



RESULTS

For the six months ended 30th June 2003, the unaudited turnover of INNOMAXX Biotechnology Group Limited (the "Company") and its subsidiary companies (collectively "the Group") decreased by 69% to approximately HK\$8,627,000 as compared to the corresponding period for 2002. The decrease in turnover is mainly due to the sales of investment properties of HK\$19,200,000 during last period while no investment property was disposed of in the current period. Major income of the Group includes the rental income from the shopping mall in the PRC and the processing and storage fees of cord blood business. The Group's loss attributable to shareholders was reduced to approximately HK\$12,982,000 for the period under review (2002: HK\$19,604,000) as there was a loss on disposal of investment property of HK\$11,742,000 in 2002.

INTERIM DIVIDEND

The Directors do not recommend the payment of any interim dividend in respect of the period (2002: nil).

BUSINESS REVIEW

Cord Blood Storage

Established in 1996, Cell Therapy Technologies Centre Limited ("CTTC"), a wholly-owned subsidiary company of the Group, is principally involved in the processing, storage, matching and use of umbilical cord blood stem cells and the research and commercial development of stem cells for therapeutic and scientific applications.

CTTC's financial performance in the first half of the year 2003 reflected some underlying strengths. The storage fee has increased by 32% over the previous period. This growing storage fee provides a predictable and expanding source of recurring revenue and is a significant contributor to a healthy cash flow performance.

From an operation perspective, CTTC has successfully recruited additional experienced and highly qualified staff to increase the number of specimens that can be processed annually and to maintain the highest standard of the laboratory. The Board believes this will make CTTC one of the Asia's largest and best providers of umbilical cord blood storage services.



Chinese Medical Health Food

On 28th March 2003, the Group acquired 10% equity interest in Universal Biotech Company Limited ("UBC"), a biotechnology company incorporated in Taiwan, Republic of China, at a cash consideration of HK\$30,000,000. UBC's main businesses are research and development, production and sale of Chinese medical health food and Chinese medical pharmaceutical products.

Property Investment

The Group holds the shopping mall situated at the second floor of GITIC Plaza, Guangzhou, the PRC, of which the rental income has been steady with stable occupation rate for the period under review.

On 16th December 2002, the Group acquired 20% equity interest in Happy Bright Holdings Limited ("Happy Bright") at a cash consideration of HK\$40,000,000. Happy Bright shares 85% net profit in Guangzhou Huakang Dikong Development Co., Ltd. (廣州市華康地空開發有限公司), a company incorporated in the PRC, of which its main business is the development and sales of Kang Wang Centre, a development project in Guangzhou, the PRC. Kang Wang Centre is a two-storey underground shopping mall located at Kang Wang Road, Liwan District, Guangzhou City, Guangdong Province, the PRC, and is expected to commence business in the first half of year 2004.

PLACING AND SUBSCRIPTION OF NEW SHARES

On 5th February 2003, the Company allotted and issued 239,200,000 new shares of HK\$0.10 each to independent investors at a price of HK\$0.10 per share. The aggregate proceeds was approximately HK\$23.6 million after deducting placing commission. HK\$7.9 million has been applied as general working capital of the Company and the remaining HK\$15.7 million has been applied as part of the consideration of HK\$30 million in acquiring 10% of equity interest in UBC.

On 5th August 2003, the Company allotted and issued 287,000,000 new shares of HK\$0.10 each to independent investors at a price of HK\$0.10 per share. The aggregate proceeds of approximately HK\$28.4 million, after deducting placing commissions, was applied as general working capital of the Group.



Pursuant to conditional subscription agreement dated 5th August 2003 with China Worldbest Group (Hong Kong) Company Limited ("China Worldbest"), an independent third party engaging in textile and pharmaceutical business in the PRC and overseas countries, 280,000,000 new shares of HK\$0.10 each will be placed to China Worldbest at a price of HK\$0.10 per share. The estimated proceeds will be HK\$27.5 million upon completion of the placement. China Worldbest would then become the single largest substantial shareholder of the Group with 13.47% of the enlarged share capital. The condition for placement has not yet been met.

The Group also entered into a conditional subscription agreement dated 5th August 2003 with China Worldbest for subscription in cash for a HK\$36,000,000 convertible bond to be issued at par by the Company. The bond will bear interest at the rate of 4% per annum on outstanding principal amount and is payable semi-annually on 30th June and 31st December each year. The bond will carry a right to convert into new shares of the Company at an initial conversion price of HK\$0.10 per share until maturity date, which should be the second anniversary from date of issue. The conditions for the placement of the bond has not yet been met.

Subsequent to 30th June 2003, the Company issued 74,188,000 and 2,400,000 new shares of HK\$0.10 each to eligible participants through exercising their share options previously granted at exercise prices of HK\$0.10 per share and HK\$0.145 per share respectively.

FINANCING

All the Group's funding and treasury activities are centrally managed and controlled at the corporate level. Following the placing of new shares and disposal of non-core business and assets, the financial position of the Group is strong and the Group's cash and bank balances, and other short-term investments as at 30th June 2003 amounted to HK\$52,397,000 (31st December 2002: HK\$4,020,000).



As at 30th June 2003, the Group had net current assets of HK\$89,918,000 (31st December 2002: HK\$67,978,000) and a current ratio of 7.21 (31st December 2002: 2.79). The Group's consolidated bank borrowing which was denominated in HK dollar and carried interest rate at 2.65% above HIBOR, totalled HK\$42,910,000 (31st December 2002: nil). The gearing ratio, as a ratio of total liabilities to shareholders' funds, was 22% (31st December 2002: 17%).

As most of the cash reserves were placed in RMB short-term deposits with major banks in the PRC, exposure to exchange fluctuation is minimal.

PROSPECTS

The Board believes that focusing CTTC's attention on its core business will offer the greatest opportunity to sustain and accelerate its growth. In addition, CTTC has planned to introduce cord blood storage service to the neighboring cities such as Macau and Mainland China in 2003. While in Hong Kong, CTTC is dedicating more resources to develop and execute new marketing initiatives. CTTC will focus its marketing efforts to create public awareness for the benefits of cord blood storage and seek support from the physicians and other medical professionals for cord blood storage. In 2003, CTTC is also looking for opportunities to partner with hospitals and other medical institutions to market cord blood storage service.

In general, the Group will actively identify opportunities to invest in both of the biotechnology, especially in pharmaceutical products, and PRC property areas so as to bring in significant improved returns and contribute enhanced value to our shareholders.



SHARE OPTION SCHEME

(i) Outstanding options

Under the Company's share option schemes approved by the shareholders of the Company on 11th March 1997 (the "Old Scheme") and 26th June 2002 (the "New Scheme"), the Directors of the Company may, at their discretion, invite Executive Directors and key employees of the Company or its subsidiaries to subscribe for shares in the Company subject to terms and conditions stipulated therein. The Old Scheme was terminated on 26th June 2002 such that no further options shall be offered but the options granted shall continue to be valid and exercisable in accordance with their terms of issue and in all other respects its provisions shall remain in full force and effect.

Details of the share options outstanding as at 30th June 2003 which have been granted under the Old Scheme and New Scheme are as follows:

	Number of options				Exercise price HK\$	Grant date	Exercisable from	Exercisable until
	held at 1st January 2003	granted during the period (Note 2)	exercised during the period	held at 30th June 2003				
Tong Nai Kan	17,500,000	—	—	17,500,000	0.145	29th August 2001	1st March 2002	28th February 2005
	—	9,966,000	—	9,966,000	0.100	3rd January 2003	3rd January 2003	2nd January 2008
Leung Wai Kwan	12,000,000	—	—	12,000,000	0.145	29th August 2001	1st March 2002	28th February 2005
	—	9,966,000	—	9,966,000	0.100	3rd January 2003	3rd January 2003	2nd January 2008
Chen Gao (Note 1)	2,000,000	—	—	2,000,000	0.145	29th August 2001	1st March 2002	28th February 2005
Cheung Ming Man (Note 1)	12,000,000	—	—	12,000,000	0.145	29th August 2001	1st March 2002	28th February 2005
	—	9,966,000	—	9,966,000	0.100	3rd January 2003	3rd January 2003	2nd January 2008
Ko Ming Tung, Edward	—	996,000	—	996,000	0.100	3rd January 2003	3rd January 2003	2nd January 2008
Tang Tin Sek	—	996,000	—	996,000	0.100	3rd January 2003	3rd January 2003	2nd January 2008
	<u>43,500,000</u>	<u>31,890,000</u>	<u>—</u>	<u>75,390,000</u>				
Continuous contract employees	1,400,000	—	—	1,400,000	0.145	29th August 2001	1st March 2002	28th February 2005
	—	53,260,000	—	53,260,000	0.100	3rd January 2003	3rd January 2003	2nd January 2008
Total	<u>44,900,000</u>	<u>85,150,000</u>	<u>—</u>	<u>130,050,000</u>				



Notes:

1. Subsequent to the period end 30th June 2003, Chen Qiao and Cheung Ming Man resigned as Directors of the Company. Under the terms of the Old Scheme, their options will expire after 24 months following their resignation.
2. The closing price of the shares of the Company as stated in The Stock Exchange of Hong Kong Limited (the "Stock Exchange") daily quotation sheet on 2nd January 2003, being the trading day immediately preceding the date of grant of the relevant options, was HK\$0.10 per share.

(ii) Valuation of share options

The value of the options depends on a number of factors such as the exercise price, the exercise period, interest rate, expected volatility and other relevant variables. The Directors believe that any calculation of the value of the options as at 30th June 2003 based on a great number of speculative assumptions would not be meaningful and would be misleading to the shareholders. Therefore the Directors believe it is not appropriate to state herein the value of options granted.

Save as disclosed above, during the six months ended 30th June 2003, none of the Directors and chief executive of the Company nor any of their spouse or children under 18 was granted or holding options to subscribe for shares in the Company (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), nor had exercised such rights.

Apart from the foregoing, at no time during the period was the Company or any of its subsidiary companies a party to any arrangements to enable the Directors of the Company or their associates to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.



DIRECTORS' INTERESTS IN CONTRACT

No contracts of significance in relation to the Group's business to which the Company or any of its subsidiary companies was a party and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the period or at any time during the period.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION

At 30th June 2003, the interests and short positions of each Director and Chief Executive in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), as recorded in the register maintained by the Company under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") contained in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") were as follows:

(a) *Issued Share Capital*

As at 30th June 2003, none of the Directors and their associates had any interests or short positions in any shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

(b) *Share Options*

Details of the Directors' personal interests in the share options to subscribe for shares in the Company are set out in the section headed "Share Option Scheme" above.



SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES OF THE COMPANY

The register of substantial shareholders maintained under Section 336 of the SFO shows that as at 30th June 2003, the Company had been notified of the following substantial shareholders' interests and short positions, being 5% or more of the Company's issued share capital. These interests are in addition to those disclosed above in respect of the Directors and chief executives.

ORDINARY SHARES OF HK\$0.10 EACH IN THE COMPANY

Corporate Interest	Number of shares	Percentage of issued share capital
Sunberry Investments Limited	155,546,482	10.84%
U-Cyber Technology Holdings Limited	155,546,482	10.84%
Choi Hing Enterprises Limited	100,000,000	6.97%

Notes:

Sunberry Investments Limited is a wholly owned subsidiary company of U-Cyber Technology Holdings Limited. Accordingly, the interests of Sunberry Investments Limited are deemed to be, and have therefore been included in, the interests of U-Cyber Technology Holdings Limited.

Save as disclosed above, as at 30th June 2003, the Directors are not aware of any other persons who have interests or short positions in the shares, underlying shares of equity derivatives or debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO) which would be required to be disclosed to the Company pursuant to Part XV of the SFO.



AUDIT COMMITTEE

The Audit Committee has reviewed with the management of the Company the accounting principles and practices adopted by the Company, internal control and financial reporting matters including a review of the interim financial statements.

HUMAN RESOURCES

As at 30th June 2003, the Group had 21 employees in Hong Kong. Employee remunerations are in accordance with the nature of their duties and remain competitive under current market trend. Staff benefits include medical schemes and Mandatory Provident Fund schemes for Hong Kong employees.

COMPLIANCE WITH THE CODE OF BEST PRACTICE

In the opinion of the Board, the Company has complied with the Code of Best Practice as set out in Appendix 14 of the Listing Rules on the Stock Exchange throughout the accounting period under review.

PURCHASE, SALE OR REDEMPTION OF SHARES OR WARRANTS

The Company has not redeemed any of its shares or warrants during the six months ended 30th June 2003. Neither the Company nor any of its subsidiary companies has purchased or sold any of the Company's shares or warrants during the period.

ACKNOWLEDGEMENT

The Board would like to take this opportunity to express our sincere thanks to our shareholders for their support and to our staff for their contributions and diligence during the period.

On Behalf of the Board

Tong Nai Kan

Chairman and Managing Director

Hong Kong, 10th September 2003



CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the six months ended 30th June 2003

		2003	2002
	<i>Note</i>	HK\$'000	HK\$'000
Turnover	2	8,627	27,610
Cost of sales		(822)	(31,894)
Gross profit/(loss)		7,805	(4,284)
Other revenues		1,122	26
Administrative expenses		(18,947)	(13,695)
Operating loss	3	(10,020)	(17,953)
Financial expenses	4	(2,504)	(1,229)
Share of losses of associated companies		(273)	—
Loss before taxation		(12,797)	(19,182)
Taxation	5	(185)	(422)
Loss attributable to shareholders		(12,982)	(19,604)
		HK Cents	HK Cents
Loss per share	6	(0.93)	(2.10)



CONSOLIDATED BALANCE SHEET

As at 30th June 2003

		30th June 2003 HK\$'000	31st December 2002 HK\$'000
Non-current assets			
Fixed assets	7	152,306	152,828
Associated companies		37,199	37,471
Goodwill	7	22,097	23,554
Long-term investment		30,000	—
		<u>241,602</u>	<u>213,853</u>
Current assets			
Inventories, at cost		294	217
Debtors and prepayments	8	51,686	101,785
Trading securities		170	170
Taxation recoverable		17	—
Cash and bank balances		52,227	3,850
		<u>104,394</u>	<u>106,022</u>
Current liabilities			
Creditors and accruals	9	10,161	13,102
Advance from a Director		—	4,482
Current portion of long-term liabilities	10	4,315	309
Bank overdrafts and short-term loan		—	20,034
Taxation		—	117
		<u>14,476</u>	<u>38,044</u>
Net current assets		<u>89,918</u>	<u>67,978</u>
Employment of funds		<u>331,520</u>	<u>281,831</u>
Financed by:			
Share capital	11	143,523	119,603
Reserves		141,063	154,045
Shareholders' funds		284,586	273,648
Long-term liabilities	10	39,437	686
Deferred tax liabilities		7,497	7,497
Funds employed		<u>331,520</u>	<u>281,831</u>



CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30th June 2003

	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Contributed surplus <i>HK\$'000</i>	Accumulated loss <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 31st December 2002					
As previously reported	119,603	175,946	152,150	(166,554)	281,145
Prior year adjustment (Note 1)	—	—	—	(7,497)	(7,497)
As restated	119,603	175,946	152,150	(174,051)	273,648
Issue of new shares for cash	23,920	—	—	—	23,920
Loss for the period	—	—	—	(12,982)	(12,982)
At 30th June 2003	<u>143,523</u>	<u>175,946</u>	<u>152,150</u>	<u>(187,033)</u>	<u>284,586</u>
At 31st December 2001					
As previously reported	77,123	175,946	152,150	(129,989)	275,230
Prior year adjustment (Note 1)	—	—	—	(7,395)	(7,395)
As restated	77,123	175,946	152,150	(137,384)	267,835
Issue of new shares for cash	22,550	—	—	—	22,550
Loss for the period	—	—	—	(19,604)	(19,604)
At 30th June 2002	<u>99,673</u>	<u>175,946</u>	<u>152,150</u>	<u>(156,988)</u>	<u>270,781</u>



CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30th June 2003

	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
Net cash from/(used in) operating activities	32,581	(48,741)
Cash flows from investing activities		
Acquisition of long-term investment	(30,000)	—
Purchase of fixed assets	(848)	(260)
Proceeds from sale of fixed assets	—	19,200
Dividend received	1	—
Net cash (used in)/ from investing activities	(30,847)	18,940
Cash flows from financing activities		
Issue of new shares	23,920	22,550
New long-term bank loan	42,910	—
New short-term loan	—	20,000
Repayment of long-term bank loan	—	(10,528)
Repayment of short-term loan	(20,000)	—
Capital element of finance leases rental payments	(153)	(64)
Net cash flows from financing activities	46,677	31,958
Increase in cash and cash equivalents	48,411	2,157
Cash and cash equivalents at beginning of period	3,816	(1,364)
Cash and cash equivalents at end of period	52,227	793
Analysis of cash and cash equivalents		
Cash and bank balances	52,227	793



NOTES TO THE INTERIM ACCOUNTS

For the six months ended 30th June 2003

1 Basis of preparation and accounting policies

The accounts have been prepared under the historical cost convention, as modified by the revaluation of certain properties, and in accordance with generally accepted accounting principles in Hong Kong.

In 2003, the Group adopted the revised Statement of Standard Accounting Practice No. 12 "Income taxes" issued by the Hong Kong Society of Accountants. Under the revised standard, deferred taxation is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the accounts. Taxation rates enacted or substantively enacted by the balance sheet date are used to determine deferred taxation. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. Deferred taxation is provided on temporary differences arising on investments in subsidiaries, and associated companies, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

In prior years, deferred taxation was accounted for using the liability method at the current taxation rate in respect of timing differences between profit as computed for taxation purposes and profit as stated in the accounts to the extent that a liability or an asset was expected to be payable or recoverable in the foreseeable future. The adoption of the revised standard represents a change in accounting policy and has been applied retrospectively. As a result, reserves of the Group as at 31st December 2002 have been reduced by HK\$7,497,000. However, the effect of such change to the results for the period is not material.

Apart from the foregoing, the accounting policies adopted for the preparation of these accounts are consistent with those used in the annual accounts for the year ended 31st December 2002.



2 Turnover and segment information

The Group is principally engaged in property investment, processing and storage of cord blood.

Turnover represents sales of investment properties, security trading, gross rental income and income from processing and storage of cord blood.

In accordance with the Group's internal financial reporting and operating activities, the primary segment reporting is by business segments and the secondary segment reporting is by geographical segments.

A summary of turnover and operating results is set out as follows:

	2003		2002	
	Turnover <i>HK\$'000</i>	Operating results <i>HK\$'000</i>	Turnover <i>HK\$'000</i>	Operating results <i>HK\$'000</i>
Business segments				
Sales of investment properties	—	—	19,200	(11,742)
Rental income	4,398	411	4,557	1,378
Processing, storage and enrolment fees	4,228	(1,148)	3,853	(1,830)
Securities trading	1	(2)	—	—
Corporate	—	(9,281)	—	(5,759)
	8,627	(10,020)	27,610	(17,953)
Geographical segments				
Hong Kong	4,229	(10,431)	23,393	(20,634)
Mainland China	4,398	411	4,217	2,681
	8,627	(10,020)	27,610	(17,953)



3 Operating loss

	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
Operating loss is stated after crediting:		
Gross rental income	4,398	4,557
Less: related outgoings	(1,576)	(3,179)
Bad debts recovered	1,079	—
	<u><u> </u></u>	<u><u> </u></u>
and after charging:		
Staff costs (including Directors' emoluments)	4,927	3,717
Depreciation	1,370	1,341
Amortisation of goodwill	1,457	1,457
Operating lease rental expenses for land and buildings	1,216	863
	<u><u> </u></u>	<u><u> </u></u>

4 Financial expenses

	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
Interest on short-term loan wholly repayable within five years	2,173	847
Interest on bank loan wholly repayable within five years	—	268
Interest on bank loan not wholly repayable within five years	300	—
Interest on bank overdrafts	—	87
Interest on finance lease obligations wholly payable within five years	31	27
	<u><u> </u></u>	<u><u> </u></u>
	2,504	1,229
	<u><u> </u></u>	<u><u> </u></u>



5 Taxation

	2003 HK\$'000	2002 HK\$'000
Overseas taxation charge	<u>185</u>	<u>422</u>

No provision for Hong Kong profits tax has been made as the Group does not have any assessable profit for the period (2002: nil). Provision has been made at the rates of taxation prevailing in Mainland China on the estimated assessable profit for the period.

6 Loss per share

The calculation of loss per share is based on the loss attributable to shareholders for the period of HK\$12,982,000 (2002: HK\$19,604,000) and on the weighted average of 1,388,974,709 shares (2002: 935,612,415 shares) in issue during the period.

Diluted loss per share is not presented as there are no dilutive potential shares for the options granted under the Company's share option schemes.

7 Capital expenditures

	Fixed assets <i>HK\$'000</i>	Goodwill <i>HK\$'000</i>	Total <i>HK\$'000</i>
Net book amount			
At 31st December 2002	152,828	23,554	176,382
Additions	848	—	848
Depreciation and amortisation	(1,370)	(1,457)	(2,827)
At 30th June 2003	<u>152,306</u>	<u>22,097</u>	<u>174,403</u>
Net book amount			
At 31st December 2001	183,325	26,468	209,793
Additions	259	—	259
Disposals	(30,502)	—	(30,502)
Depreciation and amortisation	(1,341)	(1,457)	(2,798)
At 30th June 2002	<u>151,741</u>	<u>25,011</u>	<u>176,752</u>



8 Debtors and prepayments

	30th June 2003 HK\$'000	31st December 2002 HK\$'000
Trade debtors	33,684	33,309
Other debtors	16,237	66,751
Deposits and prepayments	1,765	1,725
	<hr/> 51,686 <hr/>	<hr/> 101,785 <hr/>

Trade debtors include an amount receivable from Guangdong International Building Enterprises Company Limited ("GIBE"), a former fellow subsidiary company, amounting to HK\$32,511,000 (2002: HK\$31,755,000). This receivable represents rental income from the investment properties of the Group at GITIC Plaza, Guangzhou collected by GIBE on behalf of the Group after netting off the property management fees payable. Since Guangdong International Trust & Investment Corporation ("GITIC"), the former ultimate holding company, commenced liquidation in October 1998, GIBE faced cash flows and other financial constraints and therefore withheld all payments to the Group. In 2002, the liquidators of GITIC proposed to dispose of its interest in GIBE and agreed to apply part of such proceeds to repay the amount due to the Group. Since GIBE has significant property interest in Guangzhou, the Directors are confident that this amount receivable will be fully recoverable following the completion of the sale by the liquidators of GITIC. In view of the circumstances explained above, the Directors consider that it is not meaningful to present an ageing analysis of the receivable from GIBE.

Rental income from tenants is due and payable in advance. The credit term granted to trade debtors in respect of processing and storage of cord blood is usually 30 days. The ageing analysis of the remaining trade debtors, prepared in accordance with the due dates, is as follows:

	30th June 2003 HK\$'000	31st December 2002 HK\$'000
Below 30 days	585	1,003
30 to 60 days	223	231
61 to 90 days	125	106
Over 90 days	240	214
	<hr/> 1,173 <hr/>	<hr/> 1,554 <hr/>



9 Creditors and accruals

	30th June 2003 HK\$'000	31st December 2002 HK\$'000
Trade creditors	191	433
Other creditors	5,008	5,317
Accrued expenses	4,962	7,352
	<u>10,161</u>	<u>13,102</u>

The ageing analysis of the Group's trade creditors is as follows:

	30th June 2003 HK\$'000	31st December 2002 HK\$'000
Below 30 days	190	431
30 to 60 days	—	—
61 to 90 days	1	—
over 90 days	—	2
	<u>191</u>	<u>433</u>

10 Long-term liabilities

	30th June 2003 HK\$'000	31st December 2002 HK\$'000
Bank loan, secured	42,910	—
Obligations under finance leases wholly payable within five years	842	995
	<u>43,752</u>	<u>995</u>
Current portion of long-term liabilities	(4,315)	(309)
	<u>39,437</u>	<u>686</u>



11 Share capital

	30th June 2003 HK\$'000	31st December 2002 HK\$'000
Authorised :		
4,000,000,000 shares of HK\$0.10 each	<u>400,000</u>	<u>400,000</u>
Issued and fully paid :		
1,435,228,853 shares (2002: 1,196,028,853 shares) of HK\$0.10 each	<u>143,523</u>	<u>119,603</u>

On 5th February 2003, the Company allotted and issued 239,200,000 new shares of HK\$0.10 each at an issue price of HK\$0.10 per share for cash to provide additional working capital to the Group. All the new shares rank pari passu with the existing shares.

12 Commitments

(a) Capital commitments

In October 2002, the Group entered into an agreement to acquire 45% equity interest in Sanshui Tak Yu Plastic Products Factory, a company established in Mainland China whose principal activity is the manufacturing of plastic consumer products, at a consideration of RMB 15,000,000. The acquisition is anticipated to complete in early 2004.

(b) Operating lease commitments

The future aggregate minimum lease rental expense in respect of land and buildings under non-cancellable operating leases is payable in the following years:

	30th June 2003 HK\$'000	31st December 2002 HK\$'000
2003	1,798	3,047
2004	<u>2,059</u>	<u>1,720</u>
	<u>3,857</u>	<u>4,767</u>



(c) Operating lease rental receivable

The future aggregate minimum lease rental income in respect of land and buildings under non-cancellable operating leases is receivable in the following years:

	30th June 2003 HK\$'000	31st December 2002 HK\$'000
2003	4,330	8,271
2004	8,307	7,239
2005	8,046	7,187
2006	6,577	6,514
2007	4,255	4,264
2008 and afterwards	54,532	54,651
	86,047	88,126

13 Related party transactions

The following is a summary of the significant related party transactions carried out in the normal course of the Group's business activities during the period:

	30th June 2003 HK\$'000	30th June 2002 HK\$'000
Rental expenses	460	—
Management fee	460	—

The Group rented the office premises from Universal Cyber Technology Holdings Limited, a wholly owned subsidiary company of U-Cyber Technology Holdings Limited, a substantial shareholder of the Company, at a consideration of HK\$80,298 per month, as revised to HK\$58,000 per month since June 2003. The rental charge was arrived with reference to open market rate of similar commercial properties in the same district.

U-Cyber Technology Holdings Limited also provides administrative services to the Company since January 2003 in return for a management fee of HK\$76,600 per month. The management fee was negotiated on an arm's length basis.



14 Subsequent event

- (a) On 5th August 2003, the Company allotted and issued 287,000,000 new shares of HK\$0.10 each at an issued price of HK\$0.10 per share for cash to provide additional working capital.
- (b) On 5th August 2003, the Company entered into agreements with China Worldbest, incorporated in Hong Kong, for the subscription of 280,000,000 new shares at a price of HK\$0.10 each and convertible bond of HK\$36,000,000 at par. The bond will carry a right to convert into new shares of HK\$0.10 each in the issued share capital of the Company at an initial conversion price of HK\$0.10 per share, subject to adjustment. The issues of the new shares and bond are conditional, *inter alia*, approval by shareholders in general meeting, and anticipated to complete in October 2003.
- (c) Subsequent to 30th June 2003, the Company issued 74,188,000 and 2,400,000 new shares of HK\$0.10 each to employee through exercising their share options previously granted at exercise prices of HK\$0.10 per share and HK\$0.145 per share, respectively.