



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)

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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.



Highlights

1. Turnover for the six months ended 31 December 2002 was approximately HK\$42,429,000, representing an increase of 126% as compared with the corresponding period in 2001.
2. Net profit for the six months ended 31 December 2002 was approximately HK\$11,821,000, representing an increase of 357% as compared with the corresponding period in 2001.
3. The Group has been expanding of its Asian markets and has successfully set up its first station in Malaysia for the sale of B&B products.
4. The Group has opened its first sales and marketing office in Shanghai that serves to centralise advertising and promotional activities in the PRC and maximise sales through the Group's own sales team.





The Board of Directors (the "Board") of Bee & Bee Natural Life Products Limited (the "Company") announces that the unaudited condensed consolidated results of the Company and its subsidiaries (together the "Group") for the three months and six months ended 31 December 2002, together with the comparative unaudited figures for the corresponding period in 2001, are as follows:

Condensed Consolidated Income Statement – Unaudited

For the three months and six months ended 31 December 2002

	Notes	(Unaudited) Three months ended 31 December		(Unaudited) Six months ended 31 December	
		2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Turnover	3	18,258	6,072	42,429	18,788
Cost of goods sold		(9,372)	(3,694)	(22,327)	(14,022)
Gross profit		8,886	2,378	20,102	4,766
Other revenue		249	6	299	6
Distribution costs		(1,990)	(239)	(3,795)	(708)
Administrative expenses		(1,722)	(536)	(3,048)	(749)
Profit from operations		5,423	1,609	13,558	3,315
Finance costs		(143)	-	(1,494)	-
Profit before taxation	5	5,280	1,609	12,064	3,315
Taxation	6	-	(155)	-	(428)
Profit before minority interests		5,280	1,454	12,064	2,887
Minority interest		(107)	(298)	(243)	(298)
Net profit for the period		5,173	1,156	11,821	2,589
Earnings per share – basic	8	1.43 cents	0.38 cents	3.55 cents	0.85 cents
- diluted		1.38 cents	N/A	3.48 cents	N/A



Condensed Consolidated Balance Sheet

As at 31 December 2002

		(Unaudited) 31 December 2002 HK\$'000	(Audited) 30 June 2002 HK\$'000
	<i>Notes</i>		
Non-current assets			
Property, plant and equipment	10	3,608	3,603
Technical know-how	9	318	404
Deposits made on acquisition of property, plant and equipment		1,527	1,539
		5,453	5,546
Current assets			
Inventories		3,410	3,596
Trade and other receivables and prepayment	11	7,059	7,681
Pledged bank deposits	15	5,020	2,007
Bank balances and cash		59,168	22,621
		74,657	35,905
Current liabilities			
Trade and other payables	12	15,109	9,415
Convertible notes		-	12,901
Taxation		559	559
Bank overdraft – secured		-	1,068
		15,668	23,943
Net current assets		58,989	11,962
Total assets less current liabilities		64,442	17,508
Minority interests		4,128	3,886
Net assets		60,314	13,622
Capital and reserves			
Share capital	13	4,000	10
Reserves	14	56,314	13,612
Shareholders' fund		60,314	13,622

**Condensed Consolidated Cash Flow Statement – Unaudited***For the six months ended 31 December 2002*

	(Unaudited)	
	Six months ended	
	31 December	
	2002	2001
	HK\$'000	HK\$'000
Net cash inflow/(outflow) from operating activities	20,103	(208)
Net cash outflow from investing activities	(3,384)	–
Net cash inflow from financing activities	19,828	315
Net increase in cash and cash equivalents	36,547	107
Cash and cash equivalents at beginning of period	22,621	9
Cash and cash equivalents at end of period	59,168	116



Condensed Consolidated Statement of Changes in Equity – Unaudited

For the six months ended 31 December 2002

	(Unaudited)	
	Six months ended	
	31 December	
	2002	2001
	HK\$'000	HK\$'000
Total equity at the beginning of the period	13,622	3
Net loss not recognized in the profit and loss account		
– special reserve arising from group reorganization	–	(1)
Profit for the period	11,821	2,587
Issue of shares, including share premium	47,190	9
Shares issued expenses	(9,289)	–
Capitalization of share issue	(3,030)	–
	<hr/>	<hr/>
Total equity at the end of the period	60,314	2,598
	<hr/> <hr/>	<hr/> <hr/>



Notes to the Condensed Interim Financial Statements

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.

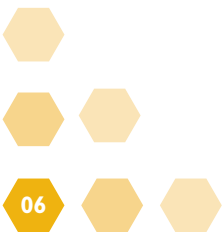
Basis of presentation

The unaudited condensed consolidated income statement includes the results of the Company and its subsidiaries for the three months and six months ended 31 December 2002.

The Reorganization involved companies under common control. The unaudited consolidated results have 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 and six months ended 31 December 2001 rather than from the date of its acquisition of the subsidiary pursuant to the Reorganization. Accordingly, the unaudited consolidated results of the Group for the three months and six months ended 31 December 2001 includes the results of the Company and its subsidiaries with effect from 1 July 2001 and 1 October 2001, respectively 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 condensed consolidated interim financial statements prepared on the above basis present more fairly the results and the state of affairs of the Group as a whole.

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





2. Principal accounting policies

The unaudited condensed consolidated interim financial statements have been prepared in accordance with the applicable disclosure requirements of Chapter 18 of the Listing Rules of the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited and with SSAP No. 2.125 "Interim Financial Reporting" issued by the Hong Kong Society of Accountants.

The accounting policies and methods of computation used in the preparation of the interim financial reports are consistent with those adopted in the prospectus of the Company dated 29 October 2002, excepted that the Group has adopted the new and revised SSAPs which became effective during the period.

- SSAP 1 (Revised) "Presentation of Financial Statements"
- SSAP 11 (Revised) "Foreign Currency Translation"
- SSAP 15 (Revised) "Cash Flow Statements"
- SSAP 33 "Discontinuing Operations"
- SSAP 34 "Employee Benefits"

These SSAPs prescribed new accounting measurement and disclosure practices. The adoption of these SSAPs during the financial period does not have any significant impact on the Group's profit or shareholders' equity, except that the presentation of certain items and balances in the unaudited condensed consolidated interim financial statements have been revised to comply with the new requirements.

3. Turnover and revenue

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



4. Segment information

During the period, since the Group is principally engaged in the manufacture and sales of natural supplementary foods, the directors consider that the Group operates within a single business segment. Accordingly, no business segment information is presented.

An analysis of the Group's turnover and results by geographical market is as follows:

	(Unaudited) Turnover		(Unaudited) Results	
	Six months ended 31 December 2002		Six months ended 31 December 2002	
	2001	2001	2001	2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
PRC	36,140	10,018	15,842	1,737
Hong Kong	6,289	8,770	(2,284)	1,578
	42,429	18,788		
Profit from operations			13,558	3,315
Finance costs			(1,494)	-
Profit before taxation			12,064	3,315
Taxation			-	(428)
Profit before minority interests			12,064	2,887
Minority interests			(243)	(298)
Net profit for the period			11,821	2,589

5. Profit from operations

Profit from operations has been arrived at after charging/(crediting):

	(Unaudited) Six months ended 31 December	
	2002	2001
	HK\$'000	HK\$'000
Amortisation of technical know-how	86	28
Depreciation of property, plant and equipment	258	53
Interest on convertible notes	366	-
Amortisation of issue costs of convertible notes	343	-
Premium on redemption of convertible notes	731	-
Interest on bank borrowings	54	-
Interest income	(224)	-



6. 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 period (2001: HK\$428,000).

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.

7. Dividend

The Board does not recommend the payment of any interim dividend for the six months ended 31 December 2002 (2001: Nil).

8. Earnings per share

The calculation of basic earnings per share is based on the unaudited net profit for the three months and six months ended 31 December 2002 of approximately HK\$5,173,000 and HK\$11,821,000 respectively (three months and six months ended 31 December 2001: HK\$1,156,000 and HK\$2,589,000 respectively) and of the weighted average number of 361,391,000 and 332,696,000 (2001: 304,000,000 and 304,000,000 respectively) ordinary shares respectively in issue 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.

The calculation of diluted earnings per share is based on the unaudited net profit for the three months and six months ended 31 December 2002 of approximately HK\$5,173,000 and HK\$11,821,000 respectively and of the weighted average number of 374,927,000 and 339,463,000 shares respectively in issued during the period.

A diluted earnings per share for the three months and six months ended 31 December 2001 has not been disclosed as no diluting events existed during that period.

9. Technical know-how

	(Unaudited) 31 December 2002 HK\$'000	(Audited) 30 June 2002 HK\$'000
At beginning of the period/year	404	519
Amortisation charge	86	115
At end of the period/year	318	404

**10. Fixed assets**

	(Unaudited) HK\$'000 31 December 2002 HK\$'000	(Audited) HK\$'000 30 June 2002 HK\$'000
At beginning of the period/year	3,603	85
Additions	187	3,823
Reallocation from deposit on acquisition of property, plant and equipment	76	-
Disposal, net	-	(91)
Depreciation charge	(258)	(214)
At end of the period/year	<u>3,603</u>	<u>3,603</u>

11. Trade receivables

Payment terms with customers are mainly on credit together with deposits. Invoices are normally payable within 60 days of issuance.

An aged analysis of the Group's trade receivables at the balance sheet dates, is as follows:

	(Unaudited) 31 December 2002 HK\$'000	(Audited) 30 June 2002 HK\$'000
0 to 30 days	2,193	4,297
31 to 60 days	1,259	566
Over 60 days	3,049	-
	<u>6,501</u>	<u>4,863</u>

12. Trade payables

An aged analysis of the Group's trade payables at the balance sheet dates, is as follows:

	(Unaudited) 31 December 2002 HK\$'000	(Audited) 30 June 2002 HK\$'000
0 to 30 days	795	1,053
31 to 60 days	266	1,081
Over 60 days	690	-
	<u>1,751</u>	<u>2,134</u>



13. Share capital

Shares

	(Unaudited) 31 December 2002 HK\$'000	(Audited) 30 June 2002 HK\$'000
<i>Authorised:</i> 20,000,000,000 (30 June 2002: 39,000,000) ordinary shares of HK\$0.01 each	200,000	390
<i>Issued and fully paid:</i> 400,000,000 (30 June 2002: 1,000,000) ordinary shares of HK\$0.01 each	4,000	10

Share options

The Company operates the Pre-IPO Share Option Scheme and Share Option Scheme, details of the option schemes of the Company are set out in the paragraph headed "Directors' Rights to Acquire Shares". At 31 December 2002, the Company had outstanding share options entitling the holders to subscribe for 40,000,000 shares in the Company. No options were exercised during the period.

14. Reserves

	(Unaudited) Share premium HK\$'000	(Unaudited) Translation reserve HK\$'000	(Unaudited) Special reserve HK\$'000	(Unaudited) Retained profits HK\$'000	(Unaudited) Total HK\$'000
Balance as at 1 July 2002	-	(2)	(1)	13,615	13,612
Premium on issue of shares pursuant to public offer and placing	43,200	-	-	-	43,200
Capitalization issue of shares	(3,030)	-	-	-	(3,030)
Share issue expenses	(9,289)	-	-	-	(9,289)
Profit for the period	-	-	-	11,821	11,821
Balance as at 31 December 2002	30,881	(2)	(1)	25,436	56,314



15. Pledge of assets

At 31 December 2002, the Group has pledged its bank deposits of approximately HK\$5,020,000 (30 June 2002: HK\$2,007,000) to a bank to secure the credit facilities granted to the Group.

16. Operating leases commitments

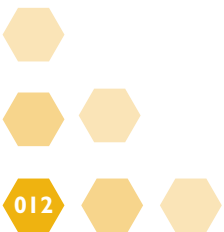
At 31 December 2002, the Group was committed to make the following future minimum lease payments in respect of land and building under a non-cancellable operating lease which falls due as follows:

	(Unaudited) 31 December 2002 HK\$'000	(Audited) 30 June 2002 HK\$'000
Within one year	564	323
In the second to fifth year inclusive	549	710
	<u>1,113</u>	<u>1,033</u>

17. Capital commitments

As at the balance sheet dates, the Group had the following capital commitments:

	(Unaudited) 31 December 2002 HK\$'000	(Audited) 30 June 2002 HK\$'000
Capital expenditure in respect of the acquisition of property, plant and equipment		
– authorized but not contracted for	18,981	37,736
– contracted for but not provided in the financial statements	25,028	8,653
	<u>44,009</u>	<u>46,389</u>





MANAGEMENT DISCUSSION AND ANALYSIS

Financial Performance

This is the first interim report following the listing of the Group on the GEM of The Stock Exchange on 12 November 2002.

For the six months ended 31 December 2002, the Group's turnover amounted to approximately HK\$42,429,000, representing an increase of 126%, and profit from operations amounted to approximately HK\$13,558,000, representing an increase of 309%, as compared to the corresponding period in 2001. The net profit was approximately HK\$11,821,000, after deduction of HK\$1,494,000 finance costs mainly associated with the provision on premium on redemption of HK\$13,000,000 worth of convertible notes ("Convertible Notes"), the professional fees on issuing of the Convertible Notes and the interest thereon. The Group has redeemed all the Convertible Notes and no further related costs will be incurred.

The increase in turnover and profit is attributable mainly to three key factors:

- (a) Higher sales of the Group's products due to increased market acceptance of the Group's products ("B&B products").
- (b) Successful market expansion resulting from greater Group efforts in marketing and promotion, including the strengthening of the Group's own sales and marketing team, and the appointment of more sales agents in the PRC.
- (c) Further reduction in production cost due to significant improvement of the progress of mead fermentation from 15 days to 12 days.

For the period under review, expenses increased owing to an increase in advertising and promotion activities in the PRC; opening of new offices in the PRC in line with business growth; employment of additional professional staff, sales and promotion personnel; and increase in administrative expenses.

Financial resources and liquidity

As at 31 December 2002, the Group continued to enjoy a healthy financial position, with cash and bank balance of approximately HK\$64,188,000. Net asset value per share is HK\$0.15, and current assets stand at HK\$74,657,000. The gearing ratio was 0.26 as at 31 December 2002 (30 June 2002: 1.76). Gearing ratio is calculated as current liabilities to total equity.

The Group's sales and purchases are transacted mainly in Renminbi and the books are recorded in Hong Kong dollars. The exchange rate fluctuation between Hong Kong dollars and Renminbi has not been material. The foreign exchange risk was very low and no hedging was undertaken.



Capital structure

The Group did not have any material changes in its capital structure since the Company's initial public offering on 12 November 2002.

Charges on Group assets

As at 31 December 2002, the Group has pledged its bank deposits of approximately HK\$5,020,000 (30 June 2002: HK\$2,007,000) to a bank to secure the credit facilities granted to the Group.

Contingent liabilities

The Group did not have any contingent liabilities as at 31 December 2002 (30 June 2002: Nil).

Commitments

The Group had capital commitment of approximately HK\$44,009,000 and operating leases commitment of approximately HK\$1,113,000 as at 31 December 2002 (30 June 2002: HK\$46,389,000 and HK\$1,033,000 respectively).

Significant investments and acquisitions

The Group did not make any material acquisition or disposal of subsidiaries and affiliated companies during the six month ended 31 December 2002.

As at 31 December 2002, the Group had no significant investments.

Employees

The Group employed 82 full-time employees, including 72 staff employed in the PRC as at 31 December 2002. Employees' remuneration is in line with market conditions, working experience and performance. In addition to basic salaries and provident fund contributions, the Group also offers medical benefits and training programs.

Business Review

During the period under review, in order to broaden its revenue base, the Group adopted the business strategy of expanding its product platform with concurrent expansion of market regionally, through the setting up of a joint venture company, and opening key sales and marketing offices.

The Group's product platform comprises two main product categories: natural wine products and natural products. Natural wine products comprise mead products, while natural products currently comprise the bird's nest line and honey line.





During the review period, the Group has also developed new mead products, including mead in a variety of flavours such as Milk Mead, Ginseng Mead, Aloe Mead and Plum Mead, and Mead of low alcohol content (2%–6%). This wider product range, which represents another milestone for the Group, will enhance the Group's expansion into the overseas markets, and strengthen the Group's market position further.

Overseas Market Expansion

The Group has established a joint venture company, B & B South East Asia Ltd., in December 2002 to serve as a marketing arm catering to the South-East Asia market. This company will also be responsible for introducing B&B products and setting up a distribution network in Malaysia and in other major cities in South-East Asia. The Group has majority shareholding in the new company, while its independent Malaysian partners hold the remaining shares.

Sales of Natural Life Products

During the period under review, the sales growth of the Group was satisfactory.

Sales Network Expansion

To strengthen the marketing activities of B&B products, the Group has adopted a strategy of setting up a sales and marketing office and a warehouse in Shanghai. The Group has also established its own sales team with a target of over 50 personnel in Shanghai to maximise sales in the PRC market. About half of the team had been recruited as at 31 December 2002.

During the review period, the Group has launched a series of publicity activities on B&B products in Kuala Lumpur, Malaysia. The Group plans to conduct event promotions in Malaysia through B & B South East Asia Ltd., the newly formed joint venture company. The Group believes that event promotion in South-East Asia is an effective avenue for increasing brand awareness and popularity of B&B products.

Brand Image

B&B mead products have been recognized as "a good quality food product" in the PRC by the PRC Management and Scientific Research Institution, and a "designated reception beverage" by the government authorities of Wuhu and Zhuhai in the PRC. This official endorsement will further enhance the Group's product and brand image in the PRC.

The Group has completed the design of new labels and packaging for use in different markets to support effective marketing and brand building. This strategy could also appeal to the needs of different targeted customers, especially young customers.



Manufacturing

During the review period, the Group has revised the blueprint of the new facilities in Zhuhai in the PRC due to the change in structural design. First stage construction of the whole facilities is target to be completed in mid 2003.

The Group will continue to diligently pursue effective cost control of production costs while maintaining quality control and production procedures in compliance with ISO 9001: 2000 quality management system standards.

PROSPECTS

The Group anticipates the business environment in the PRC will remain stable in the second half of the financial year. The Group is geared up for further market and product expansion, and the business momentum will continue to be maintained in line with its business direction, with gradual growth in market presence for its products.

Market Expansion

The Group's strategic market expansion plan will focus primarily on business development in the PRC, while continuing to explore overseas markets, especially in South-East Asia.

The Group will set up new sales and marketing offices in different regions and major cities in the PRC such as Nanjing, which covers the whole Jiangsu area, Beijing and Wuhan in 2003, after the opening of the Group's first office in Shanghai in December 2002. Distribution networks will also be established in these regions. This market penetration will assist the Group in formulating the sales and marketing strategies across the PRC and in building up the brand image and popularity of B&B products.

With the setting up of the Group's own sales and marketing office operations together with its own sales teams, strategic advertising and promotion functions will be centralised, which will effectively increase the brand name awareness of B&B products. The sales teams will also directly approach the front line sales points that sell B&B products to end-consumers. More experienced and professional personnel will be recruited for the sales teams to strengthen the Group's sales network and to maximise sales.

Peninsular Malaysia is the first station in South-East Asia, while potential markets include East Malaysia, Singapore, Indonesia and Brunei. For the Hong Kong market, the Group plans to launch its B&B products in the food and entertainment market segments to end-consumers in the first half of 2003.





Product Expansion

The Group will continue to expand the product range in its product platform, including natural wine products and natural products.

The research & development department of the Group has been researching on new products, and incorporating more new flavours to mead. The Group will continue to work on the development and exploration of other natural products and other natural wine products such as fruit wine. The Group believes these new lines of products can leverage on its existing business connections and distribution channels.

Actual Business Progress

1. *Introduce new products*

The development of new products by incorporating new flavours such as ginseng, aloe and plum to mead has been completed in the first half of the financial year. These new products will be gradually introduced to the market through a trial period in mid 2003 prior to an official launch at an appropriate time.

2. *Enrich the contents of the Group's existing website*

The Group's website has been redesigned and new information about supplementary food products has been added on. It will be further enhanced in the second half of the financial year.

3. *Explore overseas markets*

The Group has established a joint venture company, B & B South East Asia Ltd. to introduce B&B products and set up a distribution network in Malaysia and also in other major cities in South-East Asia.

4. *Marketing and promotional activities*

The Group has carried out small-scale promotional activities in Shanghai and Zhuhai to promote B&B products.

5. *Research on technology for production process*

The Group has achieved a breakthrough in shortening the mead fermentation process to approximately 12 days.

6. *Zhuhai facilities*

The Group has revised the blueprint of the facilities due to the change in structural design.



DIRECTORS' INTERESTS IN SECURITIES

As at 31 December 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, were as follows:

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

Name of Director	Personal interest	Corporate Interest	Total
Cheung Kwai Lan	-	262,080,000 (Note)	262,080,000
Chan Tung Mei	-	262,080,000 (Note)	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 262,080,000 Shares.

Save as disclosed above, none of the directors or their associates had any interest 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

Pre-IPO Share Option Scheme

On 18 October 2002, the Company adopted a share option scheme (the "Pre-IPO Share Option Scheme"), under which 13 individuals, including three executive directors, one independent non-executive director, one consultant and eight employees, have been granted by the Company options to subscribe for an aggregate of 40,000,000 shares in the Company at an exercise price of HK\$0.23.





The following table discloses details of options outstanding under the Pre-IPO Share Option Scheme and movements during the period:

Categories of grantees	Date of grant	Exercise price HK\$	Out-standing at beginning of period	Granted during period	Exercised during period	Cancelled during period	Lapsed during period	Out-standing At end of period
Directors								
Cheung Kwai Lan	18/10/2002	0.23	4,000,000	-	-	-	-	4,000,000
Chan Tung Mei	18/10/2002	0.23	4,000,000	-	-	-	-	4,000,000
Chan Ting	18/10/2002	0.23	4,000,000	-	-	-	-	4,000,000
Peter Chin Wan Fung	18/10/2002	0.23	2,600,000	-	-	-	-	2,600,000
Consultant	18/10/2002	0.23	4,000,000	-	-	-	-	4,000,000
Employees	18/10/2002	0.23	21,400,000	-	-	-	-	21,400,000
Total			40,000,000	-	-	-	-	40,000,000

Under the terms of the options granted under the Pre-IPO Share Option Scheme, these options can only be exercised by the grantees in the following manner:

Exercisable period	Number of shares that can be exercised under the Pre-IPO Share Option Scheme
12 May 2003 – 17 October 2007	13,333,333
12 November 2003 – 17 October 2007	13,333,333
12 May 2004 – 17 October 2007	13,333,334

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.

No share options under the Pre-IPO Share Option Scheme were exercised during the reporting period.



Share Option Scheme

The Company has adopted a share option scheme (the "Share Option Scheme"), under which the Board may, at its discretion, invite any persons belonging to any of the following classes of participants, to take up options to subscribe for the shares in the Company:

- (a) any employees (whether full-time or part-time) of the Company, any of its subsidiaries or any entity (the "Invested Entity") in which the Group holds any equity interest, including any executive director of the Company, any of such subsidiaries or any Invested Entity;
- (b) any non-executive directors (including independent non-executive directors) of the Company, any of its subsidiaries or any Invested Entity;
- (c) any supplier of goods or services to any member of the Group or any Invested Entity;
- (d) any customer of the Group or any Invested Entity;
- (e) any person or entity that provides research, development, or other technological support to the Group or any Invested Entity; and
- (f) any shareholder of any member of the Group or any Invested Entity or any holder of any securities issued by any member of the Group or any Invested Entity.

The Share Option Scheme will remain valid for a period of 10 years commencing from 18 October 2002.

As at 31 December 2002, no share option had been granted or agreed to be granted under the Share Option Scheme.

Save as disclosed above, at no time during the period 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 debentures of, the Company or any other body corporate.





SUBSTANTIAL SHAREHOLDERS

The register of substantial shareholders maintained under Section 16(1) of the SDI Ordinance shows that as at 31 December 2002, the Company had been notified of the following substantial shareholder's interests, being 10% or more of the issued share capital of the Company:

Name of shareholder	Number of shares held	% of holding
Best Frontier Investments Limited	262,080,000 (Note)	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 262,080,000 Shares.

Save as disclosed above, no person had registered any interests in the share capital of the Company that were required to be recorded pursuant to Section 16(1) of the SDI Ordinance.

SPONSOR'S INTEREST

To the best knowledge of the Company's sponsor, Guotai Junan Capital Limited (the "Sponsor"), as at 31 December 2002, neither the Sponsor nor its directors or employees or associates (as referred to in Note 3 of 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 any interest in a business that competed or might compete with the business of the Group.



BOARD PRACTICES AND PROCEDURES

During the period from 12 November 2002, being the date on which dealings of the Company's shares first commenced on GEM, to 31 December 2002, none of the directors had been aware of any information that would reasonably indicate that the Company was not in compliance with Rules 5.28 to 5.39 of the GEM Listing Rules, except that the non-executive directors are subject to re-election at the annual general meeting of the Company in accordance with the provisions of the Company's Articles of Association.

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 six months ended 31 December 2002 have been reviewed by the audit committee which was of the opinion that the preparation of such results complied with applicable accounting standards and requirements and that adequate disclosures had been made.

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

During the period from 12 November 2002, being the date on which dealings of the Company's shares first commenced on GEM, to 31 December 2002, neither the Company nor any of its subsidiaries had 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 February 2003

