



MAXX BIOSCIENCE HOLDINGS LIMITED

Interim Report 2003





The Board of Directors (the “Directors”) of MAXX Bioscience Holdings Limited (the “Company”) announces the unaudited consolidated interim results of the Company and its subsidiaries (the “Group”) for the six months ended 30th June 2003 together with the comparative figures for the corresponding period in 2002 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30th June 2003

(Amount expressed in thousands of Hong Kong dollars, except for loss per share data)

| | Note | Unaudited Six months ended 30th June | |
|---|------|---|--------------|
| | | 2003 | 2002 |
| Turnover | 3 | 39,039 | 43,994 |
| Cost of sales | | (16,557) | (17,640) |
| Gross profit | | 22,482 | 26,354 |
| Other revenue | | 3,330 | 4,973 |
| Distribution costs | | (12,422) | (19,438) |
| Administrative expenses | | (29,291) | (33,874) |
| Loss from operations | | (15,901) | (21,985) |
| Finance costs | | (1,860) | (1,536) |
| Share of losses of associates | | (485) | — |
| Loss from ordinary activities before taxation | 4 | (18,246) | (23,521) |
| Taxation | 6 | — | — |
| Loss before minority interests | | (18,246) | (23,521) |
| Minority interests | | 2,139 | 697 |
| Loss attributable to shareholders | | (16,107) | (22,824) |
| Dividends | 7 | — | — |
| Loss per share — basic | 8 | (1.44 cents) | (2.80 cents) |
| — diluted | 8 | N/A | N/A |



CONDENSED CONSOLIDATED BALANCE SHEET

As at 30th June 2003

| | Note | Unaudited 30th June 2003 HK\$'000 | Audited 31st December 2002 HK\$'000 |
|--|------|--|--|
| ASSETS AND LIABILITIES | | | |
| Non-current assets | | | |
| Fixed assets | 9 | 179,697 | 196,997 |
| Interests in subsidiaries | | 155 | 155 |
| Interests in associates | | 4,847 | 5,332 |
| Intangible assets | | 49,797 | 54,637 |
| | | 234,497 | 257,121 |
| Current assets | | | |
| Inventories | | 8,256 | 8,370 |
| Trade and other receivables | 10 | 50,199 | 16,737 |
| Investments in securities | 11 | 9,586 | 9,586 |
| Investments held for disposal | | 31,114 | 31,114 |
| Pledged deposits | | — | 1,414 |
| Cash and cash equivalents | | 32,788 | 69,535 |
| | | 131,943 | 136,756 |
| Current liabilities | | | |
| Provision for staff welfare and bonus | | 60,432 | 60,452 |
| Amount due to a related company | 12 | 1,500 | — |
| Trade and other payables | 13 | 36,495 | 43,522 |
| Short-term bank loans | | 41,957 | 48,746 |
| Bank overdrafts, unsecured | | 35 | 853 |
| | | 140,419 | 153,573 |
| Net current (liabilities)/assets | | (8,476) | (16,817) |
| Total assets less current liabilities | | 226,021 | 240,304 |
| Non-current liabilities | | | |
| Convertible debentures | | 2,186 | 2,186 |
| Payable for acquisition of a subsidiary | 14 | — | 10,000 |
| Amount due to the major shareholder | 15 | 2,757 | 12,894 |
| | | 4,943 | 25,080 |
| Minority interests | | 26,890 | 29,029 |
| NET ASSETS | | 194,188 | 186,195 |
| CAPITAL AND RESERVES | | | |
| Issued capital | 16 | 118,143 | 97,810 |
| Reserves | | 76,045 | 88,385 |
| | | 194,188 | 186,195 |



CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30th June 2003

| | Unaudited | |
|---|----------------------------|----------|
| | Six months ended 30th June | |
| | 2003 | 2002 |
| | HK\$'000 | HK\$'000 |
| Net cash (outflow)/inflow from operating activities | (40,456) | (29,703) |
| Net cash inflow from investing activities | 8,082 | 13,580 |
| Net cash outflow from financing activities | (4,969) | — |
| (Decrease)/increase in cash and cash equivalents | (37,343) | (16,123) |
| Cash and cash equivalents at 1st January | 70,096 | 90,562 |
| Cash and cash equivalents at 30th June | 32,753 | 74,439 |
| Analysis of balances of cash and cash equivalents: | | |
| Bank balances and cash | 32,753 | 74,439 |



CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30th June 2003

| | Unaudited | | | | | | |
|-------------------------------------|---------------------------|---------------------------|--------------------------------|---------------------------------|---------------------------------|--------------------------------|-------------------|
| | Share capital HK\$'000 | Share premium HK\$'000 | Statutory reserves HK\$'000 | Contributed surplus HK\$'000 | Exchange difference HK\$'000 | Accumulated losses HK\$'000 | Total HK\$'000 |
| At 1st January 2003 | 97,810 | 219,931 | 148,158 | 249,906 | (69,989) | (459,621) | 186,195 |
| Arising from issue of | | | | | | | |
| — new shares (Note 16) | 12,000 | 2,100 | — | — | — | — | 14,100 |
| — Consideration Shares (Note 14) | 8,333 | 1,667 | — | — | — | — | 10,000 |
| Loss for the period | — | — | — | — | — | (16,107) | (16,107) |
| At 30th June 2003 | 118,143 | 223,698 | 148,158 | 249,906 | (69,989) | (475,728) | 194,188 |

| | Unaudited | | | | | | |
|---------------------|---------------------------|---------------------------|--------------------------------|---------------------------------|---------------------------------|--------------------------------|-------------------|
| | Share capital HK\$'000 | Share premium HK\$'000 | Statutory reserves HK\$'000 | Contributed surplus HK\$'000 | Exchange difference HK\$'000 | Accumulated losses HK\$'000 | Total HK\$'000 |
| At 1st January 2002 | 81,510 | 208,417 | 148,158 | 249,906 | (69,989) | (429,474) | 188,528 |
| Loss for the period | — | — | — | — | — | (22,824) | (22,824) |
| At 30th June 2002 | 81,510 | 208,417 | 148,158 | 249,906 | (69,989) | (452,298) | 165,704 |



NOTES TO CONDENSED ACCOUNTS

1. Organisation and Operations

MAXX Bioscience Holdings Limited (the "Company") was incorporated in Bermuda on 18th October 1995 as an exempted company under the Companies Act 1981 of Bermuda (as amended) with its shares listed on The Stock Exchange of Hong Kong Limited since 19th December 1995.

The Company and its subsidiaries (hereinafter collectively referred to as the "Group") are principally engaged in the development, manufacture and sale of tonic and health products in the People's Republic of China (the "PRC").

The directors of the Company consider Vision Ocean Investments Limited, a company incorporated in the British Virgin Islands, to be the ultimate holding company.

2. Basis of Preparation and Accounting Policies

These unaudited consolidated condensed accounts are prepared in accordance with Hong Kong Statement of Standard Accounting Practice ("SSAP") No. 25, Interim Financial Reporting, issued by the Hong Kong Society of Accountants ("HKSA").

The accounting policies and methods of computation used in the preparation of these condensed accounts are consistent with those used in the annual accounts for the year ended 31st December 2002.

In the current period, the Group has adopted, for the first time, the SSAP12 (Revised) "Income Taxes", issued by HKSA which became effective for accounting periods commencing on or after 1st January 2003. The principal effect of the implementation of SSAP 12 (Revised) is in relation to deferred tax. In previous years, partial provision was made for deferred tax using the income statement liability method, i.e. a liability was recognized in respect of timing differences arising, except where those timing differences were not expected to reverse in the foreseeable future. SSAP 12 (Revised) requires the adoption of a balance sheet liability method, whereby deferred tax is recognized in respect of all temporary differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, with limited exceptions. In the absence of any specific transitional requirements in SSAP12 (Revised), the new accounting policy has been applied retrospectively. However, the adoption of the SSAP12 (Revised) has no material impact on the Group's interim financial statements for current or prior accounting periods, and accordingly, no prior period adjustment has been required.



3. Segment Information

The Group's turnover represents gross invoiced sales, net of discounts and returns. As the Group's turnover was derived in the PRC, a segment analysis of result by location has not been presented.

The analysis of turnover and contribution to operating profit (loss) by product categories is as follows:

| | Turnover | | Contribution to operating profit (loss) | |
|--|---|---|---|---|
| | Unaudited Six months ended 30.6.2003 HK\$'000 | Unaudited Six months ended 30.6.2002 HK\$'000 | Unaudited Six months ended 30.6.2003 HK\$'000 | Unaudited Six months ended 30.6.2002 HK\$'000 |
| Health products | 35,170 | 38,041 | (12,318) | (16,133) |
| Health drinks | 2,943 | 4,186 | (2,506) | (3,932) |
| Pharmaceutical products | 926 | 1,767 | (1,077) | (1,920) |
| | 39,039 | 43,994 | (15,901) | (21,985) |
| Finance costs | | | (1,860) | (1,536) |
| Share of losses of associates | | | (485) | — |
| Loss from ordinary activities before taxation | | | (18,246) | (23,521) |



4. Loss from Ordinary Activities Before Taxation

Loss from ordinary activities before taxation was determined after crediting and charging the following:

| | Unaudited | |
|--|----------------------------|----------|
| | Six months ended 30th June | |
| | 2003 | 2002 |
| | HK\$'000 | HK\$'000 |
| Crediting: | | |
| Interest income from bank deposits | 13 | 145 |
| Gain on disposal of fixed assets | — | 2,160 |
| Gain on disposal of investments in securities | — | 1,812 |
| Rental income | 3,330 | 3,313 |
| Charging: | | |
| Depreciation of owned fixed assets | 9,443 | 9,229 |
| Provision for doubtful receivables | 654 | 11,264 |
| Interest expense for bank loans | 1,822 | 1,536 |
| Interest expense for convertible debentures | 38 | — |
| Amortisation of intangible assets | | |
| — acquired technology know-how | — | 57 |
| — acquired proprietary rights of a chemical compound | 4,751 | — |
| Operating lease rentals in respect of land and buildings | 1,022 | 851 |
| Exchange loss | 2 | 11 |
| Loss on disposal of fixed assets | 811 | — |

5. Staff Costs

| | Unaudited | |
|--|----------------------------|----------|
| | Six months ended 30th June | |
| | 2003 | 2002 |
| | HK\$'000 | HK\$'000 |
| Wages and salaries | 8,609 | 9,143 |
| Pension costs — defined contribution plans | 705 | 677 |
| | 9,314 | 9,820 |

6. Taxation

The Company is exempted from taxation in Bermuda until 28th March 2016.

Hong Kong profits tax is provided at the rate of 17.5% (for the six months ended 30th June 2002: 16%) on the estimated assessable profit arising in or derived from Hong Kong for the period under review. There is no Hong Kong profits tax liabilities for the six months ended 30th June 2003 (for the six months ended 30th June 2002: nil) as the Group did not earn any income subject to Hong Kong profits tax.

The two principal subsidiaries of the Company are Guangdong Apollo (Group) Co., Ltd. ("Guangdong Apollo") and Guangdong Apollo Group Li Cheng Pharmaceutical Factory ("Li Cheng"). Guangdong Apollo is a Sino-foreign equity joint venture enterprise and is subject to PRC enterprise income tax at a reduced rate of 15%. Li Cheng is a collective enterprise established in the PRC and is subject to PRC enterprise income tax at a rate of 33%.

As Guangdong Apollo and Li Cheng did not earn any income subject to PRC enterprise income tax for the period under review, no PRC enterprise income tax has been provided (for the six months ended 30th June 2002: nil).

7. Dividends

The directors do not recommend the payment of a dividend for the six months ended 30th June 2003 (for the six months ended 30th June 2002: nil).

8. Loss Per Share

The calculation of basic loss per share for the six months ended 30th June 2003 was based on the consolidated loss attributable to shareholders of approximately HK\$16,107,000 (for the six months ended 30th June 2002: loss of approximately HK\$22,824,000) divided by the weighted average number of ordinary shares in issue during the period of 1,121,537,680 shares (for the six months ended 30th June 2002: 815,100,000 ordinary shares).

Diluted loss per share was not presented as there was no dilution effect on the potential ordinary shares arising from the exercise of the outstanding share options because the exercise prices of the share options were greater than the average market prices.

9. Fixed Assets

| | Unaudited Six months ended 30th June 2003 <i>HK\$'000</i> |
|-------------------------|--|
| Opening net book amount | 196,997 |
| Additions | 720 |
| Disposals | (8,577) |
| Depreciation | (9,443) |
| Closing net book amount | <u>179,697</u> |



10. Trade and Other Receivables

| | Unaudited 30th June 2003 <i>HK\$'000</i> | Audited 31st December 2002 <i>HK\$'000</i> |
|---|---|---|
| Trade receivables | 17,179 | 11,761 |
| Deposits, prepayments and other debtors | 33,020 | 4,976 |
| | 50,199 | 16,737 |

The aging analysis of trade receivables is set out below:

| | Unaudited 30th June 2003 <i>HK\$'000</i> | Audited 31st December 2002 <i>HK\$'000</i> |
|---|---|---|
| Within 90 days | 9,061 | 7,545 |
| Over 90 days but within 180 days | 6,437 | 3,409 |
| Over 180 days but within 365 days | 4,499 | 1,952 |
| Over 365 days | 9,665 | 10,684 |
| | 29,662 | 23,590 |
| <i>Less: Provision for doubtful receivables</i> | <i>(12,483)</i> | <i>(11,829)</i> |
| | 17,179 | 11,761 |

The normal credit terms of the Group granted to the customers is on average 90 days from the date of invoice.

11. Investments in Securities

| | Unaudited 30th June 2003 <i>HK\$'000</i> | Audited 31st December 2002 <i>HK\$'000</i> |
|---|---|---|
| Equity securities — Unlisted, at carrying value | 9,586 | 9,586 |
| | 9,586 | 9,586 |



12. Amount due to a Related Company

Amount due to a related company represented management costs and expenses payable to MAXX Bioscience Technology Co., Ltd., a company beneficially owned by Ms. LO Yuk Yee. The amount is unsecured, interest free and has no fixed repayment date.

13. Trade and Other Payables

| | Unaudited 30th June 2003 HK\$'000 | Audited 31st December 2002 HK\$'000 |
|-----------------------------|--|--|
| Trade payables | 15,162 | 8,272 |
| Other payables and accruals | 21,333 | 35,250 |
| | 36,495 | 43,522 |

All trade payables were aged less than one year.

14. Payable for Acquisition of a Subsidiary

By an ordinary resolution passed on 10th February 2003, the directors of the Company were authorized to issue and allot shares ("Consideration Share") to Monaco International Group Limited or its nominee for the settlement of HK\$10,000,000 for the balance of consideration for the acquisition of 100% equity interest in Joy Route Development Limited. As a result, 72,330,000 and 11,000,000 ordinary shares of the Company of HK\$0.10 each at issue price of HK\$0.12 per share were issued as Consideration Shares on 17th February 2003 and 13th March 2003, respectively.

15. Amount Due to the Major Shareholder

Amount due to the major shareholder represented an unsecured loan lent to the Company during the current period with interest at 2% over the prime rate and no fixed repayment date.

16. Share Capital

| | Number of shares | | Nominal value | |
|---|--|--|--|--|
| | Unaudited 30th June 2003 '000 | Audited 31st December 2002 '000 | Unaudited 30th June 2003 \$'000 | Audited 31st December 2002 \$'000 |
| Authorised (shares of HK\$0.10 each) | 1,600,000 | 1,600,000 | 160,000 | 160,000 |
| Issued and fully paid or credited as fully paid (shares of HK\$0.10 each) | 1,181,430 | 978,100 | 118,143 | 97,810 |



Notes:

(1) Placing of new shares

During the period under review, the Company has raised funds through placing of new shares. A total number of 120,000,000 new shares were issued through two placements in January 2003 and March 2003 and the net proceeds from these placements are used for working capital of the Group.

(2) Consideration Shares

See Note 14.

17. Contingent Liabilities

The Group has no significant contingent liabilities as at 30th June 2003.

18. Commitments

(a) Capital commitments for investment

| | Unaudited 30th June 2003 HK\$'000 | Audited 31st December 2002 HK\$'000 |
|---------------------------------|--|--|
| Contracted but not provided for | | |
| — Within one year | 20,691 | 20,691 |

(b) Commitments under operating leases

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

| | Unaudited 30th June 2003 HK\$'000 | Audited 31st December 2002 HK\$'000 |
|---------------------------------------|--|--|
| Land and buildings: | | |
| Within one year | 1,687 | 1,432 |
| In the second to fifth year inclusive | 428 | 803 |
| | 2,115 | 2,235 |

19. Subsequent Event

On 29th August 2003, the Company entered into an agreement with a placing agent for a placement of 120,000,000 new ordinary shares of HK\$0.10 each of the Company at a price of HK\$0.10 per share on best effort basis. The Placing Shares represent approximately 10.16% of the Company's existing issued share capital and approximately 9.22% of its issued share capital as enlarged by the issue of the Placing Shares.



MANAGEMENT DISCUSSION AND ANALYSIS

Business Review and Prospects

For the six months ended 30th June 2003, the Group's turnover was HK\$39,039,000 (2002: HK\$43,994,000), representing a decrease of 11% as compared with the corresponding period of last year. The Group reported a consolidated loss attributable to shareholders of approximately HK\$16,107,000 as compared with a loss of HK\$22,824,000 for the same period last year.

During the period under review, the sales of existing tonic drink products (including Houtou Mushroom tonic drink and Chrysanthemum tonic drink) began to stabilize and recorded a mild decrease of HK\$1,878,000 or 6% as compared with the same period last year. The sales of other health products (including Changing capsule and Duo Bu Gai) also recorded a small drop of approximately HK\$481,000 or 8% as compared with corresponding period of last year.

Since there was a change in product mix and the sales of higher profit margin products has been dropped, the overall profit margin was decreased from 60% for the six months ended 30th June 2002 to 58% for the period under review.

As a result of effective cost control measures implemented by the Group for the first half of the year, the total operating expenses (including distribution expenses and administrative expenses) were reduced by approximately HK\$11,599,000 as compared with the corresponding period of last year.

After the Severe Acute Respiratory Syndrome (the "SARS") outbreak in April 2003, the general public has recognized the importance of diagnostic products to detect diseases and monitor disease progression more quickly and accurately. The Directors believes that the market for diagnostic product is further opened up in Hong Kong and China, in which it is a good opportunity for the Company to participate in the market in diagnostic products.

Interim Dividend

The Directors have resolved not to recommend the payment of an interim dividend for the six months ended 30th June 2003 (for the six months ended 30th June 2002: nil).



Financial Resources and Liquidity

As at 30th June 2003, the Group's total assets amounted to HK\$366,440,000, representing a decrease of HK\$27,437,000 or 7% as compared with that of last financial year end date.

The Group's cash and bank balances as at 30th June 2003 were HK\$32,753,000 (31st December 2002: HK\$70,096,000), of which 8% were denominated in Hong Kong Dollars, 91% in Renminbi and 1% in US Dollars.

As at 30th June 2003, the Group had outstanding short-term bank loans of approximately HK\$41,957,000 in total, (31st December 2002: HK\$48,746,000) all of which were in Renminbi and granted by local banks in the PRC. The interest rates charged by the banks ranged from 6.375% to 7.605% per annum. These bank loans were pledged by buildings of the Group with a net book value of approximately HK\$80,564,000 (31st December 2002: HK\$90,040,000). The Group's gearing ratio was decreased from 27% at 31st December 2002 to 22% at 30th June 2003.

As at 30th June 2003, the Group had current assets of approximately HK\$131,943,000 (31st December 2002: HK\$136,756,000) and current liabilities of approximately HK\$140,419,000 (31st December 2002: HK\$153,573,000). The current ratio was increased from 0.89 at 31st December 2002 to 0.94 at 30th June 2003.

Since the Group's principal activities are in the PRC and the financial resources available, including cash on hand and bank borrowings, are mainly in Renminbi and Hong Kong Dollars, the exposure to exchange fluctuation is relatively low.

Employees and Remuneration Policy

As at 30th June 2003, the Group had a total number of 502 full time employees of whom 11 are based in Hong Kong and 491 are based in China.

The employees are remunerated based on their job performance and experience and their remuneration package will be reviewed periodically by the management. In addition to basic salaries, the Group provides other staff benefits which include medical insurances, retirement scheme contributions and on-the-job training programmes.

The Company has adopted a new share option scheme on 17th May 2002 under which the directors of the Company are authorized to grant share options to eligible persons as an incentive. As at 30th June 2003, a total number of 10,000,000 share options were granted to certain employees according to their individual performance.



Contingent Liabilities

The Group has no significant contingent liabilities as at 30th June 2003.

DIRECTORS' INTERESTS IN SHARES

As at 30th June 2003, the directors of the Company had the following interests in the shares of HK\$0.10 each in the capital of the Company ("Shares") or debentures of the Company or shares in or debentures of any associated corporation (within the meaning of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance") as recorded in the Register of Directors' Interests required to be kept by the Company pursuant to Section 29 of the SDI Ordinance:

| Name | Personal Interest | Corporate Interest | Total number of shares |
|----------------|-------------------|----------------------------|------------------------|
| Ms. LO Yuk Yee | — | 415,230,000 ⁽¹⁾ | 415,230,000 |

Notes:

- (1) These shares are held by Vision Ocean Investments Limited which is beneficially owned by Ms. LO Yuk Yee.

Save as disclosed above, the Company had no notice of any interest required to be recorded under Section 29 of the SDI Ordinance as at 30th June 2003.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At the Special General Meeting held on 17th May 2002, the existing share option scheme was terminated and a new Share Option Scheme was adopted on 17th May 2002 in order to comply with Chapter 17 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.



Pursuant to the new Share Option Scheme, the Company granted options to the directors of the Company to subscribe for Shares during the different periods. Details of the share options outstanding as at 30th June 2003 held by the directors of the Company were as follows:

| Name of director | Date of grant | Exercise period | Exercise price per share | Number of share options | | | | |
|-------------------|---------------|-----------------------------|--------------------------|-------------------------|-----------------------|------------------------|---------------------------------|--------------------------|
| | | | | Outstanding at 1/1/2003 | Granted during Period | Exercise during Period | Lapsed/ cancelled during Period | Outstanding At 30/6/2003 |
| | | | HK\$ | | | | | |
| Ms. LO Yuk Yee | 28 June 2002 | 28 June 2002 — 27 July 2004 | 0.315 | 8,150,000 | — | — | — | 8,150,000 |
| | 21 Jan. 2003 | 21 Jan. 2003 — 20 Jan. 2005 | 0.158 | — | 1,630,000 | — | — | 1,630,000 |
| Prof. ZANG Jingwu | 28 June 2002 | 28 June 2002 — 27 July 2004 | 0.315 | 3,000,000 | — | — | — | 3,000,000 |
| | 28 Feb. 2003 | 28 Feb. 2003 — 27 Feb. 2005 | 0.140 | — | 7,380,000 | — | — | 7,380,000 |
| Dr. CAO Wu | 21 Jan. 2003 | 21 Jan. 2003 — 20 Jan. 2005 | 0.158 | — | 9,780,000 | — | — | 9,780,000 |

Save as disclosed above, none of the directors or their associates had any other interests (whether beneficial or non-beneficial) in the share capital of the Company or any associated corporation as defined in the SDI Ordinance as at 30th June 2003.

SUBSTANTIAL SHAREHOLDERS

As at 30th June 2003, the following substantial shareholders were directly or indirectly interested in 5% or more of the share capital of the Company as recorded in the register required to be kept by the Company under Section 16(1) of the SDI Ordinance:

| Name of shareholder | Number of shares | Percentage of issued capital |
|--|------------------|------------------------------|
| Ms. LO Yuk Yee (<i>see note (1)</i>) | 415,230,000 | 35.15% |
| Vision Ocean Investments Limited (<i>see note (1)</i>) | 415,230,000 | 35.15% |
| Sunny Fortune Limited (<i>see note (2)</i>) | 185,000,000 | 15.66% |

Note:

- (1) These shares are held by Vision Ocean Investments Limited which is beneficially owned by Ms. LO Yuk Yee.
- (2) These shares are held by Sunny Fortune Limited which is beneficially owned by Mr. LOK Fai who had resigned as a director of the Company on 21 June 2002.



PURCHASE, SALE OR REDEMPTION OF OWN SECURITIES

There was no purchase, sale or redemption of the Company's listed securities by the Company or any of its subsidiaries during the six months ended 30th June 2003.

AUDIT COMMITTEE

The Audit Committee of the Company is comprised of two independent non-executive directors, Mr. HO Kwok Wah and Mr. YUEN Kin. The main function of the Audit Committee is to review with management the Group's internal control procedures and financial reporting matters including a review of the Group's unaudited interim financial statements for the six months ended 30th June 2003.

CODE OF BEST PRACTICE

In the opinion of the Directors, the Company had complied with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited during the six months ended 30th June 2003.

By Order of the Board
LO Yuk Yee
Chairman

Hong Kong, 25th September 2003