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TRADING RECORD

The following table summarises the audited combined results of the Group for each of the two years ended 30 June, 2003 and the six months ended 31 December, 2003. This summary is prepared on the basis set out in note 1 of the accountants' report in Appendix I to this prospectus and should be read in conjunction therewith.

		Year ended 30 June,		Six months ended 31 December,
		2002	2003	2003
	Notes	HK\$	HK\$	HK\$
Sales of testing services	1	525,545	1,339,250	904,550
EBgene		248,575	477,660	228,720
EBeasy		223,770	524,940	475,630
EBcombo		—	31,770	9,510
Pre-launch future testing services		53,200	304,880	190,690
Cost of sales	2	(493,619)	(1,003,501)	(691,617)
		31,926	335,749	212,933
Interest income		19,331	3,215	21,221
Total revenue less cost of sales		51,257	338,964	234,154
Selling and distribution expenses		(35,359)	(157,440)	(67,937)
Administrative expenses		(2,601,127)	(3,833,666)	(1,982,914)
Other operating expenses		(480,565)	(1,069,331)	(441,547)
Loss before taxation		(3,065,794)	(4,721,473)	(2,258,244)
Taxation		—	—	—
Loss attributable to Shareholders		<u>(3,065,794)</u>	<u>(4,721,473)</u>	<u>(2,258,244)</u>
Dividend		—	—	—
Loss per Share — basic	3	<u>1.29 cents</u>	<u>1.98 cents</u>	<u>0.95 cents</u>

Notes:

- This includes sales of diagnostic testing services to Spring Biotech, an Initial Management Shareholder of HK\$162,660, HK\$483,380 and HK\$496,380 for the two years ended 30 June, 2003 and the six months ended 31

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December, 2003 respectively. Sales generated from pre-launch future testing services represented income received from parties that engage the Group to perform such services for them. The majority of which was derived from Spring Biotech in joint community research programmes. The income from kit form of *EBgene* and *EBeasy* is not included in such services.

2. Cost of sales comprises pharmaceutical supplies, laboratories supplies, depreciation on laboratory equipment, direct salaries, royalties and other laboratory expenses relating to the provision of diagnostic testing services.
3. The basic loss per Share for the Track Record Period is calculated based on the net loss attributable to Shareholders during the corresponding period and assuming 238,000,000 Shares in issue, comprising 1,010,000 Shares in issue as at the Latest Practicable Date and 236,990,000 Shares to be issued pursuant to the Capitalisation Issue as described in the section headed “Statutory and general information” in Appendix V to this prospectus.

MANAGEMENT DISCUSSION AND ANALYSIS OF TRADING RECORD

Financial year ended 30 June, 2002

The Group’s turnover for this period was HK\$525,545, representing sales from the Group’s two cancer diagnostic testing services, namely, *EBgene* and *EBeasy* which were launched in November 2001 and January 2002, respectively. Of the total turnover of HK\$525,545 during this period, sales of the two testing services to Spring Biotech amounted to HK\$162,660 and the balance were sales to independent third parties.

During this period the Group’s sales less cost of sales amounted to HK\$31,926, representing approximately 6.1% of the total turnover.

The Group’s selling and distribution expenses of HK\$35,359 related to the launch of *EBgene* and *EBeasy* during this period.

The administrative expenses of the Group amounted to HK\$2,601,127. It mainly comprised of: (i) office rental expenditure of HK\$624,015; (ii) staff costs of HK\$443,197; (iii) consultancy fees of HK\$659,919 paid to Century Year Company Limited under the agreement dated 15 July, 2002 as supplemented by an agreement dated 6 September, 2002, being the reimbursement of directors’ fee that would have been paid by Plasmagene and 3 Ben to Dr. Yeung as a director of Plasmagene and 3 Ben (Please refer to subsection headed “Connected transactions” in the “Business” section for further details of the provision of consultancy services from Century Year Company Limited to Plasmagene and 3 Ben); and (iv) legal and professional fees of HK\$442,394 which principally represented legal fees for preparation of licencing and shareholders agreements, and fees for the application of patents for the technology licensed under licence numbered 2 and 3 in the paragraph headed “Intellectual property right” under the section headed “Business” in this prospectus.

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The Group's other operating expenses of HK\$480,565 mainly included depreciation expenses of HK\$182,931 and amortised consultancy fees paid by Plasmagene to the Chinese University for the establishment of the Group's laboratory of HK\$245,000. The total monetary value of the consultancy fee paid by Plasmagene to the Chinese University was HK\$2.1 million and was amortised over the estimated useful lives.

The Group posted a net loss attributable to Shareholders of approximately HK\$3.07 million. No provision for taxation was made for the year end 30 June, 2002 as no taxable profits were generated during the period.

During the period, the turnover period in respect of the Group's inventory and accounts receivables was approximately 49 and 175 days, respectively.

Financial year ended 30 June, 2003

The Group recorded total turnover for the year of HK\$1,339,250, representing approximately 155% over the turnover for the year ended 30 June, 2002. In addition to sales from the two testing services *EBgene* and *EBeasy*, the Group launched a third cancer testing services *EBCombo* in August 2002. Majority of the sales were made to independent third parties and sales of testing services to Spring Biotech amounted to HK\$483,380, representing approximately 36% of the total turnover for the year ended 30 June, 2003. As mentioned in the above under the sub-paragraphs of "Financial year ended 30 June, 2002", revenue from *EBgene* and *EBeasy* commenced in November 2001 and January 2002 respectively, and accordingly there were only six to eight months of revenue for the year ended 30 June, 2002. On the contrary, both *EBgene* and *EBeasy* were available in the market for the whole of the year ended 30 June, 2003. Together with income from *EBCombo* which was a new product during the year ended 30 June, 2003, the increase in turnover was resulted.

The Group's sales less cost of sales amounted to HK\$335,749, representing 25% of the Group's turnover during this period.

The cost of sales comprised pharmaceutical supplies, laboratories supplies, depreciation on laboratory equipment, direct salaries and royalties. The sales less cost of sales as a percentage of sales increased from 6% for the year ended 30 June, 2002 to 25% for the year ended 30 June, 2003. The increment was largely due to (i) the pharmaceutical and laboratories supplies increased from HK\$251,329 (48% of sales) for the year ended 30 June, 2002 to HK\$326,663 (24% of sales) for the year ended 30 June, 2003. The relative reduction as a percentage of revenue was due to the higher wastage during the initial period of the year ended 30 June, 2002; (ii) depreciation of laboratory equipment increased from HK\$132,448 (25% of sales) for the year ended 30 June, 2002 to HK\$197,018 (15% of sales) for the year ended 30 June, 2003. Depreciation of laboratory equipment commenced in September 2002, but sales only commenced in November 2002. The depreciation is a fixed cost which remained relatively constant regardless of the increase in sales for the year ended 30 June, 2003; (iii) direct salaries increased from HK\$109,841 (21% of revenue) for the year ended 30 June, 2002 to HK\$316,047 (24% of revenue) for the year ended 30 June, 2003. The increase in direct salaries was roughly in line with the increase in sales.

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During this period, the Group stepped up its marketing efforts following the launch of its three testing services. The Group's selling and distribution expenses of HK\$157,440 represented expenses for organising seminars to promote the Group's cancer testing services including newspapers/magazines advertisements, rental of seminar venue and equipment and postages to participants. It increased from HK\$35,359 for the year ended 30 June, 2002 to HK\$157,440 for the year ended 30 June, 2003 since more seminars were held for this financial year.

The Group recorded total administrative expenses of HK\$3,833,666 during the year, approximately 147% of the total administrative expenses incurred in the previous financial year. The increment was largely due to (i) staff costs increase from HK\$443,197 for the year ended 30 June, 2002 to HK\$909,883 due to additional manpower required for selling and administration works; (ii) legal and professional fees increase from HK\$442,394 for the year ended 30 June, 2002 to HK\$987,071 for year ended 30 June, 2003. The increase was mainly due to legal fees of HK\$363,326 incurred for the issue of Convertible Notes in December 2002. The amount of HK\$987,071 for the year ended 30 June, 2003 included HK\$543,166 which represented legal fees mainly relating to the application of patents for the technology licensed under licence numbered 2 and 4 as disclosed in table under the subsection headed "Intellectual property" in the section headed "Business" in this prospectus. Such expenses were approximately HK\$295,316 for the year ended 30 June, 2002. These legal fees are largely dependent on the process of applications for individual patents; (iii) consultancy fees paid to Century Year Company Limited decreased from HK\$659,919 for the year ended 30 June, 2002 to HK\$187,000 for the year ended 30 June, 2003. Pursuant to the consultancy agreements entered into by Plasmagene, 3 Ben and Century Year Company Limited on 15 July, 2002 and supplemented by an agreement dated 6 September, 2002, Plasmagene and 3 Ben should pay consultancy fees (totalling HK\$62,500 per month) to Century Year Company Limited as reimbursement of directors' remuneration. Such arrangement was terminated in October 2002. The directors' remuneration are now directly charged to the Group in the form of directors' quarter and salaries which were HK\$360,000 and HK\$287,000 respectively for the year ended 30 June, 2003 (Please refer to subsection headed "Connected transactions" in the section headed "Business" in this prospectus for further details); (iv) the increase in administrative expenses was slightly offset by the decrease of laboratory and office rental expenses from HK\$624,015 for the year ended 30 June, 2002 to HK\$529,214 for the year ended 30 June, 2003 as the office and laboratory were moved from Shatin, the New Territories to Central, Hong Kong in February 2003 with lower rental charges.

The Group's other operating expenses increased from HK\$480,565 for the year ended 30 June, 2002 to HK\$1,069,331 for the year ended 30 June, 2003. The increase was mainly due to (i) amortisation of intangible assets increased from HK\$251,141 for the year ended 30 June, 2002 to HK\$436,457 for the year ended 30 June, 2003 as full year amortisation for the year ended 30 June, 2003; (ii) depreciation of office equipment increased from HK\$182,931 for the year ended 30 June, 2002 to HK\$326,527 for the year ended 30 June, 2003 due to full year depreciation for the year ended 30 June, 2003; (iii) write-off of intangible assets amounted to HK\$229,756 due to recent advances in technology, but no such comparable amounts in the previous financial year; and (iv) increase in bank charges, exchange losses, loss on disposal of plant and equipment and research fees totalling HK\$40,172 for the year ended 30 June, 2003 as compared to the previous financial year.

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Concurrent with the growth of the Group's business, the administrative expenses increased and had partly offset the improved turnover during the year. This resulted in a net loss attributable to Shareholders of approximately HK\$4.7 million.

During the period, the turnover period in respect of the Group inventory and accounts receivables was approximately 8 and 57 days, respectively.

The inventory turnover period decreased from 49 days for the year ended 30 June, 2002 to 8 days for the year ended 30 June, 2003, since the Group had utilised most of its inventory of pharmaceutical materials as at 30 June, 2003.

The accounts receivable turnover period decreased from 175 days for the year ended 30 June, 2002 to 57 days for the year ended 30 June, 2003. It was mainly due to the imposition of a tightened credit policy by the Group during the year ended 30 June, 2003.

Six months ended 31 December, 2003

The Group recorded total turnover for the period of HK\$904,550, representing some 67.5% of the turnover for the year ended 30 June, 2003. In addition to sales from the three testing services *EBgene*, *EBeasy* and *EBcombo*, the Group made its first sale of the test kit for *EBgene* in December 2003. The reason for the increase in sales is that a promotion programme was held with Town Health whereby *EBeasy* is offered to doctors of Town Health at a reduced price. The period of the programme is from the middle of August to the end of December, 2003.

The Group's sales less cost of sales amounted to HK\$212,933, representing some 24% of the Group's turnover during this period which is approximately the same as the year ended 30 June, 2003.

The costs of sales of the Group comprised depreciation of laboratory equipment, pharmaceutical and laboratory supplies, royalty fees and labour costs. The direct labour costs and depreciation of laboratory equipment is roughly half of those of the year ended 30 June, 2003 in amounts. However, in terms of percentage of sales, they represented approximately 17% and 11% of sales respectively which slightly decreased. The main reason is that the income is increased with similar manpower and equipment. The costs of pharmaceutical and laboratory supplies represented 40% of sales for the six months ended 31 December, 2003 whereas such costs were approximately 24% of sales for the year ended 30 June, 2003. As explained above, *EBeasy* was offered at a reduced price but the unit cost of pharmaceutical and laboratory supplies remained the same.

During this period, the Group continued its marketing efforts for the three EBV tests through public seminars and the selling and distribution expenses were HK\$67,937 for the period.

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The Group recorded total administrative expenses of HK\$1,982,914 during the period, approximately 51.7% of the total administrative expenses for the year ended 30 June, 2003. With similar level of staff costs of HK\$421,123 (approximately 46% of HK\$909,883 for the year ended 30 June, 2003), the reduction in total administrative expenses was largely because of (i) legal and professional fees reduced from HK\$987,071 to HK\$626,595, which comprised HK\$507,000 milestone payment for the grant of Hong Kong patent under licence number 3 and others are mainly related to application of patents for the technology licensed under licences numbered 2 and 4; (ii) professional fees of HK\$363,326 relating to issuance of convertible notes for the year ended 30 June, 2003 were not recurring expenses; (iii) laboratory and office rental, building management fees and government rates reduced from HK\$529,214 to HK\$96,993, because the Group moved its office in Shatin with monthly rental of HK\$59,430 to Central with monthly rental and building management fees of HK\$40,620 since February 2003. Commencing from 26 May, 2003, the Group has shared its office with Wellchamp Capital Limited with reimbursement of HK\$25,000 per month. This largely reduced the rental expenses of the Group; and (iv) during this period, the rental expenses of directors' quarter and directors' salary were HK\$240,000 and HK\$192,000 respectively.

The Group's other operating expenses of HK\$441,547 comprised mainly amortisation expenditure of HK\$223,061 and depreciation of HK\$138,798. The write-off of intangible assets of HK\$229,756 for the year ended 30 June, 2003 is not recurring expenses and did not arise during this period.

The overall expenses of the Group are maintained at a similar level with increment of income. This resulted in a net loss attributable to Shareholders of approximately HK\$2.3 million and showed slight improvement which was approximately 48% of HK\$4.7 million for the year ended 30 June, 2003.

During the period, the turnover period in respect of the Group's inventory and accounts receivable was approximately 58 and 48 days respectively.

The inventory turnover period increased from 8 days for the year ended 30 June, 2003 to 58 days for the six months ended 31 December, 2003. It was basically at the similar level of 49 days for the year ended 30 June, 2002. The slight increase in the stock turnover period was mainly to cope with the increase in turnover for the same period.

The accounts receivable turnover period was slightly decreased from 57 days for the year ended 30 June, 2003 to 47 days for the six months ended 31 December, 2003, since the Group's effective credit control policy had been maintained throughout the period.

INTANGIBLE ASSETS

The Group's intangible assets comprised licences, patents and development costs for testing services and products. Included in licences and patents are expenditures of licences and patents where future economic benefits are expected to flow to the Group, e.g. there are future testing services. For those licences and patents which the Directors currently do not anticipate any income flow from future testing services, the relevant costs will be charged to the income statement in the period in which they are incurred. The licences and patents are stated at costs less accumulated amortisation on a straight line basis over the estimated useful lives (based on the Directors' best estimation) of the relevant testing services for periods of 7 to 15 years.

Research costs are charged to income statement in the period in which they are incurred as research and development expenses. Development costs are recognised as intangible assets only when such costs are incurred for specific testing services where recoverability can be foreseen with reasonable assurance. Otherwise, development costs will be charged to income statement in the period in which they are incurred. The development costs as at 30 June, 2002, 30 June, 2003 and 31 December, 2003 mainly comprised (i) consideration for the Consultancy Agreement paid/payable to the Chinese University and (ii) the amortisation of licences and patents in relation to the future testing services under development and capitalised as development costs. Development costs recognised as intangible assets are amortised on a straight line basis over the estimated commercial lives of the underlying testing services (based on the Directors' best estimation) which generally do not exceed twenty years (the estimated lives of patents/licences). Information related to intangible assets are also disclosed in "Research and developments" in "Note 2 Principal accounting policy" and "Note 11 Intangible assets" under section V "Notes to the summaries" of Appendix I to this prospectus.

As at 30 June, 2002, 30 June, 2003 and 31 December, 2003, the respective balances of the Group's intangible assets were HK\$4,571,393, HK\$4,227,941 and HK\$4,233,601, comprising (i) licences and patents of approximately HK\$1,944,862, HK\$1,795,973 and HK\$1,869,799 respectively; and (ii) development costs of HK\$2,626,531, HK\$2,431,968 and HK\$2,363,802 respectively.

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ADJUSTED NET TANGIBLE ASSETS

The following pro forma statement of the adjusted net tangible assets of the Group is to illustrate the impact of the estimated net proceeds of the Share Offer on the net tangible assets of the Group. It is prepared for illustrative purposes only and because of its nature, it may not give a true picture of the Group's financial position or results.

The pro forma statement of the adjusted net tangible assets of the Group is based on the audited combined net assets of the Group as at 31 December, 2003 as shown in the accountants' report set out in Appendix I to this prospectus, and adjusted as follows:

Audited combined net assets of the Group as at 31 December, 2003 <i>HK\$'000</i>	Less: Intangible assets <i>HK\$'000</i>	Audited combined net tangible assets of the Group as at 31 December, 2003 <i>HK\$'000</i>	Estimated net proceeds of the Share Offer <i>HK\$'000</i> <i>(Note 1)</i>	Adjusted net tangible assets of the Group <i>HK\$'000</i>	Adjusted net tangible asset value per Share <i>HK cents</i> <i>(Note 2)</i>
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Based on an Offer

Price of HK\$0.50

per Share

<u>1,838</u>	<u>(4,234)</u>	<u>(2,396)</u>	<u>24,000</u>	<u>21,604</u>	<u>7.2</u>
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Notes:

1. The net proceeds from the Share Offer are estimated to be approximately HK\$24 million after deduction of expenses payable by the Company in relation to the Share Offer. Please refer to sub-section headed "Use of proceeds" under the section headed "Statement of business objectives and strategies" for future use of net proceeds.

2. The adjusted net tangible asset value per Share is arrived at after the adjustments referred to in this section and on the basis of 302,000,000 Shares in issue immediately after the Share Offer and Capitalisation Issue taking no account of any Shares which may be allotted and issued upon the exercise of the options granted under the Share Option Scheme and the Right of First Refusal Agreement, the general mandates to issue Shares referred to in Appendix V to this prospectus, the Initial IPO Conversion, the First Post IPO Conversion or the Second Post IPO Conversion.

TAXATION

No provision for taxation was required to be made for the two years ended 30 June, 2002, 30 June, 2003 and the six months ended 31 December, 2003 as no taxable profits were generated.

The Group will only be subject to Hong Kong profits tax as the Group's income from other jurisdictions (including the PRC, Japan and Australia) would be in the form of sub-license fees income which would be subject to withholding tax to be deducted by the sub-licensee from amount payable to the Group. The rates of the withholding tax for the abovementioned jurisdictions are approximately 10% and these would be subject to finalisation under the respective tax authorities.

PROPERTY INTERESTS

Properties rented and occupied by the Group in Hong Kong

The head office and principal place of business of the Group in Hong Kong is located at 5th Floor, Club Lusitano, 16 Ice House Street, Central, Hong Kong. This property is leased to the Group for a term of two years commencing from 13 February, 2003 at a monthly rent of HK\$27,975 exclusive of government rates and operating charges.

The Group also rents a staff quarter for Dr. Yeung situated at Duplex Flat B, 1st Floor and Car Parking Space No. 8 on 3rd Lower Ground Floor, 1 Garden Terrace, 8 Old Peak Road, Mid-levels, Hong Kong. This property is leased to the Group for a term of two years commencing from 22 September, 2002 at a monthly rent of HK\$70,000 inclusive of government rates and operating charges.

Property valuation

CB Richard Ellis Limited, an independent valuer, valued the properties leased by the Group and is of the opinion that such property interests have no commercial value as at 31 March, 2004. The text of a letter, summary of values and valuation certificates from CB Richard Ellis Limited, are set out in Appendix III to this prospectus.

DIVIDENDS AND WORKING CAPITAL

Dividends

The Directors presently do not intend to recommend the payment of any dividend by the Company in respect of the financial year ending 30 June, 2004. The declaration, payment and amount of future dividends will be at the discretion of the board of Directors and will depend upon, among other things, the Group's results of operation, capital requirements, general financial condition and such factors as the board of Directors may deem relevant.

Working capital

The Directors are of the opinion that, taking into account the internally generated resources of the Group and the estimated net proceeds of the Share Offer, the Group has sufficient working capital for its present requirements.

DISTRIBUTABLE RESERVES

As at 30 April, 2004, the Company had no reserves available for distribution to its shareholders.

INDEBTEDNESS

Borrowings

As at 30 April, 2004, being the Latest Practicable Date for ascertaining the indebtedness of the Group prior to the publication of this prospectus, the Group owed to Spring Biotech, a shareholder of the Company, an aggregate amount of approximately HK\$0.66 million. The Shareholder's loans due to Spring Biotech of approximately HK\$0.66 million was unsecured, interest free and will be fully settled on 17 June, 2004.

As at 30 April, 2004, the Group had outstanding Convertible Notes with an aggregate principal amount of HK\$21.5 million. (Please refer to the subsection headed "Convertible Notes" under the section "Share capital" in this prospectus for further details of the Convertible Notes.)

Contingent liabilities

As at 30 April, 2004, the Group had no significant contingent liabilities.

Securities and guarantees

As at 30 April, 2004, the Group's Convertible Notes were secured by a pledge of the shares of Plasmagene and intellectual properties of the Group, personal guarantees executed by Dr. Yeung and Ms. Margaret Tsui, and corporate guarantees executed by the Group. The redemption of the Convertible Notes, the personal guarantees executed by Dr. Yeung and Ms. Margaret Tsui, the corporate guarantees executed by the Group, the pledge of shares of Plasmagene and intellectual properties of the Group will cease to be of any effect from the Listing Date.

Disclaimers

Save as disclosed herein and apart from intra-group liabilities, the Group did not have outstanding at the close of business on 30 April, 2004, any loan capital, bank overdrafts and liabilities under acceptances or other similar indebtedness, debentures, mortgages, charges or loans or acceptance credits or hire purchase commitments, guarantees or other material contingent liabilities.

Save as disclosed herein, the Directors have confirmed that there has not been any material change in the indebtedness and contingent liabilities of the Group since 30 April, 2004.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

Current assets and liabilities

As at 30 April, 2004, the net current assets of the Group amounted to approximately HK\$17.28 million. The current assets comprised cash and bank deposits of approximately HK\$13.43 million, and

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accounts receivable of approximately HK\$0.46 million, inventories of approximately HK\$0.01 million and other receivable and prepayments of approximately HK\$5.22 million. The current liabilities comprised Shareholders' loan of approximately HK\$0.66 million and other payables and accruals of approximately HK\$1.18 million.

Borrowings and credit facilities

As at 30 April, 2004, the Group did not have any available credit facilities. The Group's outstanding indebtedness represented outstanding loans due to Spring Biotech, a shareholder of the Company, of approximately HK\$0.66 million. The Shareholders' loans due to Spring Biotech of approximately HK\$0.66 million will be settled on 17 June, 2004.

As at 30 April, 2004, the Group had outstanding Convertible Notes issued to The Applied Research Council, MCVIL JAIC, JAIC Technology, Mr. Robert Owen, Mr. Russell Young, Mr. Tong Sui Bau, Mr. Lee Kam Lun, Kenyon and Ms. Jessica Pui Han Jook for an aggregate principal amount of HK\$21.5 million which can be fully converted into 86,000,000 Shares, representing an average approximate cost per Share of HK\$0.25 per Share. The Convertible Notes are unsecured and interest-free. (Please refer to the subsection headed "Convertible Notes" under the section "Share capital" in this prospectus for further details of the Convertible Notes.)

Capital commitments

As at 30 April, 2004, the Group had no material capital commitments.

Hedging policy

Since all transactions of the Group are denominated in Hong Kong dollars, no hedging or other alternatives have been implemented.

As at 30 April, 2004, the Group did not have outstanding hedging instruments.

RULES 17.15 TO 17.21 OF THE GEM LISTING RULES

The Directors have confirmed that, as at the Latest Practicable Date, they were not aware of any circumstances that would give rise to a disclosure obligation under rules 17.15 to 17.21 of the GEM Listing Rules.

NO MATERIAL ADVERSE CHANGE

The Directors confirm that there has been no material adverse change in the financial or trading position or prospects of the Group since 31 December, 2003, being the date to which the latest audited financial statements of the Group were made up.