



ESSEX BIO-TECHNOLOGY LIMITED

億勝生物科技有限公司

(incorporated in the Cayman Islands with limited liability)



INTERIM REPORT 2001

Contents

2 - Highlights

3 - Consolidated Profit and Loss Account

4 - Notes on the Unaudited Interim Financial Report

7 - Review on Activities

10 - Review on Business Objectives

11 - Other Information

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

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 and no assurance is given that there will be 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 in order to obtain up-to-date information on GEM-listed issuers.

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

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** and no assurance is given that there will be 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 in order to obtain up-to-date information on **GEM**-listed issuers.

(1) POSITIVE GROWTH IN TURNOVER AND PROFITABILITY

The Group achieved a turnover of approximately HK\$12,712,000 for the six months ended 30th June 2001, representing a 15.2% increase as compared to the corresponding period in 2000.

Profit attributable to shareholders for the six months ended 30th June 2001 increased by 126.3% to approximately HK\$1,025,000.

(2) STERILIZED BEIFUJI PENETRATED INTO SURGICAL OPERATION ARENA

Sterilized Beifuji has been successfully penetrated into the surgical operation arena, which is being prescribed by hospitals in major provinces and cities such as Shanghai, Zhejiang, Shan Dong and Jiang Su since May 2001.

(3) PATENTS' APPLICATIONS

Patents' applications for four new drugs carried out by Essex Pharmaceutical Research Centre Company Limited ("Essex Research") namely 腸寧凝膠 (Chang Ning Ning Jiao), 口瘡寧含片 (Kou Chuang Ning Han Pian), 宮環止血片 (Gong Huan Zhi Xie Pian) and 菖龍醒腦膠囊 (Chan Long Xin Nao Jiao Nang) have been lodged with and acknowledged by The State of Intellectual Property Office of the PRC in the period under review.

(4) ACCREDITATION

Accreditation of the status of 高新技術企業 (New High Technology Enterprise) was granted to Zhuhai Essex Bio-Pharmaceutical Company Limited ("Zhuhai Essex"), a subsidiary of the Group, by 廣東省科學技術委員會 (Science and Technology Commission of the Guangdong Province) on 13th July 2001.

(5) GEM LISTING

The Company was listed on the GEM of the Stock Exchange on 27th June 2001.

For the six months ended 30th June, 2001 — unaudited

The board of directors of Essex Bio-Technology Limited (the “Company”) is pleased to announce that the unaudited consolidated results of the Company and its subsidiaries (collectively the “Group”) for the three months and six months ended 30th June 2001, together with the comparative unaudited figures for the corresponding periods in 2000, are as follows:

	Notes	For the three months ended 30th June		For the six months ended 30th June	
		2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Turnover	2	8,611	8,062	12,712	11,032
Cost of sales		(1,168)	(937)	(1,929)	(1,760)
Gross profit		7,443	7,125	10,783	9,272
Other revenue		500	264	602	305
Selling and distribution expenses		(5,076)	(4,850)	(7,584)	(6,719)
Administrative expenses		(1,314)	(1,332)	(2,542)	(2,054)
Profit from operating activities		1,553	1,207	1,259	804
Finance costs		(24)	—	(41)	—
Profit before taxation		1,529	1,207	1,218	804
Taxation	3	—	—	—	—
Profit before minority interests		1,529	1,207	1,218	804
Minority interests		(146)	(461)	(193)	(351)
Profit attributable to shareholders		1,383	746	1,025	453
Earnings per share	4				
— basic		0.35 cents	0.19 cents	0.26 cents	0.12 cents
— diluted		0.34 cents	N/A	0.25 cents	N/A

1. GROUP REORGANISATION AND BASIS OF PRESENTATION

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 31st July 2000 under the Companies Law (2001 Revision) of the Cayman Islands. Pursuant to reorganization to rationalize the structure of the Group in preparation of the listing of the Company's shares (the "Reorganization") on Growth Enterprise Market ("GEM"), the Company became the ultimate holding company of the Group on 13th June 2001. The Company's shares have been listed on GEM since 27th June 2001.

The unaudited consolidated results have been prepared using the merger basis of accounting as a result of a Group's Reorganisation completed on 13th June 2001. Under this basis, the Company is treated as if it has always been the holding company of its subsidiaries rather than from the date of acquisition. Accordingly, the unaudited consolidated results of the Group for the six months ended 30th June 2000 and 2001 include the results of the Company and its subsidiaries with effect from 1st January 2000 or since their respective dates of incorporation, where this is a shorter period.

All significant intra-group transactions and balances have been eliminated in preparing the consolidated financial statements.

The principal accounting policies adopted in preparing the unaudited consolidated results conform with the Statement of Standard Accounting Practice issued by the Hong Kong Society of Accountants.

2. TURNOVER

Turnover comprises total invoiced value of biopharmaceutical products sold after allowances for returns and discounts.

3. TAXATION

No provision for Hong Kong profits tax has been made as the Group had no assessable profit in Hong Kong for the three months and six months ended 30th June 2001 and the corresponding periods in 2000.

The Group's operating subsidiaries are all established and carrying on business in the Special Economic Zones of the PRC as foreign investment enterprises. They are subject to enterprise income tax at a concessionary rate of 15%. One of the Group's subsidiaries, which is engaged in production, is entitled to seek exemption from enterprise income tax for two years starting from the first year of profitable operations after offsetting accumulated losses brought forward, followed by a 50% reduction in enterprise income tax for the next three years. No provision for PRC enterprise income tax has been made as there was no net assessable income for the three months and six months ended 30th June 2001 and the corresponding periods in 2000.

3. TAXATION (Continued)

No recognition of the potential deferred taxation asset relating to tax losses has been made as the recoverability of this potential deferred taxation asset is uncertain.

4. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share for the three months and six months ended 30th June 2001 is based on the respective unaudited profit attributable to shareholders of approximately HK\$1,383,000 and approximately HK\$1,025,000 (2000: approximately HK\$746,000 and approximately HK\$453,000).

The basic earnings per share for the three months and six months ended 30th June 2001 is based on the weighted average number of 396,163,443 and 390,418,968 (2000: 384,610,666 and 384,610,666) ordinary shares outstanding. The 384,610,666 ordinary shares outstanding as a result of the Group's Regorization prior to the Placing of its shares in June 2001 are included in the calculation of the weighted average number of shares as if those shares had been in issue since 1st January 2000.

The diluted earnings per share for the three months and six months ended 30th June 2001 is based on the weighted average number of 396,163,443 and 390,418,968 ordinary shares outstanding plus the respective weighted average number of 14,630,183 and 13,985,341 ordinary shares deemed to be issued as if all convertible bonds had been converted at 1st January 2001. There are no changes to profit attributable to shareholders as no interest is payable on the convertible bonds.

Diluted earnings per share for the three months and six months ended 30th June 2000 is not shown as there were no dilutive potential ordinary shares.

5. INTERIM DIVIDEND

The directors do not recommend the payment of an interim dividend for the six months ended 30th June 2001 (2000: Nil).

6. RESERVES

	Share Premium HK\$'000	Capital reserve HK\$'000	Exchange fluctuation reserve HK\$'000	Retained profits/ (Accumulated losses) HK\$'000	Total HK\$'000
At 1st January 2000	—	8,613	7	(3,458)	5,162
Translation difference on consolidation	—	—	3	—	3
Net loss for the period	—	—	—	(293)	(293)
At 31st March 2000	—	8,613	10	(3,751)	4,872
Translation difference on consolidation	—	—	6	—	6
Net profit for the period	—	—	—	746	746
At 30th June 2000	—	8,613	16	(3,005)	5,624
At 1st January 2001	—	8,613	74	(2,783)	5,904
Translation difference on consolidation	—	—	(19)	—	(19)
Net loss for the period	—	—	—	(358)	(358)
At 31st March 2001	—	8,613	55	(3,141)	5,527
Ordinary shares issued on placing and conversion of convertible bonds	47,770	—	—	—	47,770
Eliminated on capitalization	(38,361)	—	—	—	(38,361)
Share issue expenses	(9,409)	(6,930)	—	—	(16,339)
Translation difference on consolidation	—	—	(38)	—	(38)
Net profit for the period	—	—	—	1,383	1,383
At 30th June 2001	—	1,683	17	(1,758)	(58)

Note: Capital reserve of the Group represents the excess of the net tangible assets of a subsidiary over consideration paid and the difference between the nominal value of the shares of the subsidiaries acquired pursuant to the Reorganization over the nominal value of the Company's shares issued in exchange therefor.

PERFORMANCE

Listed on the GEM of the Stock Exchange

The Company was successfully listed on the GEM of the Stock Exchange on 27th June 2001. The Company had raised HK\$51,282,000 from the placing of its shares (the “Placing”) at HK\$0.50 per share. The 102,564,000 Placing shares were approximately 4.5 times subscribed. It represented 20% of the Company’s issued share capital following the completion of the Placing.

Financial Position

Compared with the same period in 2000, the Group’s turnover for the six months ended 30th June 2001 increased by 15.2% to approximately HK\$12,712,000. The increase was due primarily to the continued market acceptance of the Group’s products and the expansion of the sales and distribution network in the PRC.

The Group’s profit from operating activities increased by 56.6% to approximately HK\$1,259,000. Profit attributable to shareholders for the six months ended 30th June 2001 increased by 126.3% to approximately HK\$1,025,000, as a result of the prudent financial control in both fixed and variable overheads that maximizes the return to shareholders.

Three convertible bonds issued by the Group in 2000 and 2001 amounting to HK\$9,309,200 have been fully converted into ordinary shares of the Company on 26th June 2001.

As a result, the Group is in a much stronger financial position to pursue its business expansion. As at 30th June 2001, the Group has approximately HK\$47,980,000 cash and bank balances after deducting share issue expenses.

OPERATION

Accreditation of 高新技術企業 (New High Technology Enterprise)

One of the Group’s major subsidiaries, Zhuhai Essex Bio-Pharmaceutical Company Limited (“Zhuhai Essex”), has once again been accredited the status of 高新技術企業 (New High Technology Enterprise) by 廣東省科學技術委員會 (Science and Technology Commission of the Guangdong Province) on 13th July 2001. This status will be valid for two years commencing from 13th July 2001. During the said two years period, Zhuhai Essex will be entitled to certain benefits such as the application of exemption on business tax chargeable on income generated from technology projects and privilege in the recruitment of technical staff from other provinces.

The directors believe that the status of 高新技術企業 (New High Technology Enterprise) is a recognition on the genetically driven bio-pharmaceutical drugs development and manufacturing business focus of Zhuhai Essex.

Newly developed Sterilized Beifuji

During the period under review, the Group rendered its considerable research and development effort to develop the sterilized 貝復濟 (Beifuji) (“Sterilized Beifuji”), which has been successfully penetrated into the surgical operation arena in May 2001.

RESEARCH AND DEVELOPMENT

Patents’ applications for new drugs

Patents’ applications for the following new drugs carried out by Essex Research have been successfully lodged with and acknowledged by The State of Intellectual Property Office of the PRC (“SIPO”) in the period under review.

- 腸寧凝膠 (Chang Ning Ning Jiao) — Application number assigned by SIPO is 01127635.5.
- 口瘡寧含片 (Kou Chuang Ning Han Pian) — Application number assigned by SIPO is 01106978.3.
- 宮環止血片 (Gong Huan Zhi Xie Pian) — Application number assigned by SIPO is 01127634.7.
- 菖龍醒腦膠囊 (Chan Long Xin Nao Jiao Nang) — Application number assigned by SIPO is 99115605.6.

Strengthened research and development pipeline

In addition to the existing pharmaceutical projects in the research and development pipeline, the Group has added three new pharmaceutical projects in the period under review.

The three new projects are:

- 菖龍醒腦膠囊 (Chan Long Xin Nao Jiao Nang) — a Chinese medicine for the treatment of vascular dementia.
- 加味沒竭片 (Jia Wei Mo Jie Pian) — a Chinese medicine for the treatment of dysmenorrhoea.
- 通心透毒顆粒 (Tong Xin Tou Du Ke Li) — a Chinese medicine for the treatment of viral myocarditis.

SALES AND MARKETING

The newly developed Sterilized Beifuji has been successfully penetrated into the surgical operation arena, which is being prescribed by hospitals in major provinces and cities such as Shanghai, Zhejiang, Shan Dong and Jiang Su since May 2001.

The Group's strategy is to continuously and pragmatically expand and penetrate the existing market in the PRC for the Group's two commercialised biopharmaceutical products, namely 貝復濟 (Beifuji) and 貝復舒 (Beifushu). The Group organises, amongst others, training programme and technical seminars for marketing agents and medical practitioners consistently, for nurturing and cultivating wider market acceptance for its products.

PROSPECTS

Barring unforeseen circumstances, the Group expects a continued positive growth in the second half year of 2001.

Business objectives for the period ended 30th June 2001 as stated in the Prospectus dated 19th June 2001

Actual business progress

Distribution Channels and Enterprise Resource Planning (“ERP”) System

- | | |
|---|---|
| <p>1. To commence the preparation for the sales of 貝復濟 (Beifuji) and 貝復舒 (Beifushu) in Hong Kong, Singapore and Malaysia.</p> | <p>Inquiry made to the relevant government authorities regarding import/export procedures & regulations.</p> |
| <p>2. To initiate the design and development of the ERP System and complete the systems for sales management, customer relationship management, financial management for receivables and the establishment of website together with e-mail sever.</p> | <p>Completed the design & development of the systems for sales management, customer relationship management, financial management for receivables. Training will commence in the third quarter of 2001.</p> |

Research and Development

- | | |
|---|--|
| <p>1. To continue the application for clinical trials of gel formulation of 貝復濟 (Beifuji) and 貝復舒 (Beifushu).</p> | <p>Applications for clinical trials of the gel formulation of Beifuji and Beifushu have been submitted in March 2001 and are pending approval by The State Drug Administration of the PRC (“SDA”).</p> |
| <p>2. On-going pre-clinical tests on 貝復適 (Beifushi) and 貝復泰 (Beifutai).</p> | <p>The pre-clinical tests results on Beifushi were submitted to SDA in April 2001 and are pending approval by SDA. Pre-clinical tests on Beifutai are still work in progress.</p> |

Production

- | | |
|--|--|
| <p>1. To commence engineering design and ordering of equipment and machinery for the production facilities of the gel formulation of 貝復濟 (Beifuji) and 貝復舒 (Beifushu).</p> | <p>Engineering design completed. The Group is in the process of vendors selection.</p> |
|--|--|

Skincare product development

- | | |
|---|---|
| <p>1. To develop rb-bFGF based skincare products and to identify overseas market opportunities for such products.</p> | <p>Samples have been submitted to relevant government authorities in Hong Kong and Malaysia for product examination and registration.</p> |
|---|---|

DIRECTORS' AND CHIEF EXECUTIVE'S INTEREST IN SECURITIES

As at 30th June 2001, according to the register maintained by the Company pursuant to Section 29 of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance"), the Directors' interests in the shares of the Company were as follows:

Name	Personal	Number of issued ordinary shares of HK\$0.10 each in the Company			Total
		Family	Corporate	Other	
Ngiam Mia Je Patrick	26,441,983	12,019,083 (note 1)	288,458,000 (note 2) 6,666,667 (note 3)	—	333,585,733

Notes:

1. 12,019,083 shares were held by Ngiam Mia Je Patrick's wife, Lauw Hui Kian, and therefore he is deemed to be interested in these shares.
2. 288,458,000 shares were held by Essex Holdings Limited ("Essex Holdings") which is owned as to 50% by Ngiam Mia Je Patrick and as to 50% by Ngiam Mia Kiat Benjamin. Therefore, Ngiam Mia Je Patrick is deemed to be interested in these shares as he is entitled to exercise or control the exercise of more than one-third of the voting power of Essex Holdings at general meetings.
3. 6,666,667 shares were held by Dynatech Ventures Pte Ltd ("Dynatech") which is owned as to 60% by Essex (Singapore) Pte Ltd ("Essex Singapore") and as to 40% by EDB Ventures Pte Ltd, an independent third party. Since Essex Singapore is owned by Ngiam Mia Je Patrick and Ngiam Mia Kiat Benjamin in equal shares and therefore, Ngiam Mia Je Patrick is deemed to be interested in these shares as he is entitled to exercise or control the exercise of more than one-third of the voting power of Dynatech at general meetings.

Save as disclosed above as at 30th June 2001, none of the directors or their associates had any personal, family, corporate or other interest in the securities of the Company or any of its associated corporations as defined in the SDI Ordinance.

SUBSTANTIAL SHAREHOLDERS

As at 30th June 2001, those persons having an interest of 10% or more of the Company's issued capital, as recorded in the register required to be kept under Section 16(1) of the SDI Ordinance were as follows.

Name	Number of shares held		Percentage
	directly	indirectly	
Essex Holdings	288,458,000	—	56.25%
Ngiam Mia Kiat Benjamin	26,441,983	288,458,000 (note 1) 6,666,667 (note 2)	62.71%
Ngiam Mia Je Patrick	26,441,983	288,458,000 (note 1) 6,666,667 (note 2) 12,019,083 (note 3)	65.05%
Lauw Hui Kian	12,019,083	288,458,000 (note 4) 6,666,667 (note 5) 26,441,983 (note 6)	65.05%

Notes:

- 288,458,000 shares were held by Essex Holdings which is owned as to 50% by Ngiam Mia Je Patrick and as to 50% by Ngiam Mia Kiat Benjamin. Therefore, both Ngiam Mia Je Patrick and Ngiam Mia Kiat Benjamin are deemed to be interested in these shares as each of them is entitled to exercise or control the exercise of more than one-third of the voting power of Essex Holdings at general meetings.
- 6,666,667 shares were held by Dynatech which is owned as to 60% by Essex Singapore and the remaining 40% by EDB Ventures Pte Ltd, an independent third party. Since Essex Singapore is owned by Ngiam Mia Je Patrick and Ngiam Mia Kiat Benjamin in equal shares, both Ngiam Mia Je Patrick and Ngiam Mia Kiat Benjamin are deemed to be interested in these shares as they are entitled to exercise or control the exercise of more than one-third of the voting power of Dynatech at general meetings.

3. 12,019,083 shares were held by Ngiam Mia Je Patrick's wife, Lauw Hui Kian, and therefore he is deemed to be interested in these shares.
4. 288,458,000 shares were held by Essex Holdings which is owned as to 50% by Ngiam Mia Je Patrick and as to 50% by Ngiam Mia Kiat Benjamin. Ngiam Mia Je Patrick is deemed to be interested in these shares as he is entitled to exercise or control the exercise of more than one-third of the voting power of Essex Holdings at general meetings. Lauw Hui Kian is the wife of Ngiam Mia Je Patrick and therefore she is deemed to be interested in these shares.
5. 6,666,667 shares were held by Dynatech which is owned as to 60% by Essex Singapore and the remaining 40% by EDB Ventures Pte Ltd, an independent third party. Therefore, Ngiam Mia Je Patrick is deemed to be interested in these shares as he is entitled to exercise or control the exercise of more than one-third of the voting power of Dynatech at general meetings. Lauw Hui Kian is the wife of Ngiam Mia Je Patrick and therefore she is deemed to be interested in these shares.
6. 26,441,983 shares are held by Lauw Hui Kian's husband, Ngiam Mia Je Patrick, and therefore she is deemed to be interested in these shares.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

During the six months ended 30th June 2001, neither the Company nor any of its subsidiaries has purchased, redeemed or sold any of the Company's listed securities.

SHARE OPTION SCHEMES

The Company has adopted a Pre-IPO Share Option Scheme and a Share Option Scheme (the “Schemes”) under which the directors and employees of the Company and its subsidiaries may be granted options to subscribe for shares of the Company under the terms and conditions stipulated in the Schemes.

1. Pre-IPO Share Option Scheme

As at 18th June 2001, options comprising a total of 39,725,000 underlying shares were granted to 3 executive directors, 1 non-executive director and 145 employees of the Group. Details of these options were as follows:

Name of grantees	Number of underlying shares	Exercise price HK\$
Ngiam Kia Je Patrick	4,500,000	0.10
Fang Haizhou	4,000,000	0.10
Zhong Sheng	3,000,000	0.10
1 non-executive director and 145 employees of the Group (holding options of underlying shares between 20,000 shares and 1,800,000 Shares)	28,225,000	0.10 to 0.35
	39,725,000	

Subject to the terms of the Pre-IPO Share Option Scheme, such options are exercisable within five years from the date of grant.

No options granted pursuant to the Pre-IPO Share Option Scheme as stated above had been exercised or cancelled as at 30th June 2001. However, due to the termination of employment of certain employees, options comprising an aggregate of 200,000 underlying shares of the Company had lapsed as at 30th June 2001. As at 30th June 2001, the outstanding options pursuant to the Pre-IPO Share Option Scheme amounted to a total of 39,525,000 underlying shares of the Company.

2. Share Option Scheme

No options had been granted to directors or employees of the Group under the Share Option Scheme adopted by the Company on 13th June 2001 (as described in the Prospectus) during the period from 27th June 2001 (the commencement date of the dealings of the Company’s shares on GEM) to 30th June 2001.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed above, at no time during the periods from 1st January 2001 to 30th June 2001 was the Company, its subsidiaries or holding company a party to any arrangements to enable the directors or chief executives (including their spouses or children under 18 years of age) of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

COMPETING INTERESTS

None of the directors nor the substantial shareholders have any interest in any business that directly or indirectly competes with the business of the Group.

SPONSORS INTERESTS

The interests of the sponsor of the Company, Dao Heng Securities Limited ("DHS"), its directors, employees and associates (as referred to in Note 3 to rule 6.35 of the GEM Listing Rules) in the share capital of the Company as at 30th June 2001 and 10th August 2001 are summarized below:

	As at 30th June 2001	As at 10th August 2001
DHS' employees (excluding directors)	28,000 shares	28,000 shares
DHS' directors	—	—
DHS	—	—
DHS' associates	—	—
Total	28,000 shares	28,000 shares

Pursuant to a sponsor agreement entered into between DHS and the Company, DHS is retained as sponsor of the Company for the remainder of the financial year ending 31st December 2001 and for the period of two years commencing from 1st January 2002. The Company agreed to pay an agreed fee to DHS for its provision of such services.

Save as disclosed above, DHS, its directors, employees and associates, as at 30th June 2001, did not have any interest in the securities of the Company or any members of the Group, or any right to subscribe for or to nominate persons to subscribe for the securities of the Company or any member of the Group.

AUDIT COMMITTEE

The Company has established an audit committee on 13th June 2001 with written terms of reference in compliance with Rules 5.23 to 5.25 of the GEM Listing Rules. The primary duties of the audit committee are to review and supervise the financial reporting process and internal control system of the Group. The audit committee has three members comprising two of the Company's independent non-executive directors, Fung Chi Ying, Mauffrey Benoit Jean Marie and the executive director of the Company, Mr. Zhong Sheng.

By Order of the Board
Ngiam Mia Je Patrick
Chairman and Executive Director

Hong Kong, 13th August 2001