

---

## FINANCIAL INFORMATION

---

### LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

#### Indebtedness

As at 30th November, 2001, being the latest practicable date for the purpose of the indebtedness statement prior to the printing of this prospectus, the Group had outstanding borrowings of approximately HK\$46.2 million, comprising long-term bank loans of approximately HK\$14.3 million, short-term bank loans of approximately HK\$20.1 million, trust receipt loans of approximately HK\$3.1 million, other loans of approximately HK\$6.1 million, bank overdrafts of approximately HK\$1.2 million, amounts due to minority shareholders of subsidiaries of approximately HK\$0.5 million, amount due to a Director of approximately HK\$0.4 million, amount due to a related company of approximately HK\$0.2 million and obligations under finance leases of approximately HK\$0.3 million.

Long-term bank loans were secured by certain fixed assets of a subsidiary of the Group. Short-term bank loans of approximately HK\$12.5 million and approximately HK\$3.4 million were secured by the properties of a related party and certain bank deposits of a subsidiary respectively. Short-term bank loans of approximately HK\$2.7 million and HK\$1.5 million were guaranteed by a related party and an intermediate holding company of the minority shareholder of a subsidiary respectively. Other loan of approximately HK\$2.8 million is secured by the properties of a related party.

The bankers of short-term bank loans of approximately HK\$12.5 million and HK\$2.7 million respectively have agreed in principle that the securities and guarantees provided by a related party will be released and replaced by corporate guarantees to be given by Weiao upon the listing of the Shares. The Directors have undertaken to fully repay the short-term bank loan of approximately HK\$1.5 million guaranteed by the intermediate holding company of the minority shareholder of a subsidiary upon the listing of the Shares. Furthermore, the amounts due to minority shareholders of subsidiaries, a Director and a related company totalling approximately HK\$1.1 million have been fully repaid as at the date of this prospectus.

The lender of the other loan of approximately HK\$2.8 million has agreed in principle that the securities provided by a related party will be released and replaced by a corporate guarantee given by the Company upon the listing of the Shares.

As at 30th November, 2001, the Group had aggregate banking facilities for overdrafts and documentary credits of approximately HK\$7 million. The facilities were secured by the following:

- (a) a corporate guarantee of HK\$10 million of the Company;
- (b) an unlimited joint and several guarantee of Mr. Tao and Mr. Huang Jian Ming, a director of a subsidiary;
- (c) 5% of gross receipts from trade receivables as deposits pledged to a bank (the deposits pledged was approximately HK\$4.2 million at 30th November, 2001); and
- (d) all export documentary credits of a subsidiary.

The banker has agreed in principle that the guarantee provided by Mr. Tao and Mr. Huang Jian Ming will be released upon the listing of the Shares.

Banking facilities utilised as at 30th November, 2001 amounted to approximately HK\$3.1 million.

---

## FINANCIAL INFORMATION

---

### Contingent liabilities

As at 30th November, 2001, the Group and the Company did not have any significant contingent liabilities.

### Disclaimer

Save as aforesaid, none of the companies in the Group had outstanding at the close of business on 30th November, 2001 any mortgages, charges, debentures or other loan capital, bank overdrafts, loans or other similar indebtedness, hire purchase or other finance lease commitments, liabilities under acceptances (other than normal trade bills), acceptance credits, guarantees or other material contingent liabilities.

The Directors have confirmed that, save as disclosed above, there has been no material change in the indebtedness or contingent liabilities of the Group since 30th November, 2001.

### Net current assets

As at 30th November, 2001, being the latest practicable date for the purpose of the disclosure of balance sheet items, the Group had net current assets of approximately HK\$18.7 million. The current assets comprised of inventories of approximately HK\$4.5 million, trade receivables of approximately HK\$23.4 million, other receivables of approximately HK\$5.0 million, prepayments and other deposits of approximately HK\$20.7 million, and bank balances and cash of approximately HK\$16.5 million. The current liabilities comprised of trade payables of approximately HK\$9.5 million, accrued charges and other payables of approximately HK\$7.4 million, amounts due to minority shareholders of subsidiaries of approximately HK\$0.5 million, amount due to a Director of approximately HK\$0.4 million, amount due to a related company of approximately HK\$0.2 million, tax payable of approximately HK\$0.1 million, value added tax payable of approximately HK\$0.9 million, bank overdrafts of approximately HK\$1.2 million, current portion of long-term bank loans of approximately HK\$1.9 million, short-term bank loans of approximately HK\$20.1 million, trust receipt loans of approximately HK\$3.1 million and other loans of approximately HK\$6.1 million.

### Financial resources

At the close of business on 30th November, 2001, the Group had bank balances and cash of approximately HK\$16.5 million. The Company intends to finance the Group's future operations and capital expenditures and other capital requirements with internally generated resources, existing bank balances and cash available and banking facilities, and net proceeds of the New Issue.

### Foreign exchange

The Group earns revenue and incurs costs and expenses mainly in RMB, HK\$, US\$ and AUD. This will continue to be the case following the listing of the Shares on GEM. After listing of its Shares on GEM, the Company's accounts will be stated in HK dollars and the payment of dividend will also be in HK dollars. As at the date of this prospectus, there is no forecast or plan in relation to the distribution of dividends. However, taking into account the Group's operational and capital requirements and the balanced portfolio of assets and liabilities denominated in the aforesaid currencies, the Directors do not consider the Group will be subject to exchange rate risks in the event of the devaluation of RMB or fluctuation of the exchange rate of AUD. Moreover, the Directors believe that the Company has sufficient foreign exchange to meet its foreign currency liabilities when they become due.

---

## FINANCIAL INFORMATION

---

### Capital commitments

As at 30th November, 2001, the Group had capital commitments in respect of the fixed assets amounting to approximately HK\$5.5 million.

### Working capital

Taking into account the internal generated funds and the available banking facilities of the Group, and the estimated net proceeds from the New Issue, the Directors are of the opinion that the Group has sufficient working capital for its present requirements.

## PROPERTY

### Properties owned in the PRC

The Group owns a factory complex located in XiangYang Road, Liu Cheng Town, Wen Jiang, Chengdu City, Sichuan Province, the PRC with a total gross floor area of approximately 8,103.93 sq.m.

The Group also owns two parcels of land located in Cheng Nan Economic Zone, XiangYang Road, Liu Cheng Town, Wen Jiang, Chengdu City, Sichuan Province, the PRC with a total site area of approximately 30,915.2 sq.m. which is at present vacant.

### Properties rented in Hong Kong

The Group leases two office units 1001 and 1002 on the 10th floor, Kwai Hung Holdings Centre, 89 King's Road, North Point, Hong Kong with a gross floor area of approximately 146.88 sq.m.

The Group also leases a domestic unit in Tai Koo Shing, Quarry Bay, Hong Kong with a gross floor area of approximately 55.74 sq.m. which is used as staff quarter.

### Properties rented in the PRC

The Group leases a number of properties located in various provinces in the PRC which are used as factory or liaison offices.

### Property rented in Australia

The Group leases a building located in Factory 30, 65-67 Canterbury Road, Montrose, the State of Victoria, Australia with a gross floor area of approximately 295 sq.m. which is used as a research and development centre.

### Property valuation

Vigers has valued the property interests of the Group as at 30th November, 2001. The texts of its letter and valuation certificate are set out in Appendix II to this prospectus.

---

## FINANCIAL INFORMATION

---

### DISTRIBUTABLE RESERVES

As at 30th November, 2001, there was no reserve available for distribution to the shareholders of the Company.

### ADJUSTED NET TANGIBLE ASSETS

The following is a pro forma statement of adjusted net tangible assets of the Group which is based on the combined net assets of the Group as at 30th June, 2001, as shown in the accountants' report set out in Appendix I, and adjusted as described follows:

	<i>HK\$'000</i>
Audited net assets of the Group as at 30th June, 2001	27,339
Less: Intangible assets	<u>(8,696)</u>
Net tangible assets of the Group as at 30th June, 2001	18,643
Unaudited combined profit of the Group as shown in the management accounts for the five months ended 30th November, 2001	19,850
Surplus arising on revaluation of the Group's properties as at 30th November, 2001 ( <i>note 1</i> )	3,321
Estimated net proceeds of the New Issue ( <i>note 2</i> )	<u>96,000</u>
Adjusted net tangible assets	<u><u>137,814</u></u>
Adjusted net tangible asset value per Share ( <i>note 3</i> ) (based on 1,200,000,000 Shares in issue and to be issued as mentioned herein)	<u><u>HK\$0.11</u></u>

Notes:

1. The surplus of approximately HK\$3,321,000 arising from revaluation of the Group's properties will not be incorporated into the Group's financial statements for the year ended 31st December, 2001. The texts of the letter, summary of valuations and valuation certificates issued by Vigers Hong Kong Limited in respect of such valuations are set out in Appendix II to this prospectus.
2. The estimated net proceeds of the New Issue is based on the Placing Price of HK\$0.45 per Share (being the mid-point of the stated range of the Placing Price between HK\$0.4 and HK\$0.5 per Placing Share) and takes no account of any Shares which may be issued upon the exercise of the Over-allotment Option.
3. The adjusted net tangible asset value per Share is arrived at after the adjustments referred to in this section but it takes no account of any Shares which may be issued upon the exercise of the Over-allotment Option or of any options which may be allotted and issued or repurchased by the Company pursuant to the general mandates for the allotment and issue or repurchase of Shares described in the paragraph headed "Resolutions in writing of all shareholders of the Company passed on 26th January, 2002" in Appendix IV to the prospectus.

---

## FINANCIAL INFORMATION

---

### **ADVANCES TO AN ENTITY AS DISCLOSED UNDER RULES 17.15 AND 17.17 OF THE GEM LISTING RULES**

According to Rules 17.15 and 17.17, a disclosure obligation arises where the relevant advance to an entity from the Group exceeds 25% of the Group's net tangible assets. As at 30th November, 2001, being the latest practicable date for the purpose of disclosure of balance sheet items, the amounts of HK\$1,368,900 and HK\$9,182,160 due from Shenzhen Foreign Trade Import and Export Transportation Company (深圳外貿進出口聯運公司) and Shanghai Pharmaceutical Company Limited (上海市醫藥股份有限公司) respectively represent 1.0% and 6.7% of the adjusted net tangible asset value of the Group (as calculated in the subsection headed "Adjusted net tangible assets" under the section headed "Financial information" to this prospectus). The amounts as at 30th June, 2001 were HK\$16,817,000 and HK\$8,593,000 respectively which represent 90% and 46% of the net tangible asset value of the Group as at that date. Both amounts were trade receivables which were unsecured, interest free and had normal terms of settlement. They have been fully settled subsequent to 30th June, 2001.

### **DISCLAIMER**

Save as disclosed above in the prospectus, the Directors confirm that, as at the Latest Practicable Date, they were not aware of any other circumstances which would give rise to a disclosure requirement under Rules 17.15 to 17.21 of the GEM Listing Rules.

### **NO MATERIAL ADVERSE CHANGE**

The Directors confirm that since 30th June, 2001, there has been no material adverse change in the financial or trading position of the Company or any of its subsidiaries.

### **DIVIDEND POLICY**

No dividends have been paid or declared by the Company since the date of its incorporation.

There is no assurance that dividends of similar amount or at similar rate will be made in the future and the past dividend payments referred to above should not be used as a reference or basis to determine the amount of dividend payable in the future.

The Directors at present do not intend to recommend any dividend in respect of the year ended 31st December, 2001. The amount of any dividend to be declared in the future will depend on, among other things, the Company's results of operations, cash flows and financial condition, operating and capital requirements. The Directors expect that interim and final dividends will be paid in or around August and April of each year respectively, and that in the event that a dividend will be proposed and declared for any one financial year, the dividend would represent approximately one-third of the profit after taxation for that particular year. It is also expected that the interim dividend will normally represent approximately one-third of the expected total dividends for the full year should any dividend be declared.