

CHAIRMAN'S STATEMENT

Dear shareholders,

On behalf of the board (the "Board") of directors (the "Directors") of Vitop Bioenergy Holdings Limited (the "Company") and its subsidiaries (the "Group"), I present the results of the Group for the financial year ended 30 June 2003 to all of you.

On 10 February 2003, the shares of our Company have been successfully switched its listing from The Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") to the Main Board of the Stock Exchange by way of introduction. It marked a milestone on the development of our Company, which we believe could enhance the overall image and the public profile of our Company in the investment community.

During the year, our Company has experienced a serious challenge from the impact of the Severe Acute Respiratory Syndrome (the "SARS") which had seriously affected the overall performance and strategy of our Company in the second half of this financial year. We understand that the SARS has inevitably dampened the overall retail sector in the People's Republic of China, excluding Hong Kong (the "PRC") but in another respect to a certain degree, it also offered us an opportunity to expand our market in the PRC while some of our competitors have reduced their operations during the period. Coping with this opportunity, we increased our marketing efforts, which resulted in an increase in marketing expenses that was not in our original budget. Such strategy was not just a remedial action during the SARS period but also enhances the Group's marketing position in the long run. However, due to the uncertainty of overall situation, the Board has decided to postpone certain new developments which had been stated in the prospectus until the coming financial year.

After a series of remedial actions have been taken and with the joint effort of our staff, we managed to maintain and also recorded a turnover of approximately HK\$103.5 million for the financial year ended 30 June 2003, representing a marginal increase of approximately 7.8% from approximately HK\$96.0 million in the corresponding period last year. This increase was mainly contributed by our new product, namely Ionised Water Apparatus, which has been well received by the market and posted a turnover of approximately HK\$29.1 million in this financial year. It has compensated for the decline in the turnover by almost 27.7% of our major product, Healthy Sleeping System, during the financial year due to the impact of the SARS in some of our major markets, for examples, in Beijing, Shanghai and Guangzhou.

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As mentioned above, the SARS incident has adversely affected the profit of our Company during the second half of the financial year ended 30 June 2003. Net profit from ordinary activities attributable to shareholders for this financial year was approximately HK\$5.6 million which represents a decrease of approximately 79.5% as compared to approximately HK\$27.5 million recorded in last year. Other than the increase in the marketing expenses incurred to maintain our market position in an effort to counteract the impact from the SARS, the following reasons also explain the decrease in the profit:

- (1) Approximately HK\$4.1 million of listing expenses incurred for the introduction of the Company's shares on the Main Board of the Stock Exchange; and
- (2) Approximately HK\$0.5 million of income tax have been accrued during the financial year as the two years' tax exemption period of our Zhuhai operations was ended on 31 December 2002 and is now subject to the tax rate of 7.5%.

After the adjustments of the above factors, our profit should be approximately HK\$10.2 million which represents only a decrease of approximately 62.9% as compared with the previous financial year.

Despite our Company having suffered a serious impact from the SARS, which has dragged down our profit in the second half of this financial year, we believe that our strategy adopted during the SARS period should bear fruit in the coming period and the Board is highly confident that our performance should return to the level before the SARS period in the year ahead.

During the SARS crisis, the executive Directors have reduced their remuneration by approximately 9.1% for five months to express their commitment to the staff to make a joint effort to overcome this crisis situation. Although the net profit has decreased significantly for which our management could anticipate under the crisis situation, the Board is delighted to recommend to declare a final dividend of HK0.72 cent per share for the year ended 30 June 2003 to shareholders as our appreciation for their continuous support to our Company during the most difficult period we have ever been faced.

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On behalf of the Board, I would like to take this opportunity to express our sincere appreciation to our shareholders, customers, suppliers and business partners for their continuous support to our Company and to all management and staff for their contributions, commitment and dedicated efforts during the year under review.

Hung Kai So

Chairman

Hong Kong, 24 October 2003