



蜂蜂天然生命產品有限公司
Bee & Bee Natural Life Products Limited
(incorporated in the Cayman Islands with limited liability)



CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

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This report, for which the directors (“Directors”) of Bee & Bee Natural Life Products Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (1) the information contained in this report is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this report misleading; and (3) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.



CORPORATE INFORMATION

Board of Directors

Executive Directors

Madam CHEUNG Kwai Lan (*Chairman*)

Mr. CHAN Tung Mei

Mr. CHAN Ting

Independent Non-Executive Directors

Professor Peter Chin Wan FUNG

Mr. DU Ying Min

Company Secretary

Mr. KWAN Yiu Ming Patrick

Auditors

Deloitte Touche Tohmatsu

Certified Public Accountants

26/F, Wing On Centre

111 Connaught Road Central

Hong Kong

Legal Advisor

Sidley Austin Brown & Wood

49th Floor, Bank of China Tower

1 Garden Road

Central

Hong Kong

Principal Banker

Nanyang Commercial Bank, Limited

151 Des Voeux Road Central

Hong Kong

Registered Office

Ugland House

P.O. Box 309

George Town

Grand Cayman

Cayman Islands

Head Office and Principal Place of Business

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Dina House

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Hong Kong

Website

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Cayman Islands Principal Share Registrar and Transfer Office

Bank of Bermuda (Cayman) Limited

36C Bermuda House, 3rd Floor

British American Centre

Dr. Roy's Drive

George Town, Grand Cayman

Cayman Islands

Hong Kong Branch Share Registrar and Transfer Office

Standard Registrars Limited

5th Floor, Wing On Centre

111 Connaught Road Central

Hong Kong

GEM stock code

8156



HIGHLIGHTS

1. The turnover of the Group during the three months ended 30 September, 2002 was approximately HK\$24,171,000, representing an increase of 90.1% compared to the corresponding period in 2001.
2. The net profit of the Group during the three months ended 30 September, 2002 was approximately HK\$6,648,000, representing an increase of 363.9% compared to the corresponding period in 2001.
3. The development of new products by incorporating new flavours such as ginseng, aloe and plum to mead will be completed by the second quarter of the financial year.
4. To support the Group's market expansion in the People's Republic of China (the "PRC"), Hong Kong and other parts of Asia, the Group will strengthen its in-house sales and marketing team by recruiting more team members.



MANAGEMENT DISCUSSION AND ANALYSIS

Financial Performance

This is the first report of quarterly results following the listing of the Group on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited on 12 November 2002.

For the three months ended 30 September 2002, the Group performed satisfactorily with results better than expected. Turnover increased to approximately HK\$24,171,000, representing an increase of 90.1% compared to the corresponding period in 2001. The Group's profit from operations increased to approximately HK\$8,135,000, representing an increase of 376.8% compared to the corresponding period in 2001. The net profit amounted to HK\$6,648,000, after deduction of HK\$1,351,000 finance costs, including the provision on premium on redemption of the convertible notes issued by the Company on 3 January, 2002 in the total principal amount of HK\$13,000,000 ("Convertible Notes") and the professional fees on issuing of the Convertible Notes. The Group regards the once-and-for-all total 'write off' of these finance costs at this stage as a positive measure.

The increase in turnover and profit is attributable mainly to higher sales of mead and cost saving in the production of mead. For the period under review, expenses increased due to increased expenditure in three areas: advertising and promotion activities in the PRC; employment of professional staff, sales and promotion personnel; and the relocation to the new office to cope with business growth.

Business Review

During the period under review, the Group's business was mainly focused on the sales of mead, which is a natural supplementary beverage, including the sweet and dry varieties. The gross profit of bird's nests was stable during this period.

As part of market expansion activities, the Group is enlarging its sales and marketing team in the PRC.

The Group will continue with the strategy of lowering production costs while maintaining quality control and ensuring the production procedures are in accordance with the quality management system standard of ISO-9001: 2000.



Prospects

The Group is geared for further market and product expansion in the next quarter. The research & development department has been researching on new products, and incorporating new flavours such as ginseng, aloe and plum to mead. The Group expects to launch a new "B&B" product range during the second quarter of the financial year, one that will offer different flavours to suit the requirements of customers with various cultural backgrounds. This is a significant development for the Group as the new range will strengthen the Group's leading position further and enhance its market expansion into Asia. In addition, the Group has been working on the development of instant bird's nest products, targeted at the Greater China market.

The direction of the Group's sales and marketing strategy will be guided by the corporate perspective and business objectives. The Group will continue to focus primarily on business development in the PRC, which is expected to continue to enjoy sustained economic growth. At the same time, the Group will implement plans to open up new markets in Asia, and expand its market presence. To support this market expansion in the PRC, Hong Kong and other parts of Asia, the Group will strengthen its in-house sales and marketing team by recruiting more team members.

The Group will be building new production facilities in Zhuhai in the PRC to expand production capacity. Operation is planned to begin at the end of 2002, and the Group expects to have an initial production output of 4,000 tones of mead products in the first phase. The Group has also recruited additional professional staff to strengthen the research and development team, and is committing resources to develop a shorter fermentation period for mead as a priority project.



The Board of Directors (the "Board") of Bee & Bee Natural Life Products Limited (the "Company") announce the unaudited consolidated first quarterly results of the Company and its subsidiaries (together the "Group") for the three months ended 30 September 2002, together with the comparative unaudited figures for the corresponding period in 2001, prepared in accordance with generally accepted accounting principles in Hong Kong, as follows:

		For the three months ended 30 September	
		2002	2001
	<i>Notes</i>	HK\$'000	HK\$'000
Turnover	2	24,171	12,716
Cost of goods sold		(12,955)	(10,328)
Gross profit		11,216	2,388
Other revenue		50	-
Distribution costs		(1,805)	(469)
Administrative expenses		(1,326)	(213)
Profit from operations		8,135	1,706
Finance costs		(1,351)	-
Profit before taxation		6,784	1,706
Taxation	3	-	(273)
Profit before minority interests		6,784	1,433
Minority interests		(136)	-
Net profit for the period		6,648	1,433
Earnings per share – basic	4	0.022	0.005

Notes:

1. Group reorganization and basis of presentation

The Company was incorporated as an exempted company with limited liability in the Cayman Islands under the Companies Law Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands on 11 December 2001. Pursuant to a group reorganization completed on 18 December 2001 (the "Reorganization") to establish the Group's structure in preparation for the listing of the shares on GEM, the Company became the ultimate holding company of the subsidiaries of the Group. The Company's shares have been listed on the GEM since 12 November 2002.



Basis of presentation

The unaudited consolidated profit and loss account includes the results of the Company and its subsidiaries for the three months ended 30 September 2002.

The Reorganization involved companies under common control. The unaudited consolidated profit and loss account has been prepared on the basis of merger accounting in accordance with SSAP 27 "Accounting for Group Reconstructions". On this basis, the Company has been treated as the holding company of its subsidiaries for the three months ended 30 September 2001 rather than from the date of its acquisition of the subsidiary pursuant to the Reorganization. Accordingly, the unaudited consolidated profit and loss account of the Group for the three months ended 30 September 2001 includes the results of the Company and its subsidiaries with effect from 1 July 2001 or since their respective dates of incorporation, where this is a shorter period.

Although the Reorganization had not been completed and the Group did not legally exist until 18 December 2001, in the opinion of the directors, the unaudited consolidated profit and loss account prepared on the above basis presents more fairly the results of the Group as a whole.

All significant intercompany transactions within the Group have been eliminated in consolidation.

2. Turnover and revenue

Turnover represents the net invoiced value of the goods sold, after allowances for returns and trade discounts. Other revenue represents mainly sample income and interest income.

3. Taxation

No provision for Hong Kong profits tax has been made as the Group did not have any assessable profits arising in Hong Kong during the three months ended 30 September 2002 (2001: HK\$273,000).

Pursuant to the relevant laws and regulations in the PRC, the Group's PRC subsidiaries are entitled to exemption from PRC income tax for two years commencing from their first profit-making year of operation and thereafter, these PRC subsidiaries will be entitled to a 50% relief from PRC income tax for the following three years. The Group's PRC subsidiaries are currently in their initial profit-making year of operation. Accordingly, they are exempted from PRC income tax.

4. Earnings per share

The calculation of basic earnings per share is based on the unaudited net profit for the three months ended 30 September 2002 of HK\$6,648,000 (2001: HK\$1,433,000) and of 304,000,000 (2001: 304,000,000) ordinary shares deemed to be issued on the assumption that the Reorganization and the capitalization issue of 303,000,000 ordinary shares of the Company have been effective on 1 July 2001.



A diluted earnings per share for the three months ended 30 September 2002 has not been disclosed as no diluting events existed during that period.

5. Dividend

The directors do not recommend the payment of any dividend for the three months ended 30 September 2002 (2001: Nil).

6. Reserves

There was no transfer to and from reserves for the three months ended 30 September 2002 (2001: Nil).

DIRECTORS' INTERESTS IN SECURITIES

As at 30 September 2002, the interests of the directors of the Company in the securities of the Company and any associated corporations (within the meaning of the Securities (Disclosure of Interests) Ordinance) (the "SDI Ordinance") which have to be notified to the Company and the Stock Exchange pursuant to Section 28 of the SDI Ordinance (including interests which they were taken or deemed to have taken under section 31 of, or Part I of the schedule to, the SDI Ordinance) or would be required, pursuant to section 29 of the SDI Ordinance, to be entered in the register required to be kept therein or would be required, pursuant to rules 5.40 to 5.59 of the Rules Governing the Listing of Securities on GEM, once the shares of the Company were listed on GEM on 12 November 2002, were as follows:

Ordinary shares of HK\$0.01 each ("Shares") of the Company

Name of Directors	Personal Interest	Corporate Interest	Total
Cheung Kwai Lan	–	262,080,000 <i>(note)</i>	262,080,000
Chan Tung Mei	–	262,080,000 <i>(note)</i>	262,080,000

Note: The Shares are held by Best Frontier Investments Limited, a limited company incorporated in the British Virgin Islands ("BVI"), which is owned as to 99.89% and 0.11% by Cheung Kwai Lan and Chan Tung Mei respectively. Cheung Kwai Lan is the wife of Chan Tung Mei. Cheung Kwai Lan and Chan Tung Mei are deemed to be interested in the 262,080,000 Shares.



DIRECTORS' RIGHTS TO ACQUIRE SHARES

Pre-IPO Share Option Scheme

The Company conditionally adopted a pre-IPO share option scheme on 18 October 2002 ("Pre-IPO Share Option Scheme"). A summary of the principal terms of the Pre-IPO Share Option Scheme is set out in the subsection headed "Pre-IPO Share Option Scheme" in Appendix IV to the prospectus of the Company dated 29 October 2002.

The following directors of the Company ("Directors") have been conditionally granted options to subscribe for shares on 18 October 2002 pursuant to the Pre-IPO Share Option Scheme.

Name of Directors	No. of Shares subject to the options granted on 18 October 2002 <i>(note)</i>
Cheung Kwai Lan	4,000,000
Chan Tung Mei	4,000,000
Chan Ting	4,000,000
Peter Chin Wan Fung	2,600,000

Note: These Pre-IPO share options were granted on 18 October 2002, at an exercise price per share of HK\$0.23, representing 50% of the offer price of HK\$0.46 per share in respect of the Company's initial public offering. The Pre-IPO share options are exercisable in three equal portions. The respective portions are exercised at any time commencing on 12 May 2003, 12 November 2003 and 12 May 2004, respectively. These options, if not otherwise exercised, will lapse on 17 October 2007.

Each of the above mentioned Directors who has been granted options under the Pre-IPO Share Option Scheme has undertaken with the Company, Guotai Junan Capital Limited, Shenyin Wanguo Capital (H.K.) Limited (for itself and on behalf of the underwriters) and the Stock Exchange that for a period of twelve months from the date when trading in the Shares first commences on GEM, he or she will not dispose of (or enter into any agreement to dispose of) nor permit the registered holder thereof to dispose of (or enter into any agreement to dispose of) any of his, her or its direct or indirect interest in the Shares pursuant to the exercise of the options granted to him or her under the Pre-IPO Share Option Scheme.





SHARE OPTION SCHEME

The Company conditionally adopted a share option scheme on 18 October 2002. A summary of the principal terms of the share option scheme is set out in the subsection headed "Share Option Scheme" in Appendix IV to the prospectus of the Company dated 29 October 2002.

No option had been granted or agreed to be granted under the share option scheme up to 13 November 2002.

SUBSTANTIAL SHAREHOLDERS

As at 30 September 2002, so far as was known to the Directors and taking into account of the Shares immediately following completion of the share offer in connection with the listing of the Shares on GEM and the capitalization issue (taking no account of any Shares that may be issued upon exercise of the options granted or which may be granted under the Pre-IPO Share Option Scheme or Share Option Scheme), the persons (other than a director or a chief executive of the Company) who would be interested in, directly or indirectly, 10% or more of the shares in issue immediately following the listing of shares on GEM on 12 November 2002, were as follows:

Name of shareholder	Number of shares held	% of holding
Best Frontier Investments Limited	262,080,000 <i>(note)</i>	65.52%

Note: The Shares are held by Best Frontier Investments Limited, a limited company incorporated in the BVI, which is owned as to 99.89% and 0.11% by Cheung Kwai Lan and Chan Tung Mei respectively. Cheung Kwai Lan is the wife of Chan Tung Mei. Cheung Kwai Lan and Chan Tung Mei are deemed to be interested in the Shares.

SPONSOR'S INTEREST

As updated and notified by the Company's sponsor, Guotai Junan Capital Limited, as at 30 September 2002, neither the sponsor nor its directors or employees or associates (as referred to in Note 3 to Rule 6.35 of the GEM Listing Rules) had any interest in the securities of the Company or any member of the Group, or any right to subscribe for or to nominate persons to subscribe for the securities of the Company or any member of the Group.



Pursuant to the sponsorship agreement dated 28 October 2002 between the Company and the Sponsor, the Sponsor has been retained for a fee, as the continuing sponsor of the Company until 30 June 2005.

COMPETING INTERESTS

None of the Directors or the management shareholders of the Company (as defined in the GEM Listing Rules) had interest in a business that competed or might compete with the business of the Group.

AUDIT COMMITTEE

The Company has established an audit committee with written terms of reference based upon the guidelines published by the Hong Kong Society of Accountants. The primary duties of the audit committee are to review the Company's annual report and accounts, half-year reports and quarterly reports and to provide advice and comments thereon to the Board. The audit committee is also responsible for reviewing and supervising the Company's financial reporting and internal control procedures. The audit committee consisted of two independent non-executive Directors, namely Professor Peter Chin Wan Fung and Mr. Du Ying Min. Professor Peter Chin Wan Fung is the chairman of the audit committee. The Group's unaudited results for the three months ended 30 September 2002 were reviewed by the audit committee on 13 November 2002, who was of the opinion that the preparation of such results complied with applicable accounting standards, the Stock Exchange and legal requirements and that adequate disclosures had been made.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SHARES

Since dealings in shares of the Company only commenced on GEM on 12 November 2002, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed shares during the period under review.

By order of the Board

CHAN Ting

Director and Chief Executive Officer

Hong Kong, 13 November 2002