EVERPRIDE BIOPHARMACEUTICAL COMPANY LIMITED

(Incorporated in the Cayman Islands with limited liability)

ANNUAL REPORT 2001

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The principal means of information dissemination on GEM is publication on the internet website operated by the Stock Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website in order to obtain up-to-date information on GEM-listed issuers.

The Stock Exchange takes no responsibility for the contents of this annual report, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this annual report.

This annual report, for which the directors of Everpride Biopharmaceutical Company Limited collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange for the purpose of giving information with regard to Everpride Biopharmaceutical Company Limited. The directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief:— (1) the information contained in this annual report 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 annual report misleading: and (3) all opinions expressed in this annual report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

Contents

DIRECTORS

Executive Directors

Chung Chi Mang *(Chairman)*
Zhang Xue Min
Xie Xiaodong
Zhong Zhi Gang
Zhang Yuanfu

Independent Non-Executive Directors

Kwok Wai Fung *(Chairman)*
Zhang Zuxun

COMPANY SECRETARY AND QUALIFIED ACCOUNTANT

Zhang Yuanfu, AHKSA, FCCA

ASSISTANT COMPANY SECRETARY

Codan Trust Company (Cayman) Limited

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Grand Cayman
British West Indies

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

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Hong Kong

AUDITORS

Arthur Andersen & Co
Certified Public Accountants
21st Floor, Edinburgh Tower
The Landmark
15 Queen's Road Central
Hong Kong

COMPLIANCE OFFICER

Zhang Xue Min

AUTHORIZED REPRESENTATIVES

Zhang Xue Min
Zhang Yuanfu

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16th Floor, Man Yee Building
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Hong Kong

SOLICITORS

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Hong Kong

Conyers Dill & Pearman, Cayman
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Grand Cayman
British West Indies

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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Grand Cayman
Cayman Islands
British West Indies

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Abacus Share Registrars Limited
5th Floor, Wing On Centre
111 Connaught Road Central
Hong Kong

PRINCIPAL BANKERS

in Hong Kong
Standard Chartered Bank

in PRC
Hua Xia Bank, Taiyuan Branch, PRC

Mr. Chung Chi Mang
Chairman

For and on behalf of the board of Directors (the "Board") of Everpride Biopharmaceutical Company Limited (the "Company") together with its subsidiaries (the "Group"), I am pleased to present to all shareholders the first annual report since the Company's listing on GEM on 20 July 2001. The listing not only helped broaden our shareholder base but also increases our corporate profile and transparency to the public, which in turn will boost business opportunities in the future for the Group.

BUSINESS REVIEW

The year ended 31 December 2001 was critical to the Group. The shares of Company have been successfully listed on GEM since 20 July 2001. The result of placing was oversubscribed, indicating shareholders' confidence in the business and the future prospects of the Group.

SALES AND MARKETING

The Group is principally engaged in the production and sales of a Chinese medicine known as "Plasmin Capsule" in the PRC. As at the date of this announcement, the "Plasmin Capsule" is still the only product of the Group. As stated under the heading "Risk relating to the business of the Group" of the Company's prospectus dated 16 July 2001 (the "Prospectus"), all revenue and profit to shareholders depended solely on the market acceptance of the product.

During the year ended 31 December 2001, the Group recorded a turnover of approximately RMB107,299,000, which represented a decrease of approximately 26 per cent as compared with the previous year. The operating profit decreased from approximately RMB49,259,000 for the previous year to approximately RMB25,419,000 for the current year, which represented a decrease of approximately 48 per cent. During the year ended 31 December 2001, the Group experienced fierce competition in the chinese medicine industry due to the following reasons: (i) the single product risk is still the major risk factor for the Group's performance. During the year ended 31 December 2001, the Group faced much greater performance risk than many other competitors with diversified business. Therefore, all revenue and profit of the Group depended solely on the market acceptance of the only one product — "Plasmin Capsule" before the new products being introduced into market; (ii) the strict control on the medicine advertising campaigns in the mass media in the PRC implemented by the State Drug Administration Bureau ("SDA") and the State Administration of Industry and Commence of China starting from the fourth quarter in 2001, strongly affected the sales channels available and distribution in the over-the counter (the"OTC") market which was usually the major market for the Group in the PRC; and (iii) the global economic downturn and the "911" terrorist attack in the United States further adversely affected the sales and distribution in overseas markets.

In order to maintain the market share and maintain its competitive edge, during the year under review, the Group enhanced marketing efforts, sales and distribution to Hong Kong and the Philippines through Everpride Pharmaceutical (H.K.) Co., Ltd. The turnover derived from these markets amounted to approximately HK$32 million, representing approximately 32 per cent of the total turnover of the Group over the year.

In October 2001, the Group signed an agreement with one pharmaceutical manufacturing company in Malaysia for the provision of certain earthworm powder for their local production and sales. The sale of earthworm powder will provide another source of revenue for the Group in the forthcoming years. With the sales expansion of the earthworm powder, the Group will enhance its market share and its capability of profitability.

RESEARCH AND DEVELOPMENT

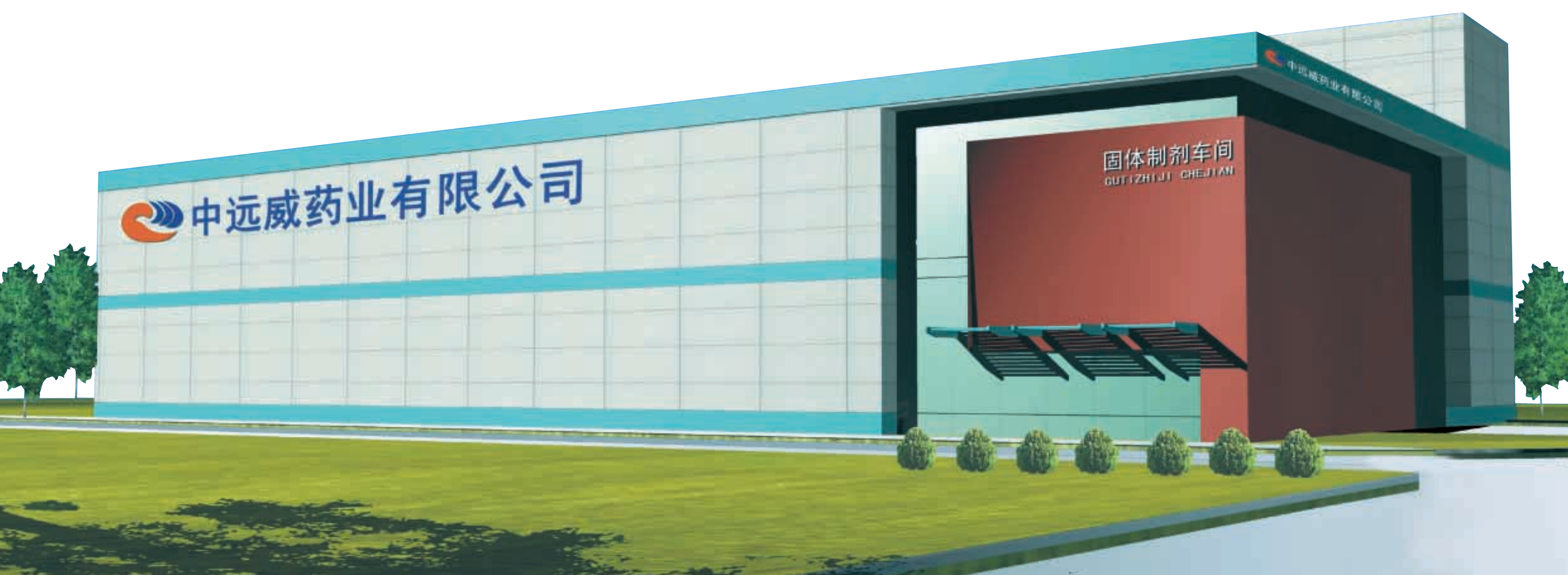
The clinical trials conducted by the Clinical Trials Centre of the Faculty of Medicine of the University of Hong Kong (the "CTC") were completed in February 2002 and demonstrated that "Plasmin Capsule" was overall safe and well-tolerated Chinese medicine. In order to further prove the efficacy of the "Plasmin Capsule", the Group intends to engage the CTC or other institutions to conduct other series of clinical trials based on the proposals from the CTC.

Staphylokinese project

Staphylokinese is a genetically engineered medicine, which is a third generation of thrombotic medicine. The clinical application sample and its other related materials have been submitted to the SDA in January 2002. The delay in submission was due to the additional information requested by the SDA. The Group will start clinical trials once the sample and the related materials have been approved by the SDA.

Construction of "GMP" compliance production complex

The construction of the production complex in Taigu County, Shanxi Province started in April 2001. As at 31 December 2001, the main production complex was basically completed, with the other auxiliary facilities still in progress. The installation of machinery and equipment and the preparation works for Good Manufacturing Practice (the "GMP") certification are also in progress. The slight delay is due to bad weather in Shanxi Province. The Directors are confident that the delay will not affect the obtaining of the "GMP" certification by 30 June 2002. Before the normal operation of the production complex, the Group will continue to maintain its current production arrangements by engaging subcontractors as its principal means of production which is expected to have no adverse effect on normal operation of the Group.



OUTLOOK

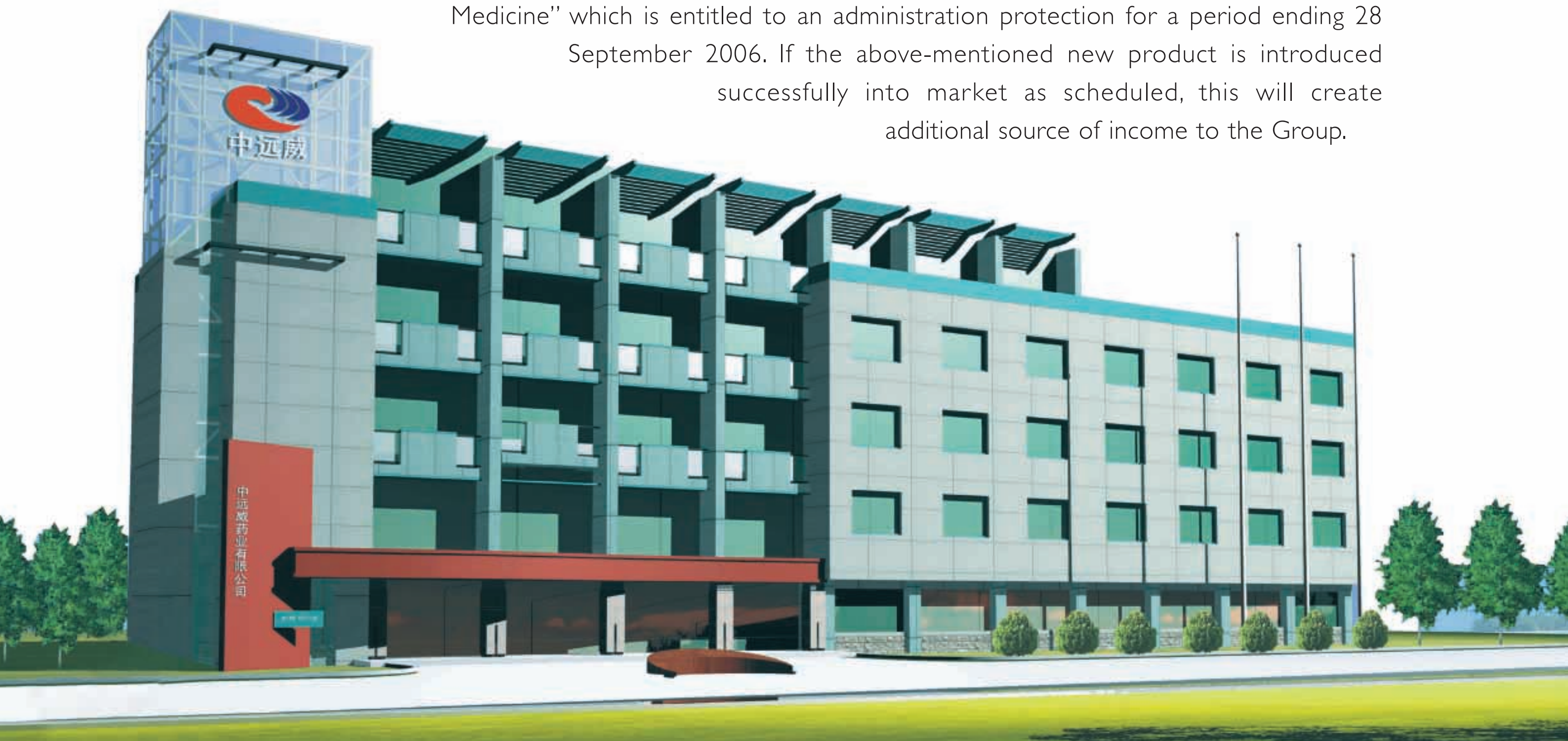
Looking ahead, the Directors expect that the Group will still face keen competition.

In the fourth quarter of 2001, the Group recorded a significant downward turnover as compared with each of the previous three quarters in 2001 due to the reasons mentioned under the heading "Business Review" above.

In order to enhance the profitability of the Group and lower the single product risk, on 8 Feburary 2002, Shanxi Everpride Pharmaceutical Co., Ltd. ("Everpride Pharmaceutical") entered into a co-operative agreement with 北京佳虹雨醫藥技術開發有限公司 (Beijing Jiahongyu Pharmaceutical Technology Development Co., Ltd.) in respect of the acquisition of an exclusive sale and production rights of Glucosamine (鹽酸氨基葡萄糖) in the PRC and overseas markets. The new medicine certificate and production approval documents for the Glucosamine are expected to be obtained in August 2002. Having added this new product, the Directors believe that the sales of Glucosamine (鹽酸氨基葡萄糖) will be a major step for the Group as this will undoubtedly lower the risks of performance and further enhance the income base of the Group. For the details of the co-operative agreement, please refer to the Company's announcement dated 8 February 2002 in the website of GEM.

The Directors expect that the downward trend in turnover may continue in the forthcoming year. The trend may only be changed with the expected successful introduction of newly acquired product of Glucosamine (鹽酸氨基葡萄糖) in August 2002.

Notwithstanding these negative factors, the Directors expect that the Group will be well positioned to compete against its competitors in the Chinese medicine market and will struggle for better performance as the "Plasmin Capsule" is a " State Class 2 Protected Product of Chinese Medicine" which is entitled to an administration protection for a period ending 28 September 2006. If the above-mentioned new product is introduced successfully into market as scheduled, this will create additional source of income to the Group.



The Group will continue to enhance its current domestic market position by leveraging its well-maintained relationship with regional distributors. The Group will also strengthen its export sales of the "Plasmin Capsule" and its main component, the earthworm powder, through Everpride Pharmaceutical (H.K.) Co., Ltd. to Hong Kong, the Philippines, Malaysia and other countries or regions.

The PRC government's plan of developing the western regions, and the hosting of the Year 2008 Olympic Games in Beijing will undoubtedly create immense business opportunities in the PRC. To capture such opportunities, the Group will continue to put extensive efforts to maximize its business opportunities in the OTC market and maintain its existing market share in the PRC. The Group will also further explore the potential prescription medicine market in the PRC. With the increasing number of provinces, autonomous regions and municipalities in the PRC having adopting the "Plasmin Capsule" in the Public Medicine Insurance Catalogue and by hosting seminars, conferences, free clinics, free medicine and similar activities, the Directors expect that the revenue contributed from these markets will increase.

Within these contexts, the Group is currently seeking suitable acquisition opportunities and co-operations with other Chinese pharmaceutical manufacturers in order to materialise such business opportunities and achieve better return for its shareholders.

APPRECIATION

On behalf of the Board, I would like to extend my appreciation to shareholders of the Company for their continuing support and to our staff for their dedication and diligence. I also wish to take this opportunity to express my sincere gratitude to the Group's customers, suppliers, sponsors, lawyers, auditors, and share registrars for their trust in and support to the Group.

Chung Chi Mang
Chairman

Hong Kong, 22 March 2002

FINANCIAL REVIEW

Turnover

During the year ended 31 December 2001, the Group recorded turnover of approximately RMB107,299,000, representing a decrease of approximately 26 per cent. as compared with the previous year. The entire turnover arose from the sales of the only one product — "Plasmin Capsule", of which, HK$32 million was from the sales in Hong Kong and the Philippines, representing approximately 32 per cent. of the total turnover for the year ended 31 December 2001. The decrease in turnover was primarily due to that (i) the single product risk is still the major risk factor for the Group's performance. During the year ended 31 December 2001, the Group faced much greater performance risk than many other competitors with diversified business. Therefore, all revenue and profit of the Group depended solely on the market acceptance of the only one product — "Plasmin Capsule" before the new products being introduced into the market; (ii) the strict control on the medicine advertising campaigns in the mass media in the PRC implemented by the SDA and the State Administration of Industry and Commence of China starting from the fourth quarter in 2001, strongly affected the sales channels available and distribution in the over-the counter (the "OTC") market which was usually the major market for the Group in the PRC; and (iii) the global economic downturn and the "911" terrorist attack in the United States further adversely affected the sales and distribution in overseas markets.

Gross profit

In line with the decrease in the total sales volume, the gross profit for the Group decreased to approximately RMB72,408,000 in 2001 from RMB99,848,000 in 2000.

Selling and distribution costs and administrative expenses

The Group also continued to expand its sales and marketing network. The selling and distribution expenses of the Group for 2001 totalled approximately RMB23,982,000 which represented a decrease of approximately 37 per cent. from that of 2000. While continuing on expanding its sales and marketing network, the Group implemented some cost control measures to better control its selling and distribution expenses. In addition, the increasingly strict media advertising control implemented by the SDA and the State Administration of Industry and Commerce of the PRC led to a significant reduction in advertising campaigns in the PRC market.

Total administrative expenses were approximately RMB23,007,000 for 2001 and RMB12,441,000 for 2000. Administrative salaries amounted to approximately RMB9,240,000 for 2001 (RMB3,086,000 for 2000). The increase in administrative salaries for 2001 as compared to that for 2000 was due to increases in Directors' remunerations from RMB723,000 to RMB4,136,000. Rental expenses amounted to approximately RMB605,000 in 2001 (2000 — Nil). The annual listing sponsor's fee and the company solicitor's fee amounted to approximately RMB937,000 in 2001 (2000 — Nil). The clinical trials fee amounted to approximately RMB1,090,000 in 2001 (2000 — Nil). In addition, the travelling and entertainment expenses amounted to approximately RMB2,234,000 in 2001 (2000 — RMB2,061,000). Depreciation and amortisation expenses were approximately RMB1,470,000 in 2001 (2000 — RMB567,000). The Group has a total of 210 staff in 2001 (2000 — 186).

Financial resources and liquidity

The Group continues to be in a healthy financial position with shareholders funds amounting to approximately RMB120,889,000 as at 31 December 2001 (2000 — RMB40,744,000). Current assets amounted to approximately RMB113,147,000 as at 31 December 2001 (2000 — RMB73,566,000), of which approximately RMB29,581,000 were cash and bank balances. Approximately RMB17,120,000 (2000 — RMB5,796,000) of such cash and bank balances were placed in time deposit accounts to secure general banking facilities of approximately RMB16,050,000 (2000 — RMB5,700,000). The amount of approximately RMB6,172,000 was placed in short term investment fund and can be cashed at short notice.

As at 31 December 2001, the Group's bank overdraft amounted to approximately RMB900,000 (2000 — Nil) which had no specific payment term and bore the interest rate at Hong Kong prime rate plus 1 per cent..

The Group's gearing ratio (total liabilities/total assets) as at 31 December 2001 was 29% (2000 — 58%).

Contingent liabilities

As at 31 December 2001, the Group had no contingent liabilities.

Comparison of Objective and Actual Business Progress

Business objectives up to 31 December 2001 as stated in the Prospectus	Actual business progress up to 31 December 2001
1. Research and development	
— Fujian Normal University Everpride Biopharmaceutical Research and Development Centre to continue its research work	— Continuing its research of a new medicine known as "Staphylokinese" (葡激酶) a kind of genetic engineered medicine, which is a blood clots solvent.
— To prepare for pre-clinical trials, delivery and reporting of samples of the staphylokinese project.	— The delivery and submission of samples of staphylokinese for the preparation of pre-clinical trials were completed and submitted to SDA in January 2002. The delay in delivery and submission was due to the additional information requested by the SDA.
— To start clinical trial of "Plasmin Capsule" conducted by the CTC.	— The clinical trial was completed in February 2002 by the CTC and the "Plasmin Capsule" was proved to be overall safe and well-tolerated Chinese medicine. The delay was due to additional information to be processed and analysed by the CTC.
— To continue to conduct negotiation regarding cooperation with Fujian Tianshen Pharmaceutical Co., Ltd. in respect of the Baobijia project ("Fujian Tianshen").	— The negotiation was temporarily suspended due to the restructuring of Fujian Tianshen being still in progress. Once the restructuring is completed, the negotiation will resume as soon as possible.
— To continue to seek for opportunities to cooperate with other research organizations and pharmaceutical producers.	— On 8 February 2002, the Group entered into a co-operative agreement in respect of the acquisition of an exclusive right to produce and sell a new medical product — Glucosamine (鹽酸氨基葡萄糖) subject to the grant of the Certificate of New Medicine and the production approval for such medicine by the SDA. Save as disclosed above, the Group will continue to seek for other opportunities to cooperate with research organizations and pharmaceutical producers.

Business objectives up to 31 December 2001 as stated in the Prospectus	Actual business progress up to 31 December 2001
2. Sales and marketing	
— To develop domestic distribution networks, strengthen the usage of regional sales and distribution centres in Shanghai and Taiyuan.	— To continue to develop domestic distribution networks, strengthen the usage of regional sales and distribution centres in Shanghai and Taiyuan.
— To conduct preliminary selection of regional agents, commence export sales of "Plasmin Capsule" to the Asian region.	— Appointed one company as the sole agent in Hong Kong and started export sales to Hong Kong , the Philippines and Malaysia.
— To prepare for the sale of "Plasmin Capsule" in North America by appointing pharmaceutical distributors in the U.S.	— The "911" terrorist attack and the global economy downturn seriously affected the progress. With the recovery of the global economy, the Group will continue to seek for sales distributors in North America when the situation permits so.
— To strengthen marketing activities in Hong Kong.	— The appointment of a sole agent has strengthened export sales to Hong Kong and other countries in the Asian region.
3. Production	
— To complete the acquisition of equipment of the production complex located in Taigu County, Shanxi Province.	— The acquisitions of production machinery and equipment were basically completed and they are all under installation.
— To complete the construction of the production complex located in Taigu County, Shanxi Province.	— The construction of the main production complex was basically completed and other auxiliary production facilities were under construction, the slight delay was due to bad weather in Shanxi Province, PRC. The Director expect that the construction of the production complex will be completed before 30 June 2002.

4. Use of net proceeds from the initial placement

The net proceeds from initial placement had been applied in the following areas:

	Amount to be used in 2001 as disclosed in the Prospectus HK$'M	Actual amount used up to 31 December 2001 HK$'M
For the development of new medicine projects	0.95	0.95
For the construction of the Group's production complex	16.01	15.46
For the development of research and development center	0.47	0.41
For the expansion of distribution networks in the PRC and overseas markets	5.5	6.00
	22.93	22.82

Use of proceeds is almost the same as the estimation made in the Prospectus. The remaining balance of net proceeds is now deposited into banks in Hong Kong and will be applied to such business objectives as disclosed in the Prospectus.

DIRECTORS AND SENIOR MANAGEMENT

Executive Directors

Mr. Chung Chi Mang (鍾志孟先生), aged 40, is the founder and the Chairman of the Group. Mr. Chung is responsible for formulating the overall business development and corporate strategies. In early 1990's, Mr. Chung became involved in the marketing and distribution of medical and healthcare products. In May 1995, Mr. Chung established and became the chairman and general manager of Everpride Pharmaceutical which has since been fully devoted to the development of the "Plasmin Capsule". Mr. Chung has been engaged in the business development and corporate management for over 10 years during which he gained wide experience in product development and marketing in the pharmaceutical industry. Mr. Chung is currently a deputy chairman of the Old Aged Dietary Association of China (中國老年保健協會副會長) and a director of the Old Aged Foundation of China (中國老年基金會理事會理事).

Mr. Zhang Xue Min (張學敏先生), aged 51, is the Managing Director and vice-chairman of the Company. Mr. Zhang assists in the formulation of the overall business strategies and coordinating business operations. Mr. Zhang studied and graduated from the professional training course provided by Xiamen University. Prior to joining the Group in January 2000, Mr. Zhang held various managerial positions with a number of PRC based trading companies and gained substantial experience in corporate management and business development. Mr. Zhang joined Everpride Hong Kong as managing director in charge of sales, distribution and promotion of medical and healthcare products of the Group outside of the PRC.

Mr. Zhong Zhi Gang (鍾志剛先生), aged 39, is an executive Director and a deputy general manager of Everpride Pharmaceutical. Mr. Zhong is responsible for the production and marketing activities of the Group. Mr. Zhong joined the Group in March 1996 as a deputy general manager of Everpride Pharmaceutical in charge of the sale of "Plasmin Capsule". In November 1999, Mr. Zhong became a director of Everpride Pharmaceutical. Mr. Zhong is experienced in the sales, distribution and promotion of medical and healthcare products in China. Mr. Zhong is the brother of Mr. Chung Chi Mang.

Mr. Xie Xiaodong (謝曉東先生), aged 52, is an executive Director and a deputy general manager of Everpride Pharmaceutical. Mr. Xie has been engaged in the sales of medical and healthcare products outside the PRC for over ten years. Mr. Xie graduated from Fuzhou University, majoring in electrical engineering. Mr. Xie joined the Group in October 1995 when he was appointed a director of Everpride Pharmaceutical.

Mr. Zhang Yuanfu (張元福先生), aged 39, is an executive director and the Company Secretary of the Company. Mr. Zhang is also the financial controller of the Group and is responsible for the accounting and finance functions of the Group. Mr. Zhang graduated from the University of Shandong and holds a bachelor's degree in business administration. Mr. Zhang is a fellow member of the Association of Chartered Certified Accountants in the United Kingdom and an associate member of the Hong Kong Society of Accountants. Prior to joining the Group in August 2000, Mr. Zhang worked for a number of listed companies in Hong Kong and has more than 15 years of experience in accounting and financial management.

Independent Non-executive Directors

Mr. Kwok Wai Fung (**郭偉峰先生**), aged 45, was appointed as independent non-executive Director on 5 July 2001. Mr. Kwok has long been involved in journalism and is currently the deputy chairman and general manager of China Review Culture Ltd. (中國評論文化有限公司) and the chairman of Associated Multimedia (China) Company Limited (華聯多媒體有限公司). Mr. Kwok is also an executive committee member of All-China Youth Federation (中華全國青年聯合會) and a deputy director of Beijing Taiwan Economic Research Centre (北京台灣經濟研究中心).

Professor Zhang Zuxun (**張祖珣教授**), aged 61, was appointed as independent non-executive Director on 5 July 2001. Professor. Zhang graduated from the Shanxi College of Medicine (山西醫學院). Professor Zhang is currently a professor of Beijing Capital University of Medicine (北京首都醫科大學) and has carried out the teaching of higher biochemistry and molecular biology for a number of years. Professor Zhang has long been engaged in the research on enzymes (酶) in respect of coagulation (血液凝固) and fibrinolysis (纖溶) and, recently, also engages in the research on the transduction of cell messages (細胞信號轉導).

SENIOR MANAGEMENT OF THE GROUP

Mr. Shan Bingwei (**單炳偉先生**), aged 47, is the deputy general manager of the Group. He was previously the deputy head of the technical intelligence section of Taiyuan Iron and Steel Factory. In November 1995, Mr. Shan became a deputy general manager of Everpride Pharmaceutical.

Ms. Wang Shulan (**王淑蘭女士**), aged 62, is a deputy general manager and the chief engineer of the Group. She graduated from the pharmacy department of Shenyang School of Pharmacy, majoring in antibiotics. Ms. Wang joined Taiyuan Pharmaceutical Factory and later became the chief engineer. In October 1995, Ms. Wang joined Everpride Pharmaceutical as the chief engineer in charge of the research, manufacture, development and production technology of "Plasmin Capsule". Ms. Wang is experienced in the research and development and production technology of Chinese and chemical medicines. Ms. Wang was an editor of the Chinese Pharmaceutical Journal (《中國醫藥》雜誌編委), a director of the Shanxi Institute of Pharmacy (山西省藥學會理事) and a director of the Taiyuan Institute of Pharmacy (太原市藥學會理事).

Mr. Hou Naigong (**候乃公先生**), aged 51, is a deputy general manager of Everpride Pharmaceutical. Mr. Hou worked for Anhui Maanshan Biochemical Pharmaceutical Factory and later held the position as a deputy head of the Factory. In July 1998, Mr. Hou joined Everpride Pharmaceutical as deputy general manager in charge of the production of " Plasmin Capsule".

Mr. Yang Chunping (**楊春平先生**), aged 45, is the chief accountant of Everpride Pharmaceutical. Prior to joining the Group, Mr. Yang was the finance head and deputy chief accountant of Taiyuan Fenxi Machinery Factory. In March 1999, Mr. Yang joined Everpride Pharmaceutical and is in charge of accounting and finance matters of Everpride Pharmaceutical.

Mr. Wang Bing (**王賓先生**), aged 36, is the advertising controller of Everpride Pharmaceutical. Mr. Wang graduated from the staff college of Taiyuan No. 2 Light Industrial Bureau, majoring in interior design. In May 1999, Mr. Wang joined Everpride Pharmaceutical as the advertising controller in charge of the advertising planning and implementation of the Group, Mr. Wang is experienced in the planning of product advertising.

The Directors are pleased to present their first annual report together with the audited consolidated financial statements of Everpride Biopharmaceutical Company Limited ("the Company") and its subsidiaries (together "the Group") for the year ended 31 December 2001.

GROUP REORGANISATION AND BASIS OF PREPARATION

The Company

The Company was incorporated in the Cayman Islands on 1 August 2000 as an exempted company with limited liability under the Companies Law (2000 Revision) of the Cayman Islands. Its shares have been listed on GEM since 20 July 2001. The Company is an investment holding company. Its subsidiaries are principally engaged in the production and sales of "Plasmin Capsule", a Chinese medicine.

Group reorganisation

On 5 July 2001, the Company became the holding company of the other companies comprising the Group pursuant to a group reorganisation (the "Reorganisation"), which involved companies under common control. The Company and its subsidiaries resulting from the Reorganisation are regarded as a continuing group, and accordingly, the Reorganisation has been accounted for on the basis of merger accounting, under which the consolidated financial statements have been prepared as if the Company had been the holding company of the other companies comprising the Group throughout the year ended 31 December 2001, rather than from the date on which the Reorganisation was completed. The comparative figures as at and for the year ended 31 December 2000 have been presented on the same basis.

Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IAS") published by the International Accounting Standards Board, and are supplemented by the disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "GEM Listing Rules").

Details of the Reorganisation and the basis of preparation of the financial statements are set out in Notes 1 and 2 to the accompanying financial statements.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The principal activities of subsidiaries are detailed in Note 15 to the accompanying financial statements.

An analysis of the Group's turnover and contribution to profit from operations by geographical location of customers for the year ended 31 December 2001 is detailed in Note 32.b to the accompanying financial statements.

No analysis of the Group's turnover and profit before taxation by product category is presented as all the turnover was derived from sales of one product, namely, the "Plasmin Capsule".

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2001, the five largest customers accounted for approximately 64 per cent. of the Group's total turnover. The five largest suppliers of the Group accounted for approximately 50 per cent. of the Group's total purchases. In addition, the Group's largest customer accounted for approximately 21 per cent. of the Group's total turnover while the largest supplier accounted for approximately 17 per cent. of the Group's total purchases.

None of the Directors, their associates or any shareholders (which, to the knowledge of the Directors, own more than 5 per cent. of the Company's issued share capital) had any interest in the Group's five largest customers and suppliers.

RESULTS AND APPROPRIATIONS

Details of the Group's results for the year ended 31 December 2001 are set out in the consolidated income statement on page 21 of this annual report.

The Directors do not recommend the payment of final dividend for the year ended 31 December 2001, and recommend that the retained profit of approximately RMB40,565,000 as at 31 December 2001 be carried forward.

SHARE CAPITAL AND EMPLOYEE SHARE OPTIONS

Details of the share capital and employee share options of the Company are set out in Notes 25 and 26 respectively to the accompanying financial statements.

RESERVES AND RETAINED PROFIT

Movements in reserves of the Group and the Company during the year are set out on pages 23 and 50, respectively, of this annual report. Movements in retained profit of the Group during the year are set out in the consolidated income statement on page 21 of this annual report.

As at 31 December 2001, the Company's reserve available for distribution to shareholders amounted to approximately RMB45,702,000 (2000 — Nil) computed in accordance with the Companies Law (2000 Revision) of the Cayman Islands and the Company's Articles of Association. This includes the Company's contributed surplus of approximately RMB56,774,000 (2000 — Nil), less accumulated deficit of approximately RMB11,072,000 (2000 — RMB2,211,000), which is available for distribution provided that immediately following the date on which the dividend is proposed, the Company will be able to pay off its debts as they fall due in the ordinary course of business.

PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed shares during the year.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's Articles of Association and the laws in the Cayman Islands in relation to the issue of new shares by the Company.

PENSION SCHEMES

Details of the Group's pension schemes are set out in Note 29 to the accompanying financial statements.

SUBSIDIARIES

Particulars of the Company's subsidiaries are set out in Note 15 to the accompanying financial statements.

PROPERTY, PLANT AND EQUIPMENT AND LEASEHOLD PROPERTIES

Movements in property, plant and equipment and leasehold properties of the Group during the year are set out in Note 12 and Note 13 to the accompanying financial statements, respectively.

BANK BORROWINGS AND OTHER BANKING FACILITIES

Particular of bank borrowings and other banking facilities as at 31 December 2001 are set out in Note 20 and Note 31 to the accompanying financial statements, respectively.

CONNECTED TRANSACTIONS

Except as disclosed in Note 3 to the accompanying financial statements, there were no significant connected party transactions entered into by the Group for the year ended 31 December 2001.

SUBSEQUENT EVENTS

Details of significant subsequent events are set out in the Note 36 to the accompanying financial statements.

DIRECTORS AND DIRECTORS' SERVICE CONTRACTS

The Directors of the Company who held office during the year and up to the date of this report were:

Executive Directors

Mr. Chung Chi Mang	
Mr. Zhang Xue Min	
Mr. Xie Xiaodong	(Appointed on 5 July 2001)
Mr. Zhong Zhi Gang	(Appointed on 5 July 2001)
Mr. Zhang Yuanfu	(Appointed on 9 October 2001)

Independent Non-executive Directors

Mr. Kwok Wai Fung	(Appointed on 5 July 2001)
Ms. Zhang Zuxun	(Appointed on 5 July 2001)

In accordance with the Company's Articles of Association, all the Directors of the Company will retire and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

Directors' Service Contracts

Each of Mr. Chung Chi Mang and Mr. Zhang Xue Min has entered into a service contract for an initial term of three years commencing from 1 November 2000. Each of Mr. Xie Xiaodong and Mr. Zhong Zhi Gang has entered into a service contract for an initial term of three years commencing from 5 July 2001. Mr. Zhang Yuanfu has entered into a service contract for an initial term of one year commencing from 9 October 2001. After the initial term, all the service contracts may be terminated by either party thereto giving to the other party three months' prior notice in writing.

The independent non-executive Directors have not been appointed for any fixed term but shall be subject to retirement by rotation in accordance with the Articles of Association of the Company.

Save as disclosed above, none of the Directors being proposed for re-election at the forthcoming annual general meeting has a service contract with any member of the Group which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

DIRECTORS' AND CHIEF EXECUTIVES' INTEREST IN SECURITIES

As at 31 December 2001, according to the register required to be kept by the Company under section 29 of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance"), the interests of Directors, the chief executives of the Company and their respective associates were as follows:

(a) Shares in the Company

Name of Director	Corporate Interests	Personal/ Family/Other Interest	Total	Percentage of issued Shares
Chung Chi Mang ("Mr. Chung")	450,000,000	—	450,000,000	75

Mr. Chung is the sole shareholder and the sole director of Montgomery Properties Holding Limited (formerly known as Montgomery Property Limited) which is the holder of 75 per cent. of the issued share capital of the Company.

Save as disclosed above, none of the Directors, chief executives nor their associates had any interests in any securities of the Company and any of its associated corporations as defined in the SDI Ordinance.

(b) Options to subscribe for shares in the Company

The Company has a share option scheme under which the executive directors and employees of the Group are eligible to be granted options to subscribe for shares in the Company. No share option was granted during the year ended 31 December 2001 or was outstanding as at 31 December 2001 under this scheme.

DIRECTORS AND CHIEF EXECUTIVES' RIGHTS TO ACQUIRE SHARES OR DEBT SECURITIES

As at 31 December 2001, neither the Company nor any of its subsidiaries was a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debt securities, including debentures, of the Company and none of the Directors, or their spouse or children under the age of 18 had any right to subscribe for the securities of the Company, or had exercised any such right.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2001, the register of substantial shareholders maintained under Section 16 (1) of the SDI Ordinance showed that the Company has been notified of the following interests, being 10 per cent. or more of the Company's issued share capital.

Name	Number of Shares	Percentage of holding
Montgomery Properties Holding Limited (Note)	450,000,000	75

Note: Montgomery Properties Holding Limited (formerly known as Montgomery Property Limited) is a company established in the British Virgin Islands with limited liability and wholly owned by Mr. Chung, the Chairman and an executive Director of the Company.

DIRECTORS' INTERESTS IN CONTRACTS

No contracts of significance in the relation to the Group's business to which the Company or any of its subsidiaries was a party and in which any of the Company's Directors had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

SPONSOR'S INTERESTS

The sponsor of the Company is DBS Asia Capital Limited ("DBS Asia").

Pursuant to a sponsor's agreement dated 13 July 2001 entered into between the Company and DBS Asia, DBS Asia has been retained to act as the Company's sponsor for the period from 20 July 2001 to 31 December 2003 in return for an advisory fee.

Save as disclosed herein, none of DBS Asia, its directors, employees or associates (as referred to in Rules 6.35 and 18.63 of the GEM Listing Rules) had any interest in any class of securities of the Company or any other company in the Group (including options or rights to subscribe for such securities) as at 31 December 2001.

AUDIT COMMITTEE

The Company established an audit committee in July 2001 with terms of reference in compliance with Rules 5.23 to 5.27 of the GEM Listing Rules. The primary duties of the audit committee are to review and supervise the financial reporting process and the internal control system of the Group. The audit committee has two members comprising Mr. Kwok Wai Fung (who is acting as the chairman of the audit committee) and Ms. Zhang Zuxun, the two independent non-executive Directors. The audit committee met two times during the year ended 31 December 2001. The Group's audited results for the year ended 31 December 2001 have been reviewed by the audit committee, and it was in its opinion that (i) the preparation of such results complied with the applicable standards and statutory requirements and the requirements of The Stock Exchange of Hong Kong Limited and that (ii) the internal reporting and control system of the Group had been properly implemented and adequate to keep the Board informed on the business and the management affairs of the Group and there were no material adverse affairs in the operation of the Group. During the year ended 31 December 2001, no material matters were identified and reported by the Board to the audit committee of the Board and the supervisory committee of the Board. The auditors of the Group, Arthur Andersen & Co, have also considered the contents of the reports submitted by the audit committee on the internal reporting and monitoring system of the Group and noted the report indicated that the internal reporting and monitoring system had been properly implemented and that there were no material adverse affairs in the operation of the Group that came to their attention.

BOARD PRACTICES AND PROCEDURES

In the opinion of the Directors, the Company has complied with the standards of good practice concerning the general management responsibilities of the board of directors as set out in Rules 5.28 to 5.39 of the GEM Listing Rules throughout the year ended 31 December 2001.

AUDITORS

The accompanying financial statements were audited by Arthur Andersen & Co. A resolution for their reappointment as auditors of the Company for the ensuing year is to be proposed at the forthcoming annual general meeting.

On behalf of the Board
Chung Chi Mang
Chairman

Hong Kong, 22 March 2002

ANDERSEN

Arthur Andersen & Co
21st Floor Edinburgh Tower
The Landmark
15 Queen's Road Central
Hong Kong

Report of the Auditors to the Shareholders of
EVERPRIDE BIOPHARMACEUTICAL COMPANY LIMITED
(Incorporated in the Cayman Islands with limited liability)

We have audited the balance sheet of Everpride Biopharmaceutical Company Limited (the "Company") and the consolidated balance sheet of the Company and its subsidiaries (collectively referred to as the "Group") as at 31 December 2001 and the related consolidated statements of income, changes in shareholders' equity and cash flows for the year then ended. These financial statements, set out on pages 21 to 57, are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion the financial statements give a true and fair view of the financial position of the Company and the Group as at 31 December 2001, and of the results of the Group's operations, its changes in shareholders' equity and cash flows for the year then ended in accordance with International Financial Reporting Standards, as published by the International Accounting Standards Board and comply with the disclosure requirements of the Hong Kong Companies Ordinance.

ARTHUR ANDERSEN & CO
Certified Public Accountants

Hong Kong, 22 March 2002.

Consolidated Income Statement

For the year ended 31 December 2001 (Expressed in Renminbi)

	Note	**2001 RMB'000**	2000 RMB'000
Turnover	4	**107,299**	144,176
Cost of sales		**(34,891)**	(44,328)
Gross profit		**72,408**	99,848
Selling and distribution expenses		**(23,982)**	(38,148)
General and administrative expenses		**(23,007)**	(12,441)
Profit from operations		**25,419**	49,259
Finance costs, net	5	**(206)**	(243)
Profit before taxation	6	**25,213**	49,016
Taxation	8	**(8,162)**	—
Profit attributable to shareholders	9	**17,051**	49,016
Retained profit, beginning of year		**25,220**	9,575
Transfer to statutory reserve	27	**(1,706)**	(5,371)
Dividends	10	**—**	(28,000)
Retained profit, end of year		**40,565**	25,220
Earnings per share — Basic	11	**RMB3.3 cents**	RMB10.7 cents

Balance Sheets

As at 31 December 2001 (Expressed in Renminbi)

		Consolidated		Company	
	Note	**2001 RMB'000**	2000 RMB'000 *(Note 37)*	**2001 RMB'000**	2000 RMB'000
NON-CURRENT ASSETS					
Property, plant and equipment	12	**39,958**	7,103	**—**	—
Leasehold properties	13	**16,715**	16,889	**—**	—
Intangible assets, net	14	**284**	384	**—**	—
Investment in subsidiaries	15	**—**	—	**88,504**	—
Total non-current assets		**56,957**	24,376	**88,504**	—
CURRENT ASSETS					
Inventories	16	**41,871**	46,272	**—**	—
Prepayments, deposits and other current assets		**7,869**	6,416	**617**	88
Accounts receivable	17	**20,730**	4,448	**—**	—
Due from a director	3	**6,924**	—	**—**	—
Available-for-sale investments	18	**6,172**	—	**6,172**	—
Pledged bank deposits	19	**17,120**	5,796	**17,120**	—
Other cash and bank deposits	19	**12,461**	10,634	**82**	—
Total current assets		**113,147**	73,566	**23,991**	88
CURRENT LIABILITIES					
Short-term bank borrowings	20	**(900)**	(5,700)	**—**	—
Accounts payable	21	**(2,385)**	(8,461)	**—**	—
Accruals and other payables	22	**(6,984)**	(13,807)	**(2,593)**	(2,299)
Deposits and receipts in advance from customers		**(14,602)**	(20,434)	**—**	—
Finance lease obligation, current portion	23	**(240)**	—	**—**	—
Taxation payable	24	**(23,365)**	(8,796)	**—**	—
Total current liabilities		**(48,476)**	(57,198)	**(2,593)**	(2,299)
Net currents assets (liabilities)		**64,671**	16,368	**21,398**	(2,211)
Total assets less current liabilities		**121,628**	40,744	**109,902**	(2,211)
NON-CURRENT LIABILITY					
Finance lease obligation, long-term portion	23	**(739)**	—	**—**	—
Net assets (liabilities)		**120,889**	40,744	**109,902**	(2,211)
Representing —					
SHARE CAPITAL	25	**64,200**	—	**64,200**	—
RESERVES	27	**16,124**	15,524	**56,774**	—
RETAINED PROFIT (ACCUMULATED DEFICIT)		**40,565**	25,220	**(11,072)**	(2,211)
Shareholders' equity (deficit)		**120,889**	40,744	**109,902**	(2,211)

Approved by the Board of Directors on 22 March 2002:

CHUNG CHI MANG
Director

ZHANG XUE MIN
Director

Consolidated Statement of Changes in Shareholders' Equity

For the year ended 31 December 2001 (Expressed in Renminbi)

	Note	Share capital	Share premium	Statutory reserve	Capital reserve	Cumulative translation adjustments	Retained profit	Total
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance as at 1 January 2000		—	—	1,948	8,205	—	9,575	19,728
Transfer from retained profit to statutory reserve		—	—	5,371	—	—	(5,371)	—
Profit attributable to shareholders		—	—	—	—	—	49,016	49,016
Dividends		—	—	—	—	—	(28,000)	(28,000)
Balance as at 31 December 2000		—	—	7,319	8,205	—	25,220	40,744
Issue of shares	27	14,980	59,171	—	—	—	—	74,151
Capitalisation of share premium	27	49,220	(49,220)	—	—	—	—	—
Share issuance expenses	27	—	(9,951)	—	(1,010)	—	—	(10,961)
Transfer from retained profit to statutory reserve	27	—	—	1,706	—	—	(1,706)	—
Translation adjustments		—	—	—	—	(96)	—	(96)
Profit attributable to shareholders		—	—	—	—	—	17,051	17,051
Balance as at 31 December 2001		64,200	—	9,025	7,195	(96)	40,565	120,889

Consolidated Cash Flow Statement

For the year ended 31 December 2001 (Expressed in Renminbi)

	Note	**2001** **RMB'000**	2000 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	28.a	**1,027**	36,952
INVESTING ACTIVITIES			
Additions of property, plant and equipment		**(32,515)**	(5,957)
Additions of leasehold properties		**(572)**	(17,119)
Proceeds from disposal of property, plant and equipment		**—**	4
(Increase) Decrease in due from a director		**(6,924)**	16,505
Increase in available-for-sale investments		**(6,420)**	—
Decrease (Increase) in pledged bank deposits		**5,796**	(5,796)
Interest received		**502**	183
Translation adjustments		**(96)**	—
		(40,229)	(12,180)
Net cash (outflow) inflow before financing activities		**(39,202)**	24,772
FINANCING	28.b		
Proceeds from issue of shares		**74,151**	—
Share issuance expenses		**(10,961)**	—
Dividends paid		**—**	(28,000)
New short-term bank borrowings		**—**	5,700
Repayment of short-term bank borrowings		**(5,700)**	—
Repayment of capital element of finance lease obligation		**(241)**	—
		57,249	(22,300)
Increase in cash and cash equivalents		**18,047**	2,472
Cash and cash equivalents, beginning of year		**10,634**	8,162
Cash and cash equivalents, end of year	28.c	**28,681**	10,634

1. ORGANISATION AND OPERATIONS

Everpride Biopharmaceutical Company Limited (the "Company") was incorporated in the Cayman Islands on 1 August 2000 as an exempted company with limited liability under the Companies Law (2000 Revision) of the Cayman Islands. Its shares have been listed on the Growth Enterprise Market (the "GEM") of The Stock Exchange of Hong Kong Limited since 20 July 2001. Its registered office is located at Zephyr House, George Town, Grand Cayman, Cayman Islands, British West Indies; and its principal place of business is Unit 3105, Sino Plaza, 255–257 Gloucester Road, Causeway Bay, Hong Kong.

On 5 July 2001, the Company became the holding company of the other companies comprising the group pursuant to a group reorganisation (the "Reorganisation"), which involved companies under common control. The Company and its subsidiaries resulting from the Reorganisation (collectively referred to hereafter as "the Group") are regarded as a continuing group and accordingly, the Reorganisation has been accounted for on the basis of merger accounting, under which the consolidated financial statements have been prepared as if the Company had been the holding company of the other companies comprising the Group throughout the year ended 31 December 2001, rather than from the date on which the Reorganisation was completed. The comparative figures as at and for the year ended 31 December 2000 have been presented on the same basis.

The Company is an investment holding company. Its subsidiaries are principally engaged in the production and sales of "Plasmin Capsule", a Chinese medicine. The production process of "Plasmin Capsule" is presently subcontracted to three subcontractors in Mainland China and the Group will conduct its own production upon the completion of the construction of its own plant. The Group had 210 employees as at 31 December 2001 (2000 — 186).

2. PRINCIPAL ACCOUNTING POLICIES

The accounting policies consistently applied in the preparation of the financial statements conform to International Financial Reporting Standards ("IAS") published by the International Accounting Standards Board, and are supplemented by the disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on the GEM. Principal accounting policies are summarised below:

a. Basis of preparation

The financial statements, expressed in Renminbi, are prepared in accordance with the historical cost convention, except that available-for-sale investments are stated at their fair value as described in Note 2.m.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

b. Basis of consolidation

The consolidated financial statements of the Group include the financial statements of the Company and its subsidiaries. Except for the Reorganisation as disclosed in Note 1, the purchase method of accounting is used for acquired businesses. Results of subsidiaries acquired or disposed of during the year are included in the consolidated financial statements from the date of acquisition or to the date of disposal. Significant intra-group transactions and balances have been eliminated on consolidation.

c. Subsidiaries

A subsidiary is a company in which the Company controls, which is normally evidenced when the Company holds, either directly or indirectly, more than 50% of the voting rights of a company's share capital and is able to govern the financial and operating policies of the company so as to benefit from its activities. In the Company's financial statements, investment in subsidiaries is stated at cost less any impairment in value, while income from subsidiaries is recorded to the extent of dividends received and receivable. An assessment of investment in subsidiaries is performed when there is an indication that the asset has been impaired or the impairment losses recognised in prior years no longer exist.

d. Turnover and revenue recognition

Turnover represents the net invoiced value (excluding value-added tax) of merchandise sold after allowances for returns and discounts, and commission income.

Revenue is recognised when the outcome of a transaction can be measured reliably and when it is probable that the economic benefits associated with the transaction will flow to the Group. Sales revenue is recognised when the merchandise is delivered and title has passed. Commission income is recognised as services are rendered. Interest income is recognised on a time proportion basis that reflects the effective yield on the assets.

e. Taxation

Individual companies within the Group provide for profits tax on the basis of their profit for financial reporting purposes, adjusted for income and expense items which are not assessable or deductible for profits tax purposes.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

e. Taxation (Continued)

Deferred taxation is provided under the balance sheet liability method in respect of significant temporary differences between the tax base of an asset or liability and its carrying amount in the balance sheet. The tax base of an asset or liability is the amount attributed to that asset or liability for tax purposes. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deferred tax assets can be utilised. At each balance sheet date, individual companies within the Group re-assesses unrecognised deferred tax assets and the carrying amount of deferred tax assets, and recognises a previously unrecognised deferred tax asset to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered and conversely reduces the carrying amount of a deferred tax asset to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of that deferred tax asset to be utilised.

f. Research and development costs

Expenditure for research is recognised as an expense when incurred. Expenditure on development is recognised as an expense when incurred except for project development costs which comply strictly with all of the following criteria:

- the product or process is clearly defined and costs are separately identified and measured reliably;
- the technical feasibility of the product or process is demonstrated;
- the product or process will be sold or used in-house;
- the assets will generate future economic benefits (e.g. a potential market exists for the product or its usefulness in case of internal use is demonstrated); and
- adequate technical, financial and other resources required for completion of the project are available.

Capitalisation of costs starts when the above criteria are first met. Expenditure recognised as an expense in previous accounting periods is not reinstated.

Capitalised development costs are amortised on a straight-line basis over their expected useful lives. The period of amortisation does not normally exceed five years.

The recoverable amount of development costs is estimated whenever there is an indication that the asset has been impaired or that the impairment losses recognised in previous years no longer exist.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

g. Advertising and promotion costs

Costs of advertising and promotion are expensed as incurred.

h. Defined contribution plans

The Group's companies in Hong Kong and Mainland China sponsor defined contribution plans based on local practices and regulations. The plans cover eligible employees and provide for contributions at 5% or 17% of employees' earnings as defined under the relevant local regulations. The Group's contributions to the defined contribution plans are recognised as an expense in the period to which they relate.

i. Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. All other borrowing costs are recognised as an expense in the period in which they are incurred.

Borrowings are initially recognised at the proceeds received, net of transaction costs. They are subsequently carried at amortised costs using the effective interest rate method, the difference between net proceeds and redemption value being recognised in the net profit or loss for the period over the life of the borrowings.

j. Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Major expenditures on modifications and betterments of property, plant and equipment which will result in future economic benefits are capitalised, while expenditures on repairs and maintenance are expensed when incurred. Depreciation is provided on a straight-line basis to write off the cost of each asset over its estimated useful life. The annual rates of depreciation are as follows:

Machinery and equipment	10%
Office equipment	12.5%
Motor vehicles	12.5% to 16.7%

The depreciation method and useful life are reviewed periodically to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from the property, plant and equipment.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

j. Property, plant and equipment and depreciation (Continued)

Gains or losses on disposal of property, plant and equipment are recognised in the income statement based on the net disposal proceeds less the then carrying amount of the assets.

Construction-in-progress represents buildings under construction and machinery pending for installation. It is stated at cost, which includes construction expenditures incurred, cost of machinery, interest capitalised and other direct costs capitalised during the construction and installation period. No depreciation is provided in respect of construction-in-progress until the construction or installation is completed and the asset is put into operational use.

k. Leasehold properties

Land in Mainland China is owned by the State and no individual land ownership right exists. In prior years, land use rights and properties held on leasehold land were recorded as property, plant and equipment in the balance sheet. Following the introduction of IAS 40 "Investment Property", it is concluded that all interests in property held under an operating lease should be dealt with in accordance with IAS 17 "Leases". As a result, all leasehold land and buildings were excluded from the classification of property, plant and equipment and were reclassified as leasehold properties in the current year. Costs of the leasehold properties are amortised on a straight line basis in a systematic manner which is representative of the time pattern of the benefits. In this respect, leasehold properties are stated at cost less accumulated amortisation and impairment losses.

This is a change in accounting policy. In previous years, leasehold land and buildings were recorded under property, plant and equipment and were stated at cost less accumulated depreciation and impairment losses. The adoption of IAS 17 had no impact on the Group's financial statements.

l. Intangible assets and amortisation

Intangible assets represent exclusive rights acquired by the Group to produce and sell the product of "Plasmin Capsule" within and outside Mainland China. Intangible assets are measured initially at cost if it is probable that the future economic benefits that are attributable to the assets will flow to the Group and the cost of the assets can be measured reliably. After initial recognition, intangible assets are stated at cost less accumulated amortisation and any accumulated impairment losses. Intangible assets are amortised on a straight-line basis over the estimated useful life of ten years.

The amortisation method and useful life of the intangible assets are reviewed periodically to ensure that the method and period of amortisation are consistent with the expected pattern of economic benefits from the intangible assets.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

m. Available-for-sale investments

Effective 1 January 2001, the Group has adopted IAS 39 "Financial Instruments: Recognition and Measurement" to account for its investments in equity securities. The Group classified all its investments in equity securities as available-for-sale investments. Investments are initially measured at cost, which is the fair value of the consideration given for them, including transaction costs.

Available-for-sale investments are subsequently carried at fair value without any deduction for transaction costs by reference to their quoted market price at the balance sheet date. Gains or losses on measurement to fair value of available-for-sale investments are recognised in the income statement. The purchases and sales of available-for-sale investments are accounted for at trade dates.

n. Cash and cash equivalents

Cash includes cash on hand and cash at banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less and that are subject to an insignificant risk of change in value.

For the purpose of the cash flow statement, cash and cash equivalents also comprise of bank overdrafts included in short-term bank borrowings in the balance sheet.

o. Inventories

Inventories are stated at the lower of cost and net realisable value. Cost includes cost of raw materials determined using the weighted average method of costing and, in the case of work-in-progress and finished goods, also direct labour and an appropriate proportion of production overheads. Net realisable value is based on estimated normal selling prices, less further costs expected to be incurred to completion and disposal.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs. Provision is made for obsolete, slow-moving or defective items where appropriate.

p. Receivables

Receivables are stated at the fair value of the consideration given and are carried at amortised cost, after provision for impairment.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

q. Impairment of assets

Property, plant and equipment, leasehold properties and intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of individual items of these assets may not be recoverable. Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss, representing the difference between the carrying amount and the recoverable amount of an asset, is recognised in the income statement. The recoverable amount is the higher of an asset's net selling price and value in use. The net selling price is the amount obtainable from the disposal of an asset in an arm's length transaction less the costs of the disposal, while value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. Recoverable amounts are estimated for individual assets or, if not possible, for the relevant cash-generating unit.

For financial assets carried at amortised cost, whenever it is probably that the Group will not collect all amounts due according to the contractual terms of the loans or receivables, an impairment loss or bad debt provision is recognised in the income statement.

Reversal of an impairment loss of an asset recognised in prior years is recorded when there is an indication that the impairment loss recognised for the asset no longer exists or has decreased. The reversal is recorded in the income statement. However, the increased carrying amount of an asset due to a reversal of an impairment loss is recognised to the extent it does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for that asset in the prior year.

r. Leases

Finance leases

Finance leases represent those leases that transfer substantially all the risks and rewards incident to ownership of an asset to the lessees.

The Group recognises finance leases as assets and liabilities in the balance sheets at amounts equal at the inception of the lease to the fair value of the leased property or, if lower, at the present value of the minimum lease payments. In calculating the present value of the minimum lease payments the discount factor used is the interest rate implicit in the lease, when it is practicable to determine it; otherwise, the Group's incremental borrowing rate is used. Initial direct costs incurred are included as part of the asset. Lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to periods during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

r. Leases (Continued)

Finance leases (Continued)

A finance lease gives rise to depreciation expense for the asset as well as a finance expense for each accounting period. The depreciation policy for leased assets is consistent with that for depreciable assets that are owned.

If a sale and lease back transaction results in a finance lease, any excess of sales proceeds over the carrying amount is not immediately recognised as income. Instead it is deferred and amortised over the lease term.

Operating leases

Operating leases represent those leases under which substantially all the risks and rewards of ownership of the leased assets remain with the lessors. Operating lease rentals are charged to the income statement on a straight-line basis over the period of the relevant leases.

s. Foreign currency translation

Individual companies within the Group maintain their books and records in the primary currencies of their respective operations ("measurement currencies"). In the accounts of the individual companies, transactions in other currencies during the year are translated into the respective measurement currencies at the applicable rates of exchange prevailing at the time of the transactions. Monetary assets and liabilities denominated in other currencies are translated into their respective measurement currencies at the applicable rates of exchange in effect at the balance sheet date. Exchange gains or losses are dealt with in the income statements of the individual companies.

The Group prepares consolidated financial statements in Renminbi. For the purpose of consolidation, assets and liabilities of subsidiaries with measurement currencies other than Renminbi are translated into Renminbi at the applicable rates of exchange in effect at the balance sheet date; income and expense items are translated into Renminbi at the average applicable rates during the year. Exchange differences arising from such translations are dealt with as movements of cumulative translation adjustments in shareholders' equity.

t. Segments

The Group is principally engaged in one business segment in two geographical regions. The Group reports its segment information based on geographic location of its assets. Financial information on geographical segments is presented in Note 32.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

u. Provisions and contingencies

A provision is recognised when, and only when, the Group has a present obligation, legal or constructive, as a result of a past event and it is probable (i.e. more likely than not) that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed regularly and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation. When discounting is used, the increase in provision reflecting the passage of time is recognised as interest expense.

Contingent liabilities are not recognised in the financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote.

A contingent asset is not recognised in the financial statements but disclosed when an inflow of economic benefits is probable.

v. Subsequent events

Post-year-end events that provide additional information about the Group's position at the balance sheet date (i.e. adjusting events) are reflected in the financial statements. Post-year-end events that are not adjusting events are disclosed in the notes to the financial statements when material.

w. Use of estimates

The preparation of financial statements in conformity with International Financial Reporting Standards requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

3. RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence.

As at 31 December 2001, there were no outstanding balances (consolidated) with related parties other than the following:

	2001 RMB'000	2000 RMB'000	**Maximum balance outstanding during the year RMB'000**
Amount due from a director			
— Mr. Chung Chi Mang	**6,924**	—	**6,924**

The balance with a director, mainly represented cash advance to and expenses paid on behalf of a director by the Group, was unsecured, non-interest bearing and without pre-determined repayment terms. Such balance was fully settled subsequent to 31 December 2001.

4. TURNOVER AND REVENUE

Turnover and revenue consist of:

	2001 RMB'000	2000 RMB'000
Turnover		
Sales of "Plasmin Capsule"	**106,714**	144,176
Commission income	**585**	—
Total turnover	**107,299**	144,176
Interest income	**502**	183
Total revenue	**107,801**	144,359

Sales to the top five customers accounted for approximately 64% of the Group's turnover for the year ended 31 December 2001 (2000 — 17%).

5. FINANCE COSTS, NET

Finance costs, net, consist of:

	2001 RMB'000	2000 RMB'000
Interest expense on bank borrowings repayable within one year	**(661)**	(426)
Interest expense on finance lease	**(47)**	—
Interest income from bank deposits	**502**	183
	(206)	(243)

6. PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging and crediting the following:

	2001 RMB'000	2000 RMB'000
After charging —		
Cost of inventories	**34,891**	44,328
— subcontracting costs	**7,728**	14,648
— provision for obsolete inventories	**423**	—
Provision for bad and doubtful debts	**821**	—
Net loss for fair value adjustments of available-for-sale investments	**248**	—
Depreciation of property, plant and equipment		
— owned assets	**775**	337
— assets held under finance lease	**105**	—
Amortisation of leasehold properties	**746**	230
Amortisation of intangible assets	**100**	100
Staff costs (including directors' emoluments)	**11,321**	7,465
Research and development costs	**1,090**	530
Advertising and promotion expenses	**18,506**	32,813
Operating lease rentals of premises	**1,044**	—
Net exchange loss	**266**	—
Auditors' remuneration	**963**	754
Interest expense on		
— bank borrowings repayable within one year	**661**	426
— finance lease	**47**	—
After crediting —		
Interest income from bank deposits	**502**	183

(Amounts expressed in Renminbi unless otherwise stated)

7. DIRECTORS' AND SENIOR EXECUTIVES' EMOLUMENTS

a. Details of directors' emoluments are:

	2001 **RMB'000**	2000 RMB'000
Fees for executive directors	**—**	—
Fees for non-executive directors	**76**	—
Other emoluments for executive directors		
— Basic salaries and allowances	**3,225**	722
— Bonus*	**800**	—
— Retirement contribution	**35**	—
Other emoluments for non-executive directors	**—**	—
	4,136	722

* The Group's executive directors are entitled to a discretionary bonus not exceeding 6% of the Group's profit attributable to shareholders.

No director waived any emoluments during the year. No incentive payment for joining the Group or compensation for loss of office was paid or payable to any director for the year ended 31 December 2001 (2000 — Nil).

Analysis of directors' emoluments by number of directors and emolument ranges is as follows:

	2001	2000
Executive directors		
— Nil to RMB1,070,000 (equivalent of HK$1,000,000)	**3**	2
— RMB1,070,001 (equivalent of HK$1,000,001) to RMB1,605,000 (equivalent of HK$1,500,000)	**1**	—
— RMB1,605,001 (equivalent of HK$1,500,001) to RMB2,140,000 (equivalent of HK$2,000,000)	**1**	—
Non-executive directors		
— Nil to RMB1,070,000 (equivalent of HK$1,000,000)	**2**	—
	7	2

During the year ended 31 December 2001 the five executive directors received individual emoluments of approximately RMB1,657,000 (2000 — RMB255,000), RMB1,283,000 (2000 — RMB467,000), RMB607,000 (2000 — Nil), RMB257,000 (2000 — Nil) and RMB256,000 (2000 — Nil) respectively. Each of the two non-executive directors received fees of approximately RMB38,000 (2000 — Nil).

7. DIRECTORS' AND SENIOR EXECUTIVES' EMOLUMENTS (Continued)

b. Details of emoluments paid to the five highest paid individuals (including directors and other employees) are:

	2001	2000
	RMB'000	RMB'000
Basic salaries and allowances	**3,225**	866
Bonus	**800**	—
Retirement contribution	**35**	—
	4,060	866

Five (2000 — two) of the highest paid individuals are directors of the Company, whose emoluments are included in Note 7.a above.

Analysis of emoluments paid to the five highest paid individuals (including directors and employees) by number of individuals and emolument ranges is as follows:

	2001	2000
Nil to RMB1,070,000 (equivalent of HK$1,000,000)	**3**	5
RMB1,070,001 (equivalent of HK$1,000,001) to RMB1,605,000 (equivalent of HK$1,500,000)	**1**	—
RMB1,605,001 (equivalent of HK$1,500,001) to RMB2,140,000 (equivalent of HK$2,000,000)	**1**	—
	5	5

No emoluments of the five highest paid individuals (including directors and other employees) were incurred as inducement to join or upon joining the Group or as compensation for loss of office.

8. TAXATION

Taxation consists of:

	2001	2000
	RMB'000	RMB'000
Current taxation		
— Mainland China enterprise income tax (c)	**8,162**	—

Notes —

a. The Company is exempted from taxation in the Cayman Islands until 2020. Its subsidiaries established in the British Virgin Islands are incorporated under the International Business Companies Acts of the British Virgin Islands and, accordingly, are exempted from payment of the British Virgin Islands income taxes.

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

c. Shanxi Everpride Pharmaceutical Co., Ltd., a wholly-owned subsidiary established and which operates in Shanxi Province, Mainland China, is subject to Mainland China enterprise income tax at a rate of 33% (state income tax — 30% and local income tax — 3%). However, it is exempted from state income tax and local income tax for two years starting from the first year of profitable operations after offsetting prior year losses, followed by a 50% reduction on the state income tax for the next three years. The tax exemption period of Shanxi Everpride Pharmaceutical Co., Ltd. expired on 31 December 2000 and it is subject to Mainland China enterprise income tax at an effective rate of 18% from 1 January 2001 to 31 December 2003.

The reconciliation of Mainland China statutory tax rate to the effective income tax rate based on the profit before taxation as stated in the consolidated income statement is as follows:

	2001	2000
	RMB'000	RMB'000
Profit before taxation	**25,213**	49,016
Tax at the statutory tax rate of 33% (2000 — 33%)	**8,320**	16,175
Tax effect of expenses that are not deductible in determining taxable profit	**824**	—
Tax credit not utilised	**3,490**	751
Tax effect of income that is not taxable in determining taxable profit	**(26)**	—
Tax effect of reduced tax rate	**(4,446)**	(16,926)
Taxation	**8,162**	—

As at 31 December 2001, the Group had unrecognised deferred tax assets of approximately RMB4,241,000 (2000 — RMB751,000), which primarily represent the tax effect of accumulated tax losses. Such deferred tax assets were not recognised because it is not probable that future taxable profit will be available against which the unused tax losses can be utilised.

9. PROFIT ATTRIBUTABLE TO SHAREHOLDERS

The consolidated profit attributable to shareholders includes a loss of approximately RMB8,861,000 (2000 — RMB2,211,000) dealt with in the financial statements of the Company.

10. DIVIDENDS

Dividends consist of:

	2001 **RMB'000**	2000 RMB'000
Dividends paid by the Company's subsidiary to its former shareholder prior to the Reorganisation (see Note 1)	**—**	28,000

11. EARNINGS PER SHARE

The calculation of basic earnings per share for the year ended 31 December 2001 is based on the profit attributable to shareholders of approximately RMB17,051,000 (2000 — RMB49,016,000) and the weighted average number of ordinary shares of approximately 523,671,000 (2000 — 460,000,000).

Diluted earnings per share is not presented because there were no dilutive potential ordinary shares in existence during the year ended 31 December 2001 (2000 — Nil).

12. PROPERTY, PLANT AND EQUIPMENT

a. Movements in property, plant and equipment (consolidated) are as follows:

	2001					2000
	Machinery and equipment RMB'000	**Office equipment RMB'000**	**Motor vehicles RMB'000**	**Construction-in-progress RMB'000**	**Total RMB'000**	Total RMB'000 (Note 37)
Cost						
Beginning of year	**487**	**883**	**3,604**	**2,668**	**7,642**	1,691
Additions	**—**	**1,028**	**1,502**	**31,205**	**33,735**	5,957
Disposals	**—**	**—**	**—**	**—**	**—**	(6)
End of year	**487**	**1,911**	**5,106**	**33,873**	**41,377**	7,642
Accumulated depreciation						
Beginning of year	**104**	**170**	**265**	**—**	**539**	204
Provision for the year	**55**	**273**	**552**	**—**	**880**	337
Disposals	**—**	**—**	**—**	**—**	**—**	(2)
End of year	**159**	**443**	**817**	**—**	**1,419**	539
Net book value						
End of year	**328**	**1,468**	**4,289**	**33,873**	**39,958**	7,103
Beginning of year	**383**	**713**	**3,339**	**2,668**	**7,103**	1,487

As at 31 December 2001, a motor vehicle with net book value of approximately RMB1,115,000 (2000 — Nil) were held under finance lease.

b. Analysis of construction-in-progress (consolidated) is:

	2001 RMB'000	2000 RMB'000
Construction costs of buildings	**23,241**	2,668
Cost of machinery pending installation	**10,632**	—
	33,873	2,668

Construction-in-progress represents the Group's factory buildings under construction and machinery pending installation. The factory buildings are located in a parcel of land which the Group has the land use rights for 40 years up to 2040 (see Note 13.b.(ii)).

13. LEASEHOLD PROPERTIES

a. Movements in leasehold properties (consolidated) are as follows:

	2001 Land RMB'000	2001 Buildings RMB'000	2001 Total RMB'000	2000 Total RMB'000 (Note 37)
Cost				
Beginning of year	**1,250**	**15,869**	**17,119**	—
Additions	**—**	**572**	**572**	17,119
End of year	**1,250**	**16,441**	**17,691**	17,119
Accumulated amortisation				
Beginning of year	**—**	**230**	**230**	—
Amortisation for the year	**—**	**746**	**746**	230
End of year	**—**	**976**	**976**	230
Net book value				
End of year	**1,250**	**15,465**	**16,715**	16,889
Beginning of year	**1,250**	**15,639**	**16,889**	—

b. Details of leasehold properties:

	2001 Land RMB'000	2001 Buildings RMB'000	2001 Total RMB'000	2000 Land RMB'000	2000 Buildings RMB'000	2000 Total RMB'000
Mainland China						
— long-term leases (i)	**—**	**2,135**	**2,135**	—	2,260	2,260
— medium-term leases (ii)	**1,250**	**13,330**	**14,580**	1,250	13,379	14,629
	1,250	**15,465**	**16,715**	1,250	15,639	16,889

Notes —

(i) Buildings under long-term leases are granted with land use rights for periods ranging from 64 to 70 years up to 2064 to 2070.

(ii) The land use right under medium-term leases comprises land use fees paid to the government of Taigu County for the right to use the land where the Group's factory buildings in Taigu County of Shanxi Province are located for a period of 40 years up to 2040.

Buildings under medium-term leases are granted with land use rights for periods ranging from 40 to 50 years up to 2040 to 2048.

(Amounts expressed in Renminbi unless otherwise stated)

14. INTANGIBLE ASSETS, NET

Movements in intangible assets (consolidated) are as follows:

	2001	2000
	RMB'000	RMB'000
Cost		
Beginning and end of year	**1,000**	1,000
Accumulated amortisation		
Beginning of year	**616**	516
Amortisation for the year	**100**	100
End of year	**716**	616
Net book value		
End of year	**284**	384
Beginning of year	**384**	484

15. INVESTMENT IN SUBSIDIARIES

In the Company's balance sheet, investment in subsidiaries consists of:

	2001	2000
	RMB'000	RMB'000
Unlisted shares at cost	**57,784**	—
Due from a subsidiary	**32,816**	—
Due to a subsidiary	**(2,096)**	—
	88,504	—

The balances with subsidiaries are unsecured, non-interest bearing, and without pre-determined repayment terms.

The underlying value of the investment in subsidiaries is, in the opinion of the Company's Directors, not less than its carrying value as at 31 December 2001.

(Amounts expressed in Renminbi unless otherwise stated)

15. INVESTMENT IN SUBSIDIARIES (Continued)

Details of the subsidiaries as at 31 December 2001 are as follows:

Name	Place of incorporation/ operations	Percentage of equity interest attributable to the Group (i)	Issued and fully paid share capital	Principal activities
Everpride Pharmaceutical (H.K.) Co., Ltd.	Hong Kong	100%	HK$100	Sales of "Plasmin Capsule"
Garner International Investments Limited	British Virgin Islands	100%	US$1	Investment holding
Scylla Assets Limited	British Virgin Islands	100%	US$1,000	Investment holding
Shanxi Everpride Pharmaceutical Co., Ltd. (ii)	Mainland China	100%	US$2,280,000	Manufacture and sales of "Plasmin Capsule"

Notes —

(i) There was no change in the percentage of equity interest attributable to the Group during the year. The shares of Garner International Investments Limited are held directly by the Company. The shares of other subsidiaries are held indirectly.

(ii) Shanxi Everpride Pharmaceutical Co., Ltd. is a wholly foreign owned enterprise established in Mainland China to be operated for 20 years up to 26 May 2015.

None of the subsidiaries had any loan capital in issue at any time during the year ended 31 December 2001 (2000 — Nil).

(Amounts expressed in Renminbi unless otherwise stated)

16. INVENTORIES

Inventories (consolidated) consist of:

	2001	2000
	RMB'000	RMB'000
Raw materials	**39,800**	45,917
Finished goods	**2,494**	355
	42,294	46,272
Less: Provision for obsolete inventories	**(423)**	—
	41,871	46,272

No inventory was stated at net realisable value as at 31 December 2001 (2000 — Nil).

17. ACCOUNTS RECEIVABLE

Ageing analysis of accounts receivable (consolidated) is as follows:

	2001	2000
	RMB'000	RMB'000
0 to 30 days	**1,032**	4,050
31 to 60 days	**1,410**	398
61 to 90 days	**3,993**	—
91 to 180 days	**11,606**	—
181 to 365 days	**1,625**	—
Over 365 days	**1,885**	—
	21,551	4,448
Less: Provision for bad and doubtful debts	**(821)**	—
	20,730	4,448

The Group generally requires its customers to pay a deposit shortly before delivery of merchandise, with the balance of the sales amount payable within credit periods ranging from 30 to 90 days.

(Amounts expressed in Renminbi unless otherwise stated)

18. AVAILABLE-FOR-SALE INVESTMENTS

Available-for-sale investments (company and consolidated) consist of:

	2001 **RMB'000**	2000 RMB'000
Investment in Hong Kong unit trusts		
Beginning of year	**—**	—
Additions	**6,420**	—
Net loss for fair value adjustments	**(248)**	—
End of year	**6,172**	—

The available-for-sale investments were stated at their quoted market price as at 31 December 2001.

19. CASH AND BANK DEPOSITS

Cash and bank deposits consist of:

	Consolidated		**Company**	
	2001 **RMB'000**	2000 RMB'000	**2001** **RMB'000**	2000 RMB'000
Pledged bank deposits, denominated in				
— Hong Kong dollars and United States dollars	**17,120**	5,796	**17,120**	—
Other cash and bank deposits, denominated in				
— Hong Kong dollars and United States dollars	**10,698**	1,505	**82**	—
— Chinese Renminbi	**1,763**	9,129	**—**	—
	12,461	10,634	**82**	—

Chinese Renminbi is not a freely convertible currency in the international market and its exchange rate is determined by the People's Bank of China.

20. SHORT-TERM BANK BORROWINGS

Short-term bank borrowings (consolidated) consist of:

	2001	2000
	RMB'000	RMB'000
Bank overdrafts, denominated in Hong Kong dollars	**900**	—
Short-term bank borrowings, denominated in Chinese Renminbi	**—**	5,700
	900	5,700

Short-term bank borrowings bore interest at Hong Kong prime rate plus 1% (2000 — rates ranging from 7.3% to 7.6%) per annum.

Short-term bank borrowings of approximately RMB900,000 (2000 — RMB5,700,000) are secured by pledged bank deposits of approximately RMB17,120,000 (2000 — RMB5,796,000). Details of the Group's banking facilities are set out in Note 31.

21. ACCOUNTS PAYABLE

Ageing analysis of accounts payable (consolidated) is as follows:

	2001	2000
	RMB'000	RMB'000
0 to 30 days	**356**	4,128
31 to 60 days	**—**	277
61 to 90 days	**46**	3,739
91 to 180 days	**1,610**	100
181 to 365 days	**373**	217
	2,385	8,461

22. ACCRUALS AND OTHER PAYABLES

Accruals and other payables consist of:

	Consolidated		**Company**	
	2001	2000	**2001**	2000
	RMB'000	RMB'000	**RMB'000**	RMB'000
Payable for acquisition of property, plant and equipment	**—**	5,960	**—**	—
Accrued bonus and salary payable	**2,228**	5,610	**1,452**	—
Accrued advertising expense	**1,127**	—	**—**	—
Accrual for other operating expenses	**3,629**	2,237	**1,141**	2,299
	6,984	13,807	**2,593**	2,299

23. FINANCE LEASE OBLIGATION

Obligation under finance lease, net of future finance charges (consolidated), consists of:

	2001	2000
	RMB'000	RMB'000
Amounts repayable within a period		
— not exceeding one year	**240**	—
— more than one year but not exceeding two years	**240**	—
— more than two years but not exceeding five years	**499**	—
	979	—
Less: Amounts repayable within one year included under current liabilities	**(240)**	—
	739	—

The reconciliation between the total minimum lease payments and the present value of finance lease obligation is as follows:

	2001	2000
	RMB'000	RMB'000
Total minimum lease payments, repayable within a period		
— not exceeding one year	**291**	—
— more than one year but not exceeding two years	**291**	—
— more than two years but not exceeding five years	**605**	—
	1,187	—
Less: Interest portion of finance lease	**(208)**	—
Total finance lease obligation, end of year	**979**	—

24. TAXATION PAYABLE

Taxation payable (consolidated), consists of:

	2001	2000
	RMB'000	RMB'000
Value added tax payable	**15,203**	8,796
Mainland China enterprise income tax payable	**8,162**	—
	23,365	8,796

(Amounts expressed in Renminbi unless otherwise stated)

25. SHARE CAPITAL

Movements in share capital are as follows:

	2001		2000	
	Number of shares '000	**Nominal value RMB'000**	Number of shares '000	Nominal value RMB'000
Authorised — Ordinary shares of HK$0.10 (equivalent to RMB0.107) each				
Beginning of year	**1,000**	**107**	—	—
Incorporation of the Company (i)	**—**	**—**	1,000	107
The Reorganisation (ii)	**1,999,000**	**213,893**	—	—
End of year	**2,000,000**	**214,000**	1,000	107
Issued and fully paid — Ordinary shares of HK$0.10 (equivalent to RMB0.107) each				
Beginning of year	**—**	**—**	—	—
Issue of shares upon incorporation of the Company (i)	**—**	**—**	—	—
Issue of shares arising from the Reorganisation (ii)	**—**	**—**	—	—
Issue of shares through a placing (iii)	**140,000**	**14,980**	—	—
Capitalisation of share premium (iv)	**460,000**	**49,220**	—	—
End of year	**600,000**	**64,200**	—	—

Notes —

(i) On 1 August 2000, the Company was incorporated with an authorised share capital of HK$100,000 (equivalent to RMB107,000), divided into 1,000,000 ordinary shares of HK$0.1 each. One ordinary share of HK$0.1 each was issued at par and fully paid.

(ii) On 5 July 2001, the authorised share capital of the Company was increased to HK$200,000,000 (equivalent to RMB214,000,000) by the creation of an additional 1,999,000,000 shares of HK$0.1 each, ranking pari passu with the then existing ordinary shares in all respects.

On the same day, 99 ordinary shares of HK$0.1 each were issued at par and credited as fully paid in connection with the Reorganisation referred to in Note 1.

(iii) On 19 July 2001, 140,000,000 ordinary shares of HK$0.1 each were issued at HK$0.495 (equivalent to RMB0.530) each through a placing in connection with the listing of the Company's shares on the GEM, resulting in cash proceeds, net of share issuance expenses of approximately HK$10,244,000 (equivalent to RMB10,961,000), of approximately HK$59,056,000 (equivalent to approximately RMB63,190,000).

(iv) On 19 July 2001, share premium of HK$46,000,000 (equivalent to approximately RMB49,220,000) was capitalised for the issuance of 459,999,900 ordinary shares to shareholders of the Company immediately before the placing described in (iii) above.

26. EMPLOYEE SHARE OPTIONS

The Company has an employee share option scheme, under which it may grant options to employees of the Group (including executive directors of the Company) to subscribe for shares in the Company, subject to a maximum of 30% (or such higher percentage as may be allowed under the Rules Governing the Listing of Securities on the GEM) of the nominal value of the issued share capital of the Company from time to time, excluding for this purpose shares issued on the exercise of options. The subscription price will be determined by a duly authorised committee of the board of directors, and will not be less than the highest of (i) the nominal value of the Company's shares, (ii) the average of the closing prices of the shares quoted on the GEM on the five trading days immediately preceding the grant date, and (iii) the closing price of the shares on the grant date.

No options have been granted since the adoption of the share option scheme.

27. RESERVES

a. Statutory reserves

The statutory reserve as at 31 December 2001 represents general reserve fund of Shanxi Everpride Pharmaceutical Co., Ltd. ("Everpride Pharmaceutical") of approximately RMB9,025,000 (2000 — RMB7,319,000), which can only be used, upon approval by the relevant authority, to offset prior year losses or to increase capital.

As stipulated by the rules and regulations in Mainland China, foreign investment enterprises are required to appropriate part of their after-tax profit (after offsetting prior years' losses) to certain statutory reserves. Everpride Pharmaceutical, as a wholly foreign owned enterprise established in Mainland China, is required to appropriate 10% of its after-tax profit (after offsetting prior years' losses) to a general reserve fund until the balance of the fund reaches 50% of its share capital and thereafter any further appropriation is optional and is determinable by that company's board of directors.

During the year ended 31 December 2001, the board of directors of Everpride Pharmaceutical resolved to appropriate its after-tax profit to the general reserve fund amounting to approximately RMB1,706,000 (2000 — RMB5,371,000). Thereafter, the general reserve fund of Everpride Pharmaceutical has reached 50% of its share capital and no further appropriation is necessary unless there is an increase in the amount of its share capital.

b. Capital reserve

Capital reserve represents the difference between the aggregate nominal value of the share capital issued by the Company and the aggregate nominal amount of the issued share capital of subsidiaries through an exchange of shares.

27. RESERVES (Continued)

c. Reserves of the Company

The movements of reserves of the Company are:

	Share premium	Contributed surplus	Total
	RMB'000	RMB'000	RMB'000
Balance as at 31 December 1999 and 2000	—	—	—
Effect of the Reorganisation (Note 1)	—	57,784	57,784
Premium on issue of ordinary shares	59,171	—	59,171
Share issuance expenses	(9,951)	(1,010)	(10,961)
Capitalisation of share premium	(49,220)	—	(49,220)
Balance as at 31 December 2001	—	56,774	56,774

The contributed surplus of the Company represents the difference between the aggregate nominal value of the share capital issued by the Company and the net asset value of subsidiaries acquired through an exchange of shares.

Under the Companies Law (2000 Revision) of the Cayman Islands, contributed surplus is distributable to shareholders, subject to condition that the Company cannot declare or pay a dividend, or make a distribution out of contributed surplus if (i) it is, or would after the payment be, unable to pay its liabilities as they become due, or (ii) the realisable value of its assets would thereby less than the aggregate of its liabilities and its issued share capital account.

As at 31 December 2001, the Company's reserve available for distribution to shareholders amounted to approximately RMB45,702,000 (2000 — Nil) computed in accordance with the Companies Law (2000 Revision) of the Cayman Islands and the Company's articles of association. This includes the Company's contributed surplus of approximately RMB56,774,000 (2000 — Nil), less accumulated deficit of approximately RMB11,072,000 (2000 — RMB2,211,000), which is available for distribution provided that immediately following the date on which the dividend is proposed, the Company will be able to pay off its debts as they fall due in the ordinary course of business.

28. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

a. Reconciliation of profit from operations to net cash inflow from operating activities:

	2001 **RMB'000**	2000 RMB'000
Profit from operations	**25,419**	49,259
Interest paid	**(708)**	(426)
Depreciation of property, plant and equipment	**880**	337
Amortisation of leasehold properties	**746**	230
Amortisation of intangible assets	**100**	100
Net loss for fair value adjustments of available-for-sale investments	**248**	—
Decrease (Increase) in inventories	**4,401**	(34,401)
Increase in prepayments, deposits and other current assets	**(1,453)**	(2,171)
(Increase) Decrease in accounts receivable	**(16,282)**	16,343
(Decrease) Increase in accounts payable	**(6,076)**	6,629
Decrease in accruals and other payables	**(6,823)**	(14,676)
(Decrease) Increase in deposits and receipts in advance from customers	**(5,832)**	6,932
Increase in value-added tax payable	**6,407**	8,796
Net cash inflow from operating activities	**1,027**	36,952

b. Analysis of changes in financing is as follows:

	Share capital and share premium RMB'000	**Capital reserve** RMB'000	**Finance lease obligation** RMB'000	**Short-term bank borrowings** RMB'000	**Total** RMB'000
Balance as at 1 January 2000	—	8,205	—	—	8,205
New short-term bank borrowings	—	—	—	5,700	5,700
Balance as at 31 December 2000	—	8,205	—	5,700	13,905
Inception of finance lease	—	—	1,220	—	1,220
Repayment of capital element of finance lease obligation	—	—	(241)	—	(241)
Repayment of short-term bank borrowings	—	—	—	(5,700)	(5,700)
Issue of shares through a placing	74,151	—	—	—	74,151
Share issuance expenses	(9,951)	(1,010)	—	—	(10,961)
Balance as at 31 December 2001	64,200	7,195	979	—	72,374

(Amounts expressed in Renminbi unless otherwise stated)

28. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (Continued)

c. Analysis of cash and cash equivalents is as follows:

	2001	2000
	RMB'000	RMB'000
Other cash and bank deposits	**12,461**	10,634
Pledged bank deposits	**17,120**	—
Bank overdrafts	**(900)**	—
	28,681	10,634

29. PENSION SCHEMES

From 1 December 2000, the Group has arranged for its Hong Kong employees to join the Mandatory Provident Fund Scheme (the "MPF Scheme"), a defined contribution scheme managed by an independent trustee. Each of the Group and its employees make monthly contributions to the MPF Scheme at 5% of the employees' earnings as defined under the Mandatory Provident Fund legislation, with each of them subject to a monthly contribution cap of HK$1,000 (equivalent to RMB1,070) per month and thereafter contributions are voluntary.

As stipulated by the rules and regulations in Mainland China, Shanxi Everpride Pharmaceutical Co., Ltd., a subsidiary established in Mainland China, is required to contribute to a state-sponsored retirement plan for all of its employees at approximately 17% of the basic salary of its employees. The state-sponsored retirement plan is responsible for the entire pension obligations payable to retired employees and the Group has no further obligations for the actual pension payments or post-retirement benefits beyond the annual contributions.

For the year ended 31 December 2001, the aggregate amount of the Group's contributions to the aforementioned pension schemes was approximately RMB680,000 (2000 — RMB189,000) which was included in the staff costs.

30. COMMITMENTS

a. Capital commitments

The Group had the following capital commitments (all of which are authorised and contracted for but not provided in the financial statements):

	2001	2000
	RMB'000	RMB'000
Acquisition of machinery and equipment	**2,046**	—
Construction of factory buildings	**438**	—
	2,484	—

b. Operating lease commitments

As at 31 December 2001, the Group had operating lease commitments in respect of land and buildings under various non-cancellable operating lease agreements extending to March 2004. The commitments will become payable within the following periods:

	2001	2000
	RMB'000	RMB'000
Within one year	**829**	—
Within two and five years	**932**	—
	1,761	—

31. BANKING FACILITIES

As at 31 December 2001, the Group had aggregate facilities for short-term bank borrowings of approximately RMB16,050,000 (2000 — RMB5,700,000), of which approximately RMB900,000 (2000 — RMB5,700,000) was utilised as at the same date. All the facilities are secured by pledged bank deposits of approximately RMB17,120,000 (2000 — RMB5,796,000).

(Amounts expressed in Renminbi unless otherwise stated)

32. SEGMENT INFORMATION

Analysis by geographical segment is as follows:

a. Analysis by geographical segment, based on location of assets, is as follows:

	2001			
	Hong Kong RMB'000	Mainland China RMB'000	Elimination RMB'000	Total RMB'000
TURNOVER				
Sales to external customers	**675**	**106,624**		**107,299**
OPERATING RESULTS				
Segment results	**(14,229)**	**39,648**		**25,419**
Interests expense	**(47)**	**(661)**		**(708)**
Interest income	**213**	**289**		**502**
Taxation	**—**	**(8,162)**		**(8,162)**
Profit attributable to shareholders	**(14,063)**	**31,114**		**17,051**
Depreciation and amortisation	**195**	**1,531**		**1,726**
OTHER INFORMATION				
Segment assets	**42,686**	**143,573**	**(16,155)**	**170,104**
Segment liabilities	**(8,942)**	**(56,428)**	**16,155**	**(49,215)**
Capital expenditure	**1,692**	**32,615**		**34,307**

32. SEGMENT INFORMATION (Continued)

	2000		
	Hong Kong RMB'000	Mainland China RMB'000	Total RMB'000
TURNOVER			
Sales to external customers	222	143,954	144,176
OPERATING RESULTS			
Segment results	(4,694)	53,953	49,259
Interests expense	—	(426)	(426)
Interest income	—	183	183
Profit attributable to shareholders	(4,694)	53,710	49,016
Depreciation and amortisation	30	637	667
OTHER INFORMATION			
Segment assets	1,323	96,619	97,942
Segment liabilities	(875)	(56,323)	(57,198)
Capital expenditure	297	22,779	23,076

b. Analysis of turnover and contribution to profit from operations by geographical location of customers is as follows:

	2001		2000	
	Turnover* RMB'000	**Contribution to profit from operations RMB'000**	Turnover* RMB'000	Contribution to profit from operations RMB'000
Mainland China	**72,121**	**17,085**	142,999	48,857
Hong Kong	**23,596**	**5,590**	1,177	402
Philippines	**11,582**	**2,744**	—	—
	107,299	**25,419**	144,176	49,259

* Turnover by geographical location is determined on the basis of the destination of shipment of merchandise.

No segment information by business segments is presented as the Group operates in one single industry.

(Amounts expressed in Renminbi unless otherwise stated)

33. FINANCIAL INSTRUMENTS

The carrying amounts of the Group's pledged bank deposits, other cash and bank deposits, accounts receivable, deposits and other current assets, short-term bank borrowings and accounts payable approximate their fair values because of the short maturity of these instruments.

There is no quoted market price for the Company's investment in unlisted subsidiaries and other methods of reasonably estimating its fair value are clearly inappropriate or unworkable.

34. RISK MANAGEMENT OBJECTIVES AND POLICIES

a. Credit risk

The carrying amounts of pledged bank deposits, other cash and bank deposits, accounts receivable and prepayments, deposits and other current assets represent the Group's maximum exposure to credit risk in relation to financial assets.

The Group's accounts receivable relate to sales of "Plasma Capsule" to third parties. The Group performs ongoing credit evaluation of its customers' financial condition and generally does not require collateral on accounts receivable. The Group maintains a provision for doubtful debts and actual losses have been within management's expectations. As at 31 December 2001, the Group's five largest accounts receivable accounted for approximately 72% of the Group's total accounts receivable.

No other financial assets carry a significant exposure to credit risk.

b. Economic risk

The Group's operations may be adversely affected by significant political, economic, and social uncertainties in Mainland China. Although the Mainland China government (the Government of the People's Republic of China) has been pursuing economic reform policies for the past years, no assurance can be given that the Mainland China government will continue to pursue such policies or that such policies may not be significantly altered.

c. Currency risk

A substantial portion of the Group's revenue-generating operations and its expenses are transacted in Renminbi, the exchange rate of Renminbi is determined by a single rate of exchange quoted by the People's Bank of China and Renminbi is not freely convertible into foreign currencies.

34. RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

d. Business risk

A substantial portion of the Group's operations is conducted in Mainland China. This includes risks associated with, among others, the political, economic and legal environment in Mainland China.

e. Interest rate risk

The interest rates of short-term bank borrowings of the Group are disclosed in Note 20.

35. ULTIMATE HOLDING COMPANY

The Directors of the Company consider Montgomery Properties Holding Limited (formerly known as Montgomery Property Limited), a company incorporated in the British Virgin Islands, to be the ultimate holding company.

36. SUBSEQUENT EVENTS

The following significant transactions took place subsequent to 31 December 2001 and up to the date of approval of these financial statements:

a. On 17 January 2002, the Group entered into a bank loan agreement and obtained a banking facility amounting to RMB9,000,000. Such banking facility is secured by leasehold properties with net book value of RMB11,531,000 as at 31 December 2001, bears interest at 7.6% per annum and is repayable within one year.

b. On 8 February 2002, the Group entered into a co-operative agreement with Beijing Jia Hong Yu Pharmaceutical Technology Development Limited, a company established in Mainland China with limited liability, for the acquisition of an exclusive right to produce and sell a new medicine for the treatment of osteoarthritis for a term of ten years. The Group agreed to pay the party RMB4,000,000 as consideration.

37. COMPARATIVE FIGURES

Certain comparative figures have been reclassified following the adoption of IAS17 as explained in Note 2.k.

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that an annual general meeting of Everpride Biopharmaceutical Company Limited (the "Company") will be held at Salon I & II, Grand Hyatt Hong Kong, 1 Harbour Road, Wanchai, Hong Kong on Monday, 29 April, 2002 at 10:00 a.m. for the following purposes:

1. to receive and adopt the audited consolidated financial statements of the Company and the Reports of the Directors and of the Auditors for the year ended 31 December, 2001.

2. to re-elect the retiring Directors and to authorise the Board of Directors to fix the Directors' remuneration.

3. to re-appoint the Auditors and to authorise the Board of Directors to fix their remuneration.

4. as special business, to consider and, if thought fit, pass with or without amendments the following resolutions as Ordinary Resolutions:

A. "**THAT**:

(a) subject to paragraph (c) below, the exercise by the Directors of the Company during the Relevant Period (as defined in paragraph (d)) of all the powers of the Company to allot or issue securities of the Company including shares of HK$0.10 each in the capital of the Company and to make or grant offers, agreements or options, including warrants to subscribe for shares, which might require securities to be issued, allotted or disposed of be and is hereby generally and unconditionally approved;

(b) the approval in paragraph (a) above shall be in addition to any other authorisation given to the Directors of the Company and shall authorise the Directors of the Company during the Relevant Period to make or grant offers, agreements and options, including warrants to subscribe for shares, which might require the exercise of such powers after the end of the Relevant Period;

(c) the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) by the Directors of the Company pursuant to the approval in paragraph (a) above, otherwise than pursuant to a Rights Issue (as defined in paragraph (d)) or any issue of shares of the Company on the exercise of the subscription rights attaching to any warrants which may be issued by the Company from time to time or on the exercise of any options granted under the share option scheme of the Company or an issue of shares in lieu of the whole or part of a dividend on shares in accordance with the Articles of Association of the Company, shall not exceed the aggregate of 20 per cent. of the aggregate nominal amount of the share capital of the Company in issue as at the date of the passing of this resolution, and the said approval shall be limited accordingly; and

(d) for the purposes of this resolution:

"Relevant Period" means the period from the passing of this resolution until whichever is the earliest of:

(i) the conclusion of the next annual general meeting of the Company;

(ii) the expiration of the period within which the next annual general meeting of the Company is required by any applicable law or the Articles of Association of the Company to be held; and

(iii) the passing of an ordinary resolution of the Company in general meeting revoking or varying the authority set out in this resolution.

"Rights Issue" means an offer of shares open for a period fixed by the Directors of the Company to holders of shares whose names appear on the register of members of the Company on a fixed record date in proportion to their then holdings of such shares (subject to such exclusions or other arrangements as the Directors of the Company may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of any recognised regulatory body or any stock exchange in, any territory applicable to the Company)."

B. "**THAT**:

(a) subject to paragraph (b) below, the exercise by the Directors of the Company during the Relevant Period (as defined in paragraph (c)) of all the powers of the Company to repurchase its securities (including shares of HK$0.10 each) on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited or on any other stock exchange on which the securities of the Company may be listed and which is recognised by the Securities and Futures Commission and The Stock Exchange of Hong Kong Limited for this purpose subject to and in accordance with all applicable laws and/or the requirements of The Stock Exchange of Hong Kong Limited or of any other stock exchange as amended from time to time be and is hereby generally and unconditionally approved;

(b) the aggregate nominal amount of securities authorised to be repurchased by the Company pursuant to the approval in paragraph (a) above during the Relevant Period shall not exceed 10 per cent. of the aggregate nominal amount of the share capital of the Company in issue at the date of the passing of this resolution and the said approval shall be limited accordingly; and

(c) for the purposes of this resolution:

"Relevant Period" means the period from the passing of this resolution until whichever is the earliest of:

(i) the conclusion of the next annual general meeting of the Company;

(ii) the expiration of the period within which the next annual general meeting of the Company is required by any applicable law or the Articles of Association of the Company to be held; and

(iii) the passing of an ordinary resolution of the Company in general meeting revoking or varying the authority set out in this resolution."

C. "**THAT** conditional on the passing of the resolutions Nos. 4A and 4B, the general mandate granted to the Directors of the Company and for the time being in force to exercise the powers of the Company to allot or issue additional securities and to make or grant offers, agreements and options pursuant to the resolution No. 4A be and is hereby extended by the addition to the aggregate nominal amount of the share capital of the Company which may be allotted or agreed conditionally or unconditionally to be allotted by the Directors of the Company pursuant to such general mandate of an amount representing the aggregate nominal amount of the share capital of the Company repurchased by the Company under the authority granted pursuant to the resolution No. 4B, provided that such extended amount shall not exceed 10 per cent. of the aggregate nominal amount of the share capital of the Company in issue as at the date of the passing of this resolution."

By Order of the Board
Chung Chi Mang
Chairman

Hong Kong, 22 March, 2002

Head Office and Principal Place of Business:
Unit 3105, Sino Plaza
255–257, Gloucester Road
Causeway Bay
Hong Kong

Notes:

1. Any member entitled to attend and vote at the above meeting is entitled to appoint one or more proxies to attend and, subject to the provisions of the Articles of Association of the Company, vote instead of him. A proxy need not be a member of the Company.

2. To be valid, a form of proxy, together with the power of attorney or other authority, if any, under which it is signed, or a notarially certified copy of that power of attorney or authority must be deposited at the Company's Hong Kong branch share registrar, Abacus Share Registrars Limited, at 5th Floor, Wing On Centre, 111 Connaught Road Central, Hong Kong not less than 48 hours before the time appointed for the holding of the meeting or any adjourned meeting.

3. For the purpose of determining the identity of members who are entitled to attend and vote at the above meeting, the Register of Members of the Company will be closed from 26 April, 2002 to 29 April, 2002 (both dates inclusive) during which period no transfer of shares will be registered. All properly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Abacus Share Registrars Limited, at 5th Floor, Wing On Centre, 111 Connaught Road Central, Hong Kong not later than 4:00 p.m. on Thursday, 25 April, 2002.

4. Regarding resolution No. 4B above, a circular containing a summary of the more important provisions of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") relating to the repurchase of the securities on the Stock Exchange will be despatched to the shareholders together with the annual report containing this notice.