



Hung Kai So
Chairman

Dear shareholders,

This was a year of solid growth and a year of consolidation for continued growth ahead. Arriving at this next level in the 12-year development of Vitop Bioenergy Holdings Limited ("Vitop" or the "Company") has not been without its ups and downs. Looking back, our efforts to grow the Company had met unexpected diversions like government policy changes and the SARS (Severe Acute Respiratory Syndrome) outbreak, but we have kept the Company steadily on track. It reflects our adaptability and consistency. It reflects our expertise and perseverance in coping with change and seeking out innovation. I am proud to say that our efforts have begun to feed through to our results.

The Company and its subsidiaries (the "Group") delivered strong growth in profitability for this financial year. Profit attributable to shareholders was up 2.6 times to reach approximately HK\$20.2 million. Retail sales grew by 32.7% to approximately HK\$349.5 million, paving the way for a HK\$500.0 million breakthrough in the next financial year. Group turnover was approximately HK\$140.0 million, a 35.2% growth in line with the Group's targeted compound annual growth rate of 30%.

With the return to normal profitability, the Company made further investments in our branding, product development, distribution network, and back-end systems during the year. These initiatives have fortified the Group's leading position in the healthcare bedding and water apparatus sectors, achieving estimated market shares of 30% and 60%, respectively. Above all, we are now better equipped to serve consumers.

The relatively young history of the healthcare products industry in the People's Republic of China, excluding Hong Kong (the "PRC") has been marred by damaged consumer confidence. Against this backdrop, we go the extra length to provide consumers with premium quality, good value products with exceptional service and transparent information. At our regular conventions, consumers applaud our systematic efforts in gaining their confidence through detailed product explanations by specialists and first-hand experience sharing from users, in an atmosphere of a caring community. Our ongoing priority is to increase the loyalty of our existing customers while converting traffic at the same time.

Consumer confidence in our brand coupled with our steady execution positions the Group well for the lifting of the ban on direct selling, expected before the end of 2004 as part of China's commitment to the WTO (World Trade Organization). With this lifting comes new opportunities as well as challenges. I am confident that the Group will overcome the challenges. After all, we have a proven track record — change and innovation are steeped in our 12-year history. We are prepared to capitalize on the opportunities by developing new sales models that conform to the new regulations, while preserving what has proven to be successful.

The Company's investments this year laid the ground for continuing growth in the years to come. On this foundation we will introduce new products, new services, new outlets and new channels, through internal development, alliances and acquisitions. Ours is a relatively young company in an industry that promises tremendous opportunities, particularly after the reinstatement of direct selling. We have yet to achieve our maximum potential — this set of results is only just the beginning.

Chairman's Statement

To grow the Company in a culture of change and innovation requires a visionary, talented and disciplined team. I give my sincerest thanks to all management and staff for their hard work, consistency and unwavering spirit that prevails over difficult times to reach the success beyond. I also extend my thanks to our shareholders, customers, suppliers and business partners for helping us grow through their continuous support.

Hung Kai So
Chairman

Hong Kong, 25 August 2004