

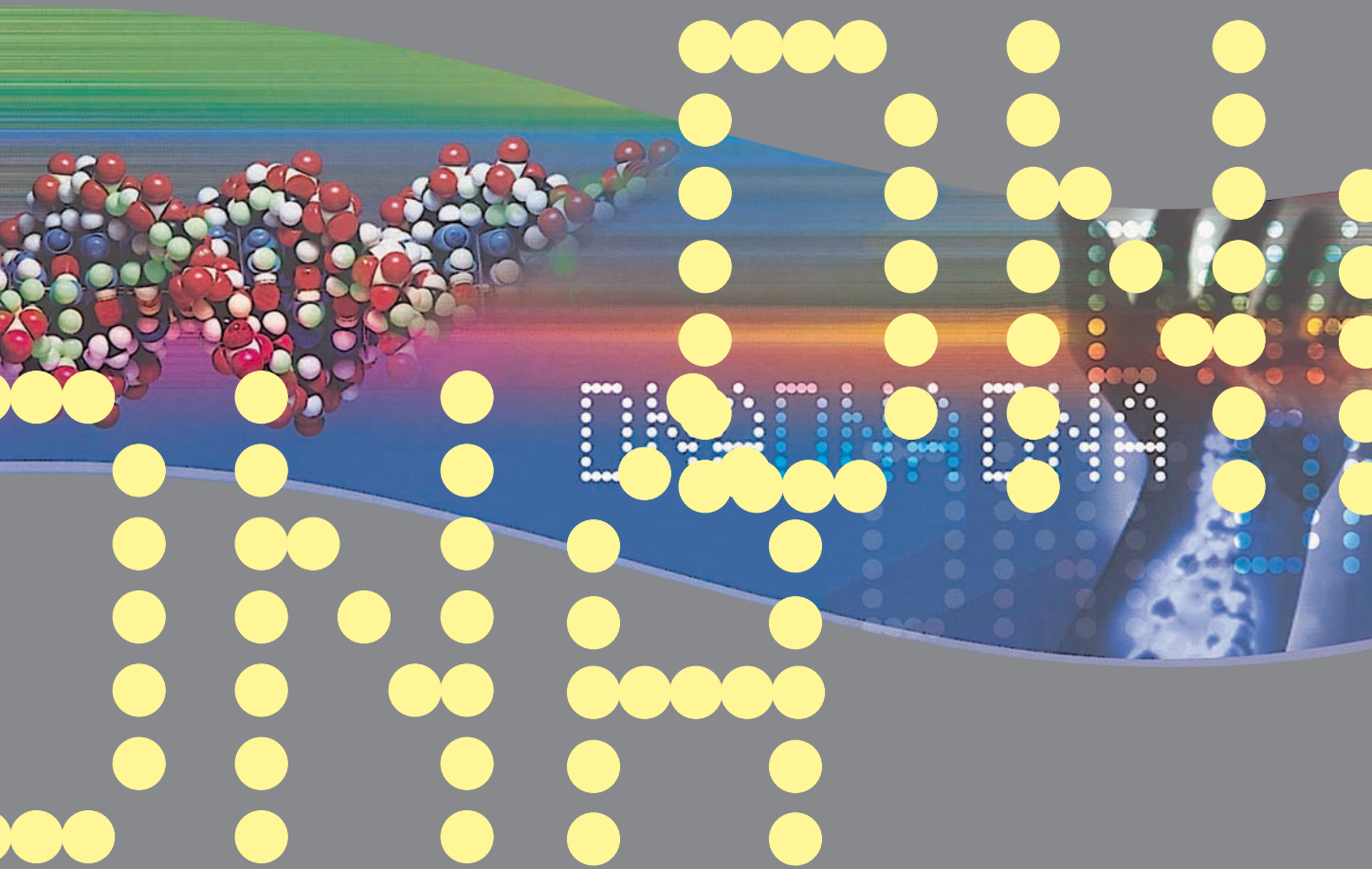


ESSEX

**ESSEX BIO-TECHNOLOGY LIMITED**

**億勝生物科技有限公司**

*(incorporated in the Cayman Islands with limited liability)*



**THIRD QUARTERLY REPORT 2001**





### (1) CONTINUING GROWTH IN TURNOVER AND PROFITABILITY

The Group achieved a turnover of approximately HK\$19,453,000 for the nine months ended 30th September 2001, which represents a 12.8% increase as compared to the corresponding period in 2000.

Profit attributable to shareholders for the nine months ended 30th September 2001 increased by 92.3% to approximately HK\$1,352,000.

### (2) STERILIZED BEIFUJI PENETRATED INTO SURGICAL OPERATION ARENA

Sterilized Beifuji has successfully penetrated into the surgical operation arena. The product is being prescribed by hospitals in major provinces and cities of Shanghai, Zhejiang, Shan Dong and Jiang Su, PRC since May 2001.

### (3) PATENTS' APPLICATION

Patents' application 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) CLINICAL TRIALS APPROVAL FOR THE GEL FORMULATION OF FLAGSHIP PRODUCTS

Approval for commencement of clinical trials of Beifuji 貝復濟 and Beifushu 貝復舒, the two commercialised biopharmaceutical products of the Group, in gel formulation had been granted by 中華人民共和國國家藥品監督管理局 State Drug Administration of the PRC ("SDA") during the period under review.

### **(6) JOINT RESEARCH AND DEVELOPMENT PROJECT UNDER GENETIC ENGINEERING IN THE PRC**

On 1st November 2001, Zhuhai Essex has entered into a joint research and development contract with Shanghai Cystron Biomedical Technology Co., Ltd (“Shanghai Cystron”), a company incorporated in Shanghai. Shanghai Cystron is principally engaged in research and development of genetic engineering products.

Under the joint research and development contract, a genetic engineering drug, Calcitonin, is to be developed by using the recombinant DNA technology. Calcitonin is targeted for the treatment of osteoporosis, hypercalcemia and relieve of bone ache.

### **(7) GEM LISTING**

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

## Consolidated Profit and Loss Account

For the nine months ended 30th September 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 nine months ended 30th September 2001, together with the comparative unaudited figures for the corresponding periods in 2000, are as follows:

	Notes	For the three months ended 30th September		For the nine months ended 30th September	
		2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Turnover	2	6,741	6,208	19,453	17,240
Cost of sales		(1,020)	(1,096)	(2,949)	(2,856)
Gross profit		5,721	5,112	16,504	14,384
Other revenue		247	25	849	330
Selling and distribution expenses		(3,908)	(3,425)	(11,492)	(10,144)
Administrative expenses		(1,685)	(1,342)	(4,227)	(3,396)
Profit from operating activities		375	370	1,634	1,174
Finance costs		—	—	(41)	—
Profit before taxation		375	370	1,593	1,174
Taxation	3	—	—	—	—
Profit before minority interests		375	370	1,593	1,174
Minority interests		(48)	(120)	(241)	(471)
Profit attributable to shareholders		327	250	1,352	703
Earnings per share	4				
— basic		0.06 cents	0.07 cents	0.31 cents	0.18 cents
— diluted		0.06 cents	0.06 cents	0.30 cents	0.18 cents

## 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 nine months ended 30th September 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 Statements 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 nine months ended 30th September 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 nine months ended 30th September 2001 and the corresponding periods in 2000.

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 earnings per share for the three months and nine months ended 30th September 2001 is based on the unaudited profit attributable to shareholders of approximately HK\$327,000 and approximately HK\$1,352,000 respectively and the weighted average number of 512,820,000 and 431,667,667 ordinary shares in issue during the respective periods. The basic earnings per share for the three months and nine months ended 30th September 2000 are based on the unaudited profit attributable to shareholders of approximately HK\$250,000 and approximately HK\$703,000 respectively. The 384,610,666 ordinary shares outstanding as a result of the Group's Reorganization 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 nine months ended 30th September 2001 is based on the weighted average number of 512,820,000 and 431,667,667 (2000: 384,610,666 and 384,610,666) ordinary shares outstanding plus the respective weighted average number of 25,161,140 and 18,949,695 (2000: 7,608,696 and 2,564,103) ordinary shares deemed to be issued as if all convertible bonds had been converted and share options had been exercised, at the date on which the convertible bonds had been issued and share options had been granted. There are no changes to profit attributable to shareholders as no interests is payable on the convertible bonds.

#### 5. INTERIM DIVIDEND

The directors do not recommend the payment of an interim dividend for the nine months ended 30th September 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	—	—	9	—	9
Net profit for the period	—	—	—	453	453
At 30th June 2000	—	8,613	16	(3,005)	5,624
Net profit for the period	—	—	—	250	250
At 30th September 2000	—	8,613	16	(2,755)	5,874
At 1st January 2001	—	8,613	74	(2,783)	5,904
Translation difference on consolidation	—	—	(57)	—	(57)
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)
Net profit for the period	—	—	—	1,025	1,025
At 30th June 2001	—	1,683	17	(1,758)	(58)
Net profit for the period	—	—	—	327	327
At 30th September 2001	—	1,683	17	(1,431)	269

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 nine months ended 30th September 2001 increased by 12.8% to approximately HK\$19,453,000. The increase was due primarily to continued market acceptance of the Group’s products and expansion of the sales and distribution network in the PRC. The Group plans to further expand the sales and distribution network in the last quarter of current year and expects turnover will growth further in the last quarter of 2001.

The Group’s profit from operating activities increased by 39.2% to approximately HK\$1,634,000. Profit attributable to shareholders for the nine months ended 30th September 2001 increased by 92.3% to approximately HK\$1,352,000, as a result of the prudent financial control in both fixed and variable overheads that maximizes the return to shareholders. In addition, the increase of equity interest in a principal profitable subsidiary since 26th June 2000 leads the Group to have a better financial performance during the period under review.

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.

At the end of this period, the financial position of the Group remains extremely healthy and has over HK\$40,000,000 cash on hand.

### OPERATION

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

One of the Group’s principal 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 is entitled to certain benefits such as the application of exemption on business tax chargeable on income generated from technology projects and privilege in 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 recognition on the genetically driven bio-pharmaceutical drugs development and manufacturing business focus of Zhuhai Essex.

### **Clinical Trial Approval for the Gel Formulation of Flagship Products**

Approval for commencement of clinical trials of Beifuji 貝復濟 and Beifushu 貝復舒, the two commercialised biopharmaceutical products of the Group, in gel formulation has been granted by 中華人民共和國國家藥品監督管理局 State Drug Administration of the PRC (“SDA”) during the period under review.

**Beifuji 貝復濟** — Having obtained the approval from the SDA, Zhuhai Essex will commence clinical trials in December 2001 and are expected to last for a period of approximately eight months. Subject to subsequent evaluations conducted and accepted by the SDA, commercial production is expected to begin in the second half year of 2002.

Beifuji in gel formulation is a derivative of the existing commercialized Beifuji in lyophilized powder and liquid forms. The gel formulation derivative is comparatively persistent when acting on wounds, which in turn promotes therapeutic efficacy.

**Beifushu 貝復舒** — In June this year, SDA granted to Zhuhai Essex another approval for commencement of clinical trials of gel formulation of Beifushu, another flagship product which is used in the treatment of corneal wounds. Clinical trials have started since early October 2001 and are expected to last for a period of approximately five months. Subject to subsequent evaluations conducted and accepted by the SDA, commercial production is expected in the first half year of 2002.

Beifushu in gel formulation is a derivative of the existing commercialized Beifushu eye-drop. The current eye-drop form of Beifushu is being used in hospitals. The gel formulation derivative is more convenient for patients’ consumption at home. Gel formulation is perceived to be comparatively easy-to-use and more comfortable as a result of even distribution when applying on conjunctiva. Moreover, the gel formulation is more stable in physical nature, which extends the products’ persistency.

### **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 successfully penetrated into the surgical operation arena in May 2001.

### RESEARCH AND DEVELOPMENT

#### Patents' application for new drugs

Patents' application 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.

#### Joint Research and Development project under genetic engineering in the PRC

On 1st November 2001, Zhuhai Essex has entered into a joint research and development contract with Shanghai Cystron Biomedical Technology Co., Ltd ("Shanghai Cystron"), a company incorporated in Shanghai. Shanghai Cystron is principally engaged in research and development of genetic engineering products.

Under the joint research and development contract, a genetic engineering drug, Calcitonin, is to be developed by using the recombinant DNA technology. Calcitonin is targeted for the treatment of osteoporosis, hypercalcemia and relieve of bone ache. Calcitonin is designated by the SDA as category I biopharmaceutical product, reflecting that there is no prior approval on similar genetic engineering products in the PRC and overseas.

The total estimated investment cost of the project is approximately RMB2,661,000, with an initial investment of RMB500,000. The balance of investment cost is expected to be injected over a period of 18 months. Funding of the project is from internally generated funds.

Under the joint R&D project, the Group will be entitled to a 65% interest of any profits and benefits arising from the eventual product launched in the market.

#### Strengthen 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 successfully penetrated into the surgical operation arena. The product is being prescribed by hospitals in major provinces and cities of Shanghai, Zhejiang, Shan Dong and Jiang Su, PRC 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, so as to nurture and cultivate wider market acceptance for its products.

In addition, the Group planned to strengthen its sales and distribution network through acquisition or establishment of in-market promotion companies. It is expected that the Group can strengthen both the distribution channels and increase the variety of products offered by the Group.

### PROSPECTS

Barring unforeseen circumstances, the Group expects a positive growth both in turnover and profit attributable to shareholders for the year of 2001.

**DIRECTORS' AND CHIEF EXECUTIVE'S INTEREST IN SECURITIES**

As at 30th September 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 <i>(note 1)</i>	288,458,000 <i>(note 2)</i> 6,666,667 <i>(note 3)</i>	—	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 September 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 September 2001, those persons having an interest of 10% or more of the Company's issued capital, as recorded in the register are 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.
- 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 nine months ended 30th September 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.

#### I. 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, 146 other non-executive directors or employees of the Group. Details of these options were as follows:

Name of grantees	Number of underlying shares	Exercise price HK\$
Ngiam Mia Je Patrick	4,500,000	0.10
Fang Haizhou	4,000,000	0.10
Zhong Sheng	3,000,000	0.10
146 other non-executive directors or 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 September 2001. However, due to the termination of employment of certain employees, options comprising an aggregate of 1,020,000 underlying shares of the Company had lapsed as at 30th September 2001. As at 30th September 2001, the outstanding options pursuant to the Pre-IPO Share Option Scheme amounted to a total of 38,705,000 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 September 2001.

### **DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES**

Save as disclosed above, at no time during the periods from 1st January 2001 to 30th September 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**

Neither the directors nor the substantial shareholders has 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 September 2001 and 9th November 2001 are summarized below:

	<b>As at 30th September 2001</b>	<b>As at 9th November 2001</b>
DHS' employees (excluding directors)	28,000 shares	—
DHS' directors	—	—
DHS	—	—
DHS' associates	—	—
	<hr/>	<hr/>
Total	28,000 shares	—
	<hr/>	<hr/>

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 September 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, Mr. Fung Chi Ying, Mr. 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, 12th November 2001