

The directors are pleased to present their report together with the audited financial statements of MAXX Bioscience Holdings Limited (hereinafter as the "Company") and its subsidiaries (collectively as the "Group") for the year ended 31 December 2004.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. Details of the principal activities of the principal subsidiaries and associates are set out in note 16 and note 17 to the financial statements respectively. There were no significant changes in the nature of the Group's principal activities during the year.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2004 and the state of affairs of the Company and the Group at that date are set out on pages 19 to 62 to the financial statements.

The directors do not recommend the payment of a dividend for the year ended 31 December 2004.

FINANCIAL SUMMARY

A summary of the results, assets and liabilities of the Group for the past five financial years is set out on page 63.

RESERVES

Details of movements during the year in the reserves of the Group and the Company are set out in the consolidated statement of changes in equity and note 32 to the financial statements respectively.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment are set out in note 15 to the financial statements.

SHARE CAPITAL AND SHARE OPTIONS

Details of the movements in share capital and share options are set out in notes 30 and 31 respectively to the financial statements.

PRE-EMPTIVE RIGHTS

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

Report of the Directors

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2004, the five largest customers of the Group accounted for approximately 54% (2003: 58%) of the Group's total turnover, with the largest customer accounted for approximately 47% (2003: 50%).

The five largest suppliers accounted for approximately 38% (2003: 33%) of the Group's total purchases, with the largest supplier accounted for approximately 10% (2003: 11%).

At no time during the year were the directors, their associates, or any shareholder of the Company which to the knowledge of the directors owned more than 5% of the Company's share capital had any interest in these major customers and suppliers.

DIRECTORS AND DIRECTORS' SERVICE CONTRACTS

The directors who held office during the year and up to the date of this report are:

Executive directors

Ms. Lo Yuk Yee	(Chairman)
Ms. He Jin Hong	(Deputy Chairman)
Dr. Cao Wu	
Mr. Siu Siu Ling, Robert	
Mr. Ha Sze Tung Sharp Stone	(Appointed on 29 November 2004)
Mr. Hu Min	(Appointed on 29 November 2004)
Prof. Zang Jing Wu	(Resigned on 16 August 2004)

Independent non-executive directors

Mr. Leung Wai Chuen	(Appointed on 17 August 2004)
Mr. Ma Shiu Kin	(Appointed on 20 July 2004)
Mr. Wong Wai Kin	(Appointed on 28 February 2004)
Mr. Fong Chi Wah	(Resigned on 20 July 2004)
Mr. Yuen Kin	(Resigned on 28 February 2004)

Subsequent to the balance sheet date, on 21 March 2005, Ms. So Tosi Wan, Winnie was appointed as an independent non-executive director of the Company.

In accordance with the Company's bye-law 87(1), Ms. He Jin Hong retires from the board by rotation and, being eligible, offers herself for re-election.

In accordance with the Company's bye-law 86(2), Mr. Ha Sze Tung Sharp Stone, Mr. Hu Min, Mr. Ma Shiu Kin, Mr. Leung Wai Chuen and Ms. So Tosi Wan, Winnie retire at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

Ms. Lo Yuk Yee has service contract with the Company, which is terminable by either party giving not less than three months' notice in writing. None of the directors has an unexpired service contract with the Company which is not determinable by the Company within one year without payment of compensation other than statutory compensation.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND EQUITY DERIVATIVES

At 31 December 2004, the interests and short positions of the directors and the chief executive of the Company, or their associates in the shares, underlying shares and equity derivatives of the Company or any of its associated corporations within the meaning of Part XV of the Securities and Futures Ordinance ("SFO"), which had been notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO, or which were required to be entered in the register referred to therein pursuant to section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by the Directors of Listed Companies, were as follows:-

Long positions in the shares of the Company:

Name of director	Nature of interests	Number of ordinary shares held	Approximate percentage of interest in the Company
Ms. Lo Yuk Yee	Corporate	472,623,149 (Note 1)	40.87%
Mr. Siu Siu Ling, Robert	Personal	3,314,000	0.98%
Dr. Cao Wu	Personal	1,956,000 (Note 2)	0.70%

Notes:

(1) The shares comprise:

- (i) interest in 390,014,454 shares held by Vision Ocean Investments Limited ("Vision Ocean"). (This represents 130,004,818 existing shares held and 260,009,636 open offer shares undertaken to be accepted by Vision Ocean pursuant to an underwriting agreement dated 20 December 2004 entered into between the Company, the underwriters and Vision Ocean. Vision Ocean is wholly-owned by Ms. Lo Yuk Yee; and
- (ii) interest in 82,608,695 shares which represents the conversion rights granted to Payton Place Limited, ("Payton Place") a company incorporated in the British Virgin Islands with limited liability and beneficially owned by Ms. Lo Yuk Yee pursuant to the Convertible Notes.

(2) These represent option held by Dr. Cao Wu under the existing share option scheme of the Company to subscribe for up to an aggregate of 1,956,000 shares at a price of HK\$0.79 per share.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND EQUITY DERIVATIVES

At 31 December 2004, according to the register kept by the Company pursuant to section 336 of the SFO and so far as is known to, or can be ascertained after reasonable enquiry by the directors, the following persons had interests or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

Long positions in the shares and underlying shares of the Company:

Name of shareholder	Notes	Number of shares of HK\$0.01	Approximate percentage of the Company's issued share
Ms. Lo Yuk Yee	1	472,623,149	40.87%
Vision Ocean	1	390,014,454	36.32%
Payton Place	1	82,608,695	23.02%
Get Nice Holdings Limited	2	129,816,476	12.04%
Get Nice Incorporated	2	129,816,476	12.04%
Honeylink Agents Limited	2	129,816,476	12.04%
Ceva Investments Limited		41,180,000	11.50%
Sunny Fortune Limited		37,000,000	11.16%
Emperor International Holdings Limited	3	91,678,302	8.51%
GZ Trust Corporation	3	91,678,302	8.51%
Junbo Wealth Limited	3	91,678,302	8.51%
Luk Siu Man, Semon	3	91,678,302	8.51%
Yeung Sau Shing, Albert	3	91,678,302	8.51%

Notes:

- (1) Further details of these shares are included in the section of "Directors' and chief executive's interests and short positions in shares, underlying shares and equity derivatives."
- (2) These interests represent same parcel of interests in shares.
- (3) These interests represent same parcel of interests in shares.

DIRECTORS' INTERESTS IN CONTRACTS AND CONNECTED TRANSACTIONS

Details of the discloseable connected transactions for the year are set out in notes 18, 27, 28 and 33 to the financial statements.

The independent non-executive directors of the Company have reviewed and confirmed that the connected transactions set out in notes 18, 27, 28 and 33 to the financial statements entered into by the Group were in the ordinary course of its business, on normal commercial terms and in accordance with the terms of the agreements governing such transactions.

Save as disclosed above, no contract of significance to which the Company or any of its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at end of the year or at any time during the year.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

None of directors of the Company has interest in competing businesses as at 31 December 2004, required to be disclosed pursuant to Rule 8.10 of the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules").

PURCHASE, SALE OR REDEMPTION OF SHARES

During the year, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

BORROWINGS

Particulars of bank loans and other borrowings of the Group as at 31 December 2004 are set out in notes 26 to 29 to the financial statements.

COMPLIANCE WITH THE CODE OF BEST PRACTICE

Throughout the year, the Company has complied fully with the Code of Best Practice as set out by the Stock Exchange in Appendix 14 to the Listing Rules, except that the independent non-executive directors are not appointed for specific terms as they are subject to retirement by rotation and re-election at annual general meeting of the Company in accordance with the bye-laws of the Company.

POST BALANCE SHEET EVENTS

Details of the events after 31 December 2004 and up to the date of the financial statements are set out in note 37 to the financial statements.

Report of the Directors

AUDITORS

During the year, Moores Rowland Mazars, who acted as auditors of the Company for the years ended 31 December 2002 and 2003 resigned and KLL Associates CPA Limited were appointed as auditors of the Company.

A resolution will be submitted to the annual general meeting to re-appoint the auditors, KLL Associates CPA Limited.

On behalf of the Board

Lo Yuk Yee

Chairman

Hong Kong, 25 April 2005