



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)

Third Quarterly Report
2002-2003

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 of Bee & Bee Natural Life Products Limited 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 (“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 nine months ended 31 March 2003 was approximately HK\$69,460,000, representing an increase of 78.6% as compared with the corresponding period in 2002.
2. Net profit for the nine months ended 31 March 2003 was approximately HK\$15,061,000, representing an increase of 115.5% as compared with the corresponding period in 2002.
3. The Group has brought in natural palm oil products through acquisition of 75% shareholding of Hsing Long Trading Co. Pte. Ltd., a natural palm oil product trading company incorporated in Singapore.
4. The Group has further expanded its natural product platform by distributing a natural herbal drink product with the brand name "Dawn808".
5. The Group has successfully developed a sparkling honey wine product, and is prepared to launch the product in 2003.



The Board of Directors (the “Board”) of Bee & Bee Natural Life Products Limited (the “Company”) announces that the unaudited consolidated results of the Company and its subsidiaries (together the “Group”) for the three months and nine months ended 31 March 2003, together with the comparative unaudited figures for the corresponding period in 2002, are as follows:

	Notes	(Unaudited) Three months ended 31 March		(Unaudited) Nine months ended 31 March	
		2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Turnover	2	27,031	20,099	69,460	38,887
Cost of goods sold		(19,702)	(13,317)	(42,029)	(27,339)
Gross profit		7,329	6,782	27,431	11,548
Other revenue		60	70	359	76
Distribution costs		(2,294)	(895)	(6,089)	(1,603)
Administrative expenses		(1,766)	(756)	(4,814)	(1,505)
Profit from operations		3,329	5,201	16,887	8,516
Finance costs		–	(528)	(1,494)	(528)
Profit before taxation		3,329	4,673	15,393	7,988
Taxation	3	–	(29)	–	(457)
Profit before minority interests		3,329	4,644	15,393	7,531
Minority interest		(89)	(245)	(332)	(543)
Net profit for the period		3,240	4,399	15,061	6,988
Dividend per share	4	0.5 cent	–	0.5 cent	–
Earnings per share					
– basic	5	0.81 cent	1.45 cents	3.97 cents	2.30 cents
– diluted		0.77 cent	N/A	3.85 cents	N/A



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 income statement includes the results of the Company and its subsidiaries for the three months and nine months ended 31 March 2003.

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 nine months ended 31 March 2002 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 nine months ended 31 March 2002 includes the results of the Company and its subsidiaries with effect from 1 July 2001 and 1 January 2002, 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 consolidated income statement 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. 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.



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 period (2002: HK\$457,000).

Pursuant to the relevant laws and regulations in the People's Republic of China ("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 profit-making years of operation in which they are exempted from PRC income tax.

4. Dividend

The Board of Directors of the company recommended payment of an interim dividend of HK0.5 cent per share for the nine months ended 31 March 2003 (nine months ended 31 March 2002: Nil).

5. Earnings per share

The calculation of basic earnings per share is based on the unaudited net profit for the three months and nine months ended 31 March 2003 of approximately HK\$3,240,000 and HK\$15,061,000 respectively (three months and nine months ended 31 March 2002: HK\$4,399,000 and HK\$6,988,000 respectively) and of the weighted average number of 400,000,000 and 379,652,000 (2002: 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 nine months ended 31 March 2003 of approximately HK\$3,240,000 and HK\$15,061,000 respectively and of the weighted average number of 421,600,000 and 391,274,000 shares respectively in issued during the period.

A diluted earnings per share for the three months and nine months ended 31 March 2002 has not been disclosed as no diluting events existed during that period.

6. Reserves

There was no transfer to and from reserves during the nine months ended 31 March 2003 (2002: Nil).



MANAGEMENT DISCUSSION AND ANALYSIS

Financial Performance

For the nine months ended 31 March 2003, the Group's turnover amounted to approximately HK\$69,460,000, representing an increase of 78.6%, and net profit was approximately HK\$15,061,000, representing an increase of 115.5%, as compared to the corresponding period in 2002.

The positive financial results can be attributed mainly to higher sales of the Group's products ("B&B products") arising from increased market acceptance coupled with market expansion that were brought about by strategic marketing and promotion, strengthening of the Group's own sales and marketing team, and expansion of the Group's distribution network. There was also contribution from palm oil trading activities carried out by Hsing Long Trading Co. Pte. Ltd. ("Hsing Long"), which is the Group's subsidiary company.

Expenses for the period under review were higher compared to the corresponding period in 2002, due to increased administrative costs attributable to the opening of new offices in the PRC, a new warehouse in Shanghai, and recruitment of additional professional staff and marketing personnel.

Business Review

Sales growth of the Group's products continued to be satisfactory. The Group has successfully broadened its product platform, which comprises natural wine products and natural products. As part of the strategy of product diversification, the Group has brought in two natural products. The first is natural palm oil products through acquisition of 75% shareholding of Hsing Long Trading Co. Pte. Ltd. ("Hsing Long"), a natural palm oil product trading company incorporated in Singapore, and the second is a natural herbal drink product with the brand name "Dawn808".

During the review period, the Group secured a new business alliance to jointly distribute "Dawn808", which has been awarded Great Grand Prix of Cum Laude Invention and Supreme Gold Medal at the INPEX Invention & New Product Exposition in the United States. The Group has targeted the PRC, Hong Kong and South East Asia for distribution of "Dawn808". If market response is encouraging, as the next step, the Group will explore the viability of jointly manufacturing the product.



Overseas Market Expansion

The Group has already established itself in two countries in South East Asia. In Malaysia, the Group's joint venture company, B & B South East Asia Ltd., is continuing with its marketing efforts to increase product awareness. In Singapore, the Group has secured a foothold through Hsing Long, and has been studying the market with a view to introducing the Group's products at an appropriate time. Concurrently, the Group will explore South East Asia further for additional viable markets.

China Market Expansion

During the period under review, the Group opened a new sales and marketing office and a warehouse in Shanghai, and recruited professional personnel for the sales team. Advertising and promotions were strategically carried out in Shanghai to increase B&B brand name recognition and product awareness, and to boost the sales of B&B products. In addition, the Group has been studying the viability of opening an office in Nanjing to tap the market in the city and the surrounding region.

Hong Kong Market Expansion

In Hong Kong, the Group carried out a soft launch of its mead products in March 2003. Working with the newly appointed sales agent, the Group is preparing to launch B&B mead products in mid 2003 through wine retailers, and at entertainment and dining outlets, such as karaokes, restaurants, food chain outlets and pubs in order to reach the target consumers.

Manufacturing

The Group's Zhuhai factory is under construction, with construction of the first stage progressing well.



Prospects

The Group is positive about good prospects ahead. It has successfully developed a sparkling honey wine product, and is prepared to launch this product in 2003. The distribution of "Dawn808" will lay the foundation for the Group to expand into the potential herbal drink market.

The Group will continue to develop new products, and seek more natural products with good prospects to further expand and diversify the Group's product platform. The Group recognizes that market expansion is important, and will embark on strategic marketing steps, including trial marketing of products in key markets, in order to broaden revenue base.

The Group expects palm oil business activities under Hsing Long to continue to make positive contributions to the Group, and will focus on business expansion of Hsing Long in the China market.

In view of the incidence of SARS in Hong Kong and China, the Group will be closely monitoring the situation and the effect on business for the Group.

INTERIM DIVIDEND

The Board recommends the payment of an interim dividend of HK0.50 cent per share for the nine months ended 31 March 2003 (nine months ended 31 March 2002: Nil). The dividend will be payable on Friday, 27 June 2003 to shareholders whose names appear on the Register of Members of the Company on Thursday, 12 June 2003. The Register of Members will be closed between Friday, 6 June 2003 and Thursday, 12 June 2003 (both days inclusive) during which period no transfer of the Company's shares will be effected. To qualify for the aforesaid interim dividend, all completed transfer forms, accompanied by the relevant share certificates, must be lodged with the Company's Hong Kong branch share registrar, Standard Registrars Limited at Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong for registration not later than 4:00 p.m. on Thursday, 5 June 2003.



DIRECTORS' INTERESTS IN SECURITIES

As at 31 March 2003, 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 March 2003, 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 March 2003, 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 March 2003, 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.

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 nine months ended 31 March 2003 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.

PURCHASE, 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 March 2003, 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, 12 May 2003