



BUSINESS REVIEW *(Continued)*

Contingent liabilities

Details of the Group's contingent liabilities as at 30 June 2004 are set out in note 20 to the financial statements.

Prospects

The subscription for new shares of the Company by the investor and the settlement of loans between the Group, the Bank and the finance company would enable the Group to wipe out all its bank borrowings and liabilities under corporate guarantees, improve the working capital position of the Group, lower the financial leverage of the Group, strengthen the financial position of the Group and enhance the capital base of the Company. After completion of the settlement of loans and the subscription, the Group will have greater flexibility in raising funds for its existing business and future projects.

With a stronger financial position, the Group would be able to focus on developing its existing business and pursue its business endeavors. In view of the growing acceptance of and demand for DNA related diagnostic services and products in Hong Kong, GenePro would make more effort in developing advanced diagnostic kits for viruses and diseases such as human papilloma virus and cervical cancer, Hepatitis B virus and liver cancer, infections agents and sexually transmitted diseases, and gene mutations and colon cancer as well as forging collaborations with research institutes and/or biotechnology companies in the PRC and abroad in order to capture a fair share of the market and at the same time broaden our business opportunity.

AUDIT COMMITTEE

The Audit Committee of the Company has reviewed with the management the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters including the review of the unaudited interim financial statements. The interim financial statements have not been audited, at the request of the directors, the Group's external auditors have carried out a review of the unaudited interim financial statements.

In connection with their review and upon considering the review report of the external auditors, the Audit Committee would draw attention to the auditors' review conclusion that they have not been able to reach a review conclusion as to whether material

AUDIT COMMITTEE *(Continued)*

modifications should be made to the interim financial report for the six months ended 30 June 2004 because of the possible effect of the fundamental uncertainty, details of which are set out in note 1 'Basis of presentation'. Whilst the directors are confident of a successful completion of the settlement agreements with the creditor bank and finance company and the availability of future funding from other sources, significant adjustments would have to be made to the interim financial report should the outcome be otherwise.

INTERIM DIVIDEND

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2004 (For the six months ended 30 June 2003: Nil).

PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed shares during the period ended 30 June 2004.

DIRECTORS' INTERESTS IN EQUITY SECURITIES

As at 30 June 2004, the interests of the directors and the company's chief executives in the equity or debt securities of the Company or any associated corporation (within the meaning of the Securities and Futures Ordinance ("SFO")) which were required to be notified to the Company and the Stock Exchange pursuant to section 347 of the SFO (including interests which they were deemed or taken to have under sections 344 and 345 of the SFO) or pursuant to the Model Code for Securities Transactions by Directors of Listed Companies in the Listing Rules, or which were recorded in the register required to be kept under section 352 of the SFO, were as follows:

Chief executive (within the meaning of the SFO)	Capacity in which the shares were held	Number of Shares
Leung Hon Man <i>(Note)</i>	Nominee	54

Note: Mr. Leung was authorised to hold the fractions of the consolidated shares arising from the share consolidation effective on 18 October 2002.