

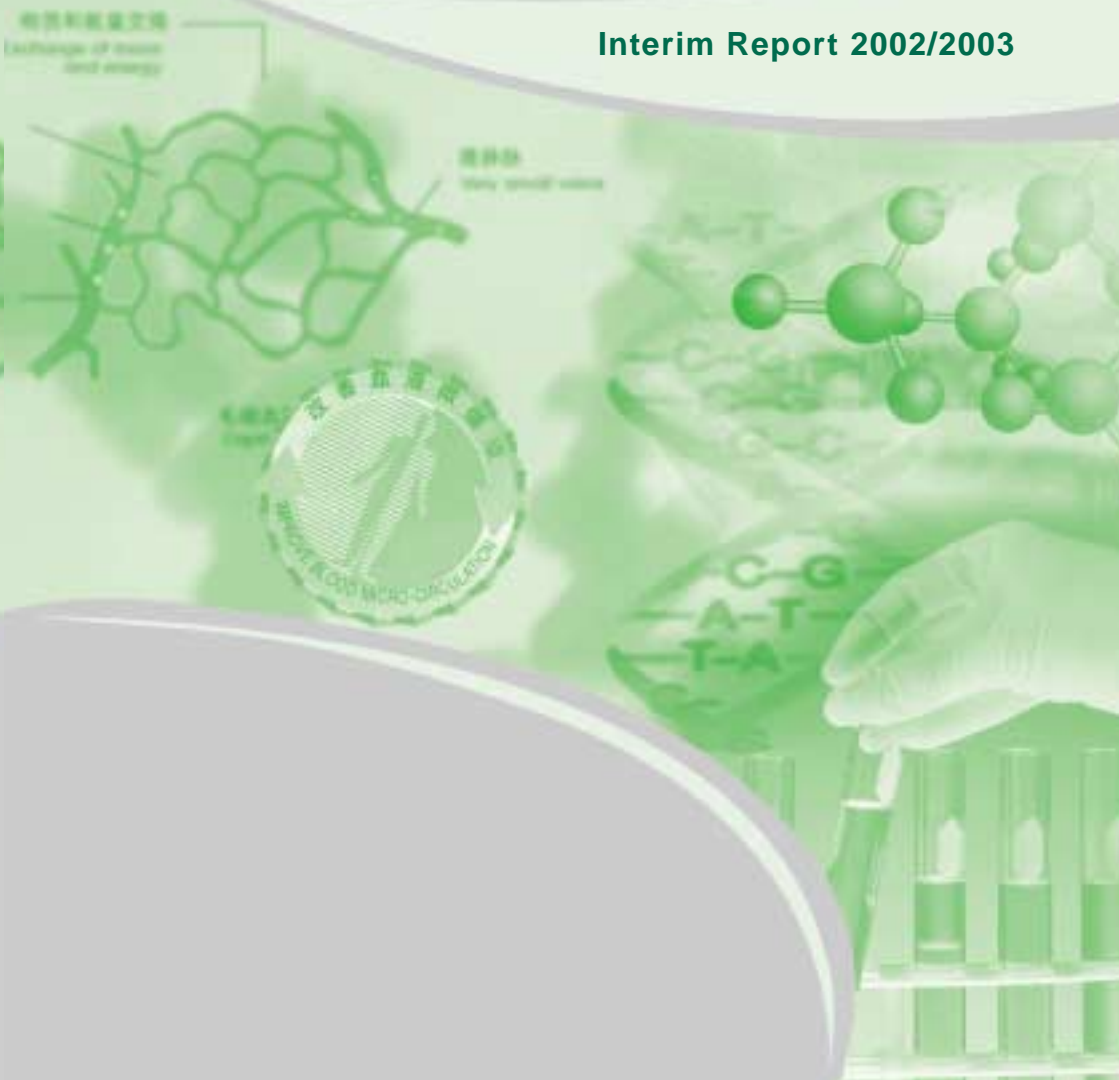


VITOP BIOENERGY HOLDINGS LIMITED

天年生物控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Interim Report 2002/2003



HIGHLIGHTS

- Subsequent to 31 December 2002, the Company successfully listed on the Main Board of the Stock Exchange from GEM on 10 February 2003.
- Total turnover of the Group for the six months ended 31 December 2002 increased by approximately 11.0% to approximately HK\$54.6 million as compared to the corresponding period in 2001 due to the contribution from the positive response on our newly launched Ionised Water Apparatus.
- In line with the continuous expansion plan of our franchise distribution network, we have continued to invest in training the newly recruited staff and franchisees in tapping into the new markets and establishing the new Vitop Health Technology Halls in Shanghai, Chengdu and Suzhou. Hence, net profit attributable to shareholders for the six months ended 31 December 2002 decreased to approximately HK\$8.5 million as compared to approximately HK\$16.2 million recorded in the corresponding period in 2001.

The directors of the Company believe that the above investments will begin to contribute by the second half of 2003.

- In addition to the continuous expansion plan, the directors of the Company believe that the existing three product lines have now formulated the basis of our philosophy of “Health”: Drink, Eat and Sleep — the three major components of human life. With the continuous encouraging feedbacks of such products, the Group is preparing to undergo a restructuring program of the existing franchise distribution network in accordance with such three lines of healthcare products.

INTERIM RESULTS

The board of directors (the “Board”) of Vitop Bioenergy Holdings Limited (the “Company”) announces the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 31 December 2002 (the “Period”) together with comparative figures for the corresponding period in 2001. The interim results for the six months ended 31 December 2002 are not audited, but have been reviewed by the audit committee.

CONDENSED CONSOLIDATED INCOME STATEMENT

		Six months ended	
		31 December	
		2002	2001
		(Unaudited)	(Unaudited)
	<i>Notes</i>	HK\$'000	<i>HK\$'000</i>
TURNOVER		54,632	49,232
Cost of sales		(20,945)	(15,123)
Gross profit		33,687	34,109
Other revenue		623	476
Distribution costs		(16,016)	(9,489)
Administrative expenses		(9,224)	(7,986)
Other operating expenses		(583)	(714)
PROFIT FROM OPERATING ACTIVITIES	4	8,487	16,396
Finance costs		—	(220)
PROFIT BEFORE TAX		8,487	16,176
Tax	5	—	—
NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS		8,487	16,176
DIVIDENDS	6	—	5,000
EARNINGS PER SHARE	7		
Basic		HK1.3 cents	HK2.9 cents
Diluted		N/A	N/A

CONDENSED CONSOLIDATED BALANCE SHEET

		31 December 2002 (Unaudited) HK\$'000	30 June 2002 (Audited) HK\$'000
	<i>Notes</i>		
NON-CURRENT ASSETS			
Fixed assets	8	13,403	11,852
Intangible assets		3,550	2,621
		16,953	14,473
CURRENT ASSETS			
Accounts receivable	9	11,141	12,706
Inventories	10	15,448	17,632
Investments in securities		903	—
Prepayments, deposits and other receivables		10,189	5,041
Cash and bank balances		50,624	49,968
		88,305	85,347
CURRENT LIABILITIES			
Accounts payable	11	6,822	4,360
Accrued liabilities and other payables		10,417	7,616
Trade deposits received		8,261	7,943
Interest-bearing bank loan, unsecured		—	1,673
		25,500	21,592
NET CURRENT ASSETS		62,805	63,755
		79,758	78,228
CAPITAL AND RESERVES			
Issued capital		16,630	16,658
Reserves		63,128	54,907
Proposed final dividend		—	6,663
		79,758	78,228

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Six months ended 31 December 2001

	Share capital (Unaudited) HK\$'000	Share premium (Unaudited) HK\$'000	Statutory reserve (Note 2) (Unaudited) HK\$'000	Proposed final dividends (Unaudited) HK\$'000	Retained profits (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
At 1 July 2001	1	—	1,447	—	27,328	28,776
Profit for the period	—	—	—	—	16,176	16,176
Transfer to statutory reserve	—	—	1,618	—	(1,618)	—
Dividends — interim	—	—	—	—	(5,000)	(5,000)
At 31 December 2001	<u>1</u>	<u>—</u>	<u>3,065</u>	<u>—</u>	<u>36,886</u>	<u>39,952</u>

Six months ended 31 December 2002

	Share capital (Note 1) (Unaudited) HK\$'000	Share premium (Note 1) (Unaudited) HK\$'000	Statutory reserve (Note 2) (Unaudited) HK\$'000	Proposed final dividends (Unaudited) HK\$'000	Retained profits (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
At 1 July 2002	16,658	31,312	4,758	6,663	18,837	78,228
Repurchase of issued shares	(28)	(266)	—	—	—	(294)
Net profit for the Period	—	—	—	—	8,487	8,487
Transfer to statutory reserve	—	—	849	—	(849)	—
Final dividends paid	—	—	—	(6,663)	—	(6,663)
At 31 December 2002	<u>16,630</u>	<u>31,046</u>	<u>5,607</u>	<u>—</u>	<u>26,475</u>	<u>79,758</u>

Notes:

- During the period from 24 July 2002 to 30 July 2002, the Company repurchased 1,130,000 shares for a total consideration of HK\$294,398.71. All repurchased shares were subsequently cancelled.
- In accordance with the relevant regulations of the People's Republic of China excluding Hong Kong, Macau and Taiwan ("PRC") applicable to wholly-owned foreign enterprises, Vitop Bioenergy Science and Technology Co., Ltd. ("Zhuhai Bioenergy"), a wholly-owned subsidiary of the Company operating in the PRC, is required to transfer 10% of its profit after tax, if any, to the statutory reserve. Subject to certain restrictions as set out in the relevant PRC regulations, the statutory reserve may be used to offset against the accumulated losses of Zhuhai Bioenergy.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Six months ended	
	31 December	
	2002	2001
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
NET CASH INFLOW FROM OPERATING ACTIVITIES	14,307	7,154
NET CASH USED IN INVESTING ACTIVITIES	(5,021)	(2,298)
NET CASH USED IN FINANCING ACTIVITIES	(8,630)	(6,121)
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	656	(1,265)
CASH AND CASH EQUIVALENTS AT 1 JULY	49,968	11,695
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	50,624	10,430
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	50,624	10,430

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Background of the Company

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 15 February 2001 under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The Company's shares had been listed on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 1 February 2002. Subsequent to the Period, on 10 February 2003, the Company withdrew the listing of its shares on GEM and on the same date, the Company's shares were listed on the Main Board of the Stock Exchange by way of introduction.

2. Basis of Preparation and Principal Accounting Policies

The condensed financial statements have been 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") and with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

The condensed financial statements have been prepared under the historical cost convention, except for the short-term investment in equity securities which are stated at fair value on the basis of their quoted market price at the end of the Period.

The accounting policies adopted are in consistent with those followed in the Group's annual financial statements for the year ended 30 June 2002, except that the Group has adopted the new and revised SSAPs issued by the HKSA which are effective for accounting periods commencing on or after 1 January 2002:

SSAP 1 (revised)	:	Presentation of financial statements
SSAP 11 (revised)	:	Foreign currency translation
SSAP 15 (revised)	:	Cash flow statements
SSAP 25 (revised)	:	Interim financial reporting
SSAP 34	:	Employee benefits

Upon adoption of SSAP 1 (revised), SSAP 15 (revised) and SSAP 25 (revised), certain changes in the presentation have been made in the condensed consolidated interim financial statements.

SSAP 34 "Employee Benefits" has introduced a formal framework for the recognition of liabilities and expenses in respect of employee benefits. For the Group, no long service payment provision is necessary to be made for the existing employees.

The adoption of SSAP 34 and SSAP 11 (revised) does not have any material effects on the condensed financial statements for the current or prior periods.

3. Segment Information

Turnover represents the net invoiced value of goods sold, after allowance for returns and trade discounts. All significant intra-group transactions have been eliminated on consolidation.

The Group's unaudited turnover and unaudited profit before tax analyzed by business segment are as follows:

	Healthy Sleeping System		Other BIOenergy® products		Polypeptide products		Ionised Water Apparatus		Eliminations		Consolidated	
	2002	2001	2002	2001	2002	2001	2002	2001	2002	2001	2002	2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue:												
Sales to external customers	<u>34,787</u>	<u>41,940</u>	<u>6,066</u>	<u>4,447</u>	<u>1,830</u>	<u>2,845</u>	<u>11,949</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>54,632</u>	<u>49,232</u>
Segment gross profit %	68.9%	71.0%	48.0%	55.3%	58.3%	66.2%	48.0%	—	—	—	61.7%	69.3%
Segment results	<u>12,980</u>	<u>21,680</u>	<u>1,001</u>	<u>1,604</u>	<u>117</u>	<u>1,336</u>	<u>3,573</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>17,671</u>	<u>24,620</u>
Unallocated other revenue											623	476
Unallocated expenses											<u>(9,807)</u>	<u>(8,700)</u>
Profit from operating activities											8,487	16,396
Finance costs											<u>—</u>	<u>(220)</u>
Profit before tax											8,487	16,176
Tax											<u>—</u>	<u>—</u>
Net profit from ordinary activities attributable to shareholders											<u>8,487</u>	<u>16,176</u>

No geographical analysis is presented as all of the Group's turnover and contribution to profit before tax is attributable to markets inside the PRC.

4. Profit from Operating Activities

The Group's unaudited profit from operating activities is arrived at after charging:

	Six months ended 31 December	
	2002	2001
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Cost of inventories sold and services provided	20,945	15,123
Amortisation	512	307
Depreciation	1,538	667
Provision for doubtful debts and bad debts written off	—	198
Provision for obsolete and slow-moving inventories and inventories written off	68	209
Loss on disposal of fixed assets	17	—
	<u>22,079</u>	<u>16,404</u>

5. Tax

	Six months ended 31 December	
	2002	2001
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
PRC	—	—
Hong Kong	—	—
	<u>—</u>	<u>—</u>

Hong Kong profits tax has not been provided as the Group had no assessable profits arising in Hong Kong during the Period (2001: Nil). Taxes on profits assessable elsewhere have been calculated at the applicable rates of tax prevailing in the jurisdiction in which the Group operates, based on existing legislation, interpretations and practices in respect thereof during the Period.

In accordance with the applicable corporate income tax law of the PRC, Zhuhai Bioenergy is exempt from corporate income tax for the first two profitable calendar years of operations and is entitled to a 50% relief on corporate income tax for the following three years. The two years' tax exemption period for Zhuhai Bioenergy commenced in the tax year ended 31 December 2001 under the local jurisdiction.

As at 31 December 2002, the Group did not have any significant unprovided deferred tax liabilities (30 June 2002: Nil).

6. Dividends

The Board has resolved not to pay an interim dividend for the Period (2001: Nil).

The interim dividend for the six months ended 31 December 2001 was proposed and paid by Vitop Bioenergy Limited, a wholly-owned subsidiary of the Company, to its then shareholders prior to the completion of a group reorganization on 18 January 2002 in preparation for the listing of the Company's shares on GEM. The dividend rate and the number of shares ranking for dividends are not presented as such information is not meaningful for the purpose of this interim report.

7. Earnings per Share

The calculation of basic earnings per share is based on the net profit from ordinary activities attributable to shareholders for the Period of approximately HK\$8,487,000 (2001: HK\$16,176,000) and the weighted average number of 665,318,197 (2001: 552,000,000) shares in issue during the Period. There were no potential dilutive ordinary shares in existence for the Period and the six months ended 31 December 2001 and accordingly, no diluted earnings per share has been presented.

8. Property, Plant and Equipment

	Total HK\$'000
At 1 July 2002 (audited)	11,852
Additions	3,430
Depreciation	(1,538)
Disposals	(341)
	<hr/>
At 31 December 2002 (unaudited)	13,403
	<hr/> <hr/>

9. Accounts Receivable

The aged analysis of accounts receivable is as follows:

	31 December 2002 (Unaudited) HK\$'000	30 June 2002 (Audited) HK\$'000
Outstanding balances aged:		
Within 30 days	6,156	5,901
Between 31 to 60 days	1,515	3,373
Between 61 to 180 days	3,395	3,398
Over 180 days	75	34
	<hr/>	<hr/>
	11,141	12,706
Less: Provision for doubtful debts	—	—
	<hr/>	<hr/>
	11,141	12,706
	<hr/> <hr/>	<hr/> <hr/>

The general credit terms that the Group offers to customers are not more than 90 days.

10. Inventories

	31 December 2002 (Unaudited) HK\$'000	30 June 2002 (Audited) HK\$'000
Raw materials	5,788	6,779
Work in progress	4,618	4,713
Finished goods	5,964	6,994
	<hr/>	<hr/>
	16,370	18,486
Less: Provision for obsolete and slow-moving inventories	(922)	(854)
	<hr/>	<hr/>
	15,448	17,632
	<hr/> <hr/>	<hr/> <hr/>

11. Accounts Payable

The aged analysis of accounts payable is as follows:

	31 December 2002 (Unaudited) HK\$'000	30 June 2002 (Audited) HK\$'000
Outstanding balances aged:		
Within 30 days	5,157	1,554
Between 31 to 60 days	1,377	1,521
Between 61 to 180 days	184	1,035
Over 180 days	104	250
	<u>6,822</u>	<u>4,360</u>

12. Commitments

a. Operating lease arrangements

At the balance sheet date, the Group had the total future minimum lease payments under non-cancellable operating leases in respect of land and buildings falling due as follows:

	31 December 2002 (Unaudited) HK\$'000	30 June 2002 (Audited) HK\$'000
Within one year	4,011	3,100
In the second to fifth years, inclusive	10,423	7,350
	<u>14,434</u>	<u>10,450</u>

b. Capital commitments

The Group had capital commitments as follows:

	31 December 2002 (Unaudited) HK\$'000	30 June 2002 (Audited) HK\$'000
Contracted but not provided for	<u>—</u>	<u>2,430</u>

MANAGEMENT DISCUSSION AND ANALYSIS

Business Overview and Prospect

After the continuous efforts in the past ten years and the successful listing of the Company's shares on GEM last year, our brand name of Vitop® has now been well recognized as the "high end" healthcare products in the PRC market targeting on the "high income" group who has benefited from the economic growth in the PRC. To maintain such market position, other than advertising, the directors of the Company believe that customer-oriented sales services and well planned expansion strategy are definitely necessary for maintaining the future growth of the Group's business. Thus, the directors of the Company have planned the current financial year as "investing" period by employing resources focusing on training to improve the quality of the newly recruited franchisees and staff to ensure the quality of services, to share the culture of the Group and, the most important, to have a better understanding of the functions of our products.

On top of the investment on human resources, the Group has also made investment in establishing Vitop Health Technology Halls in Shanghai, Chengdu and Suzhou. Experience told us that Vitop Health Technology Hall allowed our customers to have a better understanding on our products and their functions which could assist the franchisees to market our products.

Moreover, the existing product lines, namely (1) Ionised Water Apparatus, (2) polypeptide products and (3) Healthy Sleeping System have now formulated the basis of our philosophy of "Health": Drink, Eat and Sleep — the three major components of human life. The directors of the Company believe that these three major lines of products will become the direction of the Group's future products and market development. As different products require different resources for promotion, the Group is preparing to undergo a restructuring program of the existing franchise distribution network by segregating it into three distribution networks which will be more efficient for the management to allocate resources through the new operational structure.

The directors of the Company believe that the above investments will begin to contribute by the second half of 2003.

In addition, we are now planning to expand our distribution network and undergoing a study on the market potential.

Financial Review

Turnover

For the Period, the total turnover of the Group increased by approximately 11.0% to approximately HK\$54.6 million as compared to the correspondence period in 2001. The increase was mainly attributable to the encouraging response to Ionised Water Apparatus which has just been launched in May 2002 and has already contributed approximately 21.9% of the total turnover of the Group. The Healthy Sleeping System continued to be the major contributor of our turnover which accounted for approximately 63.7% of the total turnover of the Group. The other BIOenergy® products have shown a sign of turn around on turnover while polypeptide products posted a decrease in turnover but the situation is expected to be improved after the full launch of the new product of albumin polypeptide capsules with Cordyceps Sinensis powder in January 2003.

Gross Profit

For the Period, the overall gross profit margin achieved was approximately 61.7% as compared to approximately 69.3% recorded in the corresponding period in 2001. The decrease in gross profit margin was mainly attributable to the new product mix with different profit margins of which the newly launched Ionised Water Apparatus contained a lower profit margin as compared with our traditional product, Healthy Sleeping System.

In terms of individual product line, the gross profit margin of Healthy Sleeping System decreased marginally to approximately 68.9% from approximately 71.0% recorded in the corresponding period in 2001. The decrease was mainly attributable to sales rebate having been granted to the new franchisees to encourage them to improve the sales. The Ionised Water Apparatus launched in May last year maintained its profit margin at 48.0%. For the polypeptide products, the gross margin was approximately 58.3% as compared to approximately 66.3% recorded in the corresponding period in 2001 but it has already shown a sign of turn around as compared to approximately 45.9% recorded in the second half of the last financial year.

Net Profit

For the Period, net profit from ordinary activities attributable to shareholders of the Group decreased to approximately HK\$8.5 million as compared to approximately HK\$16.2 million recorded in the corresponding period in 2001. The decrease in net profit attributable to shareholders was mainly due to additional expenses having incurred for, as explained above, (i) the investment in staff and franchisees training, (ii) the establishment of new Vitop Health Technology Halls in Shanghai, Chengdu and Suzhou as part of our long-term expansion plan, and (iii) the preparation for restructuring of the existing franchise distribution network. These expenses are mainly for the plan on future growth of the Group but have been reflected as expenses in the Period. Thus, distribution costs and administration expenses increased to approximately HK\$16.0 million and approximately HK\$9.2 million as compared to approximately HK\$9.5 million and approximately HK\$8.0 million respectively in the corresponding period in 2001.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2002, the Group had a current ratio of approximately 3.5 as compared to that of 4.0 as at 30 June 2002.

As at 31 December 2002, the Group had a bank balance of approximately HK\$50.6 million and no outstanding bank borrowing and no banking facilities available.

The management of the Company considered that the Group's satisfactory financial position can provide sufficient financial resources for further expansion of the Group's business operations, as and when required. Should investment opportunities arise requiring additional funding, the management believes that the Group is in a good position to obtain additional financing on favourable terms.

As most of the Group's monetary assets are denominated in Renminbi and Hong Kong dollars, the exchange rate risk of the Group is considered insignificant. The Group did not have any charges on its assets during the Period. The gearing ratio of the Group, based on total bank loans to shareholders equity, was zero as at 31 December 2002 (2001: 8.4%).

As at 31 December 2002, the Group had no contingent liabilities (2001: Nil).

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2002, the Group employed a total of 410 employees, of which 403 are based in the PRC and 7 are based in Hong Kong. The total salaries and other remunerations (excluding directors' emoluments) of approximately HK\$6.9 million were incurred for the six months ended 31 December 2002. Remuneration packages comprised salary, mandatory provident fund, bonus, medical coverage and share options.

BUSINESS OBJECTIVES REVIEW

Business objectives up to
31 December 2002
as stated in the prospectus dated
25 January 2002

Actual business
progress up to
31 December 2002

Enhance existing products and develop new products

Enhance existing products

- | | | |
|---|---|---|
| — Nano metre technology | Trial production on the application of the nano metre technology on its existing products | Trial production of existing products applying the nano metre technology was completed and such products was scheduled to be launched to the market in January 2003 |
| — Application of the BIOenergy® compound onto natural fibre | Testing on the effectiveness of natural fibre blended with the BIOenergy® compound | Further testing on the effectiveness of natural fibre blended with the BIOenergy® compound still in progress |

Develop new products

- | | | |
|--|---|--|
| — Woman's brassiere series | Full launching of the products through specially developed distribution network | Further product modification |
| — Medical dressing | Full launching of the products in the institutions market | Further product development in progress |
| — Lingzhi/Cordyceps Sinensis compounding peptide | Continue clinical test | Application was submitted to the Ministry of Health of the PRC for approval to launch the products |
| — Lingzhi sleeping peptide | Improvement of products after clinical test | Further product development |

**Business objectives up to
31 December 2002
as stated in the prospectus dated
25 January 2002**

**Actual business
progress up to
31 December 2002**

Enhance the Group's distribution channels

- | | | |
|---|---|---|
| — Enhance the franchise distribution network within the PRC | Establish regional sales and training centers in Beijing, Guangzhou and Wuhan | Vitop Health Technology Halls were opened in Chengdu, Shanghai and Suzhou and regional sales and training centers have been set up in Chengdu, Zhejiang, Nanjing, Beijing and Guangzhou |
| — Customer relationship management (“CRM”)/ franchisee relationship management (“FRM”) system | Review the effectiveness of the CRM system and trial run of the FRM system in the core market | Full launch of the CRM system and the FRM system |

Enhance the Group's research and development capabilities

- | | | |
|----------------------|---|---|
| — Strategic alliance | Continue establishment of network of experts and provide funding to establish strategic alliance with research institutes | Formation of strategic alliance and long-term relationships with the Polypeptide Laboratory of Shanghai Biochemistry and Cell Research Institute under China Academy of Science and the Sport Science Research Institute of State General Administration of Sports of the PRC |
|----------------------|---|---|

USE OF NET PROCEEDS FROM PLACING

	Planned use of proceeds (for the six months ended 31 December 2002) as disclosed in the prospectus dated 25 January 2002 <i>HK\$'000</i>	Actual use of proceeds for the six months ended 31 December 2002 <i>HK\$'000</i>
Enhance existing products and develop new products		
<i>Enhance existing products</i>		
— The nano metre grade BIOenergy® compound and natural fibre research	429.9	347.3
<i>Develop new products</i>		
— Woman's brassiere series	1,787.9	1,612.1
— Medical dressing	859.8	961.9
— Lingzhi/Cordyceps Sinensis compounding peptide	551.4	2,314.8
— Lingzhi sleeping peptide	299.1	—
Enhance the Group's distribution channels		
— Enhance the franchise distribution network within the PRC	4,373.8	4,642.6
— CRM/FRM system	1,056.1	350.9
Enhance the Group's research and development capabilities		
— Strategic alliance	943.9	287.2
TOTAL	10,301.9	10,516.8

DIRECTORS' INTERESTS IN SECURITIES

As at 31 December 2002, the interests of the directors of the Company in the securities 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 required to be kept by the Company under section 29 of the SDI Ordinance or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the “Model Code”) in the Listing Rules were as follows:

Name of director	Nature of interest	Number of shares of the Company held
Hung Kai So	Personal interest	131,759,529
Kam Ioi	Personal interest	108,231,043
Ma Yufeng	Personal interest	88,467,115
Sae-lao Rakchanok	Personal interest	47,056,975
Liu Jun	Personal interest	26,181,819

Save as disclosed above, as at 31 December 2002, none of the directors of the Company had any personal, family, corporate or other interests in the securities of the Company or any of its associated corporations (within the meaning of the SDI Ordinance), as recorded in the register required to be kept by the Company under section 29 of the SDI Ordinance or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

As at 31 December 2002, there were no outstanding share options granted by the Company pursuant to the share option scheme of the Company adopted on 18 January 2002 (the “Old Scheme”), which was subsequently replaced by a new share option scheme of the Company conditionally adopted on 23 January 2003 (the “New Scheme”) pursuant to an ordinary resolution passed at an extraordinary general meeting of the Company held on 23 January 2003 subsequent to the Period. The New Scheme became effective on 10 February 2003 (being the date of listing of the Company’s shares on the Main Board of the Stock Exchange) and the Old Scheme was terminated on the same date. No share options were granted, exercised, cancelled or lapsed during the Period.

Save as disclosed above, at no time during the six months ended 31 December 2002 was the Company or any of its subsidiaries a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debt securities including debentures of, the Company or any other body corporate, and none of the directors or their spouse or children under the age of 18 had any right to subscribe for securities of the Company, or had exercised any such right during the Period.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2002, the following persons had an interest of 10% or more of the issued 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 held	Percentage of issued share capital
Hung Kai So	131,759,529	19.8%
Kam Ioi	108,231,043	16.3%
Ma Yufeng	88,467,115	13.3%

These shareholdings are also disclosed in the section headed "Directors' Interests in Securities" above.

Save as disclosed above, no persons had an interest of 10% or more of the issued 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 as at 31 December 2002.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the six months ended 31 December 2002, the Company repurchased on the Stock Exchange a total of 1,130,000 shares of HK\$0.025 each in the share capital of the Company at an aggregate price of HK\$294,398.71, details of which are as follows:

Month of repurchase	No. of shares repurchased	Price per share		Aggregate price paid
		Highest	Lowest	
		<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
July 2002	<u>1,130,000</u>	0.260	0.255	<u>294,398.71</u>

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the Period.

CODE OF BEST PRACTICE

None of the directors of the Company is aware of information that would reasonably indicate that the Company is not, or was not for any part of the six months ended 31 December 2002, in compliance with the Code of Best Practice as set out in Appendix 14 to the Listing Rules.

AUDIT COMMITTEE

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed the financial reporting process and internal control matters including a review of the unaudited interim financial report for the six months ended 31 December 2002.

By Order of the Board
Hung Kai So
Chairman

Hong Kong, 28 February 2003