CHINA MEDICAL SCIENCE LIMITED

中華藥業有限公司*

(Incorporated in the Cayman Islands with limited liability)

FIRST QUARTERLY REPORT

2004

* *For identification purposes only*

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 a 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 newspaper. 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 CHINA MEDICAL SCIENCE LIMITED collectively and individually accept full responsibility, includes particulars given in compliance with Rules Governing the Listing of Securities on the GEM for the purpose of giving information with regard to CHINA MEDICAL SCIENCE LIMITED. The directors of CHINA MEDICAL SCIENCE LIMITED, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (i) the information contained in this report is accurate and complete in all material respects and not misleading; (ii) there are no other matters the omission of which would make any statement in this report misleading; and (iii) 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.

HIGHLIGHTS

- Turnover of the Group for the three months ended 31 October 2003 amounted to approximately HK$52,276,000, representing an increase of approximately 51.85% as compared with that of the corresponding period in 2002.

- Loss attributable to shareholders for the three months ended 31 October 2003 amounted to approximately HK$1,655,000, compared with a profit of approximately HK$3,040,000 recorded by the Group for the corresponding period in 2002.

- Basic loss per share amounted to approximately 0.33 cents for the three months ended 31 October 2003.

- The Directors do not recommend the payment of any interim dividend for the three months ended 31 October 2003.

RESULTS

The board of directors (the "Board") of China Medical Science 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 ended 31 October 2003 together with the comparative unaudited figures for the corresponding period of the previous financial year are as follows:

		For the three months ended 31 October	
		2003	2002
	Note	***HK$'000***	*HK$'000*
Turnover	*2*	**52,276**	34,426
Cost of sales		**(41,188)**	(23,451)
Gross profit		**11,088**	10,975
Other revenue & gains		**707**	640
Selling and distribution costs		**(3,493)**	(513)
General and administrative expenses		**(4,220)**	(3,294)
Other operating expenses		**(1,454)**	(1,316)
PROFIT FROM OPERATING ACTIVITIES		**2,628**	6,492
Finance costs		**(4,022)**	(2,715)
Share of profit/(loss) of an associate		**346**	(98)
(LOSS)/PROFIT BEFORE TAX		**(1,048)**	3,679
Tax	*3*	**—**	(292)
(LOSS)/PROFIT BEFORE MINORITY INTERESTS		**(1,048)**	3,387
Minority interests		**(607)**	(347)
NET (LOSS)/PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS		**(1,655)**	3,040
(LOSS)/EARNINGS PER SHARE	*4*		
— Basic		**(0.33) cents**	0.61 cents
— Diluted		**N/A**	0.59 cents

Notes:

1. Group reorganisation and basis of presentation

The Company was incorporated in the Cayman Islands on 22 September 2000 as an exempted company with limited liability under the Companies Law (2000 Revision) of the Cayman Islands. Pursuant to a group reorganisation (the "Reorganisation") to rationalise the Group's structure in preparation for the listing of the shares on GEM, the Company became the holding company of the companies now comprising the Group. The Company's shares have been listed on the GEM since 10 April 2001.

The principal accounting policies adopted in preparing the unaudited consolidated results conform with the Statements of Standard Accounting Practice (the "SSAPs") and Interpretations issued by the Hong Kong Society of Accountants, the disclosure requirements of Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited ("GEM Listing Rules").

The principal accounting policies adopted in preparing the unaudited consolidated results are consistent with those used in the annual financial statements for the year ended 31 July 2003 of the Group, except that the Group has adopted the SSAP 12 (revised) "Income Taxes" issued by Hong Kong Society of Accountants which became effective on 1 January 2003. The adoption of SSAP 12 (revised) does not have any significant effect on the Group's unaudited consolidated results.

2. Turnover

The Group's turnover represents the net invoiced value of goods sold after allowances for returns and trade discounts.

	For the three months ended 31 October	
	2003	2002
	HK$'000	*HK$'000*
Sale of human drugs	**39,847**	14,818
Sale of veterinary drugs	**5,939**	7,478
Sale of packaging materials	**6,490**	12,130
	52,276	34,426

3. Tax

No provision for Hong Kong profits tax has been made, as the Group had no assessable profits arising in Hong Kong for the three months ended 31 October 2003 (2002: Nil). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

The Group did not have any significant unprovided deferred tax liabilities for the three months ended 31 October 2003 (2002: Nil).

4. (Loss)/earnings per share

The calculation of the basic (loss)/earnings per share for the three months ended 31 October 2003 was based on the unaudited net (loss)/profit attributable to shareholders of approximately HK$(1,655,000) (2002: approximately HK$3,040,000) and the weighted average number of 500,000,000 (2002: 500,000,000) ordinary shares in issue during the period.

The diluted loss per share amount for the three months ended 31 October 2003 has not been disclosed, as the convertible note outstanding during the period had an anti-dilutive effect on the basic loss per share for the period.

The calculation of diluted earnings per share for the three months ended 31 October 2002 was based on the unaudited net profit attributable to shareholders of approximately HK$3,210,000. The weighted average number of ordinary shares used in the calculation was the 548,619,564 ordinary shares in issue during the period, as used in the basic earnings per share calculation, and the weighted average of 48,619,564 ordinary shares assumed to have been issued at no consideration on the deemed exercise of all convertible note during that period.

5. Reserves

	Share premium	Capital reserve	Exchange fluctuation reserve	Retained profits	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 August 2002	17,992	27,104	25	50,267	95,388
Net profit for the period	—	—	—	3,040	3,040
At 31 October 2002	17,992	27,104	25	53,307	98,428
At 1 August 2003	**17,992**	**27,104**	**25**	**49,615**	**94,736**
Net loss for the period	—	—	—	**(1,655)**	**(1,655)**
At 31 October 2003	**17,992**	**27,104**	**25**	**47,960**	**93,081**

DIVIDEND

The Directors do not recommend the payment of any interim dividend for the three months ended 31 October 2003. (2002: Nil).

BUSINESS REVIEW AND OUTLOOK

FINANCIAL REVIEW

The Group recorded a turnover of approximately HK$52,276,000 for the three months ended 31 October 2003, representing an increase of approximately 51.85% as compared with the corresponding period in the preceding year. The Group's gross profit margin dropped to approximately 21.21% during the three months ended 31 October 2003, as compared with that for the preceding year. The decline was mainly due to the increasing keen competition in the infusion medicine and packaging material markets, with product price declining. Also the regulatory changes introduced by the Ministry of Agriculture caused the return of veterinary drugs for re-packaging, which resulted in a decline in the turnover of Yuan Heng.

Chengdu Mt. Green Pharmaceutical Co., Ltd. ("Chengdu Mt. Green")

During the period under review, Chengdu Mt. Green has sold 9.12 million of bottles of infusion medicine for the three months ended 31 October 2003. Compared with the sales of 13.06 million of bottles in corresponding period of last year, sales of human infusion medicine have been decreased by 3.94 million of bottles or approximately 30.17%. In terms of values, the sales of the company have been decreased by approximately 34.36% as compared with that for the corresponding period in the preceding year. There are three major reasons for the decrease. Firstly, the company intended to reduce operating risk by establishing stronger credit control on customers. Files of individual customers have been set up. Customers' credit limit should be assessed and security of capital should also be guaranteed. As a result of setting up all these credit control measures, the sales of the company decreased accordingly. Secondly, due to the keen market competition, in order to gain market shares, most of the competing companies have reduced the sale prices of their products. The absolute amount of sales was then reduced. Moreover, the prices of raw materials increased during the period under review. These increases made the gross profit margin decrease by approximately 3.43% as compared with the corresponding period of last year. Lastly, in considering of the sale and marketing strategy, as the profit margin of infusion medicine is decreasing, Chengdu Mt. Green reduced its production during the period under review and shifted its efforts to develop new products of higher profit margins.

Facing the unfavourable market conditions, the company has adjusted its overall sales and marketing strategies. Instead of selling the infusion medicines by the regional manager, the company now sells directly the products to commercial customers and hospitals so as to minimize credit risks. Meanwhile, with a view to maintain the market presence, the company endeavoured its efforts to develop more new profitable products.

Sichuan Future Industrial Co., Ltd. ("Sichuan Future")

During the three-months period under review, the sale of Sichuan Future decreased from approximately HK$12,130,000 last year to approximately HK$6,490,000 for the corresponding period this year, representing a decrease of approximately 46.50%. The decrease was mainly due to the supply of aluminium plastic cap being excessive in the market. Profit margins of low end products are very slim, or even in a gross loss position. In this regard, Sichuan Future reduced its production of low end products gradually and transformed its production to high end products in order to develop this market segment and increase market penetration. As the transformation is still in a commencement stage, it could not be avoided that the sales volume of the company for the period was still quite low.

The aluminium plastic caps instead of natural rubber or purely aluminium cap is strictly used for anti-biotic powder injection and infusion medicine by State Food & Drug Administration ("SFDA") by the end of the year 2004. To face this new changes in the industry, the company does adopt a versatile strategic plan, while Sichuan Future will continue to stabilize the sale of traditional medical cap, and also push up the sale of multi-coloured transparent aluminium-plastic caps by various promotion activities, so as to expand the market share of the company and establish better relationship with other pharmaceutical companies.

Sichuan Future, during the period under review, endeavoured its efforts to enhance the quality control and minimize overall operational cost. Establishment of close relationship with the suppliers and infra-structure reorganization were the procedures adopted during the period under review.

Chengdu Viking Yuan Heng Pharmaceutical Co., Ltd. ("Chengdu Yuan Heng")

During the three-months period under review, the sale of Chengdu Yuan Heng amounted to approximately HK$5,939,000. It was approximately 20.58% lower than the sale of approximately HK$7,478,000 in the corresponding period of last year. The decrease was mainly due to the change of governmental policy. According to the 22nd Order issued by the Ministry of Agriculture in December 2002, the authority has introduced more stringent requirements for preparing the labels and the instructions for veterinary drugs. With effect from 1 October 2003, all old packaging should be abandoned and products with old packaging should therefore be returned to the factories for re-packaging. This re-packaging has created a lot of returns of products and losses to the company. On the other hand, as most of the medicine manufacturers have to be passed the GMP certification before 2005, those small manufacturers with remote chance of getting the certification, therefore, reduced the selling prices of their medicines significantly in order to sell all the remaining stock before the due date. Chengdu Yuan Heng has therefore reduced the selling prices of its products and suffered losses in sales and profit during the period under review.

After a long winding process, the acquisition of Sichuan Animal Medicine Factory by Chengdu Yuan Heng is almost completed. At present, the company has obtained the approval from the Ministry of Agriculture, the newly formed company「四川利亨生物藥業有限公司」has also obtained the business licence. It is expected that the production permit and the approval for transferring vaccine to 四川利亨will be finished in due course. At that time, Chengdu Yuan Heng will take over all fixed assets and production equipment from Sichuan Animal Medicine Factory. The production is expected to resume in 2004.

Research and development of new veterinary drugs will still be the key task for Yuan Heng in the future. The company will continue to enlarge the product portfolio in order to meet the market need.

Sichuan Shule Pharmaceutical Joint Stock Company Limited ("Sichuan Shule")

Sichuan Shule was acquired by Chengdu Mt. Green in May 2003. The consolidated turnover of the Group of last year included only two months' turnover of approximately HK$13,130,000 of Sichuan Shule. During the three-months period under review, the sale of Sichuan Shule increased to approximately HK$30,121,000. The increase in sale was mainly due to the quality products produced. Moreover, the continuously strengthened sales network and revised marketing strategy have also resulted in additional sales for the company.

During the period under review, Sichuan Shule endeavoured to accelerate the development of new products and enhanced its competitiveness through strengthening of quality management, refinement of operational procedure and adjustment of product mix, thereby providing a solid base for Sichuan Shule's future growth.

The trial run of the polypropylene bottle production line is completed. The production line is expected to operate in the next quarter and will be a new source of income for Sichuan Shule in the future.

The modification of solid medicine workshop is currently underway. The application of Good Manufacturing Practice certification will be submitted to the relevant authorities by the end of the year 2003.

Research and Development

Human drug:

The R&D projects undertaken by Sichuan Shule are progressing well. The latest Propofol Injection was well received by the market. The applications for new certificate for another two drugs are currently underway.

To enhance the product portfolio of Chengdu Mt. Green, the company has started the development of seven new products during the period under review. The new medicine certificates for 8 products are still pending for approval from the State Drug Administration ("SDA").

Veterinary drug:

During the period under review, 5 products had obtained pharmaceutical registration, namely Ribavirine Injection, Compound Ciprofloxacin Hydrochloride Injection, Compound Genta-Micronomicinum Suifas Injection (10ml), Compound Genta-Micronomicinum Suifas Injection (5ml) and An Qing Fen Zhen.

OUTLOOK

The financial year 2003/2004 is expected to be a year of significant development for the Group.

The significant broadening of human medicine product range of the Group through the acquisition of Sichuan Shule in 2003 is undisputed. As one of the leading manufacturers of nutritional infusion medicines (e.g. amino acids and fat emulsion solutions) and non-addictive anesthetics in the PRC, Sichuan Shule will continue to leverage on its advanced technology and research prowess to enhance competitiveness. Suitable adjustments in product range and development of advanced and high value-added products will be undertaken according to market changes in order to further enlarge Sichuan Shule's market coverage.

To improve profitability, Chengdu Mt. Green has commenced taking further initiatives to (i) improve production efficiency and resource utilization; (ii) consolidate current clients and develop new markets; and (iii) adjust and broaden its product range. Capitalising on the global awareness of effective Chinese medicine applications, Chengdu Mt. Green is considering the introduction of new products of Chinese medicine formulation this year.

Enlarging the sales network is one of the most important long-term objectives of Chengdu Yuan Heng. Concurrently, the company is diligently taking measures to expand its business operations and recover the losses in sales and profit resulting from the recent governmental policy changes. It is expected that the acquisition of vaccine projects and the accelerated related construction of new GMP-certified vaccine factories will be an effective means to achieve such targets. As the development of modernized agriculture and husbandry industry is one of top directives of the PRC government, it is evident that demand for modern vaccine products of international standards is growing in intensity as the industry develops. Chengdu Yuan Heng holds one of the 28 vaccine production licenses in the PRC. As non-GMP certified veterinary drug manufacturers will be forced to close down by the end of 2005, manufacturers able to uphold stringent production standards, such Chengdu Yuan Heng, will be in good positions to benefit from the more mature and regulated market.

In line with the strategies of the Group, Sichuan Future will continue to accelerate the pace of new product development. On one hand, Sichuan Future will boost the promotion of high-end aluminium plastic caps and endeavour to enlarge the market share of aluminium plastic caps for anti-biotic powder injection applications. On the other hand, continued implementation of cost control measures and improvements in management systems efficiency are pursued. Moreover, Sichuan Future actively monitors market trends with the objective of enhancing competitiveness through the development of new products and projects of robust market potential.

COMPETING INTEREST

None of the directors or the management shareholders (as defined in the GEM Listing Rules) of the Company or their respective associates had any interest in any business, which competes or may compete with the business of the Group.

DIRECTORS' AND CHIEF EXECUTIVES' INTEREST IN THE SHARES OF THE COMPANY

As at 31 October 2003, the interests or short positions of the directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which were notified to the Company and the Stock Exchange pursuant to Division 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 required to be entered into the register required to be kept by the Company, pursuant to 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:

Name of Director	Capacity and nature of interest	Number of shares in the Company	Percentage of the Company's issued capital
Mr. Wong Sai Chung *(Note)*	Through controlled corporations	400,000,000	80

Note: The interests in the shares of the Company attributable to Mr. Wong Sai Chung, an executive director, are held through Concord Pharmaceutical Technology (Holdings) Limited and Concord Business Management Limited. Concord Pharmaceutical Technology (Holdings) Limited and Concord Business Management Limited are investment holding companies wholly-owned by Mr. Wong Sai Chung.

Pursuant to the terms of the Company's Pre-IPO Share Option Scheme (the "Pre-IPO Plan") adopted by the Company on 23 March 2001, the Company has granted options to the following directors to subscribe for shares in the Company at any time from 10 October 2001 up to and including 22 March 2011 at an exercise price of HK$0.55 per share. Summarized details of the options which remain outstanding as at 31 October 2003 as follows:

Name of Director	Number of underlying shares
Mr. Wong Sai Wa	3,200,000
Mr. Kwan Kai Cheong	3,000,000

The exercise period of the Pre-IPO Plan is set out under the paragraph headed "Share Option Schemes" below. Details of the Pre-IPO Plan are set out in the Prospectus.

Pursuant to the Convertible Note issued by the Company on 23 March 2001, the following director has personal interests in the Convertible Note convertible into shares of the Company:

Name of Director	Outstanding principal	Number of underlying shares
Mr. Wong Sai Chung *(Note)*	HK$26,740,760.00	48,619,564

Note: The interests in the shares of the Company attributable to Mr. Wong Sai Chung are held through Concord Pharmaceutical Technology (Holdings) Limited and Concord Business Management Limited, each of Concord Pharmaceutical Technology (Holdings) Limited and Concord Business Management Limited is an investment holding company wholly-owned by Mr. Wong Sai Chung.

The principal terms of the Convertible Note are set out in the Prospectus.

The interests of the directors in share options granted by the Company are separately disclosed in the section "Share option schemes" in this report.

Save as disclosed above, as at 31 October 2003, none of the directors or chief executive of the Company had any interest or short position 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 would have 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 provision of the SFO) or which were required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the minimum standards of dealing by directors of listed issuers as referred to in Rules 5.40 to 5.58 of the GEM Listing Rules.

Save as disclosed above, at no time during the period was the Company or any of its subsidiaries a party to any arrangements to enable the Company's directors, their respective spouse or children under 18 years of age to acquire benefits by means of acquisition of shares in or debentures of the Company or any other body corporate.

SHARE OPTION SCHEMES

On 23 March 2001, the Company conditionally adopted the Pre-IPO Plan and a Share Option Scheme (the "Share Option Scheme"), the principal terms of both of which are set out in the Prospectus.

Pursuant to the Pre-IPO Plan, five employees of the Group (including two executive Directors) were conditionally granted options on 23 March 2001 to subscribe for an aggregate of 7,400,000 shares, which upon exercise in full will result in issue of 7,400,000 additional ordinary shares of HK$0.05 each for aggregate proceeds of HK$4,070,000 before the related shares issue expense. All of these options have a duration of 10 years from the date of grant of the options, and each option is exercisable in accordance with the terms of issue after 6 months from the date of listing of the shares on GEM, but each shall lapse if the relevant grantee ceases to be employed by the relevant companies. The option of 400,000 shares granted to Ms Yip Yuk Lin, the former qualified accountant, was cancelled on 17 August 2001 due to her resignation from the Group. Accordingly, as at 31 October 2003, the number of share options granted to the employees remained 7,000,000 shares. An aggregate amount of HK$3,850,000 will be generated if all share options are fully exercised. As at 31 October 2003, none of the directors or employees of the Company had exercised any share options and no allotment or issue of shares was made pursuant to the Pre-IPO Plan.

The option of 400,000 shares previously granted to Dr. Chan Ka Keung was cancelled on 19 November 2003 due to his resignation from the Group. As at the date of this report, the Company had 6,600,000 share options outstanding under the Pre-IPO plan. Then, an aggregate amount of HK$3,630,000 will be generated if all share options are fully exercised.

On 23 March 2001, the Company adopted a Share Option Scheme under which the board of directors of the Company may, at their discretion, grant options to full time employees of the Group, including any executive directors of the Company and any of its subsidiaries, to subscribe for shares in the Company in accordance with the provisions in the Share Option Scheme. The Share Option Scheme became effective on 23 March 2001 for a period of ten years. Further details of the Share Option Scheme are set out in the Prospectus. No options were granted under the Share Option Scheme during the period under review.

Save as disclosed above, no rights to acquire benefits by means of the acquisition of shares in or debentures of the Company were granted to any director, chief executive and substantial shareholder of the Company or their respective associates.

INTEREST DISCLOSEABLE UNDER THE SFO AND SUBSTANTIAL SHAREHOLDERS

So far as is known to any director or chief executive of the Company, as at 31 October 2003, shareholders (other than directors or chief executive of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or, directly, or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote on all circumstances at general meeting of any other members of the Group were as follows:

Name of shareholder	Company/ Name of Group member	Capacity	Number of shares held	% of shareholding
Concord Pharmaceutical Technology (Holdings) Limited *(Note)*	Company	Beneficial owner	400,000,000	80
Concord Business Management Limited *(Note)*	Company	Interest of a controlled corporation	400,000,000	80
Mr. Wong Sai Chung *(Note)*	Company	Interest of a controlled corporation	400,000,000	80

Note: Concord Pharmaceutical Technology (Holdings) Limited is a wholly-owned subsidiary of Concord Business Management Limited, the entire issued share capital of which is owned by Mr. Wong Sai Chung. Accordingly, each of Concord Business Management Limited and Mr. Wong Sai Chung is deemed to be interested in the 400,000,000 shares of the Company held by Concord Pharmaceutical Technology (Holdings) Limited.

As at 31 October 2003, Mr. Wong Sai Chung, Concord Business Management Limited and Concord Pharmaceutical Technology (Holdings) Limited were, or were taken to be, interested in the Convertible Note referred to in the section "Directors' and Chief Executives' interests in the Shares of the Company" in this report.

Save as disclosed above, as at 31 October 2003, the directors or chief executives of the Company were not aware of any other person (other than directors or chief executives of the Company) who had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of any other member of the Group.

AUDIT COMMITTEE

The Company set up an audit committee on 23 March 2001 with written terms of reference in compliance with the requirements as set out in Rules 5.23, 5.24 and 5.25 of the GEM Listing Rules. The audit committee has 2 members, namely Mr. Tsim Tak-Lung Dominic and Mr. Chow Wai Ming, both being independent non-executive directors. The primary duties of the audit committee are to review and supervise the financial reporting process and internal control of the Group, and to review the Group's annual reports and accounts, and half yearly and quarterly reports.

COMPLIANCE WITH BOARD PRACTICE 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 for the period under review.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

During the three months ended 31 October 2003, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

By Order of the Board
Wong Sai Chung
Chairman

Hong Kong, 12 December, 2003