

The logo consists of the word "ESSEX" in a bold, red, sans-serif font, centered within a white circle. This circle is set against a yellow rectangular background.

ESSEX

ESSEX BIO-TECHNOLOGY LIMITED

億勝生物科技有限公司

(incorporated in the Cayman Islands with limited liability)

INTERIM REPORT

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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.

The board of directors of Essex Bio-Technology Limited (the "Company") presents the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2003 as follows:

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT

	Notes	For the three months ended 30 June		For the six months ended 30 June	
		2003	2002	2003	2002
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
TURNOVER	2	7,800	7,228	24,612	12,519
Cost of sales		(3,079)	(1,190)	(14,890)	(2,082)
Gross profit		4,721	6,038	9,722	10,437
Other revenue	3	263	645	866	815
Selling and distribution expenses		(4,967)	(4,671)	(9,412)	(7,923)
General and administrative expenses		(2,881)	(1,728)	(5,734)	(3,498)
(LOSS)/PROFIT FROM OPERATING ACTIVITIES	4	(2,864)	284	(4,558)	(169)
Finance costs		(173)	—	(296)	(6)
(LOSS)/PROFIT BEFORE TAX		(3,037)	284	(4,854)	(175)
Tax	5	—	—	—	—
(LOSS)/PROFIT BEFORE MINORITY INTERESTS		(3,037)	284	(4,854)	(175)
Minority interests		349	259	553	395
(LOSS)/PROFIT ATTRIBUTABLE TO SHAREHOLDERS		(2,688)	543	(4,301)	220
Dividend	6	—	—	—	—
(LOSS)/EARNINGS PER SHARE	7				
— basic		(0.48) cent	0.11 cent	(0.77) cent	0.04 cent
— diluted		N/A	0.10 cent	N/A	0.04 cent

CONDENSED CONSOLIDATED BALANCE SHEET

		30 June	31 December
		2003	2002
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
		<i>(unaudited)</i>	<i>(audited)</i>
NON-CURRENT ASSETS			
Intangible assets		10,626	9,975
Fixed assets		7,959	8,511
Other investments		54	54
		18,639	18,540
CURRENT ASSETS			
Inventories		956	1,608
Trade receivables	8	17,653	19,514
Other receivables, deposits and prepayments		5,930	12,184
Cash and bank deposits		17,028	21,838
		41,567	55,144
CURRENT LIABILITIES			
Bank loan		—	9,420
Trade and other payables	9	3,714	3,283
Accruals		4,625	4,375
VAT payable		2,190	1,990
Obligations under finance leases		169	169
		10,698	19,237
NET CURRENT ASSETS			
		30,869	35,907
NON-CURRENT LIABILITIES			
Obligations under finance leases		(205)	(289)
Minority interests		(1,307)	(1,861)
		47,996	52,297
CAPITAL AND RESERVES			
Share capital		55,524	55,524
Reserves		(7,528)	(3,227)
		47,996	52,297

UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	For the six months ended 30 June	
	2003 HK\$'000	2002 HK\$'000
NET CASH INFLOWS/(OUTFLOWS) FROM OPERATING ACTIVITIES	5,809	(6,384)
NET CASH INFLOWS FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE	—	96
NET CASH OUTFLOWS USED IN INVESTING ACTIVITIES	(1,114)	(5,973)
NET CASH OUTFLOWS USED IN FINANCING ACTIVITIES	(9,504)	—
DECREASE IN CASH AND CASH EQUIVALENTS	(4,809)	(12,261)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	21,837	33,402
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	17,028	21,141
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS		
CASH AND BANK BALANCES	17,028	21,141

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Capital reserve and contributed surplus <i>HK\$'000</i>	Exchange fluctuation reserve <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January 2002						
As previously stated	51,282	970	362	17	(779)	51,852
Zhuhai Essex	3,400	—	—	—	(30)	3,370
	54,682	970	362	17	(809)	55,222
Net loss for the period	—	—	—	—	(323)	(323)
At 31 March 2002	54,682	970	362	17	(1,132)	54,899
Net profit for the period	—	—	—	—	543	543
At 30 June 2002	54,682	970	362	17	(589)	55,442
At 1 January 2003	55,524	970	362	14	(4,573)	52,297
Net loss for the period	—	—	—	—	(1,613)	(1,613)
At 31 March 2003	55,524	970	362	14	(6,186)	50,684
Net loss for the period	—	—	—	—	(2,688)	(2,688)
At 30 June 2003	55,524	970	362	14	(8,874)	47,996

The Group carried out a restructure and increased its equity interest in Zhuhai Essex Bio-Pharmaceutical Company Limited (“Zhuhai Essex”) from 84.69% to 100% by acquiring the remaining 15.31% equity interest from the minority shareholder of Zhuhai Essex. The consideration for the acquisition was satisfied by the issuance of 34,000,000 new ordinary shares of HK\$0.1 each in the Company to the minority shareholder on 24 June 2002. The Group accounted for the acquisition of this minority interest using the merger method of accounting. Accordingly Zhuhai Essex is treated as if it had always been a wholly owned subsidiary of the Group. Opening equity has been restated to reflect the restructure of the Group by the acquisition of all the minority interest of Zhuhai Essex.

Notes:

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 2002.

2. Turnover

Turnover represents sales value of biopharmaceutical products supplied to customers, and revenue from sale of pharmaceutical research and development projects.

Business segments

The following table presents revenue, (loss)/profit and certain expenditure information for the Group's business segments for the six months ended 30 June 2002 and 2003.

	Biopharmaceutical products		Pharmaceutical research and development projects		Consolidated	
	2003	2002	2003	2002	2003	2002
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue:						
Sales to external customers	24,526	12,513	86	6	24,612	12,519
Segment results	(2,358)	1,101	(1,253)	(767)	(3,611)	334
Interest and unallocated gains					76	230
Unallocated expenses					(766)	(344)
(Loss)/profit attributable to shareholders					(4,301)	220

Geographical segments

The sales of the Group during the periods ended 30 June 2002 and 2003 were made in the People's Republic of China (the "PRC").

3. Other revenue

	Three months ended 30 June		Six months ended 30 June	
	2003	2002	2003	2002
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Processing fees	24	203	25	244
Interest income	39	102	76	230
Sales of skincare products	—	339	—	339
Government grant	—	—	565	—
Sundry	200	1	200	2
	263	645	866	815

4. (Loss)/profit from operating activities

	Three months ended 30 June		Six months ended 30 June	
	2003	2002	2003	2002
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
(Loss)/profit from operating activities				
is stated after charging the following:				
Depreciation	413	290	827	582
Amortization	116	132	233	265

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 2003 and the corresponding periods in 2002.

The Group's operating subsidiaries in 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 2003 and the corresponding periods in 2002.

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. Dividend

The directors do not recommend the payment of an interim dividend for the six months ended 30 June 2003 (2002: Nil).

7. (Loss)/earnings per share

The basic loss per share for the three months and six months ended 30 June 2003 are calculated based on the consolidated loss attributable to shareholders of the Company for the three months and six months ended 30 June 2003 of approximately HK\$2,688,000 and HK\$4,301,000 respectively (2002: profit of approximately HK\$543,000 and HK\$220,000) and 555,240,000 shares and 555,240,000 shares respectively (2002: 515,464,444 shares and 514,134,917 shares respectively).

The calculation of the diluted earnings per share for the three months and six months ended 30 June 2002 are based on the unaudited consolidated profit attributable to shareholders of the Company for the three months and six months ended 30 June 2002 and 534,177,045 shares and 533,367,651 shares respectively.

No diluted loss per share is presented for the three months and six months ended 30 June 2003 because the share options outstanding had an anti-dilutive effect on the basic loss per share for these periods.

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 2003 HK\$'000 (unaudited)	31 December 2002 HK\$'000 (audited)
0-60 days	4,338	10,774
61-90 days	4,329	2,346
>90 days	8,986	6,394
	17,653	19,514

9. Trade and other payables

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

	30 June 2003 HK\$'000 (unaudited)	31 December 2002 HK\$'000 (audited)
0-60 days	1,569	1,611
61-90 days	435	68
>90 days	1,710	1,604
	3,714	3,283

MANAGEMENT DISCUSSION AND ANALYSIS

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 and organ wounds. The Group also engaged in the research and development of biopharmaceutical products for the treatment of duodenal ulcers, osteoporosis and nervous system damages and diseases, as well as pharmaceutical projects for traditional Chinese medicine (“TCM”) and chemical drug.

In the interim period ended 30 June 2003, manufacture and sale of biopharmaceutical products continued to be the Group’s core revenue generator. It represented approximately HK\$24.5 million, or 99.6% of the Group’s total turnover. Another revenue source was the sale of pharmaceutical research and development projects. These included TCM and chemical drug. Revenue generated from the sale of pharmaceutical research and development projects was immaterial during the interim period under review.

Accreditation

During the period under review, a subsidiary of the Company, Essex Pharmaceutical Research Centre Company Limited (“Essex Research”), was conferred a prestigious grant by The National High Technology Research and Development Program of China (863 Program) (國家高技術研究發展計劃 (863 計劃)) (the “863 Program”).

The Grant was awarded based on Essex Research’s pharmaceutical project technological excellence in innovation and marketable potential in the research and development of a new drug project. The new chemical drug project focuses on the treatment of Hepatitis B.

The 863 Program was established to identify, assist and fund outstanding high-technology projects to promote and nurture China’s high-technology industry development to international standards, as well as improve the standard of living through high technology advancement.

Essex Research’s core competencies as an independent and state-of-the-art pharmaceutical research centre focused on accelerating the incubation and commercialisation of innovative and market-oriented new drugs has been previously acknowledged by a prestigious inaugural grant conferred by the Shenzhen Science and Technology Bureau in the fourth quarter of 2002. The grant was for the Group’s pharmaceutical project in TCM for oral cavity ulcer treatment.

Product development

The category I biopharmaceutical pipeline product Beifushi (貝復適) was given approval by The State Drug Administration of the PRC (“SDA”) to commence clinical trials in the treatment and healing of duodenal ulcers in December 2002.

Clinical trials of Beifushi (貝復適) are in progress and scheduled for completion in 2004 and commercial availability is expected in 2005.

Studies reveal that Beifushi (貝復適) increases concomitantly the rate of cure and enhances the quality of healing through an effective regeneration-triggering mechanism which translates to a significant curb in duodenal ulcer relapse when compared with the conventional mechanism of suppressing ulcer-causing secretions prevailing in existing drug market.

The total market size for duodenal and gastric ulcers in the PRC is estimated to exceed RMB7.5 billion in 2001, according to the China Health Yearbook. Patients suffering from duodenal and gastric ulcer experienced an approximate ratio of 3:1, which infers market value of above RMB5 billion for the duodenal ulcer market alone.

In the second quarter of 2003, two TCM projects, namely Gong Huan Zhi Xie Pian (宮環止血片) and Dang Long Xin Nao Pian (丹龍醒腦片) were given approval by the State Food Drug Administration of China ("SFDA") (formerly known as SDA) to begin clinical trials.

These two TCM projects are designated as Category VI traditional Chinese new drugs. Gong Huan Zhi Xie Pian (宮環止血片) has been considered and under development for the treatment of uterine bleeding arising from the common contraceptive method of Intrauterine Device usage ("IUD"). It acts with the mechanism of protecting endometrium. It arrests hemorrhage, prevents inflammation and relieves pain that would otherwise occur in IUD users with the IUD dislocation problem. Dang Long Xin Nao Pian (丹龍醒腦片) treats senectitude vascular dementia that is not a single disease. It is developed by extracting the effective components from six Chinese herbal medicines. The drug retains its effectiveness by working quickly even when a mild dosage is applied.

It treats senectitude vascular dementia by improving cerebral blood circulation as well as regulating the metabolism of nerve cells and neuro-transmitters.

Clinical trials of both drugs are scheduled for completion between 2004 and 2005 and are expected to be commercially available in 2005.

Research and development pipeline

Currently the Group has 21 projects in the research and development pipeline. The therapeutic focus of these projects is in surface wounds, organ wounds, nervous system disorders, cardiovascular, anti-virus, geriatric, digestive system and gynaecology.

Strengthening and expansion of the distribution network

The Group adopted and implemented the strategy of establishing direct representative offices ("DROs") since the third quarter of 2002. The effect of the DROs is to enable the Group to more pragmatically and effectively promote and drive penetration of the biopharmaceutical products to hospitals and end markets.

Four DROs were established in Beijing, Nanjing, Shanghai and Harbin in 2002. The Group's original plan to establish another six DROs in other major provinces in the PRC in 2003 was postponed to 2004 due to the outbreak of SARS in the first half of 2003.

FINANCIAL REVIEW

Group revenue for the six months ended 30 June 2003 increased by 96.6% to approximately HK\$24.6 million as compared to the corresponding previous period. Revenue of approximately HK\$13.9 million was derived from the distribution of Novo's biopharmaceutical insulin products.

Gross profit, however, decreased slightly to approximately HK\$9.7 million for the six months ended 30 June 2003 when compared to HK\$10.4 million for the same period in the previous year, despite the gross profit margin from the sales of Beifuji (貝復濟) and Beifushu (貝復舒) remaining unchanged at over 83%.

However, the Group suffered a loss of approximately HK\$4.3 million for the six months ended 30 June 2003 due to the increase in distribution and selling costs and administrative expenses.

Distribution and selling expenses increased to approximately HK\$9.4 million for the six months ended 30 June 2003 from approximately HK\$7.9 million for the corresponding previous period. The increase resulted from the investments in DROs, increase of marketing and promotional activities and increase of sales commission.

Administration expenses increased during the interim period under review to approximately HK\$5.7 million from approximately HK\$3.5 million in the corresponding previous period. The increase was mainly attributable to the expansion of the research and development centre of Essex Research which is responsible for carrying out research and development of TCM and chemical drug projects.

Use of proceeds from the initial public offering

The net proceeds raised from the placing of the Company's shares on The Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 27 June 2001 ("Placing") were approximately HK\$35 million. During the interim period under review, the Group had utilised approximately HK\$2 million to fund the research and development of the biopharmaceutical products, which has no significant discrepancy to the expected use of net proceeds as described in the Company's prospectus dated 19 June 2001 ("Prospectus").

The remaining net proceeds at 30 June 2003 was approximately HK\$5 million. The directors intend to use the net proceeds in the manner as disclosed in the Prospectus.

Capital structure

The capital of the Company comprises only ordinary shares. The Group has no borrowing as at 30 June 2003.

Significant investment

As at 30 June 2003, the Group did not have any significant investments.

Material acquisitions and disposals/Future plans for material investment

There had been on material acquisitions and disposals during the period under review. At present, the Group has no plans for material investments or capital assets other than those set out in the Prospectus.

Gearing ratio

The gearing ratio of the Group, based on total liabilities to shareholders' funds, was 0.25 as at 30 June 2003 (31 December 2002: 0.41).

Liquidity and financial resources

The Group generally financed its operations with internally generated cash flows and balance of proceeds from Placing.

As at 30 June 2003, the Group had cash and cash equivalents of approximately HK\$17 million as compared to approximately HK\$21.8 million as at 31 December 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.

Charge on group assets

As at 30 June 2003, the Group did not have any charges on its assets.

Contingent liabilities

As at 30 June 2003, the Group did not have any significant contingent liabilities.

Employees

As at 30 June 2003, the Group employed approximately 139 staff. The staff cost, including directors' emoluments was approximately HK\$4 million for the six months ended 30 June 2003 as compared with that of approximately HK\$3.5 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 149 employees (including three executive directors of the Company) of the Group to subscribe for a total of 39,725,000 shares, representing in aggregate approximately 7.75% of the issued share capital of the Company immediately following the completion of the Placing and the capitalization issue, at an exercise price in the range from HK\$0.1 to HK\$0.35 per share. As at 30 June 2003, the outstanding options pursuant to the pre-IPO share option scheme amounted to a total of 26,845,000 underlying shares of the Company.

REVIEW ON BUSINESS OBJECTIVES

**Business objectives for the period
ended 30 June 2003 as stated
in the Prospectus**

Actual business progress

Distribution channels and enterprise resources planning system

- | | |
|--|--|
| <p>1. To enlarge capital investment in the established in-market promotion joint ventures.</p> | <p>Expanded the sales and marketing forces for the nation-wide promotion of the Group's products in the PRC.</p> |
| <p>2. To continue the promotional activities for the sales of Beifuji (貝復濟) and Beifushu (貝復舒) in Hong Kong, Singapore and Malaysia.</p> | <p>Proceed with the application for import/export of Beifuji (貝復濟) and Beifushu (貝復舒) in Vietnam and Myanmar. Further inquiry made to the relevant government authorities regarding import/export of Beifuji (貝復濟) and Beifushu (貝復舒) in Hong Kong and Thailand.</p> |

Research and development

- | | |
|---|---|
| <p>1. To conduct clinical trials for Beifushi (貝復適) .</p> | <p>Clinical trials in Beifushi (貝復適) are in progress.</p> |
| <p>2. To begin clinical trials of Beifutai (貝復泰) .</p> | <p>Completed the pre-clinical tests on Beifutai (貝復泰) . Pending SFDA's approval to start the clinical trials.</p> |
| <p>3. To complete pre-clinical tests on rh-GDNF.</p> | <p>Pre-clinical tests on rh-GDNF are in progress and expected to be completed in 2004.</p> |

Production

<p>To commence engineering design and ordering of equipment and machinery for the production facilities for capsule formulation of Beifushi (貝復適) .</p>	<p>The engineering design for the production facilities for capsule formulation of Beifushi (貝復適) commenced in July 2003.</p>
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OTHER INFORMATION

Directors' and chief executives' interests in shares

As at 30 June 2003, the interests and/or short positions of the directors and the chief executives of the Company in shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) (the "SFO")) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or which were recorded in the register required to be kept by the Company under

Section 352 of the SFO, or which were required, pursuant to Rules 5.40 to 5.58 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

Interest in shares

Name of director	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	2,250,000	—	288,458,000 <i>(note 1)</i> 6,666,667 <i>(note 2)</i>	—	297,374,667
Fang Haizhou	2,000,000	—	—	—	2,000,000
Zhong Sheng	1,500,000	—	—	—	1,500,000

Notes:

- 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 wholly owned by Essex (Singapore) Pte Ltd (“Essex Singapore”). 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.

Interest in share options

Name of director	Number of share options			Exercise price HK\$
	granted on 13 June 2001	exercised/ lapsed	outstanding at 30 June 2003	
Ngiam Mia Je Patrick	4,500,000	2,250,000	2,250,000	0.10
Fang Haizhou	4,000,000	2,000,000	2,000,000	0.10
Zhong Sheng	3,000,000	1,500,000	1,500,000	0.10

Save as disclosed above, as at 30 June 2003, none of the directors, chief executives of the Company and their associates had any personal, family, corporate or other interest or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or which were recorded in the register required to be kept by the Company under Section 352 of the SFO, or which were required, pursuant to Rules 5.40 to 5.58 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

Substantial shareholders

As at 30 June 2003, the following shareholders were interested in more than 5% of the issued share capital of the Company as recorded in the register maintained under Section 336 of the SFO:

Name	Number of shares held	Approximate percentage of shareholding
Essex Holdings Limited	288,458,000	51.95%
Ngiam Mia Je Patrick	297,374,667 <i>(note 1)</i>	53.56%
Ngiam Mia Kiat Benjamin	295,449,667 <i>(note 2)</i>	53.21%
Lauw Hui Kian	297,374,667 <i>(note 3)</i>	53.56%

Notes:

1. (a) 2,250,000 shares are registered directly in the name of Ngiam Mia Je Patrick;
 (b) 288,458,000 shares are held by Essex Holdings; and
 (c) 6,666,667 shares are held by Dynatech.
2. (a) 325,000 shares are registered directly in the name of Ngiam Mia Kiat Benjamin;
 (b) 288,458,000 shares are held by Essex Holdings; and
 (c) 6,666,667 shares are held by Dynatech.
3. (a) 297,374,667 shares are held by Ngiam Mia Je Patrick, the spouse of Lauw Hui Kian.

Save as disclosed above, no person, other than the directors of the Company whose interests are set out in the section "Directors' and chief executives' interests in shares" above, was interested in or had a short position in the shares, underlying shares or debentures of the Company which would fall to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

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.

Directors' rights to acquire shares

Save as disclosed under the heading "Share option schemes" below, at no time since its incorporation was the Company, its holding company or any of its subsidiaries and fellow subsidiaries a party to any arrangement to enable the directors, their respective spouse or children under 18 years of age to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Share option schemes

Pursuant to a pre-IPO share option scheme (the "Pre-Scheme") adopted by the Company on 13 June 2001, the Company had granted pre-IPO share options on the Company's ordinary shares in favour of 149 employees (including 3 executive directors of the Company) of the Group.

The following share options were outstanding under the Pre-Scheme:

Name of participant	Date of grant	Number of share options			Exercise price HK\$
		granted	exercised/ lapsed	outstanding	
Ngiam Mia Je Patrick	13 June 2001	4,500,000	2,250,000	2,250,000	0.10
Fang Haizhou	13 June 2001	4,000,000	2,000,000	2,000,000	0.10
Zhong Sheng	13 June 2001	3,000,000	1,500,000	1,500,000	0.10
146 other employees or directors of subsidiaries of the Company	13 June 2001	28,225,000	7,130,000	21,095,000	0.10 to 0.35
		<u>39,725,000</u>	<u>12,880,000</u>	<u>26,845,000</u>	

No further options will be granted under the Pre-Scheme after listing of the Company's shares on GEM. Upon exercise of all outstanding pre-IPO share options in full, a total of 39,752,000 shares, representing in aggregate approximately 7.75% of the issued share capital of the Company immediately following the completion of Placing and the capitalization issue, at a subscription price ranging from 20% to 70% of the issue price of HK\$0.50 per share. All these options were granted on 13 June 2001 and may be exercised from 27 June 2001 to 26 June 2011.

As at 13 June 2001, the Company had also adopted a post-IPO share option scheme. As at 30 June 2003, no share options were outstanding under the post-IPO share option scheme.

Sponsor's interests

As at 30 June 2003 and 12 August 2003, 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.

Board practices and procedures

The Company has complied with the board practices and procedures as set out in Rules 5.28 to 5.39 of the GEM Listing Rules throughout the period ended 30 June 2003.

Purchase, redemption or sale of listed securities

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the period ended 30 June 2003.

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 2003 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, 13 August 2003