pty. Ltd., CPY, Chan, Warren C.H., S.C., Conyers Dill & Pearman, Cayman, Nevett Ford, PricewaterhouseCoopers, Shu Jin & Co. Solicitors & attorneys and Vigers Hong Kong Limited have given and have not withdrawn their respective written consents to the issue of this prospectus with copies of their reports, letters, valuation, opinions or summaries of opinions (as the case may be) and the references to their names or summaries of opinions included herein in the form and context in which they are respectively included.

**24. Binding Effect**

This prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of sections 44A and 44B of the Companies Ordinance so far as applicable.

**25. Taxation of holders of Shares**

Dealings in Shares registered on the Company's Hong Kong branch register of members will be subject to Hong Kong stamp duty. Intending holders of Shares are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of or dealing in Shares. It is emphasised that none of the Company, the Directors or the other parties involved in the Placing accepts responsibility for any tax effect on, or liabilities of, holders of Shares resulting from their subscription for, purchase, holding or disposal of or dealing in Shares

Profits from dealings in the Shares arising in or derived from Hong Kong may also be subject to Hong Kong profits tax.

The Shares are Hong Kong property for the purposes of the Estate Duty Ordinance (Chapter 111 of the Laws of Hong Kong) and, accordingly, Hong Kong estate duty may be payable in respect thereof on the death of an owner of Shares.

The sale, purchase and transfer of Shares are subject to Hong Kong stamp duty the current rate of which is 0.2% of the consideration or, if higher, the fair value of the Shares being sold or transferred.

Under present Cayman Islands law, transfers and other dispositions of Shares are exempt from Cayman Islands stamp duty.

## **26. Miscellaneous**

- (a) Save as disclosed herein:
  - (i) within two years preceding the date of this prospectus:
    - (aa) no share or loan capital of the Company or of any of its subsidiaries has been issued, agreed to be issued or is proposed to be issued fully or partly paid either for cash or for a consideration other than cash; and
    - (bb) no commissions, discounts, brokerages (but not including commission to sub-underwriters) or other special terms have been granted for subscribing or agreeing to subscribe, or procuring or agreeing to procure subscriptions for, or in connection with the issue or sale of, any share or loan capital of the Company or any of its subsidiaries.
  - (ii) no share or loan capital of the Company or any of its subsidiaries is under option or is agreed conditionally or unconditionally to be put under option.
  - (iii) The Directors confirm that:
    - (aa) there has been no material adverse change in the financial position or prospects of the Group since 30th June, 2001 (being the date to which the latest audited combined financial statements of the Group were made up); and
    - (bb) there has not been any interruption in the business of the Group which may have or has had a material adverse effect on the financial position of the Group in the twenty-four months preceding the date of this prospectus.
- (b) The Company has no founder shares, management shares or deferred shares.

- (c) Subject to the provisions of the Companies Law, the register of members of the Company will be maintained in the Cayman Islands by Bank of Bermuda (Cayman) Limited and a branch register of members of the Company will be maintained in Hong Kong by Central Registration Hong Kong Limited. Unless the Directors otherwise agree, all transfers and other documents of title of Shares must be lodged for registration with and registered by, the Company's branch share registrar in Hong Kong and may not be lodged in the Cayman Islands.
- (d) All necessary arrangements have been made to enable the Shares to be admitted into CCASS.

## 27. Particulars of the Vendors

<b>Name</b>	<b>Description</b>	<b>Registered address</b>
Goldfield Farming Agents Limited	Corporation	P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands
Pernanga Agents Limited	Corporation	P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands

Goldfield Farming Agents Limited is a company incorporated in the BVI with limited liability, the entire issued share capital of which is owned by Mr. Ip Yu Chak.

Pernanga Agents Limited is a company incorporated in the BVI with limited liability, the entire issued share capital of which is owned by Mr. Yeung Wing Sang.

Save as disclosed herein, none of the Directors is interested in the Placing.