

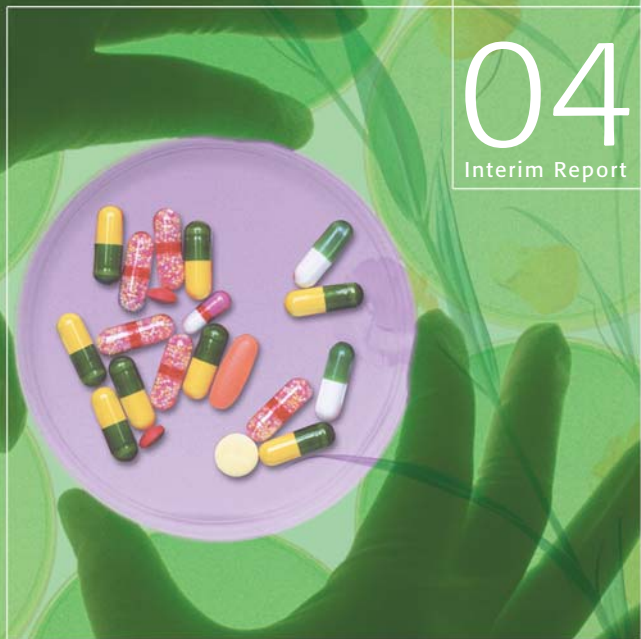
BROAD INTELLIGENCE
International Pharmaceutical
Holdings Limited

(incorporated in the Cayman Islands with limited liability)



04

Interim Report



The Board of directors (the “Board”) of Broad Intelligence International Pharmaceutical Holdings Limited (the “Company”) is pleased to announce the unaudited condensed consolidated financial statements of the Company and its subsidiaries (collectively the “Group”) for the six months ended 30th June, 2004, together with the comparative figures for the corresponding period in 2003.

The interim financial statements have not been audited, but have been reviewed by the Audit Committee and the auditors of the Company.

CONDENSED CONSOLIDATED INCOME STATEMENT

	<i>Note</i>	For the six months ended 30th June,	
		2004 (Unaudited) HK\$'000	2003 (Audited) HK\$'000
TURNOVER	3	120,692	84,272
COST OF SALES		(69,546)	(49,418)
GROSS PROFIT		51,146	34,854
OTHER REVENUE	3	317	172
SELLING AND DISTRIBUTION EXPENSES		(1,308)	(959)
GENERAL AND ADMINISTRATIVE EXPENSES		(4,145)	(1,610)
PROFIT FROM OPERATIONS		46,010	32,457
FINANCE COSTS		–	(179)
PROFIT BEFORE TAXATION	4	46,010	32,278
INCOME TAX	5	(7,255)	(2,373)
PROFIT ATTRIBUTABLE TO SHAREHOLDERS		38,755	29,905
DIVIDEND	6	–	–
EARNINGS PER SHARE – BASIC	7	HK9.69 cents	HK9.46 cents

CONDENSED CONSOLIDATED BALANCE SHEET

		At 30th June, 2004 (Unaudited) <i>HK\$'000</i>	At 31st December, 2003 (Audited) <i>HK\$'000</i>
	<i>Note</i>		
NON-CURRENT ASSETS			
Property, plant and equipment	8	44,392	35,396
Negative goodwill		(833)	(914)
		43,559	34,482
TOTAL non-current assets			
		43,559	34,482
CURRENT ASSETS			
Inventories		6,326	6,135
Prepayments, deposits and other receivable		314	3,443
Trade receivables	9	44,888	53,582
Cash and bank balances		172,544	134,708
		224,072	197,868
CURRENT LIABILITIES			
Trade payables	10	10,635	14,632
Accruals and other payables		13,211	14,032
Bank overdraft, unsecured		-	243
Tax payable		3,411	1,824
		27,257	30,731
Net current assets		196,815	167,137
NET ASSETS		240,374	201,619
CAPITAL AND RESERVES			
Share capital	11	40,000	40,000
Reserves		200,374	161,619
		240,374	161,619
Shareholders' equity		240,374	201,619

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

CONDENSED CONSOLIDATED CASH FLOW STATEMENT	For the six months ended	
	30th June,	
	2004 (Unaudited) <i>HK\$'000</i>	2003 (Audited) <i>HK\$'000</i>
NET CASH FROM OPERATING ACTIVITIES	48,326	25,938
NET CASH (USED IN)/GENERATED FROM INVESTING ACTIVITIES	(10,247)	84
NET CASH GENERATED FROM FINANCING ACTIVITIES	–	921
NET INCREASE IN CASH AND CASH EQUIVALENT	38,079	26,943
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	134,465	28,067
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	172,544	55,010
ANALYSIS OF THE BALANCE OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	172,544	55,026
Bank overdraft, unsecured	–	(16)
	172,544	55,010

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital	Share premium	Statutory reserve	General reserve	Special reserve	Retained profits	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
(Unaudited)							
As at 1st January, 2004	40,000	27,944	9,906	12,531	19,608	91,630	201,619
Profit for the period	—	—	—	—	—	38,755	38,755
As at 30th June, 2004	<u>40,000</u>	<u>27,944</u>	<u>9,906</u>	<u>12,531</u>	<u>19,608</u>	<u>130,385</u>	<u>240,374</u>
(Audited)							
As at 1st January, 2003	78	19,730	9,030	9,029	—	33,574	71,441
Profit for the period	—	—	—	—	—	29,905	29,905
Transfer to reserve	—	—	—	5,853	—	(5,853)	—
As at 30th June, 2003	<u>78</u>	<u>19,730</u>	<u>9,030</u>	<u>14,882</u>	<u>—</u>	<u>57,626</u>	<u>101,346</u>

NOTES TO THE INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30TH JUNE, 2004

1. PRINCIPAL ACTIVITIES, ORGANISATION AND BASIS OF PREPARATION

The principal activities of the Company and its subsidiaries (collectively referred to as the “Group”) are manufacture, sale, research and development of pharmaceutical products and investment holding.

The Company was incorporated in the Cayman Islands on 16th April, 2003 as an exempted company with limited liability under the Companies Law (2002 Revision) of the Cayman Islands and its shares have been listed on The Stock Exchange of Hong Kong Limited with effect from 24th November, 2003.

Under a group reorganisation scheme to rationalise the structure of the Group in preparation for the listing of the Company’s shares on The Stock Exchange of Hong Kong Limited, the Company became the holding company of the Group on 6th November, 2003. Details of the reorganisation were set out in the prospectus issued by the Company dated 11th November, 2003 (“the Prospectus”).

The Group resulting from the above mentioned reorganisation is regarded as a continuing entity. Accordingly, the condensed financial statements of the Group have been prepared using the principles of merger accounting in accordance with Statement of Standard Accounting Practice 27 “Accounting for Group Reconstructions” issued by the Hong Kong Institute of Certified Public Accountants

The condensed financial statements of the Group are reported in Hong Kong Dollars. Accordingly, the figures for 30th June, 2003, which were stated in the Prospectus in Renminbi, have been retranslated into Hong Kong Dollars for comparison purpose.

The condensed financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and with Statement of Standard Accounting Practice 25 “Interim financial reporting” issued by the Hong Kong Institute of Certified Public Accountants. The condensed financial statements have been prepared under the historical cost convention.

The accounting policies adopted are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31st December, 2003.

2. SEGMENT REPORTING

More than 95% of the operating profits and assets are attributable to the Group’s operations, manufacturing and sales of pharmaceutical products in the PRC. Accordingly, no analysis by geographical and business segment is provided.

3. TURNOVER AND OTHER REVENUE

Turnover represents the invoiced value of goods sold after deducting goods returned, trade discount and sale tax.

	For the six months ended 30th June,	
	2004 (Unaudited) HK\$'000	2003 (Audited) HK\$'000
Turnover		
Sales of pharmaceutical products	<u>120,692</u>	<u>84,272</u>
Other revenue		
Interest income	<u>236</u>	<u>92</u>
Release of negative goodwill	<u>81</u>	<u>80</u>
	<u>317</u>	<u>172</u>
Total revenue	<u><u>121,009</u></u>	<u><u>84,444</u></u>

4. PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

	For the six months ended 30th June,	
	2004 (Unaudited) HK\$'000	2003 (Audited) HK\$'000
Research and development costs	173	119
Depreciation	1,487	761
Less: Amount included in research and development cost	<u>(44)</u>	<u>(9)</u>
	<u>1,443</u>	<u>752</u>
Staff costs (including directors' remuneration)		
Salaries and allowance	2,789	1,398
Contributions to retirement scheme	<u>339</u>	<u>169</u>
	<u>3,128</u>	<u>1,567</u>
Less: Amount included in research and development cost	<u>(93)</u>	<u>(102)</u>
	<u><u>3,035</u></u>	<u><u>1,465</u></u>

5. INCOME TAX

Income tax consists of:

	For the six months ended 30th June,	
	2004	2003
	(Unaudited)	(Audited)
	HK\$'000	HK\$'000
PRC enterprise income tax	<u>7,255</u>	<u>2,373</u>

- (i) Fujian Fuqing Pharmaceutical Co., Ltd. (“Fuqing Pharmaceutical”), which was formerly a PRC domestic enterprise, was subject to PRC enterprise income tax at a rate applicable to the company on the assessable profits for the year. With effect from 16th November, 1999, Fuqing Pharmaceutical was changed from a domestic enterprise to a wholly-foreign owned enterprise and is exempted from PRC enterprise income tax for two years starting from the first year of profitable operations after offsetting prior year losses, followed by a 50% reduction for the next three years.
- (ii) No provision for Hong Kong profits tax has been made as the Group had no assessable profits for the period (2003: Nil).
- (iii) The Group did not have any significant unprovided deferred taxation at 30th June, 2004 (2003: Nil).

6. DIVIDEND

The directors do not recommend the payment of a dividend for the six months ended 30th June, 2004 (2003: Nil).

7. EARNINGS PER SHARE

The calculation of basic earnings per share for the six months ended 30th June, 2004 is based on the consolidated profit attributable to shareholders of approximately HK\$38,755,000 (2003: HK\$29,905,000) and the weighted average number of 400,000,000 shares (2003: 316,000,000 shares) in issued during the period.

Diluted earnings per share was not presented because there were no dilutive potential ordinary shares in issue during the six months ended 30th June, 2004 and 2003.

8. CAPITAL EXPENDITURE

During the period, the Group spent HK\$10,483,000 (six months ended 30th June, 2003: HK\$8,000) on acquisition of property, plant and equipment.

9. TRADE RECEIVABLES

The Group normally grants credit terms of 60 to 90 days to its customers.

Ageing analysis of trade receivables is as follows:

	30th June, 2004 (Unaudited) HK\$'000	31st December, 2003 (Audited) HK\$'000
0 – 30 days	22,461	27,462
31 – 60 days	22,427	24,672
61 – 90 days	–	878
91 – 180 days	–	570
	<u>44,888</u>	<u>53,582</u>

10. TRADE PAYABLES

Ageing analysis of trade payables is as follows:

	30th June, 2004 (Unaudited) HK\$'000	31st December, 2003 (Audited) HK\$'000
0 – 30 days	10,633	14,632
31 – 60 days	2	–
	<u>10,635</u>	<u>14,632</u>

11. SHARE CAPITAL

	Number of shares '000	Amount HK\$ '000
Ordinary shares of HK\$0.1 each		
<i>Authorised</i>		
Upon incorporation of the Company (a)	1,000	100
Increase in authorised share capital (b)	<u>1,999,000</u>	<u>199,900</u>
As at 31st December, 2003 and 30th June, 2004	<u>2,000,000</u>	<u>200,000</u>
<i>Issued and fully paid</i>		
Issue of shares upon incorporation (a)	1,000	100
Issue of shares arising from the Reorganisation (c)	1,000	100
Issue of shares through a placing and public offer (d)	84,000	8,400
Capitalisation of share premium (e)	<u>314,000</u>	<u>31,400</u>
As at 31st December, 2003 and 30th June, 2004	<u>400,000</u>	<u>40,000</u>

Notes:

- (a) Upon incorporation on 16th April, 2003, the Company had authorised share capital of HK\$100,000, divided into 1,000,000 shares of HK\$0.10 each. On the same date, 1,000,000 shares were allotted and issued as nil paid shares, which were subsequently credited as fully paid at par as noted in (c) below.
- (b) On 3rd November, 2003, the Company's authorised share capital was increased from HK\$100,000 to HK\$200,000,000 by the creation of 1,999,000,000 shares of HK\$0.10 each ranking *pari passu* with the existing shares in all respects.
- (c) On 6th November, 2003, the Company allotted and issued 1,000,000 shares, together with the 1,000,000 shares allotted and issued on 16th April, 2003 as noted in (a) above, of HK\$0.10 each, credited as fully paid, in exchange for the acquisition by the Company of the entire issued share capital of Long Master International Limited, the then holding company of the Group.
- (d) On 20th November, 2003, 84,000,000 shares of HK\$0.10 each were issued at HK\$0.93 per share through a placing and public offer, resulting in cash proceeds (net of share issuance expenses) of approximately HK\$67,744,000.
- (e) Immediately after the aforementioned placing and public offer, share premium of approximately HK\$31,400,000 was capitalised for the issuance of 314,000,000 shares of HK\$0.10 each on a pro-rata basis to the Company's shareholders immediately before the placing and public offer.

12. COMMITMENTS

(a) Capital commitments

	At 30th June, 2004 (Unaudited) <i>HK\$'000</i>	At 31st December, 2003 (Audited) <i>HK\$'000</i>
Authorised and contracted for – Property under development	<u>9,906</u>	<u>–</u>

(b) Operating lease commitments

At 30th June, 2004, the Group had commitments for future lease payments under non-cancellable operating leases in respect of premises which fall due as follows:

	At 30th June, 2004 (Unaudited) <i>HK\$'000</i>	At 31st December, 2003 (Audited) <i>HK\$'000</i>
Within one year	475	120
Beyond one year but within five years	<u>226</u>	<u>–</u>
	<u>701</u>	<u>120</u>

**AUDITORS' INDEPENDENT REVIEW REPORT TO THE BOARD OF DIRECTORS OF
BROAD INTELLIGENCE INTERNATIONAL PHARMACEUTICAL
HOLDINGS LIMITED**

(Incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have been instructed by the Company to review the interim financial report set out on pages 1 to 10.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with Statement of Standard Accounting Practice 25 “Interim financial reporting” issued by the Hong Kong Institute of Certified Public Accountants and the relevant provisions thereof. The interim financial report is the responsibility of, and has been approved by, the directors.

It is our responsibility to form an independent conclusion, based on our review, on the interim financial report and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

REVIEW WORK PERFORMED

We conducted our review in accordance with Statement of Auditing Standards 700 “Engagements to review interim financial reports” issued by the Hong Kong Institute of Certified Public Accountants. A review consists principally of making enquiries of the Group management and applying analytical procedures to the interim financial report and based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the interim financial report.

REVIEW CONCLUSION

On the basis of our review which does not constitute an audit, we are not aware of any material modifications that should be made to the interim financial report for the six months ended 30th June, 2004.

CCIF CPA Limited
Certified Public Accountants
Hong Kong

Chan Wai Dune, Charles
Practising Certificate Number P00712

Hong Kong, 13th September, 2004

MANAGEMENT DISCUSSION AND ANALYSIS

Results highlights

For the six months ended 30th June, 2004, consolidated turnover of the Group amounted to approximately HK\$120.7 million, representing a year-on-year growth of 43% from approximately HK\$84.3 million last year. Profit after tax was approximately HK\$38.8 million, up 30% from that of last year. Basic earnings per share was HK9.69 cents (2003: HK9.46 cents).

Dividends

In 2004, the Company embarked on certain projects to expand its existing production lines and acquire new production lines, land and plants. These projects will be funded by proceeds from the IPO and internal resources of the Company. As such, the Board does not recommend the payment of any interim dividend for the six months ended 30th June, 2004.

Business review

As a result of its competitive advantages and outstanding performance, the Group achieved satisfactory results with remarkable growth in terms of sales and profit recorded. For the six months ended 30th June, 2004, consolidated turnover of the Group amounted to approximately HK\$120.7 million, representing a year-on-year growth of 43% from approximately HK\$84.3 million last year. Profit after tax was approximately HK\$38.8 million, up 30% from last year. Gross profit margin improved from 41.4% last year to approximately 42.4%. The increase in consolidated turnover of the Group was primarily attributable to the large-scale production of large volume parenteral solution in September 2003 subsequent to the renewal of the relevant GMP certification in August 2003. The sales of large volume parenteral solution for the first six months of 2004 was approximately HK\$22.9 million. Another major factor contributing to the increase in turnover was the production and sale of some new products with higher profit margin. In addition, the management of the Company exercised stringent cost control, quality assurance and expense control, so as to minimize production and management costs and improve flexibility and efficiency. By improving its productivity and product quality and expanding its operation network, the Group has built up a robust foundation for the further development of its business.

Prospects

Building on its experience in the manufacturing and sale of pharmaceutical products, extensive marketing network and a elite team of advisors with professional experience and expertise, the Group has identified the following initiatives:

Acquiring land

Last year, application had been filed with and procedures had been completed by the Company with the relevant State-owned Land Bureau regarding the purchase of a parcel of land adjacent to the Fuqing plant. It is our plan to construct a six-story workshop complex at the site, most of the construction works have been completed. Capital expenditure in relation to the purchase of land and the construction of plant amounted to approximately RMB20 million. It is expected that the proposed plant will be completed and operational in the second half of 2004.

Expanding production lines

The Group's production lines are currently running at their maximum capacity. The group plans to boost its productivity and production volume by setting up six GMP-certified production lines in the new complex. It is expected that the GMP certification will be obtained by the end of 2004 or early 2005, and commercial production will commence in 2005.

Expanding scope of production

When the new production lines come on stream, the new production scopes approved cover granule, power, herbal tea, solution, syrup, eye drop, ear drop, inhalant and tincture (for external application). It is expected that 10-20 new products will be submitted for approval by the relevant departments in the year.

Sales of products

During the six months ended 30th June, 2004, the Group had 35 products for sale. All such products were sold in the PRC and denominated in Renminbi. Customers of the Group mainly comprised licensed pharmaceutical distributors, hospitals and clinics in the PRC. The five major products of the Group in aggregate accounted for 65% of the total turnover. The sales of small volume parenteral solution increased approximately 16% to HK\$97.8 million compared to the correspondent period of 2003.

CAPITAL AND OTHER INFORMATION OF THE GROUP

Financial information

The Group had cash and bank balances totaling approximately HK\$172 million for the six months ended 30th June, 2004. As the Group has no outstanding bank loan, there is no gearing ratio (2003: 0%). Current ratio and quick ratio both improved from 6.44 and 6.24 in 2003 to 8.22 and 7.99 for the six months ended 30th June, 2004. As at 30th June, 2004, debtors turnover period, inventory turnover period and creditors turnover period was 68 days, 16 days and 29 days respectively (2003: 96 days, 11 days and 26 days respectively). Generally speaking, the Group has a sound financial position providing strong support for its future development.

Contingent liabilities

As at 30th June, 2004, the Group and the Company did not have any significant contingent liabilities (2003: Nil).

Interest rate and currency exposure

The Group has no material foreign exchange and interest rate exposure.

Change in group composition

For the six months ended 30th June, 2004, the Group has not acquired or sold any subsidiaries subsequent to its listing.

Employees and remuneration policy

As at 30th June, 2004, the Group has a total of 245 employees (June 2003: 173). The increase in headcount was to cater for operating needs. The Group regularly reviews remuneration and benefits of employees according to the relevant market practices and individual performance of the employees. In addition to basic salary, employees are entitled to other benefits staff provident fund scheme and discretionary bonus scheme.

RETIREMENT SCHEME

The Group provides retirement benefits to its staff. The retirement contributions paid by the Group are based on certain percentage of the relevant portion of the payroll of all qualifying employees in accordance with the relevant regulations in the PRC and are charged to the income statement as incurred. The contributions paid for the period ended 30th June, 2004 and 2003 were approximately HK\$339,000 and HK\$169,000 respectively. The Group has made adequate provision in the financial statements in respect of the benefit schemes. The Group also provides housing allowances and meal allowances to its staff.

In Hong Kong, the Group has set up a retirement scheme in accordance with the mandatory provident fund requirements prescribed by the Mandatory Provident Fund Schemes Ordinance, Chapter 485 of the Laws of Hong Kong. All Hong Kong based employees and the Group are required to contribute 5% of their respective monthly wages (up to a maximum contribution of HK\$1,000 by each of the employee and the Group) on a monthly basis to the fund.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's bye-laws, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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

DISCLOSURE OF INTERESTS

Directors' interests in the shares or underlying shares

As at 30th June, 2004, the interests of the directors in the shares of the Company or any of its associated corporations (within the meaning of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance")) as recorded in the register maintained by the Company pursuant to Section 29 of the SDI Ordinance were as follows:

Director	Number of shares held <i>(Corporate interests (Note))</i>	Percentage of Interest
Zhong Houtai	211,720,000	52.93%

Note:

1. The shares are registered under the name of Elite Achieve Limited.
2. The entire issued share capital of Elite Achieve Limited is legally and beneficially owned by Mr. Zhong Houtai.
3. Under the SFO, Mr. Zhong Houtai is deemed to be interested in all the shares registered in the name of Elite Achieve Limited.

Save as disclosed above, none of the directors or their associates had any personal, family, corporate or other interests in the equity or debt securities of the Company or any of its associated corporations as defined in the SDI Ordinance.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OF DEBENTURES

Apart from the details as disclosed under the heading "Directors' interests in share capital" above, at no time during the period were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the directors, or their respective spouse or children under 18 years of age, to acquire such rights in any other body corporate.

DIRECTORS' INTERESTS IN CONTRACTS

During the six months ended 30th June, 2004, no director had a beneficial interest, either direct or indirect, in any significant contract to which the Company, its holding company or any of its subsidiaries was a party at the balance sheet date or at any time.

SHARE OPTION SCHEME

The Share Option Scheme will be effective for a period of 10 years from 3rd November, 2003. No share option had been granted or agreed to be granted thereunder since the adoption of the Share Option Scheme.

SUBSTANTIAL SHAREHOLDERS

As at 30th June, 2004, the following persons are interested in 5% or more of the issued share capital of the Company as recorded in the register required to be kept by the Company pursuant to section 16(1) of the SDI:

Save as disclosed above, as at 30th June, 2004, the Company had not been notified of any persons who had interests or short positions in the shares or underlying shares of the Company, which are required to be recorded in the register required to be kept under section 336 of Part XV of the SFO:

Shareholders	Number of shares	Percentage held
Elite Achieve Limited	211,720,000	52.93% (Note 1)
Zhong Houtai	211,720,000	52.93% (Note 1)

Note 1: The entire issued share capital of Elite Achieve Limited is legally and beneficially owned by Mr. Zhong Houtai.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or in existing during the six months ended 30th June, 2004.

CONNECTED TRANSACTIONS

During the six months ended 30th June, 2004, the Group had no transactions with related parties.

CORPORATE GOVERNANCE

Compliance with Code of Best Practice

In the opinion of the directors, the Company has complied with the Code of Best Practice (the “Code”) as set out in Appendix 14 of the Listing Rules of The Stock Exchange of Hong Kong Limited throughout the accounting period covered by the Report, except that independent non-executive directors are not appointed for a specific term as required by paragraph 7 of the Code, but are subject to retirement by rotation at the annual general meeting of the Company in accordance with the bye-laws of the Company.

Audit Committee

The audit committee has two members comprising the Company’s two independent non-executive Directors, namely Mr. Pei Renjiu (裴仁九先生) and Mr. Li Kai Ming (李開明先生). The duties of the audit committee are to review the Company’s annual report and accounts, interim reports and to provide advice and comments thereon to the Board. In addition, the audit committee will consider any significant and unusual items that are, or may need to be reflect in such reports and accounts and must give due consideration to any matter that has been raised by the Company’s qualified accountant, compliance officer and auditors. The audit committee will also be responsible for reviewing and supervising the financial reporting process and the Group’s internal control system. Two meetings were held during the current financial period, during one of which the unaudited interim financial statement for the 6 months ended period 30th June, 2004 was reviewed.

Model Code

During the accounting period covered by this interim report, the Company had complied with the Model Code for Securities Transactions by Directors as set out in Appendix 10 of the Listing Rules. After making inquiry of the directors, the Company confirmed that the directors of the Company had complied with the provisions of the Model Code for Securities Transactions by Directors.

APPRECIATION

I would like to take this opportunity to extend my deepest gratitude to the directors and the staff as a whole for their immense contribution, dedication and diligence.

On behalf of the Board

Zhong Houtai

Chairman

Hong Kong, 13th September, 2004