OVERALL BUSINESS OBJECTIVES

The Directors anticipate that demand for effective and affordable biopharmaceutical and conventional pharmaceutical products worldwide will continue to grow as a result of the growing worldwide population, improving living standard, longer life expectancy and general availability of data from the Human Genome Program. Hence, the Directors intend to implement the following business objectives to capture the opportunities:

Business objectives

Product development and enhancement

The Group will focus on developing and enhancing products which have great market potential and are effective and affordable. The following table summarises the particulars of the biopharmaceutical products and conventional pharmaceutical products which are under development by the Group:

Proposed name of the products	Therapeutic indications	Active ingredient	Products form	Status	The Group's interest
Interferon nasal spray	Upper respiratory tract viral infections e.g. cold & flu	Interferon	Spray	Preparing for clinical trials	100%
Receptase	Oral medication for farm animals e.g. prevention of diarrhea	Enzyme	Powder	Preparing for field trials	100%
Probiotic	Ingest live beneficial bacteria for healthy bowels	Probiotic bacteria	Capsule	Stability testing	100%
EPO	Increase red blood cell in chronic subclinical anemia	EPO	Tablet	Animal testing and stability testing	100%
Iron Orotate	Iron supplement for chronic anemia	Chelated iron supplement	Tablet	Protocol preparation	100%
Depile	Hemorrhoid	Herb	Capsule	Clinical trial/ Pilot production	100%

Strategic alliances

The Group will pursue its marketing objective of technology transfer by actively forging strategic alliances for mutually beneficial partnerships. The 'Search and Development' mission is an example of this active strategy, where the Group will explore the market looking for potential technology transfer partners. The technology transfer may involve, for example, the application of the Group's platform technologies to its partners' existing products that are already on the market. This may increase the products' efficacy, streamline the production process and/or reduce the development costs. The Group will charge a royalty or a commission from sales of the improved pharmaceutical products.

The platform technologies developed by the Group may be commercialised in different ways as follows:

- ***Joint venture*** – Forming joint ventures with partners to manufacture, market and distribute the improved products will enable the Group to enjoy the profit generated directly from such business operations;
- ***Fee for service*** – Through the co-operation on a "fee for service" basis in which the Group will only be involved in the processing of stabilisation of the raw material, the Group will return the intermediate products to the suppliers to complete the production process according to their own specifications;
- ***Licence fee*** – The Group may grant a licence to an end user for a fee for the use of a technology in improving the value of a specified product; and
- ***Royalty fee*** – The Group may charge an on-going royalty fee for granting the right to manufacturers who use the Group's platform technology for a given specified product.

Given the Group's years of experience in pre-clinical tests, clinical trials and the drug approval process, the Directors consider that the Group is well-positioned to expedite the product development cycle and shorten the lead time for the launch of new products. The Directors believe that this competitive advantage will be conducive to the Group's pursuit of technological alliances with leading global pharmaceutical companies that intend to enter into the PRC market.

Marketing and distribution network in the PRC

The Group will focus its product marketing strategies on establishing and building its position as a reputable company specialising in its platform technologies. It will focus initially on expanding the current OTC and prescription drug market for its flagship products and gradually introducing new products to the PRC market. The Group will invest resources on strengthening its distributing network in the PRC. The emphasis will be to expand the distribution network to the OTC market to support new product launch and in preparation for the PRC's accession to the WTO.

Most of the sales channels of the Group so far are aiming at hospital outlets. The Directors believe there is a great potential in the OTC market through supermarkets and general drug stores. The Directors believe that, in view of the vast geographical span and population in the PRC, the Group will continue to expand its existing distribution networks and sales outlets from its present coverage to regional cities and rural areas in the PRC. In terms of products, the Group plans to launch the hemorrhoid product under a proposed commercial name "Depile" in the PRC market by mid to late 2002, the interferon nasal spray and Receptase in the PRC market during the second half of 2003, and the other products under development in the PRC market in 2004.

Expansion to international markets

The Directors consider that the markets in the Asia Pacific region and Europe have vast business potential for the Group's biopharmaceutical products. To explore such business potential, the Group will appoint local agents with established marketing networks for distribution of its products in selected countries in the Asia Pacific region and Europe. For the South East Asian region, the Group has commenced initial marketing work in Thailand, Taiwan, Singapore, Korea and the Philippines. For the European market, the Group has commenced initial marketing work in Russia and intends to subsequently develop other European markets.

Research and development and production

The Group intends to further expand its production capacity and research and development capabilities to further strengthen the competitive advantages currently enjoyed by the Group. It is also one of the business objectives of the Group to further develop new products in order to serve the increasing demands in the PRC.

Establish the Group's websites

The Group has established several websites to enhance the biopharmaceutical business of the Group. The websites are used to advertise the Group's products and to promote the Group's image. The medium-term objective is to develop the websites into a sales channel and an e-commerce platform for the Group's pharmaceutical products.

MILESTONES

In light of the business objectives and future plans of the Group, the Group intends to attain the following milestone achievements during the period from the Latest Practicable Date to 31st December, 2003.

Scheduled objectives and expenditure:
(Unit: million HK$)

	Latest Practicable Date to 30-06-2002	6 months to 31-12-2002	6 months to 30-06-2003	6 months to 31-12-2003	Sub-total
Establishment of new production facilities of Weiao					
Establishment of new production facilities of Weiao	Engage consultant for finalisation of proposal	Complete planning Permit application Commence construction	Structural phase of construction	Equipment installation Commissioning of GMP certification Commence production	
	3	9	3	3	18
Phase I Construction of Chengdu R&D Centre					
Construction	Finalise proposal Complete planning Permit application Commence construction	Structural phase of construction	Internal phase of construction		
Equipment	Turbo coater deposit Turbo coater progress payment Finalise miscellaneous equipment list	Confirm ordering of miscellaneous equipment Commissioning of Turbo coater	Commissioning of miscellaneous equipment		
GLP Certification	Engage consultant	GLP documentation	GLP implementation		
	3	14	10	–	27

	Latest Practicable Date to 30-06-2002	6 months to 31-12-2002	6 months to 30-06-2003	6 months to 31-12-2003	Sub-total
Upgrading of the Research and Development Centre in Melbourne					
	Lease of a GMP factory/ laboratory GMP construction work Documentary order equipment	GMP implementation Equipment commissioning			
	5	6	–	–	11
Product research and development					
Nasal Interferon Project	Establish study protocol Toxicology study Stability study Animal study	Finalise dossier registration and clinical trial	Registration and clinical trial Marketing plan	Launch product	
EPO Project	Technical and marketing feasibility study Sample preparation Establish study protocol	Toxicology study Stability study Animal study	Finalise dossier Registration and clinical trial	Registration and clinical trial Marketing plan	
Probiotic Project	Confirm formulation Technical feasibility study Toxicology study Stability study	Efficacy study	Finalise registration dossier and submit application	Registration as health supplement	
Receptase Project	Establish study protocol Toxicology study Stability study	Finalise dossier registration and clinical trial	Registration and clinical trial Marketing plan	Launch product	
Hemorrhoid Project	Finalise dossier registration and clinical trial Registration and clinical trial Marketing plan	Launch product			
Iron Orotate Project	Preliminary investigation Toxicology study Stability study Efficacy study	Finalise registration dossier and submit application	Registration as health supplement		
	4	2	2	1	9

	Latest Practicable Date to 30-06-2002	6 months to 31-12-2002	6 months to 30-06-2003	6 months to 31-12-2003	Sub-total
Market Expansion					
Network setup	Set up infrastructure Staff training	Point of sales Local distributors Regional wholesalers Medical specialists	Staff training		
Promotion		Point of sales Local distributors Consumers	Point of sales Local distributors Consumers	Point of sales Local distributors Consumers	
Market survey		Market survey	Market survey	Market survey	
	4	5	5	5	19
PERIOD TOTAL	**19**	**36**	**20**	**9**	**84**

BASES AND ASSUMPTIONS

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

1. Market situation

There will be continuous growth in the biopharmaceutical and conventional pharmaceutical market. In addition, there will be no material changes in the development of the PSD and SDDS technologies and the competition within the pharmaceutical industry.

2. Funding

The business plan assumes that the Group will have sufficient financial resources to meet the proposed amount to be allocated for the schedule events to be achieved up to and including 2003.

3. Taxation

There will be no significant change in the bases and rates of taxation in Hong Kong, Australia and the PRC where the Group operates in or its affiliates are incorporated.

4. Human resources

(a) There will be sufficient research experts and skilled staff in the pharmaceutical industry; and

(b) The Group will be able to retain its staff as well as successfully recruit high caliber and capable personnel.

5. Business partnership

(a) The Group will be able to form alliance with established biotechnology and pharmaceutical companies and research institutes to enable the Group to maintain a competitive edge; and

(b) The Group will be able to maintain its business relationship with its existing distributors and marketing agents and to recruit additional distributors and marketing agents.

6. Time schedule

The Group will be able to (i) launch its research and development programmes; (ii) complete pre-clinical tests and clinical trials on its pharmaceutical products; (iii) obtain all the necessary approvals from government authorities such as the GMP and GLP certifications; (iv) obtain necessary approvals from the SDA for the commercial production of its pharmaceutical products; and (v) commence production within the scheduled time period.

7. Sales

The sales of the Group's pharmaceutical products will have a steady growth.

8. Other issues

(a) There will be no significant adverse change in the existing political, legal, financial, foreign trade or economic conditions in Hong Kong, Australia and the PRC or countries in which the Group expands its business within the forward looking period; and

(b) There will be no disaster, natural, political or otherwise, which would materially disrupt the business or operations of the Group or cause substantial loss or damage.