



CK Life Sciences Int'l. (Holdings) Inc.

(incorporated in the Cayman Islands with limited liability)

Restoring Freshness to **Nature** Bringing Quality to **Life**



Third Quarterly Report 2002

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

GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

The principal means of information dissemination on GEM is publication on the internet website operated by the Stock Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website in order to obtain up-to-date information on GEM-listed issuers.

This document, for which the directors (the “Directors”) of CK Life Sciences Int’l., (Holdings) Inc. (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 of Hong Kong Limited (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: (i) the information contained in this document is accurate and complete in all material respects and not misleading; (ii) there are no other matters the omission of which would make any statement in this document misleading; and (iii) all opinions expressed in this document have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

CHAIRMAN'S STATEMENT

Sales Growth Points to Profitability Achievement

I am pleased to announce that the financial performance of CK Life Sciences Int'l., (Holdings) Inc. and its subsidiaries (the "Group") improved substantially in the quarter ended 30 September 2002, with losses narrowing significantly from the previous quarter. This is the first quarter of financial reporting since the Group was listed on the GEM Board of the Stock Exchange in July. The rapid reduction in losses compared with the previous quarter was attributed to revenue growth resulting from expanded distribution and increased sales of the eco-fertiliser NutriSmart™ as well as strong income derived from treasury investments. The overall financial performance has given further testimony to the Directors' expectation that the Group will achieve profitability faster than the industry norm.

Financial Performance

Supported by enhanced marketing efforts and expansion of the distribution network, the Group showed a remarkable growth in sales for the quarter under review. For the three months ended 30 September 2002, the Group recorded an unaudited turnover of HK\$1,456,000 which is about 4 times greater than the turnover of HK\$298,000 recorded in the previous quarter. The loss attributable to shareholders for the three months ended 30 September 2002, has significantly improved from HK\$27,222,000 in the second quarter to HK\$11,079,000 in the third quarter, representing a reduction of about 60%.

The markets for NutriSmart™ now cover the US, Australia, Malaysia, Thailand, Myanmar, Indonesia, Hong Kong and Macau, with turnover amounting to HK\$1,888,000 for the nine months ended 30 September 2002. The losses attributable to shareholders for the nine months ended 30 September 2001 and 2002 were HK\$36,968,000 and HK\$60,447,000, representing loss per share of 0.72 cent and 1.11 cents respectively. The Board of Directors has not declared any interim dividend for the period under review.

CHAIRMAN'S STATEMENT (Cont'd)

Business Progress

During the quarter, the Group achieved substantial progress in a number of areas:

Eco-agriculture

The Group continued to expand the distribution network and build the brand for NutriSmart™. Progress includes:

- Strong reception was registered for NutriSmart™ in Malaysia with repeat order being placed by Agricultural Chemicals (M) Sdn Bhd, our distributor in Malaysia since July.
- In Indonesia, our joint venture with PT Anggraini Mulia, a member of the Lippo Group, made good progress. Sales activities have commenced, and research studies on the application of NutriSmart™ in rice and sugar cane under local conditions are underway to facilitate improvement of crop quality.
- The distribution network further expanded with the appointment of a distributor, Wong Sam Hing Agriculture, for the Hong Kong and Macau markets. Despite being regarded as a concrete jungle, there is a high proportion of green space in Hong Kong requiring the application of fertiliser, including some 2,000 vegetable fields and horticulture nurseries, more than 1,000 landscaped housing estates, and six golf courses.
- Progress in Australia continues to be encouraging. In addition to receiving repeat orders, we have also witnessed an increasing concern on the environmental impact of chemical fertilisers, thus highlighting the benefits of products such as NutriSmart™. A special project sponsored by the Group, called BurdeSmart, has been launched in the Burdekin area in Queensland, Australia. The project was orchestrated by the Burdekin Shire Council to help alleviate the financial burden of sugar cane farmers as well as to address the problem of nutrient leaching often attributed to overuse of chemical fertilisers. The Group's sponsorship includes a special discount, low cash outlay and long payment terms for the purchase of NutriSmart™. Similar promotion programmes are being planned for launch in other parts of Australia to stimulate sales and increase awareness.
- Arrangements were also made for the start of pre-sale trials of the AgiPro™ animal feed additive for poultry. Preparations are underway to submit an application for product registration in Mainland China.

CHAIRMAN'S STATEMENT (Cont'd)

Bioremediation

Several pre-sale trials are being carried out in Mainland China and Australia. One project involves the application of WonderTreat™, the Group's bioremediation solution, to remove odour and to speed up the process of chicken manure composting as a fertiliser. Another has been designed to demonstrate the effectiveness and efficiency of WonderTreat™ in the treatment of municipal wastewater versus that using activated sludge, the conventional method, while another measures the removal of odour and reduction in sludge volume in a pig farm. All of these represent substantial business opportunities in areas where there are no satisfactory solutions currently.

Nutraceuticals and Pharmaceuticals

The Group's human health products consist of 10 nutraceutical and 50 pharmaceutical applications. Of these, patent applications for a drug to treat HIV/AIDS; a drug that can activate the immunity response of white blood cells; and all 10 nutraceutical products have been submitted. Further research studies into the range of pharmaceutical products have continued, with encouraging results from both laboratory tests and preliminary human trials. The Group will widen the scope of trial in the next phase and make preparations for the application of formal registration of pharmaceutical products with regulatory authorities.

Research on nutraceutical products has focused on making them more convenient to consume and improving production cost efficiency. Samples have been produced for use in safety tests and human trials in preparation for market launch.

Patent Progress

The Group's portfolio of intellectual property continued to expand during the reporting period. In August, two more patents were granted by the US Patent and Trademark Office. They were:

- Bioremediation solution to convert bio-available phosphorus in a culture medium to intracellular phosphorus; and
- Bioremediation solution to suppress growth of pathogenic microbes.

With the addition of these two recent patents, the Group now has a total portfolio of seven patents.

CHAIRMAN'S STATEMENT (Cont'd)

The latest status of the Group's Patent Applications is as follows:

	Eco-Agriculture		Bio-remediation	Nutra-ceuticals	Pharma-ceuticals	Dermato-logicals	Total
	Eco-fertiliser	Animal Feed Additive					
Patents Granted	2	–	5	–	–	–	7
Patents Pending	4	13	3	10	2	–	32
Drafting Stage	4	5	7	–	48	5	69
Total	10	18	15	10	50	5	108

Award

NutriSmart™ won the Far Eastern Economic Review's 2002 Asian Innovation Bronze Award. More than 100 entries from medicine, business, agriculture and science were nominated this year, and NutriSmart™ fared well amongst these inventions. This is a strong endorsement of NutriSmart™'s technological value, and is a great credit to our research team.

Prospects

With the listing of the Group on the GEM Board of the Stock Exchange and meaningful progress on a number of fronts, prospects for the Group are bright:

- Sales growth will accelerate. It is expected that sales growth will continue to accelerate as the various markets become more developed. The Group is also moving towards establishing manufacturing facilities in areas where there is high demand for NutriSmart™. This will save transport and administrative costs while facilitating the provision of sales and customer services to the respective local markets.
- HIV/AIDS and human health research will gather pace. To speed up the growth in value of the Group, research and development of HIV/AIDS treatment and other human health products have been aggressively accelerated. Studies for nutraceutical and pharmaceutical products, especially those aimed to boost the immune system and treat HIV/AIDS patients, have made considerable progress in research and development with safety tests and human trials lined up already for the next research stage. These studies are significant to the Group as products successfully developed could bring substantial financial growth to the Group, and further reinforce the Group's science base as well as the Group's position in the global biotech industry.

CHAIRMAN'S STATEMENT (Cont'd)

- Substantial financial resources will facilitate R & D success. The Group has a solid financial foundation. Research and development would not pose any financial burden to the Group. Unique amongst biotech companies, the Group's substantial capital base provides abundant funding for ongoing product research and development. Without tight financial constraints which might stifle research and development, the Group's financial strength adds impetus to the successful development of products – increasing the level of success and shortening the lead time of development.

With sales revenues accelerating and abundant capital for research and development, the Directors are confident that not only will the Group render profit earlier than the industry norm, the Group will also grow fast to become a global life sciences company offering scientifically advanced breakthrough biotech products for the improvement of human health and environmental sustainability.

Acknowledgements

I wish to thank our hard working staff and management for their continuing contribution to the development of the Group. A share option scheme was launched in September as an added incentive for employees. This will help drive employees' efforts towards quick growth for the Group.

I also wish to thank our investors for their continued invaluable support. I am confident this long-term backing will be rewarded in the future.

Li Tzar Kuoi, Victor

Chairman

Hong Kong, 11 November 2002

UNAUDITED CONSOLIDATED RESULTS

The unaudited consolidated results of the Group for the three months and nine months respectively ended 30 September 2002, together with the comparative unaudited results for the corresponding periods in 2001 are set out below:

	Notes	For the three months ended 30 September		For the nine months ended 30 September	
		2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Turnover	3	1,456	-	1,888	-
Cost of sales		(1,043)	-	(1,375)	-
Gross profit		413	-	513	-
Other revenue	4	30,076	2	30,155	6
Staff cost		(20,127)	(7,908)	(49,022)	(20,359)
Depreciation		(4,410)	(1,963)	(11,596)	(4,892)
Amortization of intangible assets		(172)	-	(488)	-
Operating expenses		(16,928)	(4,779)	(30,127)	(11,723)
Loss before taxation		(11,148)	(14,648)	(60,565)	(36,968)
Taxation	5	38	-	38	-
Loss for the period		(11,110)	(14,648)	(60,527)	(36,968)
Minority interests		31	-	80	-
Loss attributable to shareholders		(11,079)	(14,648)	(60,447)	(36,968)
Dividend	6	-	-	-	-
Loss per share basic (Hong Kong cents)	7	0.18 cent	0.29 cent	1.11 cents	0.72 cent

UNAUDITED CONSOLIDATED RESULTS (Cont'd)

NOTES:

1. Group reorganization

The Company was incorporated in the Cayman Islands on 10 August 2001 as an exempted company with limited liability and its shares have been listed on the GEM of the Stock Exchange since 16 July 2002.

Pursuant to a group reorganization (the "Reorganization") to rationalize the structure of the Group in preparation for the listing of the Company's shares on the GEM of the Stock Exchange, the Company became the holding company of the Group on 13 March 2002. Details of the Reorganization are set out in the Company's prospectus dated 4 July 2002 (the "Prospectus").

2. Basis of preparation and principal accounting policies

The unaudited consolidated results have been prepared in accordance with accounting principles generally accepted in Hong Kong and the applicable disclosure requirements of the GEM Listing Rules.

The results of the Group for the period ended 30 September 2002 and the corresponding financial periods of last year have been prepared on the merger basis as if the current group structure had been in existence throughout the relevant period or since the date of incorporation, whichever is shorter and the Reorganization as disclosed in the Prospectus had been undertaken before 1 July 2002.

The accounting policies adopted in preparing the unaudited consolidated results for the period ended 30 September 2002 are consistent with those followed in the Accountants' Report as set out in the Prospectus.

3. Turnover

Turnover represents sales of a range of environmental friendly fertilisers under the brand name NutriSmart™.

For the nine months ended 30 September 2002, the sales of NutriSmart™ to Australia, Malaysia, Thailand, Myanmar and Hong Kong were approximately HK\$949,000, HK\$721,000, HK\$148,000, HK\$59,000 and HK\$11,000 with cost of sales amounting to approximately HK\$789,000, HK\$435,000, HK\$104,000, HK\$41,000 and HK\$6,000 respectively.

UNAUDITED CONSOLIDATED RESULTS (Cont'd)

4. Other revenue

Other revenue comprises of income from bank deposits and investment in financial instruments.

5. Taxation

No provision for Hong Kong profits tax has been made as there was no assessable profit for the three months and the nine months respectively ended 30 September 2002 as well as the corresponding periods of last year. The credit balances represent the written-back of the over provision of taxation from prior year.

6. Dividend

The Directors have not declared the payment of an interim dividend for the nine months ended 30 September 2002 (2001: Nil).

7. Loss per share

The calculation of the basic loss per share for the three months and nine months ended 30 September 2002 is based on the respective unaudited loss attributable to shareholders of approximately HK\$11,079,000 and HK\$60,447,000 (2001: loss of approximately HK\$14,648,000 and HK\$36,968,000), and the weighted average number of 6,193,902,174 shares and 5,468,641,026 shares (2001: 5,100,000,000 shares for both periods) in issue. The 5,100,000,000 shares outstanding after the capitalization issue as described in Appendix IV to the Prospectus are included in the calculation of weighted average number of shares as if those shares had been outstanding throughout the relevant accounting periods.

Diluted loss per share is not presented because the effect on the exercise of the share options granted by the Company is anti-dilutive.

UNAUDITED CONSOLIDATED RESULTS (Cont'd)

8. Movements of reserves

	Share premium HK\$'000	Investment revaluation reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
2001				
At 1 January 2001	-	-	(137,491)	(137,491)
Loss for the nine months ended 30 September 2001	-	-	(36,968)	(36,968)
At 30 September 2001	-	-	(174,459)	(174,459)
2002				
At 1 January 2002	-	-	(195,425)	(195,425)
Surplus on revaluation of investment securities	-	25,158	-	25,158
Loss for the nine months ended 30 September 2002	-	-	(60,447)	(60,447)
Arising from the issuance of shares upon capitalization of loan due to immediate holding company	522,151	-	-	522,151
Amount utilized upon capitalization issue	(509,993)	-	-	(509,993)
Issue of shares	2,483,300	-	-	2,483,300
Share issuing expenses	(103,791)	-	-	(103,791)
At 30 September 2002	2,391,667	25,158	(255,872)	2,160,953

DIRECTORS' INTERESTS

As at 30 September 2002, the interests of the Directors and their respective associates in the securities of the Company and its associated corporations as required to be recorded in the register maintained by the Company under Section 29 of the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance") were as follows:

(1) Shares of the Company

Name of Director	Number of Ordinary Shares				Total
	Personal Interests	Family Interests	Corporate Interests	Other Interests	
Li Tzar Kuoi, Victor	1,500,000	–	–	2,820,008,571	2,821,508,571
				(Note 1)	
Kam Hing Lam	–	4,150,000	–	–	4,150,000
Ip Tak Chuen, Edmond	1,500,000	–	–	–	1,500,000
Yu Ying Choi, Alan Abel	1,500,000	–	–	–	1,500,000
Pang Shiu Fun	1,500,000	–	–	–	1,500,000
Chu Kee Hung	1,500,000	–	–	–	1,500,000
Lam Hing Chau, Leon	1,250,000	–	–	–	1,250,000
Kwan Chiu Yin, Robert	–	–	500,000	–	500,000
			(Note 2)		
Peter Peace Tulloch	500,000	–	–	–	500,000
Wong Yue-chim, Richard	250,000	–	–	–	250,000
Kwok Eva Lee	200,000	–	–	–	200,000

Notes:

- Such 2,820,008,571 shares are held by a subsidiary of Cheung Kong (Holdings) Limited ("Cheung Kong Holdings"). Li Ka-Shing Unity Trustee Company Limited ("TUT") as trustee of The Li Ka-Shing Unity Trust (the "LKS Unity Trust") and companies controlled by TUT as trustee of the LKS Unity Trust hold more than one-third of the issued share capital of Cheung Kong Holdings. All issued and outstanding units in the LKS Unity Trust are held by Li Ka-Shing Unity Trustee Corporation Limited as trustee of The Li Ka-Shing Unity Discretionary Trust and by another discretionary trust. The discretionary beneficiaries of such discretionary trusts are, inter alia, Mr. Li Ka-shing, Mr. Li Tzar Kuoi, Victor, his wife and two daughters, and Mr. Li Tzar Kai, Richard. Mr. Li Tzar Kuoi, Victor, as a discretionary beneficiary of such discretionary trusts and a Director of the Company, is taken to be interested in those shares of Cheung Kong Holdings and thus is taken to be interested in those 2,820,008,571 shares held by the subsidiary of Cheung Kong Holdings under the SDI Ordinance.
- Such shares are held by a company owned by Mr. Kwan Chiu Yin, Robert.

DIRECTORS' INTERESTS (Cont'd)

(2) Options to subscribe for shares of the Company

Pursuant to the share option scheme adopted by the Company on 26 June 2002 (the "Share Option Scheme"), certain Directors were granted share options to subscribe for shares of the Company, details of which as at 30 September 2002 were as follows:

Name of Director	Date of grant	Number of share options outstanding	Option period	Subscription price per share HK\$
Yu Ying Choi, Alan Abel	30/9/2002	310,000	30/9/2003 – 29/9/2012	1.598
Pang Shiu Fun	30/9/2002	310,000	30/9/2003 – 29/9/2012	1.598
Chu Kee Hung	30/9/2002	310,000	30/9/2003 – 29/9/2012	1.598
Lam Hing Chau, Leon	30/9/2002	222,000	30/9/2003 – 29/9/2012	1.598

Save as disclosed above, during the nine months ended 30 September 2002, none of the Directors or their respective associates was granted options to subscribe for shares of the Company, nor had exercised such rights.

Save as disclosed above, none of the Directors or their respective associates had, as at 30 September 2002, any interests in the securities of the Company and its associated corporations as recorded in the register required to be kept under Section 29 of the SDI Ordinance.

DETAILS OF OPTIONS GRANTED BY THE COMPANY

The Company has adopted the Share Option Scheme under which the Directors or employees of the Company or its subsidiaries or certain other persons may be granted options to subscribe for shares of the Company subject to the terms and conditions stipulated in the Share Option Scheme.

As at 30 September 2002, options to subscribe for an aggregate of 4,226,000 shares of the Company at a subscription price of HK\$1.598 per share were granted to certain employees and certain Executive Directors (as disclosed above) pursuant to the Share Option Scheme. Such options are exercisable from 30 September 2003 to 29 September 2012 (both days inclusive) subject to the following vesting period:

- (i) up to 35% of the options commencing on 30 September 2003;
- (ii) up to 70% of the options (including the options not exercised under the limit prescribed for in the previous period) commencing on 30 September 2004; and
- (iii) up to 100% of the options (including the options not exercised under the limit prescribed for in the previous periods) commencing on 30 September 2005.

SUBSTANTIAL SHAREHOLDERS

As at 30 September 2002, the register required to be kept under Section 16(1) of the SDI Ordinance showed that the Company has been notified of the following interests, being 10% or more of the issued share capital of the Company. These interests were in addition to those disclosed above in respect of the Directors:

Name	Number of Ordinary Shares
Gold Rainbow Int'l Limited	2,820,008,571
Gotak Limited	2,820,008,571 (Note i)
Cheung Kong (Holdings) Limited	2,820,008,571 (Note ii)
Li Ka-Shing Unity Trustee Company Limited as trustee of The Li Ka-Shing Unity Trust	2,820,008,571 (Note iii)
Li Ka-Shing Unity Trustee Corporation Limited as trustee of The Li Ka-Shing Unity Discretionary Trust	2,820,008,571 (Note iii)
Li Ka-Shing Unity Holdings Limited	2,820,008,571 (Note iii)
Trueway International Limited	1,410,004,286
Tangiers Enterprises Limited	1,880,005,715 (Note iv)
Li Ka-shing	4,700,014,286 (Note v)

Notes:

- i. This represents the same block of shares in the Company as shown against the name of Gold Rainbow Int'l Limited ("Gold Rainbow") above. Since Gold Rainbow is wholly-owned by Gotak Limited, Gotak Limited is deemed to be interested in the same number of shares in which Gold Rainbow was interested under the SDI Ordinance.
- ii. As Gotak Limited is wholly-owned by Cheung Kong Holdings, Cheung Kong Holdings is deemed to be interested in the same number of shares which Gotak Limited is deemed to be interested under the SDI Ordinance.
- iii. TUT as trustee of the LKS Unity Trust and companies controlled by TUT as trustee of the LKS Unity Trust hold more than one-third of the issued share capital of Cheung Kong Holdings. All issued and outstanding units in the LKS Unity Trust are held by Li Ka-Shing Unity Trustee Corporation Limited as trustee of The Li Ka-Shing Unity Discretionary Trust and by another discretionary trust. More than one-third of the issued share capital of TUT and of the trustees of the discretionary trusts mentioned above are owned by Li Ka-Shing Unity Holdings Limited. Under the SDI Ordinance, each of TUT as trustee of the LKS Unity Trust, Li Ka-Shing Unity Trustee Corporation Limited as trustee of The Li Ka-Shing Unity Discretionary Trust and Li Ka-Shing Unity Holdings Limited is deemed to be interested in the same block of shares as Cheung Kong Holdings is deemed to be interested as disclosed in Note ii above.
- iv. Trueway International Limited ("Trueway") is wholly-owned by Tangiers Enterprises Limited ("Tangiers") and Tangiers is deemed to be interested in a total of 1,880,005,715 shares under the SDI Ordinance, being the aggregate of the shares in which Trueway was interested as shown against the name Trueway above and the 470,001,429 shares held by Triluck Assets Limited (another company wholly-owned by Tangiers).
- v. This represents the aggregate of the blocks of shares in the Company in which Tangiers and Cheung Kong Holdings are respectively deemed to be interested under the SDI Ordinance. As Mr. Li Ka-shing owns more than one-third of the issued share capital of Tangiers and Li Ka-Shing Unity Holdings Limited, under the SDI Ordinance Mr. Li Ka-shing is deemed to be interested in the same number of shares in which both Tangiers and Cheung Kong Holdings are deemed to be interested as mentioned above.

COMPETING INTERESTS

During the nine months ended 30 September 2002, the interests of Directors, management shareholders of the Company or their respective associates as defined in the GEM Listing Rules (the "Associates") in the businesses which compete or may compete, either directly or indirectly, with the businesses of the Group were as follows:

Name of Director	Name of Company	Nature of Interest
Li Tzar Kuoi, Victor	Cheung Kong (Holdings) Limited	Managing Director and Deputy Chairman (Note)
	Hutchison Whampoa Limited	Deputy Chairman (Note)
Kam Hing Lam	Cheung Kong (Holdings) Limited	Deputy Managing Director (Note)
	Hutchison Whampoa Limited	Executive Director (Note)
Ip Tak Chuen, Edmond	Cheung Kong (Holdings) Limited	Executive Director
Name of Management Shareholder	Name of Company	Nature of Interest
Li Ka-shing	Cheung Kong (Holdings) Limited	Chairman (Note)
	Hutchison Whampoa Limited	Chairman (Note)

Note: Apart from holding of the directorship in each of Cheung Kong (Holdings) Limited and Hutchison Whampoa Limited, Mr. Li Tzar Kuoi, Victor, Mr. Kam Hing Lam and Mr. Li Ka-shing and/or their respective family members have direct and/or indirect interests in the shares of Cheung Kong (Holdings) Limited and Hutchison Whampoa Limited.

Both Cheung Kong (Holdings) Limited and Hutchison Whampoa Limited engage in a wide range of businesses and investments which include, inter alia, medical, health care, dietary supplement businesses and/or research, development, manufacture, marketing and/or sale of pharmaceutical and nutraceutical products through their subsidiaries, associated companies or by way of other forms of investments. The disclosure herein above is made on the basis that there might be a chance that such businesses might have competed, either directly or indirectly, with those of the Group under Rule 11.04 of the GEM Listing Rules.

Save as disclosed above, none of the Directors, the management shareholders of the Company or their respective Associates have any interests in a business which competes or may compete with the business of the Group.

SPONSOR'S INTERESTS

Pursuant to a sponsor's agreement dated 3 July 2002 between the Company and Salomon Smith Barney Hong Kong Limited ("SSB"), SSB has been appointed as a sponsor to the Company as required under the GEM Listing Rules at a fee from 16 July 2002 to 31 December 2004.

As notified to the Company by SSB, as at 30 September 2002, neither SSB, its directors, employees nor their associates had any interests in any securities of the Company or any of its associated corporations.

AUDIT COMMITTEE

The Company has established an audit committee on 26 June 2002 with written terms of reference based on the guidelines recommended by the Hong Kong Society of Accountants. The audit committee comprises two Independent Non-executive Directors of the Company, namely Mr. Wong Yue-chim, Richard who is the Chairman of such committee, and Mrs. Kwok Eva Lee.

The primary duties of the audit committee are to review and supervise the financial reporting process and internal control procedures of the Company.

The audit committee has already reviewed the Group's unaudited results for the nine months ended 30 September 2002.

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

On 22 April 2002 prior to the listing of the Company, the one share of US\$1.00 par value was repurchased by the Company at a price equal to the proceeds of the issue of 78 new shares of HK\$0.10 each.

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 nine months ended 30 September 2002.