



Global Green Tech Group Limited

高寶綠色科技集團有限公司

(Incorporated in the Cayman Islands with limited liability)



Biotechnology

2003

Biotechnology
Interim Report

Interim Report

FINANCIAL HIGHLIGHTS

- Turnover increased 25.93% to HK\$351.76 million
- Net profit increased 23.42% to HK\$91.79 million
- Basic earnings per share were HK13.60 cents
- Cash and cash equivalents amounted to HK\$431.71 million
- Gearing ratio (Total debts / Total assets x 100%) was 4.31%

The Board of Directors (the "Directors") of Global Green Tech Group Limited (the "Company") is pleased to present the interim report and condensed accounts of the Company and its subsidiaries (collectively the "Group") for the six months ended 30 June 2003. The consolidated results, consolidated cash flow statement and consolidated statement of changes in equity for the Group for the six months ended 30 June 2003, and the consolidated balance sheet as at 30 June 2003 of the Group, all of which are unaudited and condensed, along with selected explanatory notes, are set out on pages 13 to 30 of this report.

MANAGEMENT DISCUSSION AND ANALYSIS

Results

For the six months ended 30 June 2003, the Group recorded a turnover of HK\$351.76 million, representing an increase of 25.93% as compared to HK\$279.34 million in the preceding year. 91.30% of turnover was derived from the People's Republic of China ("PRC") while the remaining balance came from Hong Kong. Profit attributable to shareholders was HK\$91.79 million, surging for 23.42% compared to HK\$74.37 million in the last corresponding period.

The growth in turnover was mainly attributable to the Group's three-pronged business strategy. During the period under review, demand for industrial surfactants remained stable, blessed by the post-WTO quota relaxation in textile and garment manufacturing in Hong Kong and the PRC, while sales of home and personal care products experienced a satisfactory growth with regard to the outbreak of Severe Acute Respiratory Syndrome ("SARS"). Despite of the deleterious influence on the sales of Marjorie Bertagne ("MB") which significantly dropped under the impact of SARS, this was offset by the growth of household and personal care products and industrial products, and therefore there was no significant adverse impact on the Group's overall performance.

OPERATIONAL REVIEW

I. Home and Personal Care Products

During the period under review, home and personal products brought in significant revenues, contributing 44.57% of total turnover and representing a marginal gain of 3.94% when compared to the same period of last year. Due to the outbreak of SARS and the government's call for better hygiene, sales of various products including bleach, disinfectant and other antiseptic-related household cleaning products increased significantly from March to May 2003 against last year's figure. In addition, the Group donated a substantial amount of home and personal care products, such as disinfectants to people in need among community during the SARS crises. To cater for the huge market demand, 21 new home and personal care products were launched, building up a total portfolio of 142 product types. The Group believes that home and personal care products will continue to drive stable growth.

OPERATIONAL REVIEW *(Cont'd)*

II. Industrial Surfactants

Sales of industrial surfactants constituted nearly 27.50% of the Group's turnover, indicating an increase of 21.78% compared with the corresponding period last year. During the period under review, there was a continuous steep rise of crude oil price in the lead up to the war in Iraq, resulted the Group's petroleum-based raw materials experienced a temporary price increase. In view of this, the business margins and profitability of the industrial products were inevitably affected. However, thank to the increasing demand from the textile boom stimulated by the post-WTO quota relaxation as well as the government's policy to phase out phosphorus detergents in the PRC, the Group continues to benefit from its development of environmental-friendly industrial surfactants. During the period under review, the Group launched 16 new products in the market, bringing the total portfolio to 56 product types, helping it to capture the huge opportunities in the market.

III. Cosmetics and Skin Care Products – Marjorie Bertagne (“MB”)

During the period under review, sales of MB constituted nearly 15.56% of the Group's turnover. Due to the SARS outbreak from March 2003 onwards, consumer spending and retail sales slowed to a virtual stand still both locally and regionally, dealing a blow to MB's overall performance. To pave way for MB's long-term business development, continuous efforts have been placed to establish a widespread retail network. As such, 15 counters were set up in Hong Kong and Macau, while 60 were established in the PRC. In addition, a new series of skin care product – Contour Lift Serum was launched in April 2003 to build a comprehensive product profile. With regard to the Group's production facilities, a GMP compliant manufacturing base with 5 production lines has been put into production in March 2003, making the Group a pioneer in the skin care manufacturing industry in the PRC.

IV. Bio-technology Products

During the period under review, the Group continued to engage in the production of bio-technology products in medical and cosmetic applications. This includes its “hEGF” product (effective in revitalizing human skin and heal surface wounds) which together with its other bio-technology products show promising market potential. This diversification has not only widened the Group's revenue base, it also promises a bright future in the years to come.

USE OF PROCEEDS FROM ISSUE OF SHARES

During the period the Company's substantial shareholders, Motivated Workforce Consultants Limited ("MWC") and Inviting Finance Limited ("IFL") agreed to place through placing an agent, UOB Asia (Hong Kong) Limited, in aggregate of 100,000,000 existing shares of the Company to more than six independent investors at a price of HK\$1.28 per share. MWC and IFL then subscribed for an aggregate of 100,000,000 new shares of the Company, ranking equally with existing shares of the Company, at the price of HK\$1.28 per share. The Company borne all the costs and expenses incurred in connection with the subscription and reimbursed MWC and IFL for all the costs and expenses incurred by them in connection with the placement. Net proceeds of the subscription were approximately HK\$124 million after deducting the professional fees and all related expenses. The Company intends to apply the net proceeds from the Placement to expand the production capacity in its industrial surfactants by 40,000 tons per annum from currently 20,000 tons per annum to 60,000 tons per annum. The Directors confirmed that as at 30 June 2003, the net proceeds of the subscription were placed on short term deposits with major banks in the PRC and Hong Kong.

During the period, 64,667,900 share options were exercised at an average exercise price of HK\$1.28 per ordinary share with cash proceeds of approximately HK\$82.62 million, before any related expenses. The net proceeds from the exercise of share options were used to finance general working capital requirement. The exercise of 64,667,900 share options resulted in the issue of 64,667,900 additional ordinary shares of the Company.

INTERIM DIVIDEND

The Board has declared an interim dividend of HK2 cents (*2002: HK3 cents*) for every share held by members of the Company whose names appear on the register of members of the Company at the close of business on 14 November 2003 for the six months ended 30 June 2003. The Board expects that the interim dividend declared will be paid on or about 30 November 2003.

CLOSURE OF REGISTER OF MEMBERS

The register of members will close from 15 November 2003 to 20 November 2003, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the interim dividend, transfer forms accompanied by the relevant share certificates, must be lodged with the Company's Hong Kong Branch Registrar, Tengis Limited at G/F, BEA Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong not later than 4:00 p.m. on 14 November 2003.

LIQUIDITY AND FINANCIAL RESOURCES

The Group maintained cash or cash equivalent of approximately HK\$431.71 million as at the balance sheet date. The Group adopts conservative treasury policies in cash and financial management. Most of the retained cash was placed in Renminbi and Hong Kong Dollar short-term deposits with major banks in the PRC and Hong Kong, exposure to exchange fluctuations has been minimal. Shareholders' fund as at 30 June 2003 was HK\$997.52 million compared with that of HK\$708.82 million as at 31 December 2002, representing an increase of HK\$288.70 million or 40.73%.

The Group's capital expenditure for the six months ended 30 June 2003 amounting to HK\$62.40 million were funded from internal cash generation, bank loans and finance leases.

The indebtedness of the Group mainly comprises of trust receipt loans, bank loans and finance leases which are largely denominated in Hong Kong dollars and Renminbi. The Group's borrowings are closely monitored to ensure a smooth repayment schedule to maturity.

The banking facilities mainly comprises of trust receipt loans and invoice financing loan of tenor up to 120 days from the invoice date. The bank interest rates are mainly fixed with reference to either the Hong Kong Prime Rate or the Hong Kong Interbank Offer Rate.

As at 30 June 2003, the Group had aggregate banking facilities of HK\$117.80 million of which about HK\$35.70 million had been drawn down.

The Group's inventory turnover period increased to 76 days from that of 45 days for the same period of last year, owing to the outbreak of SARS which caused the inventories of cosmetic and skin care products piling up in the warehouse. The turnover period of debtors and creditors were 75 days and 30 days respectively.

Debt to equity ratio (total debt over shareholders' equity) and gearing ratio (total debts over total assets) were improved to 4.87% and 4.31% respectively. Current ratio and Quick ratio were 6.42 and 4.04 respectively whilst interest cover was 81.84 times.

PROSPECTS

With the accreditation from the Department of Science and Technology of Guangdong Province as a Hi-Tech Enterprise of Guangdong Province in May 2003, the Group will further strengthen its research and development capabilities, developing its bio-technology business and generating strong momentum for a prosperous future growth.

The development project for enzymes has been one of the highlights of the Group's bio-technology business. A new production complex was completed in Dongguan in March 2003 for the production of this product. Full-scale operations will be commenced in the second half of this year. Additionally, another bio-technology product L(+)-Lactic Acid is expected to commence production in late 2003, sharing the same state-of-the-art enzyme production facilities to maximize overall efficiencies. L(+)-Lactic Acid has numerous consumer uses in the food and cosmetics industry, as well as in the pharmaceutical and industrial applications. It also has huge potential as an environmental friendly solution for plastic containers.

PROSPECTS *(Cont'd)*

With regard to the Group's core business, the recent SARS health epidemic has stimulated the demand for home and personal care products. In addition, the relaxation of quota restrictions on textile products in the PRC will bring strong and sustained demand for industrial surfactants. Currently, the Group's 7 existing production lines for industrial surfactants are being fully utilized. Plans are therefore in hand to invest approximately HK\$100 million to set up a new production plant with 6 additional production lines adjacent to the existing Dongguan plant. Full-scale operations will be commenced in the second quarter of 2004, ultimately increasing the Group's production capacity by 300%. Last but not least, the Group will continue to broaden its product variety to widen its revenue base while also providing promising support for the Group's high-growth bio-technology business development.

In the cosmetics and skin care business, the Group will further diversify its MB product range, rolling out a new series of men's skin care products in November 2003. In addition, priority will be placed on network expansion, to maintain 15 outlets in Hong Kong and Macau and to reach 100 in the PRC by 2003. Recently, the Group successfully sponsored "Miss Hong Kong Pageant 2003". This high-visibility strategy will not only arouse the Group and MB's brand awareness, hand-in-hand with its series of promotional campaigns, it also serves as evidence of the Group's stringent quality controls.

EMPLOYEES AND REMUNERATION POLICIES

The Group's clear and effective management policies have enabled it to maintain good staff relations. It has not encountered any difficulties in recruiting experienced personnel and there has not been any interruption to its operations as a result of labour disputes. The Group provides social security benefits encompassing the mandatory provident fund and health insurance scheme to all its employees. It does not shoulder any material liability arising from the relevant statutory retirement scheme.

As at 30 June 2003, the Group had 510 salaried employees of which 460 and 50 were stationed respectively in the PRC and in Hong Kong. Total staff costs paid during the period was approximately HK\$10.59 million.

SHARE OPTIONS

Pursuant to an ordinary resolution passed at an extraordinary general meeting of the Company held on 20 December 2001, the share option scheme adopted by the Company on 28 November 2000 (the "Old Scheme") was terminated and a new share option scheme (the "New Scheme") was adopted. Upon termination of the Old Scheme, no further share options can be granted thereunder but in all other respects, the provisions of the Old Scheme remain in force and all share options granted prior to such termination continue to be valid and exercisable in accordance therewith. There are no changes in any terms of the schemes during the six months ended 30 June 2003. The detailed terms of the schemes were disclosed in the 2002 annual accounts.

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

Participant	Date of grant *	Exercise price HK\$**	Number of share options			Company's share price ***		
			At 1 January 2003	Granted during the period	Exercised during the period	At 30 June 2003	At date of grant HK\$**	At date of exercise HK\$
Executive Directors								
Mr. Choi Woon Man	4 January 2001	0.67	469,200	–	391,000	78,200	0.82	1.41
Mr. Li Kwong Mo, Peter	4 January 2001	0.67	4,800,000	–	1,000,000	3,800,000	0.82	1.35
			<u>5,269,200</u>	<u>–</u>	<u>1,391,000</u>	<u>3,878,200</u>		
Other employees								
In aggregate	4 January 2001	0.67	136,800	–	107,200	29,600	0.82	1.34
			<u>136,800</u>	<u>–</u>	<u>107,200</u>	<u>29,600</u>		
Share options granted under the Old Scheme			<u>5,406,000</u>	<u>–</u>	<u>1,498,200</u>	<u>3,907,800</u>		

SHARE OPTIONS (Cont'd)

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

Participant	Date of grant *	Exercise price HK\$**	Number of share options			Company's share price ***		
			At 1 January 2003	Granted during the period	Exercised during the period	At 30 June 2003	At date of grant HK\$**	At date of exercise HK\$
Suppliers of goods or services, customers and others								
In aggregate	22 March 2002	1.33	1,200,000	–	–	1,200,000	1.35	N/A
	29 July 2002	1.50	25,616,000	–	15,315,700	10,300,300	1.44	1.38
	8 January 2003	1.23	–	30,042,000	12,000,000	18,042,000	1.23	1.32
	9 June 2003	1.15	–	60,000,000	7,500,000	52,500,000	1.15	1.19
			<u>26,816,000</u>	<u>90,042,000</u>	<u>34,815,700</u>	<u>82,042,300</u>		
Other employees								
In aggregate	22 March 2002	1.33	1,200,000	–	1,200,000	–	1.35	1.31
	29 July 2002	1.50	1,020,000	–	1,020,000	–	1.44	1.31
	8 January 2003	1.23	–	29,932,000	26,134,000	3,798,000	1.23	1.31
	9 June 2003	1.15	–	15,996,000	–	15,996,000	1.15	N/A
			<u>2,220,000</u>	<u>45,928,000</u>	<u>28,354,000</u>	<u>19,794,000</u>		
Share options granted under the New Scheme			<u>29,036,000</u>	<u>135,970,000</u>	<u>63,169,700</u>	<u>101,836,300</u>		
Total share options granted			<u>34,442,000</u>	<u>135,970,000</u>	<u>64,667,900</u>	<u>105,744,100</u>		

No share options have lapsed during the period.

Note:

* The exercisable period of the above share options is three years from the date of the grant as determined by the Directors.

** The exercise price and the Company's share price as at the date of grant have been adjusted following a board resolution passed on 27 August 2002 for the bonus issue of ordinary shares to the shareholders of the Company.

*** The price of the Company's share disclosed as at the date of the grant of the share options is the Stock Exchange's closing price on the trading day immediately prior to the date of the grant of the options. The price of the Company's shares disclosed as at the date of the exercise of the share options is the weighted average closing price of the shares immediately before the dates on which share options were exercised.

SHARE OPTIONS *(Cont'd)*

The financial impact of options granted is not recorded in the Company's and Group's accounts until such time as the options are exercised. Upon the exercise of the options, the resulting shares issued are recorded by the Company as additional share capital at the nominal value of the shares, and the excess of the exercise price per share over the nominal value of the shares is recorded by the Company in the share premium account. Options which lapsed, if any, prior to their exercise date are deleted from the outstanding options.

The Directors do not consider it appropriate to state the value of the options granted during the period as a number of variables which are crucial for the calculation of the options value have not been determined. The Directors believe that any calculation of the value of the options based on a great number of speculative assumptions would not be meaningful and would be misleading.

Subsequent to the balance sheet date, there is no any new share option granted by the Company. An aggregate of 43,344,800 ordinary shares was issued subsequent to the balance sheet date upon the exercise of the outstanding share options at an average exercise price of HK\$1.17 each. Total cash proceeds received thereon, before any related expenses, was approximately HK\$50,827,000.

CONTINGENT LIABILITY AND CHARGE ON GROUP ASSETS

The Group did not have any significant contingent liabilities as at 30 June 2003.

As at 30 June 2003, certain of the Group's fixed assets and bank deposits were pledged to its bankers to secure general banking facilities granted to the Group in Hong Kong.

As at 30 June 2003, all banking facilities of the Group were secured by corporate guarantees executed by the Company and certain subsidiaries of the Group.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the Period.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN EQUITY OR DEBT SECURITIES

At 30 June 2003, the interests (which are all long positions) of the Directors and Chief Executives in the ordinary shares and underlying shares of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO") (including interest which they are deemed or taken to have under such provisions of the SFO)), as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company were as follows:

Name of Director	Number of ordinary shares/underlying shares held			
	Personal interests	Corporate interests	Family interests	Percentage of shareholding
Mr. Lau Jin Wei, Jim	5,582,926 <i>(note (a))</i>	—	96,809,560 <i>(note (b))</i>	13.34%
Mr. Choi Woon Man	938,400 <i>(note (c))</i>	81,416,780 <i>(note (d))</i>	—	10.73%
Mr. Li Kwong Mo, Peter	5,040,000 <i>(note (e))</i>	—	—	0.66%
Ms. Wong Wai Kwan, Connie	760,050 <i>(note (f))</i>	—	—	0.10%
Mr. Yip Wai Leung, Jerry	120,000 <i>(note (f))</i>	—	—	0.02%

Notes:

- (a) The personal interest of Mr. Lau Jin Wei, Jim comprises 5,400,000 ordinary shares and 182,926 underlying shares in respect of warrants granted by the Company to him, the details of which are stated in the following section "Warrants".
- (b) There are 80,712,000 ordinary shares and 16,097,560 warrants to subscribe for ordinary shares of the Company as shown above held by MWC, a company incorporated in the British Virgin Islands. The entire share capital of MWC is owned by Mr. Lau Ru Dong, the father of Mr. Lau Jin Wei, Jim.
- (c) The personal interest of Mr. Choi Woon Man comprises 860,200 ordinary shares and 78,200 underlying shares in respect of share options granted by the Company to him, the details of which are stated in the above section "Share options".
- (d) There are 73,368,000 ordinary shares and 8,048,780 warrants to subscribe for ordinary shares of the Company as shown above held by IFL, a company incorporated in the British Virgin Islands. The entire share capital of IFL is owned by Mr. Choi Woon Man.
- (e) The personal interest of Mr. Li Kwong Mo, Peter comprises 1,240,000 ordinary shares and 3,800,000 underlying shares in respect of share options granted by the Company to her, the details of which are stated in the above section "Share options".
- (f) The personal interests of Ms. Wong Wai Kwan, Connie and Mr. Yip Wai Leung, Jerry represent ordinary shares of 760,050 and 120,000 held by them respectively.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN EQUITY OR DEBT SECURITIES

(Cont'd)

Save as disclosed above, no directors, chief executives or their associates had any interest or short position in the shares or underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the 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 of Hong Kong Limited pursuant to the Model Code for Securities Transaction by Directors of Listed Companies.

WARRANTS

Pursuant to an ordinary resolution passed in the extraordinary general meeting of the Company held on 18 October 2001, the Company granted bonus warrants to its shareholders on the basis of one warrant for every five existing ordinary shares of HK\$0.10 each in the issued share capital of the Company held by the shareholders whose name appear on the register of members of the Company at the close of business on 18 October 2001.

No warrants were granted or exercised during the period. At 30 June 2003, there were 66,000,884 outstanding warrants. Each of the warrants entitles the holder thereof to subscribe for one ordinary share of the Company at the adjusted subscription price of HK\$2.05 per share, payable in cash and subject to adjustment for any dilutive effects, at any time during the period from 22 October 2002 to 30 December 2003 (both dates inclusive). The detailed terms of the warrants were disclosed in the 2002 annual accounts.

SUBSTANTIAL SHAREHOLDERS

At 30 June 2003, the register of substantial shareholders maintained under Section 336 of the SFO showed that, the Company had been notified of the following substantial shareholders' interests, being 5% or more of the Company's issued share capital:

Name of shareholder	Number of ordinary shares	Percentage of the Company's share capital
MWC	80,712,000	10.52%
IFL	<u>73,368,000</u>	<u>9.56%</u>

All the interests disclosed above represent long positions in the shares of the Company.

Save as disclosed above, the Company has not been notified by any other person (other than a director of the Company disclosed above) who has an interest or short position in the shares or underlying shares of the Company which are required to be recorded in the register kept by the Company pursuant to Section 336 of the SFO as at 30 June 2003.

COMPLIANCE WITH THE CODE OF BEST PRACTICE

In the opinion of the directors, the Company complied with the Code of Best Practice (the “Code”) as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”), throughout the accounting period covered by the interim report, except that the non-executive director and the independent non-executive directors of the Company are not appointed for a specific terms as required by paragraph 7 of the Code, but are subject to retirement by rotation and re-election at the annual general meeting in accordance with the Company’s articles of association.

AUDIT COMMITTEE

The Company has an audit committee (the “Committee”) which was established in accordance with the requirements of the Code. The Committee comprises two independent non-executive directors of the Company, Mr. Ou Ying Ji and Mr. Yip Wai Leung, Jerry. The principal duties of the Committee include the review and supervision of the Group’s financial reporting process and internal controls. The unaudited interim report for the six months ended 30 June 2003 has been reviewed by the Committee.

DISCLOSURE OF INFORMATION ON THE STOCK EXCHANGE’S WEBSITE

All the information required by paragraphs 46(1) to 46(6) of Appendix 16 of the Listing Rules will be released on the website of the Stock Exchange of Hong Kong Limited as soon as practicable.

APPRECIATION

On behalf of the Board, I would like to express our appreciation to all our management and staff for their ongoing contribution and hard work. We would also like to thanks our shareholders for their continuing support. Looking to the future, the Group will continue to adopt a proactive strategy to generate fruitful returns for our valued shareholders.

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the six months ended 30 June 2003

		Unaudited	
		Six months ended 30 June	
		2003	2002
	<i>Note</i>	HK\$'000	<i>HK\$'000</i>
TURNOVER		351,763	279,337
Cost of sales		(194,857)	(132,666)
		<hr/>	<hr/>
Gross profit		156,906	146,671
Other revenues		2,120	855
Selling and distribution costs		(44,313)	(30,618)
Administrative expenses		(18,365)	(14,865)
Other operating expenses		(2,810)	(1,744)
		<hr/>	<hr/>
OPERATING PROFIT	3	93,538	100,299
Finance costs		(1,143)	(1,006)
		<hr/>	<hr/>
PROFIT BEFORE TAXATION		92,395	99,293
Taxation	4	(603)	(24,919)
		<hr/>	<hr/>
PROFIT AFTER TAXATION		91,792	74,374
Minority interests		2	–
		<hr/>	<hr/>
PROFIT ATTRIBUTABLE TO SHAREHOLDERS		91,794	74,374
		<hr/> <hr/>	<hr/> <hr/>
DIVIDEND	5	15,349	13,872
		<hr/> <hr/>	<hr/> <hr/>
EARNINGS PER SHARE			
Basic	6	HK13.60 cents	HK20.69 cents
		<hr/> <hr/>	<hr/> <hr/>
Diluted		HK13.42 cents	HK20.13 cents
		<hr/> <hr/>	<hr/> <hr/>

CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 June 2003

		Unaudited 30 June 2003 HK\$'000	Audited 31 December 2002 HK\$'000
	<i>Note</i>		
Non-current assets			
Intangible assets	7	67,211	72,844
Fixed assets	7	206,323	153,501
Deposit for purchase of land		42,056	42,056
Deposits for purchases of other fixed assets		47,511	64,488
Other deposits and club debenture		1,648	2,240
Investment securities		63,100	63,100
Pledged bank deposits		5,104	8,115
		432,953	406,344
Current assets			
Inventories		90,717	71,625
Trade receivables	8	129,847	160,487
Prepayments, deposits and other receivables		22,632	12,542
Amounts due from related companies		14,043	9,578
Pledged bank deposits		4,078	4,042
Bank balances and cash		431,709	163,435
		693,026	421,709
Current liabilities			
Trade and bills payable	9	43,554	20,767
Accrued liabilities and other payables		16,944	19,861
Amount due to a related company		936	–
Taxation payable		4,354	22,588
Short term bank loans		14,458	12,709
Current portion of long-term liabilities	10	15,660	15,040
Dividend payable	5	11,995	–
		107,901	90,965
Net current assets		585,125	330,744
Total assets less current liabilities		1,018,078	737,088

CONDENSED CONSOLIDATED BALANCE SHEET (Cont'd)

As at 30 June 2003

		Unaudited 30 June 2003 HK\$'000	Audited 31 December 2002 HK\$'000
	<i>Note</i>		
<i>Financed by:</i>			
Share capital	11	76,747	59,974
Other reserves	12	610,400	407,898
Retained earnings			
– Proposed final dividend		–	11,995
– Proposed interim dividend		15,349	–
– Others	12	295,027	228,956
Shareholders' funds		997,523	708,823
Minority interests		2,134	2,136
Long-term liabilities	10	18,421	22,697
Convertible bonds		–	3,432
		<u>1,018,078</u>	<u>737,088</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2003

	Unaudited Six months ended 30 June	
	2003	2002
	HK\$'000	HK\$'000
Total equity as at 1 January	708,823	294,503
Profit for the period	91,794	74,374
Dividends	(11,995)	(18,654)
Issue of shares	214,055	139,281
Share issue expenses	(5,154)	(2,061)
	<u>997,523</u>	<u>487,443</u>
Total equity as at 30 June	<u>997,523</u>	<u>487,443</u>

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2003

	Unaudited Six months ended 30 June	
	2003	2002
	HK\$'000	HK\$'000
Net cash inflow from operating activities	109,053	84,939
Net cash used in investing activities	(37,651)	(135,772)
Net cash inflow from financing activities	196,872	90,927
	<u>268,274</u>	<u>40,094</u>
Increase in cash and cash equivalents	268,274	40,094
Cash and cash equivalents at 1 January	163,435	85,762
	<u>431,709</u>	<u>125,856</u>
Cash and cash equivalents at 30 June	<u>431,709</u>	<u>125,856</u>
Analysis of balances of cash and cash equivalents:		
Bank balances and cash	431,709	126,005
Bank overdrafts	—	(149)
	<u>431,709</u>	<u>125,856</u>

NOTES TO CONDENSED ACCOUNTS

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

These unaudited consolidated condensed accounts are prepared in accordance with Hong Kong Statement of Standard Accounting Practice ("SSAP"), 25 "Interim Financial Reporting" issued by the Hong Kong Society of Accountants ("HKSA").

These condensed accounts should be read in conjunction with the 2002 annual accounts.

The accounting policies and methods of computation used in the preparation of these unaudited condensed accounts are consistent with those used in the annual accounts for the year ended 31 December 2002, except that the Group has changed one of its accounting policies following its adoption of SSAP 12 "Income Taxes" issued by the HKSA which are effective for accounting periods commencing on or after 1 January 2003.

The changes to the Group's accounting policies and the effect of adopting this new policy are set out below:

(a) Deferred taxation

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, 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 year, deferred taxation was accounted for 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.

As detailed in Note 4 to these condensed accounts, a major operating subsidiary of the Group might be entitled to an income tax holiday and, as such, despite the adoption of the new SSAP12, the consolidated deferred tax assets and liabilities arising from the temporary differences between tax bases of assets and liabilities and their carrying amounts in the accounts have not been recognised retrospectively since the temporary differences might not be utilised.

2. SEGMENT INFORMATION

The Group is organised into four main business segments:

- (a) Home and personal care products segment – manufacture of home and personal care products for sale to wholesalers and retailers in the general consumer market;
- (b) Industrial products segment – manufacture of industrial surfactants for sale principally to textile and garment manufacturers and traders;
- (c) Cosmetics and skin care products segment – manufacture of cosmetics and skin care products under the brand name of Marjorie Bertagne for sale to authorised distributors and retailers in the general consumer market; and
- (d) Others – manufacture of biotechnology products with medical and cosmetic applications and trading of wastewater and sewage treatment equipment.

There are no sales or other transactions between the business segments.

An analysis of the Group's revenue and results for the period by business segment is as follows:

	Unaudited				
	Six months ended 30 June 2003				
	Home and personal care products HK\$'000	Industrial products HK\$'000	Cosmetics and skin care products HK\$'000	Others HK\$'000	Consolidated HK\$'000
Turnover	<u>156,777</u>	<u>96,737</u>	<u>54,572</u>	<u>43,677</u>	<u>351,763</u>
Segment results	<u>34,994</u>	<u>14,050</u>	<u>26,809</u>	<u>22,911</u>	<u>98,764</u>
Interest income and unallocated revenues					2,120
Corporate and unallocated expenses					<u>(7,346)</u>
Operating profit					<u>93,538</u>
Finance costs					<u>(1,143)</u>
Profit before taxation					<u>92,395</u>
Taxation					<u>(603)</u>
Profit after taxation					<u>91,792</u>
Minority interests					<u>2</u>
Profit attributable to shareholders					<u>91,794</u>

2. SEGMENT INFORMATION (Cont'd)

	Unaudited Six months ended 30 June 2002				Consolidated HK\$'000
	Home and personal care products HK\$'000	Industrial products HK\$'000	Cosmetics and skin care products HK\$'000	Others HK\$'000	
Turnover	<u>150,830</u>	<u>79,433</u>	<u>36,098</u>	<u>12,976</u>	<u>279,337</u>
Segment results	<u>50,885</u>	<u>28,425</u>	<u>21,267</u>	<u>7,082</u>	107,659
Interest income and unallocated revenues					855
Corporate and unallocated expenses					(8,215)
Operating profit					100,299
Finance costs					(1,006)
Profit before taxation					99,293
Taxation					(24,919)
Profit after taxation					74,374
Minority interests					—
Profit attributable to shareholders					<u>74,374</u>

3. OPERATING PROFIT

Operating profit is stated after charging the followings:

	Unaudited Six months ended 30 June	
	2003 HK\$'000	2002 HK\$'000
Cost of inventories sold	175,643	132,666
Depreciation of fixed assets	9,575	3,764
Amortisation of intangible assets	5,633	1,519
Interest on bank loans and overdrafts wholly repayable within five years	797	949
Interest on finance leases	346	57
Research and development costs	3,310	1,745
Staff costs	<u>10,587</u>	<u>8,887</u>

4. TAXATION

Hong Kong profits tax has been provided at the rate of 17.5% (*six months ended 30 June 2002: 16%*) on the estimated assessable profit for the period. In 2003, the government enacted a change in the profits tax rate from 16% to 17.5% for the fiscal year 2003/2004.

Taxation on overseas profits has been calculated on the estimated assessable profit for the period at the rates of taxation prevailing in the countries in which the Group operates.

The amount of taxation charged to the consolidated profit and loss account represents:

	Unaudited	
	Six months ended 30 June	
	2003	2002
	HK\$'000	HK\$'000
Current taxation:		
– Hong Kong profits tax	603	–
– Overseas taxation (<i>Note (b)</i>)	–	24,919
	<hr/>	<hr/>
Taxation charge	603	24,919
	<hr/> <hr/>	<hr/> <hr/>

The taxation on the Group's profit before taxation differs from the theoretical amount that would arise using the taxation rate of the home country of the Company as follows:

	Unaudited	
	Six months ended 30 June	
	2003	2002
	HK\$'000	HK\$'000
Profit before taxation	92,395	99,293
	<hr/>	<hr/>
Tax at applicable taxation rates (<i>Note (a)</i>)	32,350	34,261
Expenses not deductible for taxation purposes	1,140	–
Tax losses not recognised	1,645	–
Utilisation of previously unrecognised tax losses	(297)	–
Preferential tax treatment (<i>Note (b)</i>)	(34,235)	(9,342)
	<hr/>	<hr/>
Taxation charge	603	24,919
	<hr/> <hr/>	<hr/> <hr/>

4. TAXATION (Cont'd)

Notes:

- (a) The applicable taxation rates represent the rates of taxation prevailing in the countries in which the group companies operate.
- (b) Last year's overseas tax provision was made in respect of Dongguan Proamine Chemicals Co., Limited ("Dongguan Proamine"), a wholly-owned subsidiary established in the PRC. In accordance with the relevant PRC income tax rules and regulations, the enacted PRC income tax rate is 33%. Dongguan Proamine is entitled to certain tax concessions available to foreign investment productive enterprises operating in the PRC and it was subject to a state income tax of 24% and a local income tax of 3% for the year ended 31 December 2002.

Dongguan Proamine was accredited by the Department of Science and Technology of Guangdong Province as a Hi-Tech Enterprise of Guangdong Province on 30 May 2003. Dongguan Proamine was advised by the Dongguan Local Tax Bureau ("DLTB") that being a Hi-Tech Enterprises registered in Dongguan, it would be exempted from PRC corporate income tax for three years commencing from the year ending 31 December 2003 and thereafter would be eligible for a 50% relief from PRC corporate income tax for another three years.

The preferential tax treatment comprises approximately HK\$6 million attributable to the tax concession available to foreign investment productive enterprises in Dongguan (six months ended 30 June 2002: approximately HK\$9 million) and approximately HK\$28 million attributable to the income tax holiday available to Hi-Tech Enterprises (six months ended 30 June 2002: HK\$ nil).

Dongguan Proamine is in the process of applying with DLTB for a written confirmation in respect of its income tax holiday. In the event that tax exemption is not granted for the year ending 31 December 2003, the Company estimates that the tax charge for the six months ended 30 June 2003 would be approximately HK\$28 million.

In addition, in the absence of the income tax holiday, the Company estimates that under the new SSAP 12, the movements in deferred tax assets ("DAT") and deferred tax liabilities ("DTL") arising from temporary differences between tax bases of assets and liabilities and their carrying amounts in the accounts would be as follows:

	Accelerated tax				Revaluation				Net
	depreciation	Tax losses	Provisions	Others	Total DTA	of properties	Others	Total DTL	DTL/(DTA)
	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million
At 1 January 2002, as previously reported	-	-	-	-	-	-	-	-	-
Adjustment on adoption of SSAP12	(3)	-	(1)	(1)	(5)	4*	-	4	(1)
At 1 January 2002, as restated	(3)	-	(1)	(1)	(5)	4	-	4	(1)
Charge to profit and loss account for the period	-	-	-	1	1	-	-	-	1
Balances as at 30 June 2002	(3)	-	(1)	-	(4)	4	-	4	-
(Credit)/charge to profit and loss account for the period	(1)	-	-	-	(1)	(2)	-	(2)	(3)
Balances as at 31 December 2002	(4)	-	(1)	-	(5)	2	-	2	(3)
(Credit)/charge to profit and loss account for the period	(3)	-	-	-	(3)	-	-	-	(3)
Balances as at 30 June 2003	(7)	-	(1)	-	(8)	2	-	2	(6)

* The amount of approximately HK\$4 million should be charged to equity (revaluation reserve) as at 31 December 2001.

5. DIVIDENDS

	Unaudited	
	Six months ended 30 June	
	2003	2002
	HK\$'000	HK\$'000
Interim dividend of HK2 cents (2002: HK3 cents) per ordinary share	<u>15,349</u>	<u>13,872</u>

Notes:

- (a) At a meeting held on 25 April 2003 the Directors proposed a final dividend of HK\$0.02 per ordinary share for the year ended 31 December 2002, which has been reflected as a dividend payable as at 30 June 2003 and was paid on 15 August 2003.
- (b) At a meeting held on 22 September 2003 the Directors declared an interim dividend of HK\$0.02 per share for the year ending 31 December 2003. This proposed dividend is not reflected as a dividend payable in these condensed accounts, but will be reflected as an appropriation of retained earnings for the year ending 31 December 2003.

6. EARNINGS PER SHARE

The calculation of earnings per share of the Group for the period is as follows:

	Unaudited	
	Six months ended 30 June	
	2003	2002
	HK\$'000	HK\$'000
Profit attributable to shareholders	<u>91,794</u>	74,374
	No. of shares	No. of shares
Weighted average number of ordinary shares in issue during the period	<u>674,894,000</u>	359,501,000
Basic earnings per share	<u>HK\$0.1360</u>	<u>HK\$0.2069</u>
	HK\$'000	HK\$'000
Profit attributable to shareholders	<u>91,794</u>	74,374
	No. of shares	No. of shares
Weighted average number of ordinary shares in issue during the period	674,894,000	359,501,000
Add: Number of ordinary shares deemed to be issued on full conversion of the convertible bonds	22,000	713,000
Add: Number of ordinary shares deemed to be issued at no consideration on exercise of all outstanding share options	<u>9,314,000</u>	<u>9,250,000</u>
	<u>684,230,000</u>	<u>369,464,000</u>
Diluted earnings per share	<u>HK\$0.1342</u>	<u>HK\$0.2013</u>

The effect of the warrants outstanding during the period was anti-dilutive and accordingly they had no impact on the calculation of the diluted earnings per share.

7. CAPITAL EXPENDITURE

	Unaudited	Fixed assets
	Licences	assets
	<i>HK\$'000</i>	<i>HK\$'000</i>
Opening net book amount as at 1 January 2003	72,844	153,501
Additions	—	62,397
Amortisation/depreciation charge (Note 3)	(5,633)	(9,575)
	<u>67,211</u>	<u>206,323</u>
Closing net book amount as at 30 June 2003	<u>67,211</u>	<u>206,323</u>

8. TRADE RECEIVABLES

At 30 June 2003, the ageing analysis of the trade receivables was analysed as follows:

	Unaudited	Audited
	30 June	31 December
	2003	2002
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within to 30 days	48,347	58,673
31 to 60 days	36,998	52,109
61 to 90 days	25,225	43,033
Over 90 days	22,457	9,852
Less: provision	(3,180)	(3,180)
	<u>129,847</u>	<u>160,487</u>

The normal credit period granted to the customers of the Group is 30 to 90 days.

9. TRADE AND BILLS PAYABLE

	Unaudited	Audited
	30 June	31 December
	2003	2002
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade payables	43,554	17,866
Bills payable	—	2,901
	<u>43,554</u>	<u>20,767</u>

9. TRADE AND BILLS PAYABLE (Cont'd)

At 30 June 2003, the ageing analysis of the trade and bills payable was analysed as follows:

	Unaudited 30 June 2003 HK\$'000	Audited 31 December 2002 HK\$'000
Within 30 days	30,396	9,975
31 to 60 days	2,425	5,565
61 to 90 days	2,381	1,164
Over 90 days	8,352	4,063
	<u>43,554</u>	<u>20,767</u>

10. LONG-TERM LIABILITIES

	Unaudited 30 June 2003 HK\$'000	Audited 31 December 2002 HK\$'000
Secured bank loans repayable:		
Within one year	10,684	12,333
In the second year	6,654	11,951
In the third to fifth year	3,900	5,200
Total secured bank loans	<u>21,238</u>	<u>29,484</u>
Obligations under finance leases repayable (Note (a)):		
Within one year	5,582	3,114
In the second year	5,343	3,114
In the third to fifth year	2,954	2,829
Less: future finance charges on finance leases	(1,036)	(804)
Present value of obligations under finance leases	<u>12,843</u>	<u>8,253</u>
Total long-term liabilities	34,081	37,737
Current portion of long-term liabilities	(15,660)	(15,040)
	<u>18,421</u>	<u>22,697</u>

10. LONG-TERM LIABILITIES (Cont'd)

(a) The present value of obligations under finance leases is as follows:

	Unaudited 30 June 2003 HK\$'000	Audited 31 December 2002 HK\$'000
Within one year	4,976	2,707
In the second year	5,006	2,850
In the third to fifth year	2,861	2,696
	<u>12,843</u>	<u>8,253</u>

11. SHARE CAPITAL

	Unaudited 30 June 2003 HK\$'000	Audited 31 December 2002 HK\$'000
<i>Authorised:</i>		
2,000,000,000 ordinary shares of HK\$0.10 each	<u>200,000</u>	<u>200,000</u>
<i>Issued and fully paid:</i>		
767,468,827 (31 December 2002: 599,741,366) ordinary shares of HK\$0.10 each	<u>76,747</u>	<u>59,974</u>

During the period, the following movements in the issued share capital of the Company were recorded:

	Unaudited Number of shares	Share capital HK\$'000
At 1 January 2002	307,603,625	30,760
Exercise of share options	98,921,375	9,892
Conversion of convertible bonds	40,946,139	4,095
Placement of shares	54,000,000	5,400
Bonus issue of shares	98,270,227	9,827
	<u>599,741,366</u>	<u>59,974</u>
At 31 December 2002		
At 1 January 2003	599,741,366	59,974
Exercise of share options	64,667,900	6,467
Conversion of convertible bonds	3,059,561	306
Placement of shares	100,000,000	10,000
	<u>767,468,827</u>	<u>76,747</u>
At 30 June 2003		

12. RESERVES

	Unaudited							Total HK\$'000
	Share premium account HK\$'000	Investment property Capital reserve HK\$'000	revaluation reserve HK\$'000	Assets revaluation reserve HK\$'000	Statutory reserve HK\$'000	Exchange fluctuation reserve HK\$'000	Retained profits HK\$'000	
At 1 January 2003	365,761	900	137	6,347	34,541	212	240,951	648,849
Issue of shares	197,282	–	–	–	–	–	–	197,282
Shares issue expenses	(5,154)	–	–	–	–	–	–	(5,154)
Profit for the period	–	–	–	–	–	–	91,794	91,794
Transfer to statutory reserve	–	–	–	–	10,374	–	(10,374)	–
Final dividend paid	–	–	–	–	–	–	(11,995)	(11,995)
At 30 June 2003	557,889	900	137	6,347	44,915	212	310,376	920,776

Representing:
2003 interim dividend
proposed
Others

15,349
295,027
310,376

	Unaudited							Total HK\$'000
	Share premium account HK\$'000	Investment property Capital reserve HK\$'000	revaluation reserve HK\$'000	Assets revaluation reserve HK\$'000	Statutory reserve HK\$'000	Exchange fluctuation reserve HK\$'000	Retained profits HK\$'000	
At 1 January 2002	83,619	900	154	14,598	17,509	212	146,751	263,743
Issue of shares	129,357	–	–	–	–	–	–	129,357
Shares issue expenses	(2,061)	–	–	–	–	–	–	(2,061)
Profit for the period	–	–	–	–	–	–	74,374	74,374
Transfer to statutory reserve	–	–	–	–	7,890	–	(7,890)	–
Final dividend paid	–	–	–	–	–	–	(18,654)	(18,654)
At 30 June 2002	210,915	900	154	14,598	25,399	212	194,581	446,759

Representing:
2002 interim dividend
proposed
Others

13,872
180,709
194,581

13. OPERATING LEASE COMMITMENTS

(a) As lessor

The Group leases its investment properties under an operating lease negotiated for a term of four years. The terms of the lease provide for periodic rent adjustments according to the then prevailing market conditions.

At 30 June 2003, the Group had future aggregate minimum lease receipts under the non-cancellable operating lease as follows:

	Unaudited 30 June 2003 HK\$'000	Audited 31 December 2002 HK\$'000
Not later than one year	1,680	1,680
Later than one year and not later than five years	1,680	2,520
	<u>3,360</u>	<u>4,200</u>

(b) As lessee

The Group leases certain land and buildings under operating lease arrangements. Leases for properties are negotiated for terms ranging from one year to five years.

At 30 June 2003, the Group had future aggregate minimum lease payments under non-cancellable operating leases as follows:

	Unaudited 30 June 2003 HK\$'000	Audited 31 December 2002 HK\$'000
Not later than one year	7,977	9,058
Later than one year and not later than five years	6,063	9,493
	<u>14,040</u>	<u>18,551</u>

14. CAPITAL AND OTHER COMMITMENTS

At 30 June 2003, the Group had the following commitments in addition to the operating lease commitments as detailed in note 13:

	Unaudited 30 June 2003 HK\$'000	Audited 31 December 2002 HK\$'000
Capital commitments – contracted but not provided for:		
Purchase of land	14,019	14,019
Purchases of other fixed assets	6,577	16,834
Construction of a new factory premises	13,024	–
Acquisition of technical know-how	–	3,903
	<u>33,620</u>	<u>34,756</u>
Other commitments for:		
Research and development projects undertaken by independent third parties in respect of the Group's products	10,748	9,673
Technical support services contract with an independent third party	–	560
Investment commitment of a subsidiary	20,000	20,000
	<u>30,748</u>	<u>30,233</u>

The Group did not have any other major commitments at 30 June 2003 (31 December 2002: Nil).

15. CONTINGENT LIABILITIES

At 30 June 2003, the Company had executed corporate guarantees to banks for banking facilities provided to certain of its subsidiaries. These banking facilities had been utilised to the extent of approximately HK\$35,696,000 (31 December 2002: HK\$45,094,000) as at the balance sheet date.

16. RELATED PARTY TRANSACTIONS

During the period, the Group has entered into the following significant related party transactions in its ordinary course of business and on terms mutually agreed between the relevant parties:

- (a) Global Bio-Engineering Limited ("Global Bio-Eng"), a wholly owned subsidiary of the Company, has entered into a tenancy agreement with Oriental Fame Investments Limited ("Oriental Fame"), in which Mr. Choi Woon Man, a Director of the Company, has a controlling interest. Total rental expenses paid to Oriental Fame during the period amounted to HK\$498,000.
- (b) 北京博康健基因科技有限公司 ("北京博康健"), a wholly owned subsidiary of Bio-Tech Pharm Group Limited ("Bio-Tech Pharm"), in which the Group has an equity interest of 4.5%, is a customer of Dongguan Proamine. Dongguan Promamine is a wholly owned subsidiary of the Company. Income recognised from the sales of goods, mainly biotechnology products, to 北京博康健 for the period amounted to approximately HK\$10,589,000. The trade receivable from 北京博康健 as at 30 June 2003 was approximately HK\$5,658,000. The balance is unsecured and interest-free and will become due in accordance with normal credit terms granted to other customers.
- (c) Dongguan Proamine has sales of biotechnology products totaling approximately HK\$12,266,000 to 深圳華生元基因工程發展有限公司 ("深圳華生元"). 深圳華生元 is another wholly owned subsidiary of Bio-Tech Pharm. The trade receivable from 深圳華生元 as at 30 June 2003 was approximately HK\$6,689,000. The balance is unsecured and interest-free and will become due in accordance with normal credit terms granted to other customers.
- (d) On 30 June 2001, Dongguan Proamine entered into a tenancy agreement with 創思生物技術工程(東莞)有限公司 ("創思"), a wholly owned subsidiary of Golden Idea Bio-Technology Engineering Group Limited ("Golden Idea") in which the Group has an equity interest of 8%. Dongguan Proamine leases its investment properties located in the PRC to 創思. Rental income recognised during the period amounted to HK\$840,000. At 30 June 2003, the balance due from 創思 was HK\$280,000 and is unsecured, interest-free and repayable on demand. The future aggregate minimum lease receipts under the operating lease as at the balance sheet date are set out in Note 13 to the accounts.
- (e) Global Bio-Eng has entered into a licence agreement with Golden Idea which granted Global Bio-Eng the right to distribute the wastewater and sewage treatment equipment developed by Golden Idea in the regions of Hong Kong and Singapore. Pursuant to the agreement, Global Bio-Eng has to pay Golden Idea a total of HK\$936,000, being 10% of the income from the sale of equipment, during this period. At 30 June 2003, the balance due to Golden Idea was HK\$936,000 and is unsecured, interest-free and repayable on demand.

17. SUBSEQUENT EVENTS

Except for the exercise of share options subsequent to the balance sheet date as detailed under the section of "Share options" in these condensed accounts, the Group has no other significant subsequent events.

On behalf of the Board
Lau Jin Wei, Jim
Chairman

Hong Kong
22 September 2003