



ESSEX BIO-TECHNOLOGY LIMITED

億勝生物科技有限公司

(incorporated in the Cayman Islands with limited liability)

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This announcement, for which the directors of Essex Bio-Technology Limited collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange (the “GEM Listing Rules”) for the purpose of giving information with regard to Essex Bio-Technology Limited. The directors of Essex Bio-Technology Limited, having made all reasonable enquires, confirm that, to the best of their knowledge and belief: (1) the information contained in this announcement is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this announcement misleading; and (3) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

This announcement will remain on the GEM website www.hkgem.com on the “Latest Company Announcements” page for at least 7 days from the date of its posting.

**ANNUAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 DECEMBER 2001**

FINANCIAL HIGHLIGHTS

	Year ended 31 December	
	2001	2000
	HK\$	HK\$
Results		
Turnover	<u>29,729,799</u>	<u>22,392,362</u>
Profit attributable to shareholders	<u>2,004,034</u>	<u>973,692</u>
Assets and liabilities		
Total assets	64,934,977	31,665,934
Total liabilities	<u>13,082,773</u>	<u>25,661,903</u>
Shareholders' equity	<u>51,852,204</u>	<u>6,004,031</u>

(i) Listed on the GEM of the Stock Exchange

The Company was successfully listed on the GEM of the Stock Exchange on 27 June 2001. The Company had raised approximately HK\$51 million from the Placing at HK\$0.50 per share. The 102,564,000 Placing shares were approximately 4.5 times subscribed. It represented 20% of the Company's issued share capital following the completion of the Placing.

(ii) Financial Position

Total revenue for the financial year ended 31 December 2001 amounted to approximately HK\$29.7 million, an increase of 32.8% as compared to approximately HK\$22.4 million in the previous year. Fourth quarter revenue was approximately HK\$10.3 million versus approximately HK\$5.1 million in the corresponding quarter of 2000, representing a 99.5% increase.

The improved performance is attributable to increasing market acceptance and penetration of the Group's quality and sophisticated products. Growth was further fuelled by the implementation of an expanded distribution network in the PRC market.

Profit attributable to shareholders for the year ended 31 December 2001 was increased by 105.8% to approximately HK\$2 million, largely due to the Group's strategic increase in equity interest in a profitable subsidiary since mid-2000.

As at 31 December 2001, the financial position of the Group was extremely healthy. The Group has over HK\$33.4 million in cash and is debt-free in capital structure.

RESULTS

The board of directors (the “Directors”) of Essex Bio-Technology Limited (the “Company”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively referred to as the “Group”) for the year ended 31 December 2001, together with the comparative figures for the previous year, prepared in accordance with generally accepted accounting principles in Hong Kong, as follows:

CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the year ended 31 December 2001

	<i>Notes</i>	2001 <i>HK\$</i>	2000 <i>HK\$</i>
Turnover	4	29,729,799	22,392,362
Cost of sales		<u>(5,988,275)</u>	<u>(3,819,955)</u>
Gross profit		23,741,524	18,572,407
Other revenue	5	1,037,747	1,027,919
Distribution and selling costs		(14,853,653)	(13,555,923)
Administrative expenses		<u>(7,556,829)</u>	<u>(4,455,985)</u>
Profit from operating activities	6	2,368,789	1,588,418
Finance costs	7	<u>(41,238)</u>	<u>(84,933)</u>
Profit before tax		2,327,551	1,503,485
Tax	8	<u>—</u>	<u>—</u>
Profit before minority interests		2,327,551	1,503,485
Minority interests		<u>(323,517)</u>	<u>(529,793)</u>
Profit attributable to shareholders	10	<u>2,004,034</u>	<u>973,692</u>
Earnings per share			
Basic	11	<u>0.44 cents</u>	<u>0.25 cents</u>
Diluted	11	<u>0.43 cents</u>	<u>0.25 cents</u>

1. Group reorganization

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 31 July 2000 under the Companies Law (2001 Revision) of the Cayman Islands.

Pursuant to a reorganization completed on 13 June 2001 (the “Reorganization”) to rationalize the Group’s corporate structure in preparation for the public listing of the Company’s shares on The Growth Enterprise Market (the “GEM”) of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”), the Company through a subsidiary, Essex Bio-Investment Limited, acquired by share exchange the entire issued share capital of Essex Bio-Pharmacy Limited, the then holding company of the subsidiaries included in the Reorganization, and became the holding company of the companies now comprising the Group.

Further details of the Reorganization are set out in the prospectus issued by the Company dated 19 June 2001. The shares of the Company were listed on the GEM of the Stock Exchange with effect from 27 June 2001.

The directors consider the ultimate holding company to be Essex Holdings Limited which was incorporated in Hong Kong.

2. Corporate information

The Company is an investment holding company. Its subsidiaries principally engage in manufacture and selling of biopharmaceutical products, research and development and sale of pharmaceutical projects in the PRC, and manufacture and selling of skincare products.

3. Basis of presentation and principal accounting policies

(a) Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention, and in accordance with Statements of Standard Accounting Practice issued by the Hong Kong Society of Accountants, accounting principles generally accepted in Hong Kong, the disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the “GEM Listing Rules”).

(b) Basis of consolidation

The consolidated financial statements have been prepared using the merger basis of accounting. On this basis, the Company has been treated as the holding company of the subsidiaries acquired through the Reorganization for both financial years presented, rather than from the actual date of acquisition pursuant to the Reorganization on 19 June 2001. Accordingly, the consolidated results and cash flows of the Group for the years ended 31 December 2000 and 2001 include the results and cash flows of the Company and its subsidiaries for the whole year or since their respective dates of incorporation or registration where this is a shorter period. The comparative consolidated balance sheet as at 31 December 2000 has

been prepared as if the Reorganization had always been effected. In the opinion of the directors, the consolidated financial statements prepared on the above basis present more fairly the results and state of affairs of the Group as a whole.

All significant intercompany transactions and balances within the Group have been eliminated on consolidation.

4. Turnover

The Group's turnover were analyzed by principal activity and geographical area as follows:

	2001	2000
	HK\$	HK\$
By activity:		
Sale of biopharmaceutical Products	26,431,073	22,392,362
Sale of skincare products	928,466	—
Sale of pharmaceutical research and development projects	<u>2,370,260</u>	<u>—</u>
	<u>29,729,799</u>	<u>22,392,362</u>
	2001	2000
	HK\$	HK\$
By geographical area:		
People's Republic of China, excluding Hong Kong	28,801,333	22,392,362
Hong Kong	<u>928,466</u>	<u>—</u>
	<u>29,729,799</u>	<u>22,392,362</u>

5. Other revenue

	2001	2000
	HK\$	HK\$
Processing fees	517,217	536,326
Interest received	486,530	73,023
Sundries	34,000	94,034
PRC government subsidies	—	282,600
Refund of indirect PRC taxes	<u>—</u>	<u>41,936</u>
	<u>1,037,747</u>	<u>1,027,919</u>

6. Profit from operating activities

	2001	2000
	HK\$	HK\$
Profit from operating activities is stated after charging the following:		
Cost of inventories sold	1,838,696	1,538,310
Depreciation of fixed assets	870,295	474,595
Loss on disposal of fixed assets	—	19,808
Provision for bad and doubtful debts	70,846	16,076
Preliminary expenses written off	—	9,750
Amortization of development expenditure	563,144	510,687
Staff costs excluding directors' remuneration	4,659,630	3,662,849
Net exchange losses	25,226	84
Auditors' remuneration	<u>149,581</u>	<u>100,000</u>

7. Finance costs

	2001	2000
	HK\$	HK\$
Interest on bank loans wholly repayable within five years	<u>41,238</u>	<u>84,933</u>

8. Tax

No provision for Hong Kong profits tax has been made as the Group had no assessable profit in Hong Kong.

The Group's operating subsidiaries are all established and carrying on business in the Special Economic Zones of the PRC as foreign investment enterprises. They are subject to enterprise income tax at a concessionary rate of 15%. One of the Group's subsidiaries, which is engaged in production, is entitled to seek exemption from enterprise income tax for two years starting from the first year of profitable operations after offsetting accumulated losses brought forward, followed by a 50% reduction in enterprise income tax for the next three years. No provision for PRC enterprise income tax had been made as there was no net assessable income during the year after offsetting accumulated losses brought forward.

9. Dividend

No dividends were paid or declared by the Company or its subsidiaries during the year (2000: Nil).

10. Profit attributable to shareholders

During the year ended 31 December 2001, the Group's profit attributable to shareholders of \$2,004,034 included a loss of \$169,724 which has been dealt with in the financial statements of the Company.

11. Earnings per share

	2001 <i>HK\$</i>	2000 <i>HK\$</i>
Earnings:		
Net profit from ordinary activities attributable to shareholders used in basic and diluted earnings per share calculation	<u>2,004,034</u>	<u>973,692</u>
Shares:		
Weighted average number of ordinary shares used in the basic earnings per share calculation	452,122,502	384,610,666
Weighted average number of ordinary shares on deemed exercise of the Convertible bonds outstanding	6,935,197	5,296,804
Weighted average number of ordinary shares on deemed exercise of all share options outstanding	<u>11,832,085</u>	<u>—</u>
Weighted average number of ordinary shares used in the diluted earnings per share calculation	<u>470,889,784</u>	<u>389,907,470</u>

The weighted average number of shares used to calculate both the current year and the prior period's earnings per share includes 999,999 shares issued on the Reorganization which was deemed to have been completed as at 1 January 2000. The weighted average number of shares used in the current year's basis earnings per share calculation also includes the 102,564,000 shares issued by way of placing.

12. Reserves

	Share premium <i>HK\$</i>	Capital reserve and contributed surplus <i>HK\$</i>	Exchange fluctuation reserve <i>HK\$</i>	Retained profits/ (accumulated losses) <i>HK\$</i>	Total <i>HK\$</i>
The Group					
At 1 January 2000	—	8,613,010	7,534	(3,756,616)	4,863,928
Translation difference on consolidation	—	—	66,411	—	66,411
Net profit for the year	—	—	—	973,692	973,692
At 1 January 2001	—	8,613,010	73,945	(2,782,924)	5,904,031
Translation difference on consolidation	—	—	(57,164)	—	(57,164)
Ordinary shares issued on placing and conversion of convertible bonds	47,770,267	—	—	—	47,770,267
Eliminated on capitalization	(38,361,067)	—	—	—	(38,361,067)
Share issue expenses	(8,439,329)	(7,900,000)	—	—	(16,339,329)
Capital reserve adjustment	—	(350,568)	—	—	(350,568)
Net profit for the year	—	—	—	2,004,034	2,004,034
At 31 December 2001	<u>969,871</u>	<u>362,442</u>	<u>16,781</u>	<u>(778,890)</u>	<u>570,204</u>
	Share premium <i>HK\$</i>	Revaluation reserve <i>HK\$</i>	Exchange fluctuation reserve <i>HK\$</i>	Retained profits/ (accumulated losses) <i>HK\$</i>	Total <i>HK\$</i>
The Company					
At 1 January 2001	—	—	—	—	—
Arising on revaluation of a subsidiary	—	7,900,000	—	—	7,900,000
Ordinary shares issued on placing and conversion of convertible bonds	47,770,267	—	—	—	47,770,267
Eliminated on capitalization	(38,361,067)	—	—	—	(38,361,067)
Share issue expenses	(8,439,329)	(7,900,000)	—	—	(16,339,329)
Net loss for the year	—	—	—	(169,724)	(169,724)
At 31 December 2001	<u>969,871</u>	<u>—</u>	<u>—</u>	<u>(169,724)</u>	<u>800,147</u>

Capital reserve of the Group represents negative goodwill which arose on the acquisition of one of the Group's subsidiaries in the PRC.

Contributed surplus of the Group represents the difference between the nominal value of the ordinary share issued by the Company and the aggregate of the share capital of the subsidiaries acquired through an exchange of shares pursuant to the Reorganization.

In accordance with the PRC Companies Law, the Law of the PRC on Sole Foreign Investment Enterprises and the Law of the PRC on Joint Ventures Using Chinese and Foreign Investment, the Company's PRC subsidiaries are required to transfer 10% of their profit after tax, as determined in accordance with accounting standards and regulations of the PRC, to the statutory surplus reserve and at a percentage as determined by management, to the public welfare fund and the enterprise expansion fund. The statutory surplus reserve may be distributed to stockholders subject to PRC regulations and the subsidiaries' articles of association. The enterprise expansion fund is non-distributable. The public welfare fund must be used for capital expenditure on staff welfare facilities. No appropriation to such reserve or fund was made in these financial statements as the subsidiaries did not have any accumulated profits which would trigger such appropriation under the laws of the PRC.

COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

Business objectives as stated in the prospectus dated 19 June 2001

Actual business progress in respect of the six months period ended 31 December 2001

Distribution channels and Enterprise Resource Planning (“ERP”) System

- | | |
|--|---|
| 1. To establish a few in-market promotion companies | Formed a strategic alliance with a sale and marketing company for the nation-wide promotion of the Group’s products in the PRC. |
| 2. To continue the preparation for the sales of 貝復濟 (Beifuji) and 貝復舒 (Beifushu) in Hong Kong, Singapore and Malaysia | Proceed with the application for import/export of Beifuji and Beifushu in Vietnam and Myanmar. Further inquiry made to the relevant government authorities regarding import/export of Beifuji and Beifushu in Hong Kong, Singapore and Malaysia. |
| 3. To begin trial-using the systems developed under the ERP system for sales management, customer relationship management, financial management for receivables and the website together with e-mail server and to continue the development of the ERP system and complete the systems for material sourcing, new projects and products management, laboratory management and the financial management for liabilities | <p>The development of ERP system for sales management, customer relationship management, financial management for receivables and the website together with e-mail server were successfully completed in the fourth quarter of 2001 and are under trial using at balance sheet date.</p> <p>The systems for material sourcing, new projects and products management, laboratory management and the financial management for liabilities are under development. Progress behind the business plan as these systems need to be modified to cope with the operation of the newly established R&D centre in ShenZhen. These are expected to be completed in the second quarter of 2002.</p> |

Research and development

- | | |
|--|---|
| 1. To perform clinical trials on the gel formulation of 貝復濟 (Beifuji) and 貝復舒 (Beifushu) | Approval for commencement of clinical trials of 貝復濟 (Beifuji) and 貝復舒 (Beifushu), the two commercialized biopharmaceutical products of the Group, in gel formulation has been granted by SDA in mid-2001. Clinical trials of these two products in gel formulation started in the fourth quarter of 2001. |
|--|---|

2. On-going pre-clinical tests on 貝復適 (Beifushi) and 貝復泰 (Beifutai)

Pre-clinical test on Beifushi was successfully completed in the fourth quarter of 2001. Results of the pre-clinical test on Beifushi were submitted to SDA and pending SDA's approval. Pre-clinical test on Beifutai are in progress and are expected to be completed in the second quarter of 2003.

3. To complete the basic research on rh-GDNF

Completed the basic research and obtained the completion report from China Biopharmaceutical Engineering Centre of the Ministry of Science and Technology, an authority which appoints the key scientific and technological projects of the State Ninth Five-year Plan in the PRC, for its merit in attaining preset standards in completion of rh-GDNF basic research. Preparation of proceeding to pre-clinical test is under progress.

Production

To commence the expansion of the existing production facilities and capacity by constructing the production facilities for the gel formulation of 貝復濟 (Beifuji) and 貝復舒 (Beifushu)

Acquisition of one set of tubefuilling machine to expand the existing production facilities during the year. Further, the Group also acquired a labeling machine to improve the efficiency of production.

Skincare product development

To promote the rb-bFGF based skincare products in Hong Kong, Singapore and Malaysia

Proceed with the application for import/export license for the skincare products in Hong Kong, Singapore and Malaysia. Samples of skincare products have been send to potential marketing agents in the fourth quarter of 2001.

OPERATIONS REVIEW

Market Developments in China

As part of its 國家“十五”計劃 (State Tenth Five-Year Plan) (2001–2005), the PRC government has focused on developments in the bioengineering arena with genomic in particular.

The PRC government is set to implement certain preferential policies to propel the development of the biopharmaceutical industry with the intent to incubate a select group of high-tech firms that are equally competent with international counterparts.

The PRC's entry into the WTO is another opportunity for local and foreign companies in the biopharmaceutical industry. WTO membership opens the doorway to a potentially lucrative market of around 1.3 billion consumers.

Furthermore, the PRC's macro-policy in transforming the pharmaceutical and medical insurance arena will result in an increased consumer reach in the local market. The Group's existing products are registered in the basic medical insurance list of eight major provinces and cities in the PRC.

As a developer, manufacturer and distributor of biopharmaceutical products based on genetic engineering technology with fully integrated GMP certified production facilities, professional R&D team and an extensive distribution network across more than 100 cities, the Group is well poised to enhance its China market position as well as to establish strategic alliances with international firms.

Accreditation

One of the Group's principal subsidiaries, Zhuhai Essex, has once again been accredited the status of 高新技術企業 (New High Technology Enterprise) by 廣東省科學技術委員會 (Science and Technology Commission of the Guangdong Province) on 13 July 2001. This status is valid for two years from 13 July 2001. During the two year period, Zhuhai Essex is entitled to certain benefits such as the application of exemption on business tax chargeable on income generated from technology projects and privilege in recruitment of technical staff from other provinces.

The directors believe that the status of 高新技術企業 (New High Technology Enterprise) is recognition on the genetically driven biopharmaceutical drugs development and manufacturing business focus of Zhuhai Essex.

Products Development

- Sterilized Beifuji Penetrates Surgical Operation Arena — Sterilized Beifuji successfully penetrated the surgical operation arena and is prescribed by hospitals in major provinces and cities in the PRC such as Shanghai, Zhejiang, Shan Dong and Jiang Su since May 2001. During the year under review, the Group channelled considerable research and development resources to develop the sterilized Beifuji, which has successfully penetrated into the surgical operation arena since May 2001.
- Clinical Trials Approval for the Gel Formulation of Flagship Products — Approval for commencement of clinical trials of 貝復濟 (Beifuji) and 貝復舒 (Beifushu), the two commercialised biopharmaceutical products of the Group, in gel formulation had been granted by SDA in mid-2001. Clinical trials of these two products in gel formulation started in the fourth quarter of 2001.

Beifuji in gel formulation is a derivative of the existing commercialized Beifuji in lyophilized powder and liquid forms. The gel formulation derivative is comparatively persistent when acting on wounds, which in turn promotes therapeutic efficacy.

Beifushu in gel formulation is a derivative of the existing commercialized Beifushu eye-drop. The current eye-drop form of Beifushu is being used in hospitals. The gel formulation derivative is more convenient for patients application at home. Gel formulation is perceived to be comparatively easy-to-use and more comfortable as a result of a more smooth and even distribution when applying on conjunctiva. Moreover, the gel formulation is more stable in physical nature, which extends the product's persistency.

Research and Development

- Patents' Application — Patents' applications for four new drugs carried out by Essex Research namely 腸寧凝膠 (Chang Ning Ning Jiao), 口瘡寧含片 (Kou Chuang Ning Han Pian), 宮環止血片 (Gong Huan Zhi Xie Pian) and 丹龍醒腦膠囊 (Dang Long Xin Nao Jiao Nang) have been lodged with and acknowledged by 中華人民共和國國家知識產權局 (The State Intellectual Property Office of the PRC) in the year under review.
- Two pharmaceutical projects have successfully completed pre-clinical test. Results of pre-clinical test have been submitted to SDA for approval:

宮環止血片 (Gong Huan Zhi Xie Pian)

丹龍醒腦膠囊 (Dang Long Xin Nao Jiao Nang)

- Joint Research and Development Project under Genetic Engineering in the PRC — On 1 November 2001, Zhuhai Essex has entered into a joint research and development contract with Shanghai Cystron, a company incorporated in Shanghai. Shanghai Cystron is principally engaged in the research and development of genetic engineering products.

Under the joint research and development contract, a genetic engineering drug, Calcitonin, is to be developed by using the recombinant DNA technology. Calcitonin is targeted for the treatment of osteoporosis, hypercalcemia and relieve of bone ache.

- Strengthened research and development pipeline — In addition to the existing pharmaceutical projects in the research and development pipeline, the Group has added three new pharmaceutical projects in the year under review.

The three new projects are:

— 丹龍醒腦膠囊 (Dang Long Xin Nao Jiao Nang) — a Chinese medicine for the treatment of vascular dementia.

— 加味沒竭片 (Jia Wei Mo Jie Pian) — a Chinese medicine for the treatment of dysmenorrhoea.

— 清心透毒顆粒 (Qing Xin Tou Du Ke Li) — a Chinese medicine for the treatment of viral myocarditis.

- Completion of rh-GDNF basic research — Completed the basic research and obtained the completion report from China Biopharmaceutical Engineering Centre of the Ministry of Science and Technology, an authority which appoints the key scientific and technological projects of the State Ninth Five-year Plan in the PRC, for its merit in attaining preset standards in completion of rh-GDNF basic research. Preparation of proceeding to pre-clinical test is under progress.

Sales and Marketing

The newly developed Sterilized Beifuji has successfully penetrated into the surgical operation arena. The product is prescribed by hospitals in major provinces and cities in the PRC such as Shanghai, Zhejiang, Shan Dong and Jiang Su since May 2001.

The Group's strategy is to continuously and pragmatically expand and penetrate the existing market in the PRC for the Group's two commercialised biopharmaceutical products, namely 貝復濟 (Beifuji) and 貝復舒 (Beifushu). The Group organises, among others, training programme and technical seminars for marketing agents and medical practitioners on a continual basis to nurture and cultivate wider market awareness and acceptance for its products.

In additions, the Group plans to strengthen its sales and distribution network through acquisition or establishment of "in-market" promotion companies. It is expected that the Group can strengthen both the distribution channel and increase the variety of products offered by the Group.

Products' Prospects

(1) Beifuji and Beifushu

It is estimated that approximately 500,000 patients applied Beifuji in the year of 2001. This represents approximately 1.6% of the market share in the surface wounds treatment arena. The market share for Beifushu in the corneal treatment arena was estimated at 2.3% with 500,000 patients using Beifushu in the year of 2001.

The development of gel formulation for both products is aimed at increasing the market acceptance and customer satisfaction for the two flagship products; 貝復濟 (Beifuji) and 貝復舒 (Beifushu). Upon commercialization of the gel formulation for both products, the Group expects to increase its market share in both the surface wound and corneal wound arena and hence increase revenue of the Group accordingly.

(2) Protene skincare collection

To expand the product spectrum, the Group engaged in skincare product development for commercial sales. A series of bFGF-based skincare product was successfully developed during the year. bFGF is a growth factor that promotes growth of mesoderm and therefore gives an effective result during skincare application.

The Group is aggressively exploring distribution and marketing opportunities both in the PRC and international markets.

Use of proceeds

The Company was listed on the GEM on 27 June 2001 through a placement of 102,564,000 new shares. The net proceeds from such placement after deduction of the relevant expenses incurred were approximately HK\$35 million. The Group intends to apply such net proceeds for its expending the distribution channels and development of the Enterprise Resources Planning ("ERP") System, research and development, expansion of existing production facilities, development and marketing of skincare products.

Outlook

Anticipating a choppy global economy in the coming year, the Group will maintain and consolidate its existing customer base and expand the distribution network in the PRC. Meanwhile, the Group adopts a pragmatic approach to extend presence in new markets by

initially focus on neighbouring regions such as Southeast Asia. The Group will remain responsive to the fast changing industry following the PRC's market liberalisation. The management is optimistic about nurturing steady growth of the Group's turnover and profit attributable to shareholders, in line with the strong expected growth of the PRC market.

Leveraging on the established distribution channels and market acceptance of the two flagship products, strong research and development pipeline together with the extensive experience and technical expertise of the Group's management team, the directors are confident that the Group can achieve its objective to become one of the leading global developers and distributors of biopharmaceutical and other pharmaceutical products for the treatment and healing of surface wounds, organ wounds and nervous system damages and diseases.

Audit Committee

The Company established an audit committee on 13 June 2001 with written terms of reference in compliance with Rules 5.23 to 5.25 of the GEM Listing Rules. The primary duties of the audit committee are to review and supervise the financial reporting process and internal controls system of the Group. The audit committee comprises three members, Zhong Sheng, an executive director of the Company and Fung Chi Ying and Mauffrey Benoit Jean Marie, who are the independent non-executive directors of the Company. The Group's audited results for the year ended 31 December 2001 have been reviewed by the committee, who was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements and that adequate disclosures have been made.

Compliance with Rules 5.28 To 5.39 of the GEM Listing Rules

The Company has complied with the board practices and procedures as set out in Rule 5.28 to 5.39 of the GEM Listing Rule since the listing of the Company's shares on the GEM on 27 June 2001.

Purchase, Redemption or Sale of Listed Securities

The Company's shares were listed on the GEM on 27 June 2001. Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities since that dated.

On behalf of the Board
Ngiam Mia Je Patrick
Chairman and Executive Director

Hong Kong, 14 March 2002