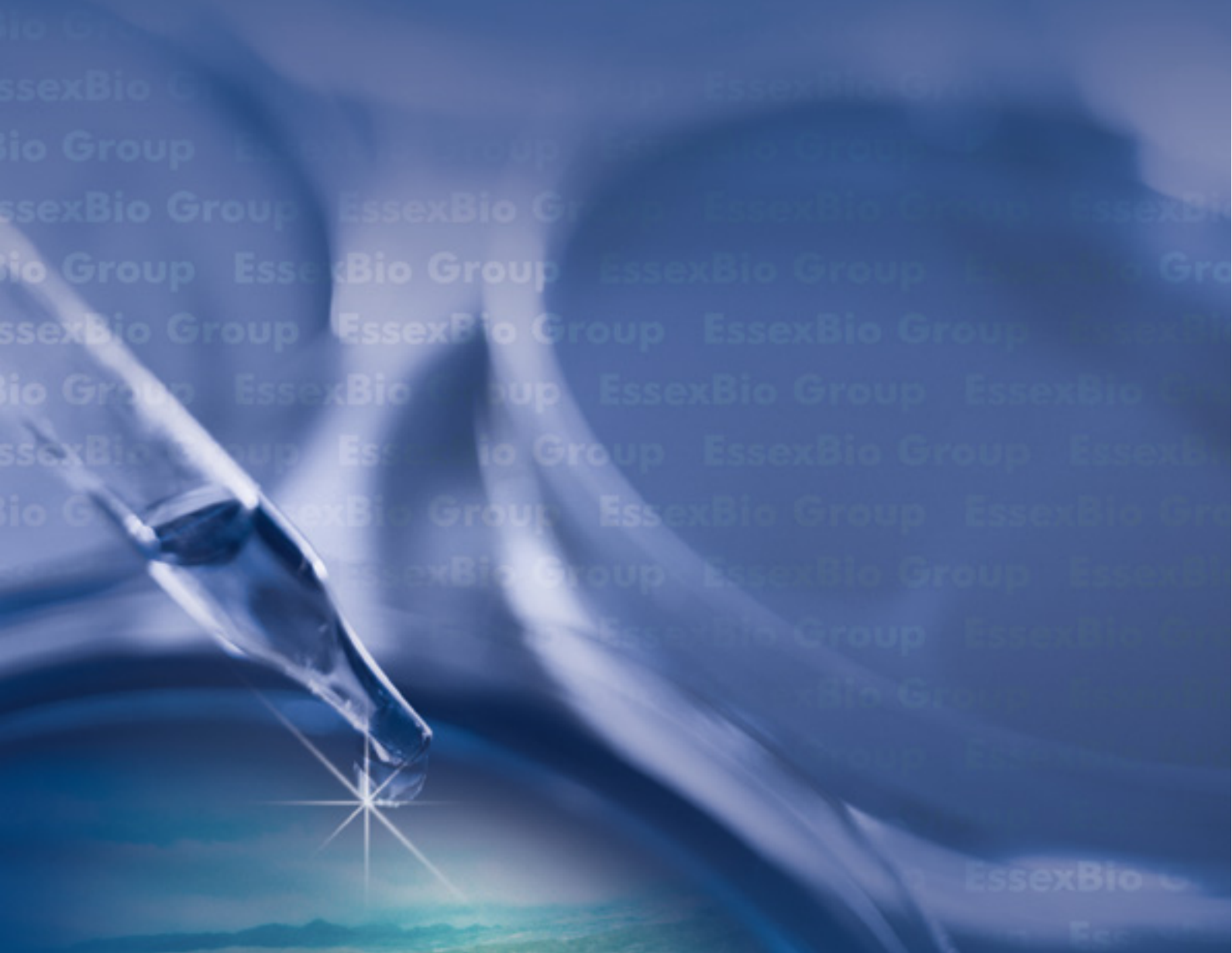




ESSEX BIO-TECHNOLOGY LIMITED

億勝生物科技有限公司

(incorporated in the Cayman Islands with limited liability)



Interim Report 2002

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.

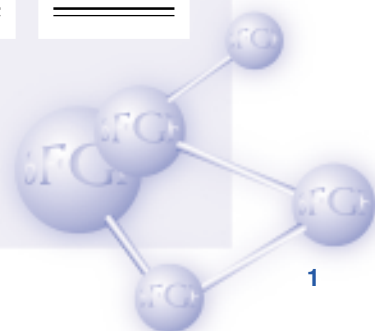
The principal means of information dissemination on GEM is publication on the Internet website operated by the Stock Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website in order to obtain up-to-date information on GEM-listed issuers.

This report, for which the directors of Essex Bio-Technology Limited collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to Essex Bio-Technology Limited. The directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief:- (1) the information contained in this report is accurate and complete in all material aspects and not misleading; (2) there are no other matters the omission of which would make any statement in this report misleading; and (3) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

The board of directors of Essex Bio-Technology Limited (the “Company”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively referred to as the “Group”) as follows:

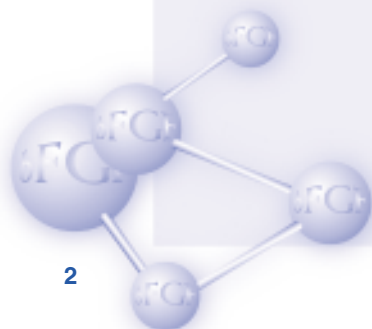
UNAUDITED CONSOLIDATED INCOME STATEMENT

	Notes	For the three months ended 30 June		For the six months ended 30 June	
		2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Turnover	2	7,908	8,611	13,336	12,712
Cost of sales		(1,531)	(1,168)	(2,560)	(1,929)
Gross profit		6,377	7,443	10,776	10,783
Other revenue	3	306	500	476	602
Selling and distribution costs		(4,671)	(5,076)	(7,923)	(7,584)
Administrative expenses		(1,728)	(1,314)	(3,498)	(2,542)
Profit/(loss) from operating activities	4	284	1,553	(169)	1,259
Finance costs		—	(24)	(6)	(41)
Profit/(loss) before tax		284	1,529	(175)	1,218
Tax	5	—	—	—	—
Profit/(loss) before minority interests		284	1,529	(175)	1,218
Minority interests		259	(146)	395	(193)
Net profit from ordinary activities attributable to shareholders		543	1,383	220	1,025
Dividend	6	—	—	—	—
Earnings per share	7				
— basic		0.11 cent	0.35 cent	0.04 cent	0.26 cent
— diluted		0.10 cent	0.34 cent	0.04 cent	0.25 cent



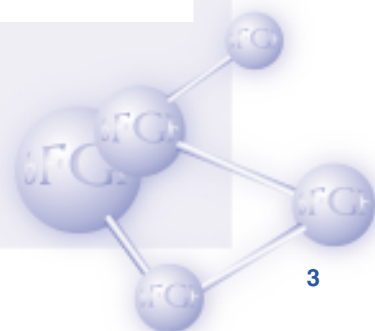
CONSOLIDATED BALANCE SHEET

	<i>Notes</i>	30 June 2002 HK\$'000 (unaudited)	31 December 2001 HK\$'000 (audited)
Non-current assets			
Fixed assets		6,406	6,278
Intangible assets		6,710	5,742
Convertible note		5,652	—
Other investments		54	54
		<u>18,822</u>	<u>12,074</u>
Current assets			
Inventories		310	589
Trade receivables	8	14,349	14,094
Deposits, prepayments and other receivables		10,297	4,776
Cash and bank deposits		21,141	33,402
		<u>46,097</u>	<u>52,861</u>
Current liabilities			
Trade and other payables	9	2,187	2,044
Accruals		2,613	3,341
VAT payable		2,057	2,193
		<u>6,857</u>	<u>7,578</u>
Net current assets		<u>39,420</u>	<u>45,283</u>
Total assets less current liabilities		58,062	57,357
Minority interests		(2,590)	(5,505)
		<u>55,472</u>	<u>51,852</u>
Capital and reserves			
Share capital		54,682	51,282
Reserves	10	790	570
		<u>55,472</u>	<u>51,852</u>



UNAUDITED CONSOLIDATED CASH FLOW STATEMENT

	For the six months ended 30 June	
	2002 HK\$'000	2001 HK\$'000
Net cash (outflow)/inflow from operating activities	<u>(6,384)</u>	<u>1,301</u>
Returns on investments and servicing of finance		
Interest received	102	29
Interest paid	<u>(6)</u>	<u>(41)</u>
Net cash (inflow)/outflow from returns on investments and servicing of finance	<u>96</u>	<u>(12)</u>
Investing activities		
Purchases of fixed assets	(710)	(739)
Expenditures on development projects	(1,263)	(2,218)
Subscription for a convertible note	<u>(4,000)</u>	<u>—</u>
Net cash outflow from investing activities	<u>(5,973)</u>	<u>(2,957)</u>
Net cash outflow before financing activities	(12,261)	(1,668)
Financing activities		
Issue of share capital	—	51,282
Issue of convertible bonds	—	4,309
Expenses paid on issue of shares	—	(5,911)
Repayment of bank and other loans	<u>—</u>	<u>(5,000)</u>
Net cash inflow from financing activities	<u>—</u>	<u>44,680</u>
(Decrease)/Increase in cash and cash equivalents	(12,261)	43,012
Cash and cash equivalents at beginning of the period	33,402	9,812
Effect of foreign exchange rate changes	<u>—</u>	<u>(57)</u>
Cash and cash equivalents at end of the period	<u>21,141</u>	<u>52,767</u>
Analysis of balances of cash and cash equivalents		
Cash and bank balances	<u>21,141</u>	<u>52,767</u>



NOTES TO FINANCIAL STATEMENTS

1. Basis of preparation and principal accounting policies

The basis of preparation and accounting policies adopted for the preparation of the interim financial statements are consistent with those adopted by the Group in its annual financial statements for the year ended 31 December 2001.

2. Turnover

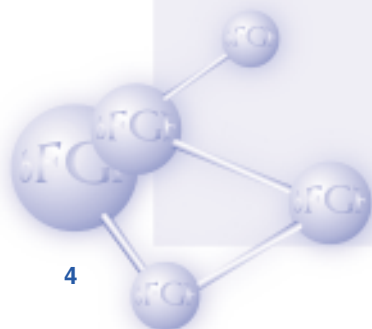
Turnover comprises total invoiced value of biopharmaceutical products, skincare products and pharmaceutical research and development projects sold after allowances for returns and discounts.

Details of an analysis of the Group's turnover and contribution to profit/(loss) before tax from operating activities by principal activities for the six months ended 30 June 2002 together with the comparative figures for the corresponding period in 2001 are as follows:

	Turnover		Contribution to profit/(loss) before tax from operating activities	
	Six months ended 30 June		Six months ended 30 June	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Biopharmaceutical products	12,513	12,712	1,101	1,218
Skincare products	817	—	(114)	—
Pharmaceutical research and development projects	6	—	(1,162)	—
	<u>13,336</u>	<u>12,712</u>	<u>(175)</u>	<u>1,218</u>

3. Other revenue

	Three months ended 30 June		Six months ended 30 June	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Processing fees	203	405	244	501
Interest income	102	23	230	29
Sundries	1	72	2	72
	<u>306</u>	<u>500</u>	<u>476</u>	<u>602</u>



4. Profit/(loss) from operating activities

	Three months ended 30 June		Six months ended 30 June	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Profit/(loss) from operating activities is stated after charging the following:				
Depreciation	290	202	582	461
Amortization	132	132	265	133
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

5. Tax

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 30 June 2002 and the corresponding periods in 2001.

The Group's operating subsidiaries in the People's Republic of China (the "PRC") are all established and carrying on business in the Special Economic Zones of the PRC as foreign investment enterprises. They are subject to the 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 the 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 the PRC enterprise income tax has been made as there was no net assessable income for the three months and six months ended 30 June 2002 and the corresponding periods in 2001 after off-setting accumulated losses brought forward.

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.

6. Interim dividend

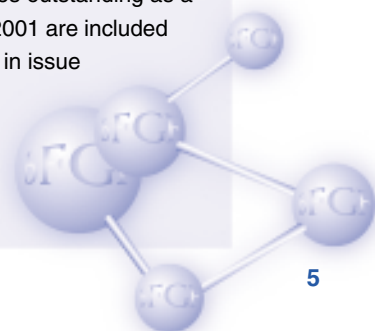
The directors do not recommend the payment of an interim dividend for the six months ended 30 June 2002 (2001: Nil).

7. Earnings per share

The calculation of the basic and diluted earnings per share for the three months and six months ended 30 June 2002 is based on the respective unaudited net profit from ordinary activities attributable to shareholders of the Company of approximately HK\$543,000 and approximately HK\$220,000 (2001: approximately HK\$1,383,000 and approximately HK\$1,025,000 respectively).

The basic earnings per share for the three months and six months ended 30 June 2002 is based on the weighted average number of 515,464,444 shares and 514,134,917 shares respectively (2001: 396,163,443 and 390,418,968 respectively) in issue during the period. The 384,610,666 ordinary shares outstanding as a result of the Group's reorganization prior to the placing of its shares to the public in June 2001 are included in the calculation of the weighted average number of shares as if those shares had been in issue since 1 January 2001.

The diluted earnings per share for the three months and six months ended 30 June 2002 is based on the weighted average number of 534,158,415 shares and 532,828,888 shares respectively (2001: 410,793,626 and 404,404,309 respectively).



8. Trade receivables

The Group's policy is to allow an average credit period of 90 days to its trade customers.

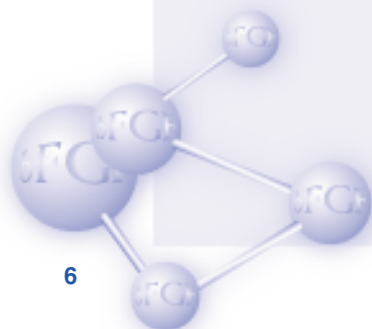
The following is an aged analysis of trade receivables at the balance sheet date:

	30 June 2002 HK\$'000 (unaudited)	31 December 2001 HK\$'000 (audited)
0-60 days	4,814	7,753
61-90 days	2,539	1,526
>90 days	6,996	4,815
	<u>14,349</u>	<u>14,094</u>

9. Trade and other payables

The following is an aged analysis of trade and other payables at the balance sheet date:

	30 June 2002 HK\$'000 (unaudited)	31 December 2001 HK\$'000 (audited)
0-60 days	527	1,101
61-90 days	110	77
>90 days	1,550	866
	<u>2,187</u>	<u>2,044</u>

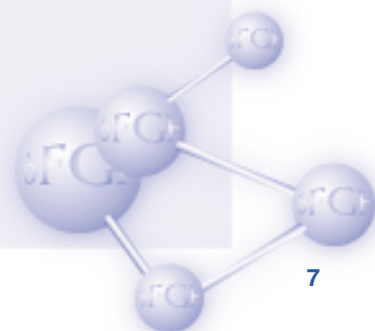


10. Reserves

	Share premium HK\$'000	Capital reserve and contributed surplus HK\$'000	Exchange fluctuation reserve HK\$'000	Retained profits/ (accumulated losses) HK\$'000	Total HK\$'000
At 1 January 2001	—	8,613	74	(2,783)	5,904
Translation difference on consolidation	—	—	(19)	—	(19)
Net loss for the period	—	—	—	(358)	(358)
At 31 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	(8,439)	(7,900)	—	—	(16,339)
Translation difference on consolidation	—	—	(38)	—	(38)
Net profit for the period	—	—	—	1,383	1,383
At 30 June 2001	970	713	17	(1,758)	(58)
At 1 January 2002	970	362	17	(779)	570
Net loss for the period	—	—	—	(323)	(323)
At 31 March 2002	970	362	17	(1,102)	247
Net profit for the period	—	—	—	543	543
At 30 June 2002	970	362	17	(559)	790

Capital reserve of the Group at 1 January 2001 represented negative goodwill of HK\$713,010 which arose on the acquisition of one of the Group's subsidiaries in the PRC.

Contributed surplus of the Group at 1 January 2001 represented the difference of HK\$7,900,000 between the nominal value of the ordinary shares issued by the Company and the aggregate of the share capital of the subsidiaries acquired through an exchange of shares pursuant to the Reorganization.



REVIEWS AND OUTLOOK

Business Review

During the period under review, the Group was principally engaged in the manufacture and sale of biopharmaceutical products for the treatment and healing of surface wounds, organ wounds and skincare products. The Group also engaged in the research and development of biopharmaceutical products for the treatment of stomach ulcers and nervous system damages and diseases, traditional Chinese medicine and chemical pharmaceutical projects.

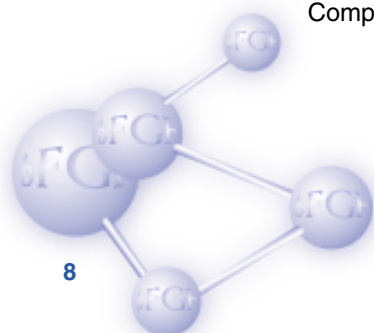
In the interim period ended 30 June 2002, manufacture and sale of biopharmaceutical products continued to be the Group's core revenue generator. It represented approximately HK\$12.5 million, or 93.8% of the Group's total turnover. Manufacture and sale of skincare products make up 6.1% of total turnover, amounting to approximately HK\$0.8 million. Another revenue source was the sale of pharmaceutical research and development projects. These included traditional Chinese medicine and chemical pharmaceutical projects. Revenue generated from the sale of pharmaceutical research and development projects was immaterial during the interim period under review.

Operation Review

The Group's operations in Shenzhen and Zhuhai were streamlined during the period under review for better operational efficiency and management. The sales and marketing operation of Zhuhai Essex Bio-Pharmaceutical Company Limited ("Zhuhai Essex") was relocated from Shenzhen to Zhuhai on 1 July 2002, to stay within the same premises of Zhuhai Essex. The vacated space in Shenzhen is used by the Group's another subsidiary, Essex Pharmaceutical Research Centre Company Limited ("Essex Research") for its traditional Chinese medicine and chemical pharmaceutical research and development facility expansion. Currently the Group has 21 projects in the research and development pipeline. The therapeutic focus of these projects are in skin wounds, organ wounds, nervous system disorders, cardiovascular, anti-virus, geriatric and gynaecology.

The upgrading of production facilities of Zhuhai Essex to include the manufacturing of biopharmaceutical products in gel formulation was successfully carried out during July of 2002. Zhuhai Essex is now capable of producing biopharmaceutical products in the formulations of powder, liquid, eye drop and gel. 貝復濟 (Beifuji) and 貝復舒 (Beifushu) in gel formulation, pending approval from The State Drug Administration of the PRC ("SDA"), are expected to go into commercial production in the third and first quarters of 2003 respectively.

Following the completion of the acquisition of 15.31% equity stake in Zhuhai Essex on 24 June 2002, Zhuhai Essex became a wholly owned subsidiary of the Company. Details of the acquisition were set out in the Company's announcements dated 16 May 2002 and 21 May 2002 and the circular issued by the Company dated 4 June 2002.



Financial Review

The Group's turnover for the six months ended 30 June 2002 rose 4.9% to approximately HK\$13.3 million compared to approximately HK\$12.7 million for the corresponding period in the previous year. The overall gross profit margin decreased to 80.8% for the interim period under review from 84.8% for the same period last year. The decrease was resulted from a lower gross profit margin from sale of skincare products, even though the gross profit margin from sale of biopharmaceutical products remains unchanged.

The Group turned into profit in the second quarter of the year under review and recorded a net profit from ordinary activities attributable to shareholders of approximately HK\$543,000 for the second quarter. The overall net profit from ordinary activities attributable to shareholders for the interim period under review was approximately HK\$220,000 which was weighted down by the loss suffered in the first quarter.

Details of segmental analysis on turnover and contribution to profit before tax have been set out in note 2 in the notes to the unaudited financial statements.

Outlook

According to the estimates released by the World Health Organization ("WHO"), the PRC population is projected to grow from the current 1.3 billion to 1.5 billion people by 2020. By then, the number of population over 60 years of age is estimated to reach 240 million people. Associated with the ageing population is an expected substantial increase in age-related diseases-particularly cataract, which implies a tremendous market potential for the cataract services including post surgery treatment and hence represents a significant potential market for 貝復舒 (Beifushu). The growing population in the PRC also enlarges the market potential for 貝復濟 (Beifujii).

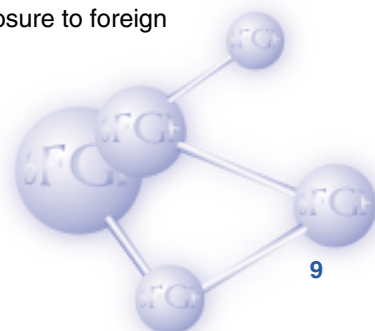
At the backdrop of tougher market conditions resulted from the recent health care industry reform in the PRC, the Group remained profitable is indeed a reflection of its resilience and relevancy in the industry. We will continue to focus on executing our plan for the remaining months of the fiscal year and strengthening the Group's network of distribution and profile in the market place.

Liquidity, Financial Resources and Capital Structure

The Group continues to be in a strong financial position. The Group's net current assets as at 30 June 2002 was approximately HK\$39.4 million (2001: HK\$45.3 million).

Cash and bank balances as at 30 June 2002 was approximately HK\$21.1 million (2001: HK\$33.4 million). There were no bank borrowings as at 30 June 2002 (2001: Nil).

The Group continues to adopt a conservative treasury policy with all bank deposits in either Hong Kong Dollars, or in the local currencies of the operating subsidiaries, keeping a minimum exposure to foreign exchange risks.



Significant Investment

As at 30 June 2002, the Group did not have any significant investments.

Material Acquisitions and Disposals of Subsidiaries

The Group has entered into a sale and purchase agreement and a supplemental agreement both dated 15 May 2002 with PharmaCap Corp. (“PharmaCap”) wherein the Group agreed to purchase and PharmaCap agreed to sell the remaining 15.31% of the interests in Zhuhai Essex at a consideration of HK\$3,422,159 to be satisfied by the issue and allotment of 34,000,000 new shares by the Company to PharmaCap.

Zhuhai Essex is a wholly foreign owned enterprise established in the PRC and was previously owned as to 84.69% by the Group before the acquisition. Upon completion of the acquisition on 24 June 2002, Zhuhai Essex became a wholly owned subsidiary of the Company.

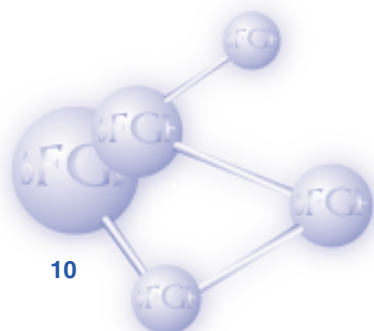
Employees

As at 30 June 2002, the Group employed approximately 135 staff. The staff cost, including directors’ emoluments was approximately HK\$2.9 million for the six months ended 30 June 2002 as compared with that of approximately HK\$2.2 million for the corresponding period of the preceding financial year.

Pursuant to a pre-IPO share option scheme adopted by the Company on 13 June 2001, the Company had granted pre-IPO share options to three executive directors, one non-executive director and 145 non-director employees of the Group to subscribe for a total of 39,725,000 shares at an exercise price in the range from HK\$0.1 to HK\$0.35 per share. No options granted pursuant to the pre-IPO share option scheme had been exercised or cancelled as at 30 June 2002. However, due to the termination of employment of certain employees, options comprising an aggregate of 2,430,000 underlying shares of the Company had been lapsed as at 30 June 2002. As at 30 June 2002, the outstanding options pursuant to the pre-IPO share option scheme amounted to a total of 37,295,000 underlying shares of the Company.

The above options granted under the pre-IPO share option scheme will not be exercisable within the first year from the date of listing of the Company’s shares on GEM on 27 June 2001, and up to 50% of the shares comprised in the option granted to a particular grantee can be exercised during the second year. The remaining unexercised options can be exercised from the third to the tenth year.

On 13 June 2001, the Company had also adopted a post-IPO share option scheme. As at 30 June 2002, no options had been granted under the post-IPO share option scheme.



Charge on Group Assets

As at 30 June 2002, the Group did not have any charges on its assets.

Gearing Ratio

As at 30 June 2002, the Group did not have any long-term debts and its shareholders' funds amounted to approximately HK\$55.5 million. In this regard, the Group had a net cash position and its gearing ratio should be zero (net debt to shareholders' funds) as at 30 June 2002.

Foreign Exchange Exposure

The Group mainly earns revenue and incurs cost in Renminbi. The directors consider that the impact of foreign exchange exposure of the Group is minimal.

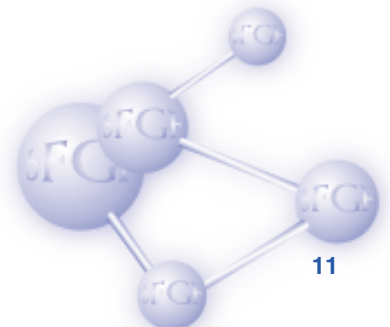
Contingent Liabilities

As at 30 June 2002, the Group did not have any contingent liabilities.

Use of Proceeds from the Initial Public Offering

The net proceeds raised from the placing of the Company's shares on GEM on 27 June 2001 were approximately HK\$35 million. During the interim period, the Group had utilised approximately HK\$9.3 million for various purposes as detailed below, which has no significant discrepancy to the expected use of net proceeds as described in the prospectus dated 19 June 2001. The remaining net proceeds at 30 June 2002 was approximately HK\$10 million.

- approximately HK\$4 million was used to expand the distribution channels and ERP system.
- approximately HK\$4 million was used to fund the research and development.
- approximately HK\$0.9 million was used to upgrade the existing production facilities.
- approximately HK\$0.4 million was used to promote the rb-bFGF based skincare products in Malaysia, Vietnam and Myanmar.



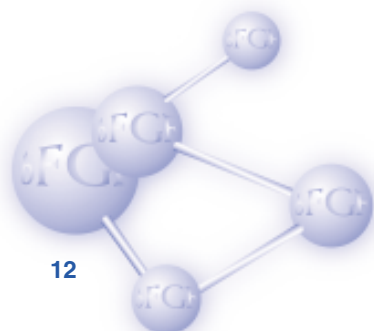
REVIEW ON BUSINESS OBJECTIVES

Business objectives for the period ended 30 June 2002 as stated in the Prospectus dated 19th June 2001

Actual business progress

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

- | | |
|--|---|
| 1 To continue establishing more in-market promotion companies. | Liaise with a marketing and promotional company to form a strategic plan to promote the Group’s products in the PRC. |
| 2 To continue the preparation for the sales of 貝復濟 (Beifuji) and 貝復舒 (Beifushu) in Hong Kong, Singapore and Malaysia. | Proceed with the application for import/export of 貝復濟 (Beifuji) and 貝復舒 (Beifushu) in Vietnam and Myanmar. Further inquiry made to the relevant government authorities regarding import/export of 貝復濟 (Beifuji) and 貝復舒 (Beifushu) in Hong Kong, Singapore and Malaysia. |
| 3 To begin using the systems developed under the ERP system for material sourcing, new projects and products management, laboratory management and the financial management for liabilities and to continue the development of the ERP system and complete the systems for quality control management, production management and the ledger accounts management. | The development of ERP systems for material sourcing, new projects and products management, laboratory management and the financial management for liabilities were successfully completed and trial using has begun. The development of the system for quality control management, production management and the ledger accounts management are in progress. |



Research and Development

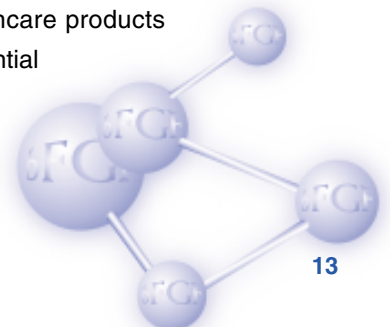
- | | |
|--|---|
| <p>1 To obtain the SDA approval for the production of the gel formulation of 貝復濟 (Beifuji) and 貝復舒 (Beifushu).</p> | <p>Clinical trials of the gel formulation of 貝復濟 (Beifuji) and 貝復舒 (Beifushu) were completed in June 2002 and April 2002 respectively. Applications to SDA for commercial production were lodged and the approvals are expected to be obtained in the third quarter and first quarter of 2003 respectively.</p> |
| <p>2 To further the pre-clinical tests on 貝復適 (Beifushi) and 貝復泰 (Beifutai).</p> | <p>Pre-clinical test on 貝復適 (Beifushi) was successfully completed in the fourth quarter of 2001. Results of the pre-clinical test on 貝復適 (Beifushi) were submitted to SDA and pending SDA's approval. Pre-clinical test on 貝復泰 (Beifutai) is in progress and is expected to be completed in the second quarter of 2003.</p> |
| <p>3 To begin the pre-clinical tests on rh-GDNF.</p> | <p>Preparation of proceeding to pre-clinical test is under progress.</p> |
| <p>4 To invest in pharmaceutical projects.</p> | <p>The Group currently has 21 projects in the research and development pipeline.</p> |

Production

- | | |
|---|--|
| <p>1 To complete the construction of the production facilities for the gel formulation of 貝復濟 (Beifuji) and 貝復舒 (Beifushu).</p> | <p>Construction of the production facilities for the gel formulation of 貝復濟 (Beifuji) and 貝復舒 (Beifushu) was completed by end of July 2002.</p> |
| <p>2 To obtain the SDA approval for the commercial production for the gel formulation of 貝復濟 (Beifuji) and 貝復舒 (Beifushu) and obtain GMP certificate for the production facilities for gel formulation of 貝復濟 (Beifuji) and 貝復舒 (Beifushu).</p> | <p>Application for GMP certificate for the production facilities of gel formulation of 貝復濟 (Beifuji) and 貝復舒 (Beifushu) was lodged during the period under review.</p> |

Skincare product development

- | | |
|---|---|
| <p>1 To continue the promotion of the rb-bFGF based skincare products in Hong Kong, Singapore and Malaysia.</p> | <p>Proceed with the application for import /export license for the skincare products in Hong Kong, Singapore and Malaysia. Samples of skincare products have been sent to various potential marketing agents.</p> |
|---|---|



OTHER INFORMATION

Directors' Interest in Shares

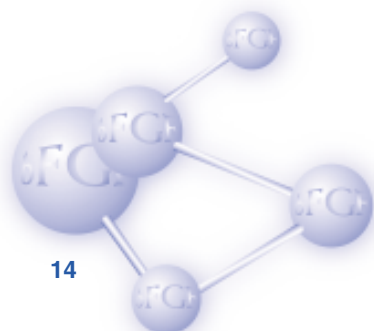
As at 30 June 2002, the interests of the directors and their associates (as defined in the GEM Listing Rules) in the listed share capital of the Company or its associated corporations as recorded in the register maintained by the Company pursuant to Section 29 of the Securities (Disclosure of Interests) Ordinance (Chapter 396 of the Laws of Hong Kong) (the "SDI Ordinance"), are set out below:

Name	Number of issued ordinary shares of HK\$0.10 each in the Company				Total
	Personal interests	Family interests	Corporate interests	Other interests	
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:

- 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.
- 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.
- 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 meeting.

Save as disclosed above and the options granted to the directors of the Company to subscribe for shares as set out in the paragraph headed "Directors' Rights to Acquire Shares" below, as at 30 June 2002, none of the directors or their associates (as defined in the GEM Listing Rules) 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

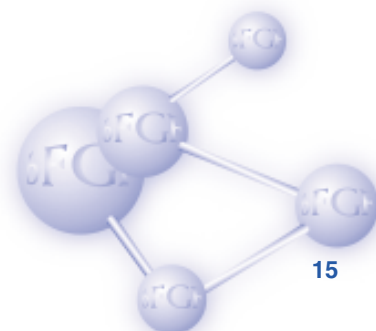
As at 30 June 2002, the following parties had registered an interest of 10% or more in the issued share capital of the Company that were required to be recorded in the register of interests to Section 16(1) of the SDI Ordinance.

Name	Number of shares held	Approximate percentage of shareholding
Essex Holdings Limited	288,458,000	52.75%
Ngiam Mia Je Patrick	333,585,733 <i>(note 1)</i>	61.00%
Ngiam Mia Kiat Benjamin	321,566,650 <i>(note 2)</i>	58.81%
Lauw Hui Kian	333,585,733 <i>(note 3)</i>	61.00%

Notes:

- 26,441,983 shares are registered directly in the name of Ngiam Mia Je Patrick;
 - 12,019,083 shares are held by Lauw Hui Kian, the spouse of Ngiam Mia Je Patrick;
 - 288,458,000 shares are held by Essex Holdings; and
 - 6,666,667 shares are held by Dynatech.
- 26,441,983 shares are registered directly in the name of Ngiam Mia Kiat Benjamin;
 - 288,458,000 shares are held by Essex Holdings; and
 - 6,666,667 shares are held by Dynatech.
- 12,019,083 shares are registered directly in the name of Lauw Hui Kian; and
 - 321,566,650 shares are held by Ngiam Mia Je Patrick, the spouse of Lauw Hui Kian.

Save as disclosed above, no person known to the directors or chief executives of the Company who had registered an interest in the share capital of the Company that was required to be recorded under Section 16(1) of the SDI Ordinance.



Directors' Rights to Acquire Shares

Pursuant to the Company's pre-IPO share option scheme adopted and approved by its shareholders on 13 June 2001, the Company granted options to the following directors of the Company which entitle the holders to subscribe for ordinary shares of the Company. No share option was exercised by any director during the period under review.

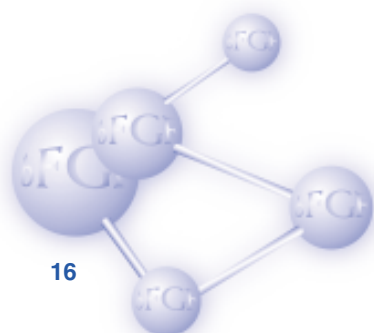
Details of the share options granted to the directors of the Company outstanding at 30 June 2002 are as follows:

Name of director	Date of grant	Number of Options outstanding	Exercise price HK\$
Ngiam Mia Je Patrick	13 June 2001	4,500,000	0.10
Fang Haizhou	13 June 2001	4,000,000	0.10
Zhong Sheng	13 June 2001	3,000,000	0.10
Wong Kui Ming	13 June 2001	650,000	0.10
		12,150,000	

Save as disclosed above, at no time during the period under review was the Company, its holding company or any of its 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.

Directors' Interest in Contracts

No director had a significant beneficial interest, either directly or indirectly, in any contract of significance to which the Company, its holding companies or any of its subsidiaries was a party during the period under review.



Sponsor's Interests

At the date of this report, Dao Heng Securities Limited ("DHS"), its directors, employees and associates, did not have any interest in the share capital of the Company or any of its subsidiaries, or any right to subscribe for or to nominate persons to subscribe for the share capital of the Company or any of its subsidiaries.

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

Compliance with Rules 5.28 to 5.39 of the GEM Listing Rules

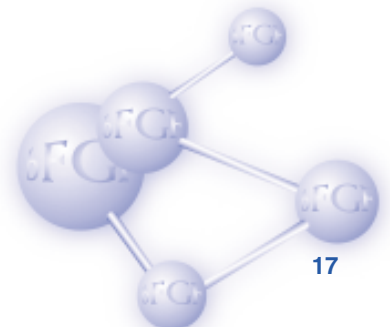
The Company has complied with the board practices and procedures as set out in Rule 5.28 to 5.39 of the GEM Listing Rules since the listing of the Company's shares on GEM on 27 June 2001.

Purchase, Redemption or Sale of Listed Securities

The Company's shares were listed on GEM on 27 June 2001. Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities since that date.

Competition and Conflict of Interests

None of the directors or the substantial shareholders has any interest in any business that directly or indirectly competes with the business of the Group.



Audit Committee

The Company established an audit committee on 13 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 controls system of the Group. The audit committee comprises three members, Zhong Sheng, an executive director of the Company, Fung Chi Ying and Benoit Jean Marie Mauffrey, who are the independent non-executive directors of the Company. The Group's unaudited results for the six months ended 30 June 2002 have been reviewed by the audit committee, who was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements and that adequate disclosures have been made.

On behalf of the Board

Ngiam Mia Je Patrick

Chairman and Executive Director

Hong Kong, 2 August 2002

