



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
2004

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 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 Stock Exchange takes no responsibility for the contents of this report, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.

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 GEM of the Stock Exchange (the “GEM Listing Rules”) 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 respects 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") presents the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2004 as follows:

UNAUDITED CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

	Notes	For the three months ended 30 June		For the six months ended 30 June	
		2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Turnover	3	9,528	7,800	15,565	24,612
Cost of sales		(1,060)	(3,079)	(2,027)	(14,890)
Gross profit		8,468	4,721	13,538	9,722
Other revenue	4	3,749	263	4,379	866
Distribution and selling expenses		(5,080)	(4,967)	(8,141)	(9,412)
General and administrative expenses		(2,795)	(2,881)	(4,424)	(5,734)
Profit/(loss) from operating activities	5	4,342	(2,864)	5,352	(4,558)
Finance costs		(3)	(173)	(4)	(296)
Profit/(loss) before tax		4,339	(3,037)	5,348	(4,854)
Tax	6	-	-	-	-
Profit/(loss) before minority interests		4,339	(3,037)	5,348	(4,854)
Minority interests		-	349	-	553
Profit/(loss) from ordinary activities attributable to shareholders		4,339	(2,688)	5,348	(4,301)
Earnings/(loss) per share	8				
– basic		HK0.78 cent	HK(0.48) cent	HK0.96 cent	HK(0.77) cent
– diluted		HK0.78 cent	N/A	HK0.96 cent	N/A

CONDENSED CONSOLIDATED BALANCE SHEET

	<i>Notes</i>	30 June 2004 HK\$'000 (unaudited)	31 December 2003 HK\$'000 (audited)
Non-current assets			
Intangible assets		6,656	8,249
Fixed assets		5,680	6,654
Other investments		3,760	–
		16,096	14,903
Current assets			
Short term convertible loan		–	9,360
Inventories		319	429
Trade receivables	9	7,394	7,458
Other receivables, deposits and prepayments		2,513	2,484
Cash and bank deposits		21,377	10,522
		31,603	30,253
Current liabilities			
Trade and other payables	10	2,596	4,024
Accruals		3,711	4,993
VAT payable		1,981	1,972
Obligations under finance leases		97	97
		8,385	11,086
Net current assets		23,218	19,167
Total assets less current liabilities		39,314	34,070
Non-current liabilities			
Obligations under finance leases		(24)	(73)
Minority interests		–	(55)
		39,290	33,942
Capital and reserves			
Share capital		55,524	55,524
Reserves		(16,234)	(21,582)
		39,290	33,942

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Reserves						Total HK\$'000
	Issued capital HK\$'000	Share premium HK\$'000	Capital reserve and contributed surplus HK\$'000	Exchange fluctuation reserve HK\$'000	Retained earnings/ (Accumulated losses) HK\$'000	Reserves total HK\$'000	
At 1 January 2003	55,524	970	362	14	(4,573)	(3,227)	52,297
Loss for the period	—	—	—	—	(1,613)	(1,613)	(1,613)
At 31 March 2003	55,524	970	362	14	(6,186)	(4,840)	50,684
Loss for the period	—	—	—	—	(2,688)	(2,688)	(2,688)
At 30 June 2003	<u>55,524</u>	<u>970</u>	<u>362</u>	<u>14</u>	<u>(8,874)</u>	<u>(7,528)</u>	<u>47,996</u>
At 1 January 2004	55,524	970	362	14	(22,928)	(21,582)	33,942
Profit for the period	—	—	—	—	1,009	1,009	1,009
At 31 March 2004	55,524	970	362	14	(21,919)	(20,573)	34,951
Profit for the period	—	—	—	—	4,339	4,339	4,339
At 30 June 2004	<u>55,524</u>	<u>970</u>	<u>362</u>	<u>14</u>	<u>(17,580)</u>	<u>(16,234)</u>	<u>39,290</u>

UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	For the six months ended 30 June	
	2004 HK\$'000	2003 HK\$'000
NET CASH INFLOW FROM OPERATING ACTIVITIES	2,811	5,809
NET CASH INFLOW/(OUTFLOW) FROM INVESTING ACTIVITIES	8,092	(1,114)
NET CASH USED IN FINANCING ACTIVITIES	(48)	(9,504)
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	10,855	(4,809)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	10,522	21,837
CASH AND CASH EQUIVALENTS AT END OF PERIOD	21,377	17,028
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS		
CASH AND BANK BALANCES	21,377	17,028

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 2003.

2. Segment information

An analysis of the Group's revenues and results for the six months ended 30 June 2003 and 2004 by business segment is as follows:

	Continuing sector Biopharmaceutical products		Discounting sector Research and development projects		Consolidated	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Segment revenue	<u>15,565</u>	<u>24,526</u>	<u>-</u>	<u>86</u>	<u>15,565</u>	<u>24,612</u>
Segment results	<u>2,523</u>	<u>(2,358)</u>	<u>-</u>	<u>(1,253)</u>	<u>2,523</u>	<u>(3,611)</u>
Interest and unallocated gains					<u>4,377</u>	76
Unallocated expenses					<u>(1,552)</u>	<u>(766)</u>
Profit/(loss) attributable to shareholders					<u>5,348</u>	<u>(4,301)</u>

3. Turnover

Turnover represents net invoiced value of biopharmaceutical products supplied to customers, less discounts, returns, and applicable goods and services taxes.

4. Other revenue

	Three months ended 30 June		Six months ended 30 June	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Processing fee	-	24	-	25
Gain on disposal of investment	<u>3,736</u>	-	<u>4,156</u>	-
Gain on disposal of a subsidiary	-	-	<u>205</u>	-
Government subsidy	-	-	-	565
Interest income	<u>12</u>	39	<u>16</u>	76
Sundry	<u>1</u>	200	<u>2</u>	200
	<u>3,749</u>	<u>263</u>	<u>4,379</u>	<u>866</u>

5. Profit/(loss) from operating activities

The Group's profit/(loss) from operating activities is arrived at after charging:

	Three months ended 30 June		Six months ended 30 June	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Depreciation	250	413	565	827
Amortization	58	116	167	233

6. 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 2004 and the corresponding periods in 2003.

The Group's operating subsidiaries are all established and carrying on business in the Special Economic Zones of the People's Republic of China (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 2004 and the corresponding periods in 2003.

7. Dividend

No dividend has been paid or declared by the Company or any of the companies comprising the Group during the six months ended 30 June 2004 (2003: Nil).

8. Earnings/(loss) per share

(a) Basic

The basic loss per share for the three months and six months ended 30 June 2004 are calculated based on the consolidated profit attributable to shareholders of the Company for the three months and six months ended 30 June 2004 of approximately HK\$4,339,000 and HK\$5,348,000 respectively (2003: loss of approximately HK\$2,688,000 and HK\$4,301,000) and 555,244,000 shares and 555,242,286 shares respectively (2003: 555,240,000 shares and 555,240,000 shares respectively).

(b) Diluted

The calculation of the diluted earnings per share for the three months and six months ended 30 June 2004 are based on the unaudited consolidated profit attributable to shareholders of the Company for the three months and six months ended 30 June 2004 and 556,459,870 shares and 556,773,497 shares respectively.

The exercise of the share options granted by the Company would have an anti-dilutive effect on the loss per share for three months and six months ended 30 June 2003.

9. 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 2004 HK\$'000 (unaudited)	31 December 2003 HK\$'000 (audited)
0 – 60 days	5,038	4,527
61 – 90 days	1,528	1,576
> 90 days	828	1,355
	7,394	7,458

10. Trade and other payables

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

	30 June 2004 HK\$'000 (unaudited)	31 December 2003 HK\$'000 (audited)
0 – 60 days	805	3,419
61 – 90 days	192	20
> 90 days	1,599	585
	2,596	4,024

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 eye 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 other pharmaceutical projects.

The outbreak of SARS in the first half of 2003 created an extremely difficult operating environment for the Group and most Hong Kong and PRC businesses. Accordingly and proactively, the Group implemented market development and investment strategies to accomplish its business objectives and optimal revenue growth. The effectiveness of these strategies is evident in the positive turnaround in performance in the first quarter of 2004 and further reinforced by the significant and sustained performance in the second quarter of 2004 with the Group registering a profit of approximately HK\$5.3 million in the first half of 2004.

Obtained good supply practice certificate

On 10 February 2004, the Group obtained the Good Supply Practice (“GSP”) certificate from the State Food Drug Administration of China (“SFDA”) for the period from 10 February 2004 to 9 February 2009.

The GSP are guidelines and regulations from time to time issued pursuant to the Law of the PRC on the Administration of Pharmaceuticals as part of quality assurance to ensure that pharmaceutical products subject to those guidelines and regulations are consistently distributed in compliance with prescribed quality control standards for safe and effective use by the public. Requirements are set in terms of hardware and software standards such as specified storage conditions for warehouse, information management policy, personnel distribution chain. In accordance with the SFDA’s announcement, both GSP and GMP certificates are mandatory for the operations of manufacturing and distribution of pharmaceutical products in the PRC on 31 December 2004 and 30 June 2004 respectively.

The Group, together with the GMP certificate obtained in 2000, is now recognised as a full-fledged authorised manufacturer and distributor in the PRC pharmaceutical arena and is strategically and competitively poised to extend its market coverage and penetration of its flagship biopharmaceutical products as well as third party pharmaceutical products.

Entrenching market presence, continuously strengthening sales and distribution network through direct representative offices (“DROs”)

The Group continued to execute its plan of establishing a network of DROs in strategic cities to complement the already established distribution network and are aimed at providing more effective control and management of market coverage and reach.

As at 30 June 2004, a total of nine DROs have been established throughout major provinces in the PRC.

Priming research and development (“R&D”) pipeline with innovative market driven products

The cessation of the R&D operations in Shenzhen in the last quarter of 2003 enabled the Group to better utilise its resources and realise return on investments.

The Group channelled its resources to focus on cultivating its genetic R&D activities at its Zhuhai facilities. Genetic drug projects in the product pipeline include 貝復適 (Beifushi), 貝復泰 (Beifutai), Calcitonin, rh-GDNF, 貝復濟凝膠劑型 (Beifuji in gel formulation) and 貝復舒凝膠劑型 (Beifushu in gel formulation).

FINANCIAL REVIEW

The Group registered an unaudited profit attributable to shareholders of approximately HK\$5.3 million for the six months ended 30 June 2004, a significant turnaround when compared to the loss of approximately HK\$4.3 million for the corresponding period in the previous year.

The turnaround is attributable to the effectiveness of the Group's market development and restructuring strategies that were implemented in 2003. These included:

- Consistent investment in market development, in particular the establishment of the DROs which complemented the already established distribution network and are aimed at providing more effective control and management of market coverage and reach;
- Major restructuring measures which included the cessation of R&D operations in Shenzhen which enabled the Group to better utilise its resources to focus on cultivating its genetic R&D activities and realise return on investments; and
- Deeper market acceptance and penetration of its core biopharmaceutical products, particularly 貝復舒 (Beifushu).

The Group recorded a revenue of approximately HK\$14.2 million from the sales of its flagship category I biopharmaceutical products 貝復濟 (Beifuji) and 貝復舒 (Beifushu).

The significant decrease in Group revenue to approximately HK\$15.6 million for the six months ended 30 June 2004 from approximately HK\$24.6 million for the corresponding period in last year was a result of the cessation of the distribution of biopharmaceutical insulin products, although there was an increase of 32.7% in the sales of the flagship biopharmaceutical products.

The cessation of the biopharmaceutical insulin products and the accompanying rise in the sales of the flagship biopharmaceutical products bolstered and amplified the gross profit margin from 39.5% to 87%.

The significant improvement in gross profit margin is a reflection of the inherent and consistent high gross margin nature of the flagship category I biopharmaceutical products 貝復濟 (Beifuji) and 貝復舒 (Beifushu).

As a result, overall gross profit for the six months ended 30 June 2004 increased to approximately HK\$13.5 million when compared to approximately HK\$9.7 million for the same period in last year.

Distribution and selling expenses decreased to approximately HK\$8.1 million for the six months ended 30 June 2004 when compared to approximately HK\$9.4 million for the same period in last year. This is attributable to cost savings in various areas including sales commissions to distributors which were progressively replaced by the DROs, decrease in outsourcing for marketing and promotional activities, stringent cost control and increased efficiency.

Administration expenses decreased to approximately HK\$4.4 million for the six months ended 30 June 2004 when compared to approximately HK\$5.7 million for the corresponding period in last year. The decrease is mainly attributable to the cessation of the R&D centre in Shenzhen.

The increase in gross profit and the concomitant decrease in operating expenses have resulted in profit attributable to shareholders of approximately HK\$5.3 million for the six months ended 30 June 2004.

The Group maintained a healthy financial position with approximately HK\$21.4 million cash on hand (31 December 2003: approximately HK\$10.5 million).

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

On 2 December 2003, the Group entered into a convertible loan agreement with AsiaPharm Group Ltd ("AsiaPharm") whereby the Group agreed to make available to AsiaPharm a convertible loan facility of an amount of US\$1,200,000 (equivalent to HK\$9,360,000) (the "Loan").

On 31 March 2004, the Group had issued a conversion notice to AsiaPharm to convert the full sum of the principal amount of the Loan into such number of shares of AsiaPharm representing 3.84% of the issued and paid-up capital of AsiaPharm as enlarged by the conversion.

Details of the transaction and the conversion were specified in the circular and announcement issued by the Company on 19 December 2003 and 7 April 2004 respectively.

Save as disclosed above, the Group did not have any significant investments during the period under review.

Material acquisitions and disposals of subsidiaries/Future plans for material investment

On 6 March 2004, the Group entered into a sale and purchase agreement with a third party whereby the third party would purchase the Group's 66% equity interest in Essex Pharmaceutical Research Centre Company Limited, at a consideration of RMB330,000 (equivalent to approximately HK\$311,000).

Save as disclosed above, there had been no material acquisitions and disposals during the period under review. At present, the Company and the Group have no plans for material investments or capital assets.

Gearing ratio

The gearing ratio of the Group, based on total liabilities to shareholders' funds, was 0.21 as at 30 June 2004 (31 December 2003: 0.33).

Liquidity and financial resources

The Group generally financed its operations with internally generated cash flows.

As at 30 June 2004, the Group had cash and cash equivalents of approximately HK\$21.4 million as compared to approximately HK\$10.5 million as at 31 December 2003.

Foreign exchange exposure

It is the Group's policy to borrow in local currencies to minimise currency risk.

Capital structure

There has been no change in the capital structure of the Company during the period under review. The capital of the Company comprises only ordinary shares. The Company and the Group has no borrowing as at 30 June 2004.

Charge on group assets

As at 30 June 2004, the Group did not have any charges on its assets.

Contingent liabilities

As at 30 June 2004, the Group did not have any significant contingent liabilities.

Employees

As at 30 June 2004, the Group employed approximately 107 staff. The aggregate remuneration of the Group's employees, including that of the directors, for the period under review and the previous period amounted to approximately HK\$2.8 million and approximately HK\$4 million respectively. The Group remunerates its employees based on their performance, experience and the prevailing industry practice. Share options and bonuses are also available to employees of the Group at at the discretion of the directors and depending on the financial performance of the Group.

Each of the 3 executive directors has entered into a director's service agreement with the Company. Under the service agreements, they have been appointed to act as executive directors for an initial term of three years commencing from 27 June 2001 and renewed for another three years expiring on 27 June 2007. The annual remuneration were fixed in the respective service agreement and each of them is also entitled to a management bonus which shall be in an aggregate amount equal to 6% of the audited consolidated profits of the Group before taxation and extraordinary items for the relevant financial year, provided that such consolidated profits shall exceed HK\$5,000,000, which is payable within three months after the availability of the audited consolidated accounts of the Group for the relevant financial year.

OTHER INFORMATION

Directors' interests in contracts

No director had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company, its holding company or any of its subsidiaries and fellow subsidiaries was a party during the period ended 30 June 2004.

Directors' and chief executives' interests and short positions in shares, underlying shares and debentures

At 30 June 2004, the interests and 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 (the "SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Rule 5.46 of the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the "GEM Listing Rules") were as follows:

Long positions in ordinary shares of the Company

Name of director	Directly beneficially owned	Through spouse or child under 18	Through controlled corporation	Beneficiary of a trust	Total
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 was deemed to be interested in these shares as he was 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 was deemed to be interested in these shares as he was entitled to exercise or control the exercise of more than one-third of the voting power of Dynatech at general meeting.

Interest in underlying shares of the Company

Pursuant to a pre-IPO share option scheme (the "Pre-IPO Scheme") adopted by the Company on 13 June 2001, the Company had granted Pre-IPO share options on the Company's ordinary shares to the executive directors. Details of share options to subscribe for shares in the Company granted to the executive directors as at 30 June 2004 were as follows:

Directors of the Company	Number of share options outstanding as at 30 June 2004	Percentage of the share options to the Company's issued share capital as at 30 June 2004	Exercise period of share option	Exercise price per share HK\$
Ngiam Mia Je Patrick	2,250,000	0.41%	27 June 2001 to 12 June 2006	0.01
Fang Haizhou	2,000,000	0.36%	27 June 2001 to 12 June 2006	0.01
Zhong Sheng	1,500,000	0.27%	27 June 2001 to 12 June 2006	0.01

None of the options granted to the directors under the Pre-IPO Schemes have been exercised, cancelled or lapsed during the six months ended 30 June 2004.

On 20 June 2003, the Company adopted a share option scheme (the "Post-Scheme"), the principal terms of which were set out in the circular of the Company dated 19 March 2003. No options have been granted under the Post-Scheme up to the balance sheet date.

Save as disclosed above, as at 30 June 2004, none of the directors, chief executives of the Company had registered an interest or short position in any shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or otherwise notified to the Company and the Stock Exchange pursuant to Rule 5.46 of the GEM Listing Rules.

Substantial shareholders' and other persons' interests and short positions in shares and underlying shares

At 30 June 2004, the following company and persons (other than the directors or chief executives of the Company) have interests or short positions in the shares and underlying shares of the Company which as recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

Long positions

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

Notes:

1. (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.
2. (a) 297,374,667 shares are held by Ngiam Mia Je Patrick, the spouse of Lauw Hui Kian.

Save as disclosed above, as at 30 June 2004, no person or company (other than the directors and chief executives of the Company) had registered an interest or short position in the shares and underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

Competition and conflict of interests

None of the directors, the management shareholders or substantial shareholders of the Company or any of their respective associates has engaged in any business that competes or may compete with the business of the Group or has any other conflict of interests with the Group during the period ended 30 June 2004.

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 2004.

Board practices and procedures

The Company has complied with the board practices and procedures as set out in Rules 5.34 to 5.45 of the GEM Listing Rules throughout the six months ended 30 June 2004.

Compliance with Rules 5.48 to 5.67 of the GEM Listing Rules

The Company has adopted a code of conduct regarding directors' securities transactions on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules throughout the six months ended 30 June 2004. Having made specific enquiry of all directors, the Company's directors have complied with such code of conduct and required standard of dealings throughout the six months ended 30 June 2004.

Audit committee

The Company established an audit committee with written terms of reference in compliance with Rules 5.28 and 5.29 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 and Fung Chi Ying and Mauffrey Benoit Jean Marie, who are the independent non-executive directors of the Company. The Group's unaudited results for the six months ended 30 June 2004 have been reviewed by the audit committee, which was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements and that adequate disclosure have been made.

Directors of the Company

Executive directors of the Company as at the date of this report are Ngiam Mia Je Patrick, Fang Haizhou and Zhong Sheng and the independent non-executive directors of the Company as at the date of this report are Fung Chi Ying and Mauffrey Benoit Jean Marie.

On behalf of the Board
Ngiam Mia Je Patrick
Chairman

Hong Kong, 13 August 2004