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If you have sold or transferred all your shares in **Medical China Limited**, you should at once hand this circular to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.



MEDICAL CHINA LIMITED

神州醫療科技有限公司*

(Incorporated in Bermuda with limited liability)

DISCLOSEABLE TRANSACTION

Financial Advisers to Medical China Limited

CASH

Celestial Capital Limited



Shun Loong Capital Limited

This circular will remain on the "Latest Company Announcements" page of the Growth Enterprise Market website at <http://www.hkgem.com> for at least seven days from the date of its posting.

* For identification only

8th January 2003

CHARACTERISTICS OF GEM

GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the main board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

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 at <http://www.hkgem.com> in order to obtain up-to-date information on GEM-listed issuers.

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DEFINITIONS

In this circular, the following expressions have the meanings respectively set opposite them unless the context otherwise requires:

“Acquisition Agreement”	the acquisition of Medicine Research Projects and Reorganisation agreement dated 6 December, 2002 entered into between the Company and the Ultimate Shareholder;
“associates”	has the meaning ascribed to it in the GEM Listing Rules;
“Believe Investments”	Believe Investments Limited, a company incorporated under the laws of the British Virgin Islands and wholly owned by the Ultimate Shareholder immediately before the Reorganisation;
“Board”	the board of Directors;
“Business Day”	a day (other than a Saturday) on which banks generally are open in the Hong Kong Special Administrative Region of the PRC for the transaction of normal banking business;
“Buyer”	南京神州佳美藥物研究有限公司 (China Best Drugs Research (Nanjing) Limited), a wholly foreign-owned enterprise established in the PRC and wholly owned by the Company prior to the Reorganisation;
“BVI Shares”	ordinary share(s) of US\$1 each in the share capital of Believe Investments;
“Company”	Medical China Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on GEM;
“Completion”	completion of sale and purchase of the Medicine Research Projects under the PRC Agreement;
“Conditions”	the conditions precedent for the completion of the Acquisition Agreement;
“Consideration”	the amount payable by the Group to the Ultimate Shareholder and the Seller under the Acquisition Agreement and the PRC Agreement;

DEFINITIONS

“Director(s)”	the director(s) of the Company;
“Equity Interest”	all the equity interest in the registered capital of the Buyer owned by the Company;
“GEM”	The Growth Enterprise Market of the Stock Exchange;
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM;
“Group”	the Company and its subsidiaries;
“HK\$”	Hong Kong Dollars, the lawful currency of the Hong Kong Special Administrative Region of the PRC;
“Latest Practicable Date”	6th January, 2003, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information for inclusion in this circular;
“management shareholder”	has the meaning ascribed to it in the GEM Listing Rules;
“Medicine Research Projects”	the 16 medical technologies research and development projects and the results, interests, approvals and intellectual property rights relating to such projects;
“Net Consideration”	the Consideration less RMB2,000,000 (approximately HK\$1,885,000) (being the payment that the Buyer has to make to the Seller under the PRC Agreement);
“PRC”	the People’s Republic of China;
“PRC Agreement”	the agreement entered into between the Buyer and Seller dated the same date as the Acquisition Agreement for the transfer of the Medicine Research Projects contemplated by the Acquisition Agreement;
“Reorganisation”	the sale of the Equity Interest by the Company to Believe Investments in consideration for Believe Investments issuing such number of BVI Shares to the Company so that the Company will become the beneficial owner of 75% of the total enlarged issued share capital of Believe Investments upon completion of the Transactions;

DEFINITIONS

“RFAS System”	the RFAS system of the Group which consists of the Radio Therapeutics radio frequency generator, LeVeen Electrodes, an ultrasonic scanner, a personal computer and the software for the system;
“RMB”	Renminbi, the lawful currency of the PRC;
“SDI Ordinance”	Securities (Disclosure of Interests) Ordinance (Chapter 396 of the Laws of Hong Kong);
“Seller”	南京凱優科貿公司 (Nanjing Kaiyou Kema Company), the owner of the Medicine Research Projects, a limited liability company established in the PRC currently owned by the Ultimate Shareholder as to 90% of the equity interest in its registered capital;
“Shareholders”	shareholders of the Company;
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“subsidiaries”	has the meaning ascribed to it in the Companies Ordinance (Chapter 32 of the Laws of Hong Kong);
“substantial shareholder”	has the meaning ascribed to it in the GEM Listing Rules;
“Transactions”	the acquisition of the Medicine Research Projects from the Seller by the Group and the Reorganisation, as contemplated by the Acquisition Agreement;
“Ultimate Shareholder”	Ms. Guo Ping (郭萍), a PRC citizen who is the ultimate shareholder of the Seller and Believe Investments owning as to 90% of the equity interest in the registered capital of the Seller and 100% of the share capital of Believe Investments (prior to the Reorganisation);
“US\$”	the lawful currency of United States of America;
“Valuation Report”	a valuation report dated 5 October 2002 prepared by the Valuer, the content of which was confirmed by the Company and the Ultimate Shareholder; and

DEFINITIONS

“Valuer”

深圳華信會計師事務所 (Shenzhen Worldson Certified Public Accountants), an independent valuer possessing asset valuation qualification as recognised by the Ministry of Finance of the PRC and appointed by the Company and accepted by the Ultimate Shareholder to determine the value of the Medicine Research Projects.

LETTER FROM THE BOARD



MEDICAL CHINA LIMITED

神州醫療科技有限公司*

(Incorporated in Bermuda with limited liability)

Directors:

Li Nga Kuk, James
Ng Kwai Sang
Li Wo Hing
Chan Shut Li, William
Chan Siu Sun
Li Tai To, Titus

Non-executive Director:

Chen Minshan

Independent non-executive Directors:

Guo Guoqing
Fan Wan Tat
Han K. Huang

Registered office:

Cedar House
41 Cedar Avenue
Hamilton HM 12
Bermuda

Head office and principal

place of business in Hong Kong:

Office B, 21st Floor
Teda Building
87 Wing Lok Street
Hong Kong

8th January 2003

To the Shareholders

Dear Sir or Madam,

DISCLOSEABLE TRANSACTION

INTRODUCTION

Reference is made to the announcement of the Company dated 6 December 2002.

On 6 December 2002, the Company entered into the Acquisition Agreement with the Ultimate Shareholder pursuant to which the Ultimate Shareholder has conditionally agreed to procure that the Seller sells the Medicine Research Projects to the Company or one of its nominated subsidiaries for US\$8,000,000 (approximately HK\$62,320,000). For the purpose of the Acquisition Agreement, the Company has nominated the Buyer, currently its wholly-owned subsidiary, as the transferee of the Medicine Research Projects.

* For identification only

LETTER FROM THE BOARD

Pursuant to the Acquisition Agreement, the Company will also enter into certain transactions in relation to the Reorganisation. On completion of the Reorganisation, the Buyer will become the wholly-owned subsidiary of Believe Investments, which is currently wholly owned by the Ultimate Shareholder. The Company will then be holding 75% of the total enlarged issued share capital of Believe Investments with the remaining 25% shareholding in Believe Investments to be retained by the Ultimate Shareholder. In effect, the Company will have acquired 75% interest in the Medicine Research Projects through Believe Investments and the Buyer. The remaining 25% interest in the Medicine Research Projects will be retained by the Ultimate Shareholder.

Completion of the transfer of the Medicine Research Projects is subject to the Conditions set out in the section headed “The Acquisition Agreement – Conditions” below.

The acquisition of the Medicine Research Projects by the Group from the Seller constitutes a discloseable transaction of the Company under the GEM Listing Rules. The purpose of this circular is to provide you with information on the Transactions in compliance with the GEM Listing Rules.

THE ACQUISITION AGREEMENT

The details, including terms and conditions of the Acquisition Agreement, are as follows:

Date of the Acquisition Agreement

6 December 2002

Parties

The Ultimate Shareholder

The Company

Transactions Contemplated under the Acquisition Agreement

(A) Acquisition of the Medicine Research Projects

Pursuant to the Acquisition Agreement, the Ultimate Shareholder has conditionally agreed to procure that the Seller sells the Medicine Research Projects to the Company or one of its nominated subsidiaries. For the purpose of the Acquisition Agreement, the Company has nominated the Buyer as the transferee of the Medicine Research Projects. On the same date as the Acquisition Agreement, the Buyer and the Seller have entered into the PRC Agreement to effect the transfer of the Medicine Research Projects pursuant to the laws of the PRC as contemplated by the Acquisition Agreement.

LETTER FROM THE BOARD

These Medicine Research Projects relate to 16 different types of drugs which can be categorised according to the standard set by 國家藥品監督管理局 (the State Drug Administration Bureau) of the PRC as follows:

- (i) 1 new drug in Chinese medicine category I;
- (ii) 1 new drug in Chinese medicine category II;
- (iii) 5 drugs in Chinese medicine category III;
- (iv) 2 drugs in Chinese medicine category IV;
- (v) 1 new drug in chemistry category I;
- (vi) 5 new drugs in chemistry category II; and
- (vii) 1 new drug in chemistry category IV.

These Medicine Research Projects are in the research and development stage. Applications for approval of new drugs have been submitted to 國家藥品監督管理局 (the State Drug Administration Bureau) of the PRC and 江蘇省藥品監督管理局 (the Drug Administration Bureau of Jiangsu Province) for six of these Medicine Research Projects.

Out of the 16 drugs, 4 drugs are anti-cancer while 7 drugs are ancillary anti-cancer. The remaining 5 drugs can be used for curing asthma, lung diseases, throat diseases and fever and can be used by children after recovery from illness.

(B) Reorganisation of the Group

Pursuant to the Acquisition Agreement, the Company has agreed to sell the Equity Interest to Believe Investments after Completion in exchange for Believe Investments issuing certain number of BVI Shares to the Company (or its nominees). Such BVI Shares will represent 75% of the total issued capital of Believe Investments as enlarged by the issue. On completion of the Reorganisation, the Buyer will become the wholly-owned subsidiary of Believe Investments and the Company will then be holding 75% of the total enlarged issued share capital of Believe Investments. As a result, the Company will actually have 75% interest indirectly in the Medicine Research Projects. The remaining 25% interest in the Medicine Research Projects will be retained indirectly by the Ultimate Shareholder through the retained 25% shareholding in Believe Investments.

The exact manner of the transfer of the Equity Interest will be determined by the Company. However, the Ultimate Shareholder has agreed to exercise, and will procure that Believe Investments exercises, all their efforts to complete the Reorganisation to the satisfaction of the Company including, but not limited to, the execution of any agreement(s) in relation to the Reorganisation at the request of the Company.

The Reorganisation will occur only if the acquisition of the Medicine Research Projects is completed.

LETTER FROM THE BOARD

Consideration

The Consideration was determined by reference to the value of the Medicine Research Projects as at 31 August 2002 as stated in the Valuation Report prepared by the Valuer. The Company and the Ultimate Shareholder had confirmed the content of the Valuation Report. In accordance with the relevant laws and regulations of the PRC, the Valuer has the legal qualification to conduct valuation on a wide range of assets, including without limitation, the Medicine Research Projects. The Valuer has informed the Company that it has the relevant experience in valuing projects relating to medicine.

The valuation was conducted in accordance with, among other things, published regulations or notices on asset valuation of the PRC government. According to the Valuation Report, the value of the Medicine Research Projects as at 31 August 2002 was RMB90,250,000 (approximately HK\$85,061,300). Such value is arrived at by assessing the present value of the anticipated future revenue of the intangible assets of the Medicine Research Projects. The Directors believe that the valuation is fair and reasonable.

The Company and the Ultimate Shareholder have agreed that the Consideration shall be 75% of the value of the Medicine Research Projects as stated in the Valuation Report, subject to a maximum of US\$8,000,000 (approximately HK\$62,320,000).

Having considered the Valuation Report, the Company and the Ultimate Shareholder have agreed that the Consideration payable by the Group for the acquisition of the Medicine Research Projects shall be US\$8,000,000 (approximately HK\$62,320,000). **The Consideration is inclusive of the consideration that the Buyer has to pay the Seller, which is RMB2,000,000 (approximately HK\$1,885,000), for the transfer of the Medicine Research Projects pursuant to the PRC Agreement.**

In relation to the sale and purchase of the Medicine Research Projects, the Company has agreed to:

- (1) pay 50% of the Net Consideration to the Ultimate Shareholder within 7 Business Days of the date of the Acquisition Agreement; and
- (2) pay the remaining 50% of the Net Consideration to the Ultimate Shareholder on Completion.

The Consideration shall be financed by internal cash resources of the Group and, where necessary, external bank borrowings. Such internal cash resources will not include the proceeds received by the Company from its listing and the placing proceeds received by the Company from the placing of the Shares as announced on 24 July 2002. At least 70% of the Consideration will be financed by internal cash resources of the Group

LETTER FROM THE BOARD

(exclusive of the listing proceeds and the placing proceeds that the Company received from the placing of the Shares as announced on 24 July 2002). If necessary, approximately 30% of the Consideration at maximum will be financed by external bank borrowings.

Cash and bank balance of the Group as at 30 November 2002 amounted to approximately HK\$124 million. Assuming that (i) the Acquisition Agreement were completed on 31 December 2002 and (ii) 70% and 30% of the Consideration were paid by internal resources and external bank borrowings, respectively, the cash and bank balance of the Group would be reduced to approximately HK\$80.4 million.

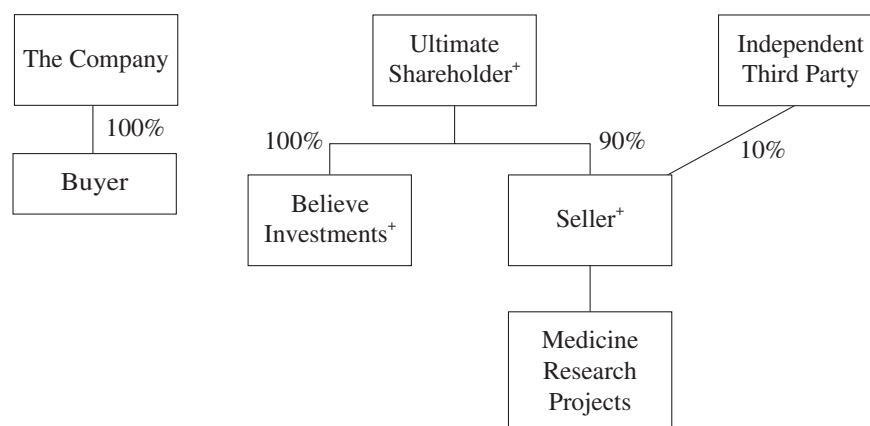
Effect of the Transactions

As regards the disposal of the Equity Interest to Believe Investments, the Ultimate Shareholder agreed that Believe Investments shall issue such number of BVI Shares to the Company (or its nominees) so that upon completion of the Reorganisation, the Company shall be the beneficial owner of 75% of the total issued share capital of Believe Investments as enlarged by the issue. The Ultimate Shareholder agreed to procure that Believe Investments uses all its efforts to complete the Reorganisation to the satisfaction of the Company, including the execution of any agreement(s) relevant to the Reorganisation.

The effect of the Transactions is that the Group will have acquired 75% interest in the Medicine Research Projects after completion of the Transactions.

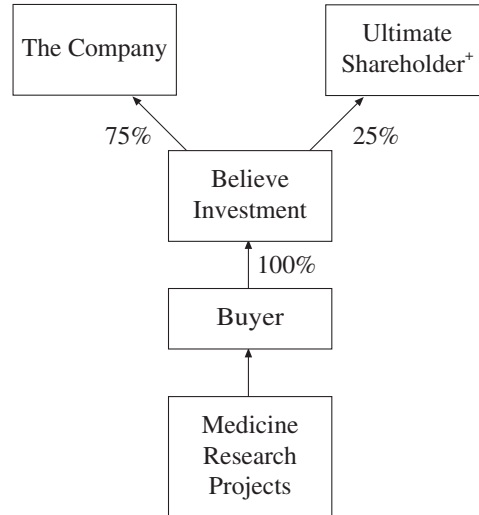
The corporate structure before and after the Transactions is shown below:

Before acquisition of the Medicine Research Projects and the Reorganisation



LETTER FROM THE BOARD

After acquisition of the Medicine Research Projects and the Reorganisation



+ *Independent third party*

Conditions

Completion of the transfer of the Medicine Research Projects is conditional upon, inter alia, the following conditions:

- (1) the passing of all necessary Board resolutions to approve the Transactions;
- (2) the delivery by the Seller of all necessary evidence to the Company to its satisfaction confirming that the Seller has, legally and not in breach of any agreements, transferred the Medicine Research Projects to the Buyer and the Buyer has become the sole legal and beneficial owner of the Medicine Research Projects;
- (3) the Company and the Ultimate Shareholder have confirmed the content of the Valuation Report; and
- (4) the issuance of a legal opinion by the PRC law firm engaged by the Company, confirming that the PRC Agreement is valid under the PRC laws and does not violate any laws and regulations, and that the Seller can legally transfer the Medicine Research Projects to the Company or its designated subsidiary on Completion.

Only conditions (1), (3) and (4) set out above have been fulfilled.

LETTER FROM THE BOARD

The PRC lawyer engaged by the Company has advised the Company that no PRC governmental approval is required for the signing of the Acquisition Agreement and the performance of obligations thereunder by the Company and the Ultimate Shareholder. As to the PRC Agreement, the PRC lawyer has advised the Company that no PRC governmental approval is required for the signing of the PRC Agreement. To complete the transfer of the Medicine Research Projects, however, certain approvals or confirmations from the drug administration authorities of the PRC have to be obtained. The PRC lawyer has issued a legal opinion to the Company confirming that the PRC Agreement is valid under the laws of the PRC and does not violate any laws and regulations, and that the Seller can legally transfer the Medicine Research Projects to the Buyer pursuant to it.

In case the Conditions are not fulfilled or waived or the transfer of the Medicine Research Projects is not completed for any reason within 6 months from the date of the Acquisition Agreement (unless written consent is obtained from the Company), the Acquisition Agreement shall be terminated and the Ultimate Shareholder shall return the initial payment of 50% of the Net Consideration without interest to the Company within 3 Business Days from the date of receipt of the termination notice issued by the Company.

The Board has unanimously approved the Transactions at a Board meeting at which an independent Director was present. Having caused due diligence conducted and considered results of the due diligence, the Directors are of the view that they have discharged their fiduciary duties in reaching the decision to enter into the Transactions. They believe that the terms of the Transactions are fair and reasonable and in the interest of the Shareholders as a whole.

Completion

Completion of the transfer of the Medicine Research Projects is to take place within 5 Business Days following the date on which the last Condition (in time) has been fulfilled or waived, which cannot be later than 6 months from the date of the Acquisition Agreement (unless written consent is obtained from the Company).

Other Information

As the Medicine Research Projects are still in the development stage, certain costs and expenses will have to be incurred in order to continue their research and development. The Company estimates that such costs and expenses will be insignificant.

The Ultimate Shareholder has agreed to give certain warranties in relation to the Medicine Research Projects. Such warranties include ownership of the Medicine Research Projects, intellectual property rights relating to them, the Seller and Believe Investments.

LETTER FROM THE BOARD

REASONS FOR AND BENEFITS OF THE TRANSACTIONS

The Board has caused due diligence conducted on Believe Investments and the Medicine Research Projects. The Board had commenced the negotiation with the Ultimate Shareholder on the acquisition of the Medicine Research Projects in June 2002. During the course of negotiation, the Board had reviewed documents relating to and discussed each of such projects with the Ultimate Shareholder and the persons who had been involved in the research and development and visited the site where the research and development were carried out. In order to arrive at a more objective assessment of the prospects and value of the Medicine Research Projects, the Board had: (i) consulted the Dean of School of Pharmacy of Fudan University of the PRC (the “Dean”) about the Medicine Research Projects; and (ii) engaged the Valuer to conduct a valuation on those projects. The Dean is one of the authorities in the medical research field in the PRC and has been in that field for almost 40 years. He has reviewed the Medicine Research Projects and formed the view that such projects have good prospects because most of the drugs that may be developed from such projects are anti-cancer in nature and there appears a significant growth in the interest in Chinese herbal medicine recently.

The Board is of the view that the Medicine Research Projects and the drugs that may be developed from them are of great market potential. Most of the drugs that may be developed from the Medicine Research Projects are anti-cancer or ancillary anti-cancer. As cancer is a serious illness which has a high death rate globally, the Board believes that demand for such drugs can be huge. Moreover, price of medicines which are anti-cancer in nature can be high. The increasing interest in efficacy of Chinese medicines is also another factor which forms the basis of the Board’s view.

Upon completion of the acquisition and the Reorganisation, the Group will have acquired 75% interest in the Medicine Research Projects while the Ultimate Shareholder will retain the remaining 25% interest. **The Ultimate Shareholder has over 20 years of experience in medicine research. The Board believes that the Ultimate Shareholder will have valuable contribution to the research and development of the Medicine Research Projects through the continued participation.**

The Group currently has entered into cooperation contracts with 65 hospitals located in various parts of the PRC such as Guangzhou, Shanxi and Beijing in relation to the application of RFAS system of the Group. The Board believes that the Group can leverage on this extensive network to effectively promote the sale of medicines and drugs comprising those that may be developed from the Medicine Research Projects; hence enhancing the total revenue and profitability of the Group. Alternatively, the Group can transfer the results of such Medicine Research Projects at different stages of the research process to generate revenue. **The Company has not formulated a definite plan as to how each Medicine Research Project should be utilised to generate revenue. The Company will continue to evaluate factors such as progress of the Medicine Research Projects and the price that may be offered for each of them before making a decision.**

LETTER FROM THE BOARD

DISCLOSEABLE TRANSACTION

The Consideration represents approximately 45.5% of the unaudited net tangible assets (as defined in the GEM Listing Rules and having taken into account the unaudited condensed consolidated net tangible assets as at 30 September 2002) of the Group and therefore constitutes a discloseable transaction under the GEM Listing Rules.

Each of the Ultimate Shareholder, the Seller, the other shareholder of the Seller and Believe Investments is independent of and not connected with the Directors, chief executives, substantial shareholders or management shareholders of the Company or their respective associates.

INFORMATION ON THE GROUP

The Company is a company incorporated in Bermuda, the shares of which are listed on GEM. The Group is principally engaged in the research, development and provision of medical devices for cancer treatment and promotion of sales of anti-cancer drugs in the PRC. The Company has also put more effort in exploring new products as well as new projects with an aim to achieve further development.

The Buyer is a wholly foreign owned enterprise incorporated in the PRC and a wholly-owned subsidiary of the Company prior to the Reorganisation and has a stated business scope of development, consultation, transfer of and provision of services related to research of medical technologies. As at the Latest Practicable Date, the registered capital of the Buyer is US\$500,000. Since its establishment, the Buyer has not engaged in any trading activities. Apart from certain insignificant administrative and related expenses, it has not incurred any liabilities.

Immediately upon completion of the Reorganisation, Believe Investments will own 100% of the registered capital of the Buyer, and it is expected that the board of directors of the Buyer will comprise 4 directors, 3 of which are expected to be appointed by the Company with the remaining director expected to be the Ultimate Shareholder.

INFORMATION ON THE ULTIMATE SHAREHOLDER AND THE SELLER

The Seller is a limited liability company established under the laws of the PRC. It engages in, among other things, the development of technologies for medical research in the PRC.

The Ultimate Shareholder is a PRC citizen and is currently the owner of 90% of the equity interest in the registered capital of the Seller. She graduated from 南京藥學院 (now known as 中國藥科大學 (China Pharmaceutical University)) in 1981 and became a 藥物分析師 (medicine analyst) at 南京制藥廠 (Nanjing Pharmaceutical Factory Co., Ltd.). In 1989, she started to work at 江蘇省藥物研究所 (Jiangsu Provincial Institute of Materia Medica) as the 藥物實驗室分析主任 (head analyst of medicine laboratory). She resigned in 2000 and set up the Seller.

LETTER FROM THE BOARD

The Company was introduced to the Ultimate Shareholder by an independent third party who had previous business dealings with the Ultimate Shareholder about 6 months ago. **Apart from the Transactions, the Ultimate Shareholder has never had and does not have any other business relationship with the Group.**

INFORMATION ON BELIEVE INVESTMENTS

Believe Investments is a company incorporated in the British Virgin Islands and is wholly owned by the Ultimate Shareholder. Believe Investments is an investment holding company and has a paid up capital of US\$1.00. It has not engaged in any trading activities since its establishment and incurred any liabilities, except for certain insignificant administrative and related expenses. The Company has appointed 3 directors to the board of directors of Believe Investments. Together with the Ultimate Shareholder, Believe Investments has 4 directors.

Immediately upon completion of the Reorganisation, the Company will beneficially own 75% of the total enlarged issued share capital of Believe Investments.

OTHER INFORMATION

The Company has appointed Celestial Capital Limited and Shun Loong Capital Limited as its financial advisers to give advice on the compliance with the requirements under the GEM Listing Rules.

Your attention is drawn to the appendix to this circular for further information on the Group.

By order of the Board
Medical China Limited
Dr Li Nga Kuk, James
Chairman

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Group. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief:

- (a) the information contained in this circular is accurate and complete in all material respects and is not misleading;
- (b) there are no other facts the omission of which would make any statement in this circular misleading; and
- (c) all opinions expressed in this circular have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

2. DISCLOSURE OF INTERESTS

As at the Latest Practicable Date, the interests of the Directors and the chief executives of the Company in the equity or debt securities of the Company or any of its associated corporations (within the meaning of the SDI Ordinance) which were notified to the Company and the Stock Exchange pursuant to Section 28 of the SDI Ordinance (including interests which they have taken or deemed to have under Section 31 of, or Part 1 of the Schedule to, the SDI Ordinance), or which were required, pursuant to Section 29 of the SDI Ordinance, to be entered in the register referred to therein, or which were required, pursuant to Rules 5.40 to 5.59 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

Name	Number of Shares held	Nature of interests	Percentage of interest
Dr Li Nga Kuk, James	32,800,000	Personal	3.93%
Mr Li Wo Hing	32,800,000	Personal	3.93%
	212,320,000	Corporate (<i>Note 1</i>)	25.43%
Mr Ng Kwai Sang	32,800,000	Personal	3.93%
	212,320,000	Corporate (<i>Notes 1 & 2</i>)	25.43%
Mr Li Tai To, Titus	16,400,000	Personal	1.96%
Mr Chan Siu Sun	32,800,000	Personal	3.93%

Notes:

1. By a letter of undertaking dated 14 December 2001, Mr Ng Kwai Sang undertook to grant a right of first refusal to Mr Li Wo Hing regarding his 5% shareholding in the share capital of People Market Management Limited ("PMM"), which is in turn owned as to 28.57% by Mr Li Wo Hing. Therefore, Mr Li Wo Hing is deemed to be interested in 212,320,000 Shares held directly by PMM.
2. 212,320,000 Shares are owned by PMM, which is in turn owned as to 35.71% by Mr Ng Kwai Sang.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or any chief executive of the Company had any interest in any equity or debt securities of, the Company or any associated corporations (within the meaning of the SDI Ordinance) which would have to be notified to the Company and the Stock Exchange pursuant to Section 28 of the SDI Ordinance (including the interests which he was taken or deemed to have under Section 31 of, or Part I of the Schedule to, the SDI Ordinance) or which were required, pursuant to Section 29 of the SDI Ordinance, to be entered in the register referred to therein, or which were required, pursuant to Rules 5.40 to 5.59 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

So far as the Directors and chief executive of the Company are aware of, as at the Latest Practicable Date, each of the following person (not being a Director or a chief executive of the Company), was interested in 10% or more in the issued share capital or the equity interest of the registered capital of the Company and its subsidiaries:

(a) The Company

	Name of shareholder	Number of Shares held	Percentage of interests
1.	PMM (<i>Note</i>)	212,320,000	25.43%
2.	China Equity Associates L.P.	116,720,000	13.98%

Note: As at the Latest Practicable Date, PMM owned 212,320,000 Shares, representing approximately 25.43% of the issued share capital of the Company. The issued share capital of PMM is owned as to 35.71% by Mr Ng Kwai Sang, as to 28.57% by Mr Li Wo Hing, as to 17.86% by Dr Li Nga Kuk, James, as to 8.93% by Mr Li Tai To, Titus and as to 8.93% by Mr Li Yue Erh.

(b) Believe Investments (*Note*)

	Name of shareholder	Number of BVI Shares held	Percentage of interests
	Ultimate Shareholder	1	100%

Note: After completion of the acquisition of the Medical Research Projects, the Company will enter into certain transactions in relation to the Reorganisation. On completion of the Reorganisation, Believe Investments will become a subsidiary of the Company.

(c) Buyer

	Name of holders of equity interest of the registered capital	Percentage of interests
1.	Believe Investments (<i>Note 1</i>)	100%
2.	Ultimate Shareholder (<i>Note 2</i>)	25%

Notes:

1. On completion of the Reorganisation, Believe Investments will hold 100% of the equity interest of the registered capital of the Buyer.
2. As the Ultimate Shareholder will hold 25% interest in Believe Investments after completion of the Reorganisation, she will then be indirectly interested in the equity interest of the registered capital of the Buyer.

Save as disclosed above, the Directors or the chief executive of the Company is not aware of any person who, directly or indirectly, had an interest representing 10% or more in the issued share capital or the equity interest of the registered capital of any member of the Group as at the Latest Practicable Date.

3. INTERESTS OF THE SPONSOR

Pursuant to the agreement dated 18 December 2001 entered into between the Company, and Celestial Capital Limited, Celestial Capital Limited has received and will receive a fee for acting as the sponsor of the Company for the period commencing from 31 December 2001 and ending on 31 December 2003.

As updated by Celestial Capital Limited, as at the Latest Practicable Date, neither Celestial Capital Limited nor its directors or employees or associates (as referred to in note 3 to Rule 6.35 of the GEM Listing Rules) has any interests in the Shares, including options or rights to subscribe for any Shares.

4. COMPETING INTERESTS

As at the Latest Practicable Date, so far as the Directors are aware of, none of themselves or the management shareholders of the Company or their respective associates had any interests in a business which competes or may compete with the business of the Group, or had any interests which conflicted with those of the Group.

5. LITIGATION

As at the Latest Practicable Date, no member of the Group was engaged in any litigation or claims of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatened against any member of the Group.

6. SERVICE CONTRACTS

Each of Ng Kwai Sang, Li Wo Hing, Dr. Li Nga Kuk, James, Li Tai To, Titus, Chan Siu Sun and Chan Shut Li, William, being all the executive Directors, has entered into a service contract with the Group. Particulars of these agreements are set out below:

Each service contract is for an initial period of three years commencing on 1 December 2001, and will continue thereafter unless and until, after the expiry of the first year of service, terminated by either party by serving not less than three months' prior written notice or by payment of three months' salary in lieu of such notice. Each of the executive Directors shall be entitled to an annual salary of HK\$330,000 (subject to an annual increment at the discretion of the Directors of not more than 20% of his or her then monthly salary).

Moreover, each of the executive Directors, for each completed year of service, is entitled to (i) a fixed bonus of an amount equivalent to one month's salary and (ii) a discretionary bonus of such amount to be determined by the Board at its sole discretion, provided that the aggregate amount of such discretionary bonuses payable to all executive Directors in any financial year shall not exceed 8% of the consolidated net profits of the Group before taxation and minority interests and before exceptional and extraordinary items of the Company as shown in the consolidated audited accounts of the Company for such financial year.

An executive Director may not vote on any resolution regarding a review of his salary or the amount of any bonus payable to him.

Save as disclosed above, none of the Directors has or is proposed to have a service contract with any member of the Group (other than contracts expiring or determinable by the employer within one year without the payment of compensation other than statutory compensation).

7. GENERAL

- (a) The head office and principal place of business of the Company is at Office B on 21st Floor, Teda Building, 87 Wing Lok Street, Hong Kong. The registered office of the Company is at Cedar House, 41 Cedar Avenue, Hamilton HM 12, Bermuda. The Hong Kong branch share registrar and transfer office of the Company is Computershare Hong Kong Investor Services Limited at 17/F, Hopewell Centre, 183 Queen's Road East, Hong Kong.
- (b) The compliance officer of the Company is Mr Li Wo Hing, MBA, an executive Director.

- (c) The company secretary of the Company is Mr Wong Hon Sum. Mr Wong is fellow of the Hong Kong Society of Accountants.
- (d) The qualified accountant of the Company is Mr Ling Chun Kwok, Alfred. Mr Ling is an associate member of the Hong Kong Society of Accountants and a member of the Association of Chartered Certified Accountants.
- (e) The Company has established an audit committee on 14 December 2001 with written terms of reference in compliance with Rules 5.23 to 5.24 of the GEM Listing Rules. The primary duties of the audit committee are to review and supervise the financial reporting process and internal control systems of the Group. The audit committee has three members comprising Mr Fan Wan Tat, Mr Guo Guoqing and Mr Han K. Huang. Mr Fan Wan Tat is the chairman of the audit committee.

Mr Han K. Huang is a professor of School of Medicine University of Southern California, the United States of America and the chair professor of Medical Informatics Department of Optometry and Radiography, The Hong Kong Polytechnic University.

Mr Fan Wan Tat is a medical doctor in Hong Kong.

Mr Guo Guoqing is the president of Commercial College, Zhongguo Renmin University.

- (f) The English text of this circular shall prevail over the Chinese text.