



Lee's Pharmaceutical Holdings Limited
李氏大藥廠控股有限公司*
(incorporated in the Cayman Islands with limited liability)



Q3 05
Third Quarterly Report 2005

* For identification purposes only

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.

The Stock Exchange takes no responsibility for the contents of this report, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.

This report, for which the directors (the “Directors”) of LEE’S PHARMACEUTICAL HOLDINGS LIMITED (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM 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: (i) the information contained in this report 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 report misleading; and (iii) 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.

RESULTS

The board of Directors (the “Board”) hereby announces the unaudited consolidated results of the Company and its subsidiaries (collectively referred to as the “Group”) for the three months and nine months ended 30 September 2005, together with the comparative unaudited consolidated figures for the corresponding period in 2004 as follows:

	<i>Notes</i>	For the three months ended 30 September		For the nine months ended 30 September	
		2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i> (Restated)	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i> (Restated)
Turnover	(2)	10,160	8,435	29,568	22,313
Cost of sales		(3,363)	(3,132)	(9,593)	(7,698)
Gross profit		6,797	5,303	19,975	14,615
Other revenue		309	29	1,062	495
Selling and distribution expenses		(4,060)	(3,386)	(11,516)	(9,466)
Research and development expenses		(217)	(153)	(639)	(441)
Administrative expenses		(2,723)	(2,361)	(8,401)	(7,497)
Profit (loss) from operations		106	(568)	481	(2,294)
Finance costs		(84)	(145)	(323)	(454)
Profit (loss) before taxation		22	(713)	158	(2,748)
Taxation	(3)	7	10	33	24
Profit (loss) attributable to shareholders		29	(703)	191	(2,724)
Dividends		–	–	–	–
		<i>HK cents</i>	<i>HK cents</i>	<i>HK cents</i>	<i>HK cents</i>
Earnings (loss) per Share					
Basic	(4)	0.01	(0.22)	0.06	(0.91)
Diluted	(4)	N/A	N/A	N/A	N/A



Notes:

1. Basis of preparation and principal accounting policies

The unaudited consolidated results have been prepared in accordance with accounting principles generally accepted in Hong Kong, accounting standards and HKFRSs issued by Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the disclosure requirements of the GEM Listing Rules. They have been prepared under the historical cost convention, as modified by the revaluation of leasehold buildings.

HKICPA has converged all Hong Kong Financial Reporting Standards (“HKFRSs”) with International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board at 1 January 2005. As a result, the HKICPA has aligned HKFRS with the requirements of IFRSs in all material respects.

In 2005, the Group has adopted all HKFRSs pertinent to its operations. The applicable HKFRSs are set out below and the 2004 accounts have been restated in accordance with the relevant requirements.

HKAS 1	Presentation of Financial Statements
HKAS 2	Inventories
HKAS 7	Cash Flow Statements
HKAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
HKAS 10	Events after Balance Sheet Date
HKAS 12	Income Taxes
HKAS 14	Segment Reporting
HKAS 16	Property, Plant and Equipment
HKAS 17	Leases
HKAS 18	Revenue
HKAS 19	Employee Benefits
HKAS 21	The Effect of Changes in Foreign Exchange Rates
HKAS 23	Borrowing Costs
HKAS 24	Related Party Disclosures
HKAS 27	Consolidated and Separate Financial Statements
HKAS 32	Financial Instruments: Disclosure and Presentation
HKAS 33	Earnings Per Share
HKAS 36	Impairment of Assets
HKAS 37	Provisions, Contingent Liabilities and Contingent Assets
HKAS 38	Intangible Assets
HKAS 39	Financial Instruments: Recognition and Measurement
HKFRS 2	Share-based Payments



The accounting standards which have material effects on the Group are set out below:

The adoption of HKFRS 2 has resulted in a change in accounting policy for employee share options. Prior to this, the provision of share options to employees did not result in a charge to the income statement. Following the adoption of HKFRS 2, the fair value of share options at grant date is amortised over the relevant vesting period to the income statement. HKFRS 2 has been applied retrospectively for all equity instruments granted to employees after 7 November 2002 and not vested at 1 January 2005.

The adoption of HKAS 17 has resulted in a change in accounting policy relating to leasehold land. Leasehold land was previously carried at valuation less accumulated depreciation. In accordance with the provisions of HKAS 17, leasehold land and building should be split into a lease of land and a lease of building in proportion to the relative fair values of the leasehold interests in the land element and the building element of the lease at the inception of the lease. The lease premium for land is stated at cost and amortised over the period of the lease. HKAS 17 has been applied retrospectively.

The effect of adopting HKAS 17 and HKFRS 2 on the consolidated income statement for the periods ended 30 September 2005 and 30 September 2004 and on the consolidated balance sheet as at 30 September 2005 and 31 December 2004 are shown below:

Effect of adopting HKAS 17 and HKFRS 2 on consolidated income statement:

	Three months ended 30 September 2005		Three months ended 30 September 2004	
	HKAS 17 HK\$'000	HKFRS 2 HK\$'000	HKAS 17 HK\$'000	HKFRS 2 HK\$'000
(Increase) decrease in				
administrative expenses	8	(55)	7	(49)
Increase in taxation	(1)	-	(2)	-
Total increase (decrease) in profit	7	(55)	5	(49)
	<i>HK cent</i>	<i>HK cent</i>	<i>HK cent</i>	<i>HK cent</i>
Increase (decrease) in basic earnings (loss) per share	-	(0.02)	-	(0.02)



Effect of adopting HKAS 17 and HKFRS 2 on consolidated balance sheet:

	30 September 2005		31 December 2004	
	HKAS 17	HKFRS 2	HKAS 17	HKFRS 2
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Increase (decrease) in assets				
Property, plant and machinery	(2,650)	–	(2,523)	–
Lease premium for land (current and non-current)	1,176	–	1,168	–
Increase (decrease) in liabilities/equity				
Deferred tax liabilities	(208)	–	(203)	–
Employee share-based compensation reserve	–	386	–	255
Revaluation reserves	(893)	–	(893)	–
Exchange reserves	(37)	–	37	–
Accumulated losses	276	(386)	296	(255)

The adoption of other new HKFRSs does not result in substantial changes to the Group's accounting policies except certain presentation and disclosure of the accounts would be affected on the 2005 quarterly and annual reports.

The consolidated results for the three months and nine months ended 30 September 2005 have not been audited by the Company's auditors, but have been reviewed by the Company's auditors and the audit committee.



2. Turnover

The principal activities of the Group are development, manufacturing and sales of pharmaceutical products. During the period, turnover represents the net amount received and receivable for goods sold by the Group to outside customers and recognised as follows:

Business segments

	For the three months ended 30 September		For the nine months ended 30 September	
	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000
Proprietary products	6,798	5,396	19,957	15,624
License-in products	3,362	3,039	9,611	6,689
	10,160	8,435	29,568	22,313

Geographical segments

During the period ended 30 September 2005 and 2004, more than 90% of the Group's turnover was derived from activities conducted in the PRC, no geographical segmental information is presented.

3. Taxation

	For the three months ended 30 September		For the nine months ended 30 September	
	2005 HK\$'000	2004 HK\$'000 (Restated)	2005 HK\$'000	2004 HK\$'000 (Restated)
Current tax				
Hong Kong	–	–	–	–
PRC	–	–	–	–
Deferred tax				
Credit of current period	7	10	33	24
Taxation attributable to the Group	7	10	33	24

No provision for Hong Kong, PRC and overseas profits tax has been made as the Group had no estimated assessable profit for the three months and nine months ended 30 September 2005 (2004: Nil).



4. Earnings (loss) per share

The calculation of basic and diluted earnings (loss) per share is based on the following data:

	For the three months ended 30 September		For the nine months ended 30 September	
	2005	2004 (Restated)	2005	2004 (Restated)
Earnings (loss):				
Net profit (loss)				
for the period				
for the purpose				
of basic and				
diluted earnings				
(loss) per share	HK\$29,000	HK\$(703,000)	HK\$191,000	HK\$(2,724,000)
Number of shares:				
Weighted average				
number of ordinary				
shares for the purpose				
of basic earnings				
(loss) per share	346,225,000	317,105,435	346,225,000	298,586,314
Effect of dilutive				
potential ordinary shares:				
options and warrants	–	–	–	–
Weighted average number				
of ordinary shares for				
the purpose of diluted				
earnings (loss)				
per share	346,225,000	317,105,435	346,225,000	298,586,314

No diluted earnings per share in 2005 and 2004 has been presented because the exercise prices of the options and warrants are higher than the market price of the shares for the nine months ended 30 September 2005 and 2004.



5. Share capital and reserves

	Share capital	Share premium	Merger difference	Revaluation reserve	Employee share-based compensation reserve	Exchange reserve	Accumulated losses	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
At 1 January 2005	17,311	33,227	9,200	3,921	–	(99)	(26,681)	36,879
Adoption of HKFRS 2	–	–	–	–	255	–	(255)	–
Adoption of HKAS 17	–	–	–	(893)	–	37	(296)	(1,152)
At 1 January 2005, as restated	17,311	33,227	9,200	3,028	255	(62)	(27,232)	35,727
Warrant issue net expenses	–	(731)	–	–	–	–	–	(731)
Employee share option benefits	–	–	–	–	131	–	–	131
Exchange rate adjustment not recognised in consolidated income statement	–	–	–	75	–	258	–	333
Profit for the period	–	–	–	–	–	–	191	191
At 30 September 2005	17,311	32,496	9,200	3,103	386	196	(27,041)	35,651
At 1 January 2004	14,461	24,887	9,200	3,921	–	(14)	(23,413)	29,042
Adoption of HKFRS 2	–	–	–	–	103	–	(103)	–
Adoption of HKAS 17	–	–	–	(914)	–	58	(323)	(1,179)
At 1 January 2004, as restated	14,461	24,887	9,200	3,007	103	44	(23,839)	27,863
Employee share option benefits	–	–	–	–	103	–	–	103
Exchange rate adjustment not recognised in consolidated income statement	–	–	–	24	–	(91)	–	(67)
Loss for the period	–	–	–	–	–	–	(2,724)	(2,724)
At 30 September 2004, as restated	14,461	24,887	9,200	3,031	206	(47)	(26,563)	25,175



DIVIDEND

The Board does not recommend the payment of an interim dividend for the nine months ended 30 September 2005 (2004: Nil).

BUSINESS REVIEW AND PROSPECTS

Business review

The Group continued to be profitable by achieving a profit of HK\$29,000 for the third quarter 2005. Turnover for the nine months ended 30 September 2005 amounted to HK\$ 29.6 million, representing a 32.5% increase over the same period in previous year. Turnover for the third quarter 2005 amounted to HK\$10 million which represented a 20% increase over that of 2004. During the period under review, all three major products of the Group, *Livaracine*[®], *Yallaferon*[®] and *Carnitene*[®] registered 39%, 45% and 22% increase in volume sales respectively over the same period of last year.

The gross profit ratio was improved from 65.5% for 2004 to 67.6% for the nine months ended 30 September 2005. The improvement was attributable to better cost control and economy of scale driven by the increase of sales volume.

Owing to more stringent control over costs, the percentage of selling expenses over turnover decreased from 42% for 2004 to 39% for the period under review. The percentage of administrative expenses over turnover also reduced from 33.6% for 2004 to 28.4% for the current period.

The profit for the nine months ended 30 September 2005 was HK\$191,000 which shown a significant improvement comparing with the loss of HK\$2,724,000 incurred for the same period in last year.

Prospects

On 26 September 2005, the Group signed an agreement with International Biomedical System S.r.l. of Italy for distribution of *HORUS*[®]S Coronary Stent with delivery system and Challenger PTCA Balloon Catheter for Hong Kong and People's Republic of China. *HORUS*[®]S is approved by the European Union and is marketed in Italy and other countries. *HORUS*[®]S stent is superior to existing bare metal stents and comparable to the new drug eluting stents. It offers substantial price advantage over drug eluting stent which makes it competitive in the market place. The Group is now marketing *HORUS*[®]S stent in Hong Kong and it is expected that it could help to further broaden the revenue base of the Group.



The new drug application for Hemocoagulase from snake venom has been approved by the SFDA of China. This is the third new drug certificate received by the Group in China since its establishment and it is a major milestone of development of the Group. With new drug application of *Eyprotor*[®] submitted during the quarter as well, the Group is expected to launch two products next year which will significantly improve the Group's profitability. Workshop expansion and renovation are underway and upon completion, the Group will be equipped with four GMP certified production lines, namely lyophilized powder for injection, small volume for injection, topical gel and eye gel.

During the nine months ended 30 September 2005, deferred research and development cost increased by HK\$1.3 million and research and development expenses for the period under review amounted to HK\$639,000. This demonstrates the Group's commitment on developing new products which is an important basis for the continued growth of the Group. In particular, we are fully aware of the threat posed by avian flu to the public health of our global community. We have been working with PRB Pharmaceuticals Inc. of US for more than two years for the development of *Vira-38*[°], an all natural preparation for combating flu in general and avian flu in particular. The main component of *Vira-38*[°], *v38 AMF-1*, was tested in reputed laboratories of both China and US and found to be effective in inhibition of avian flu H5N1 virus. As a result, we have recently seen an drastic increase of interest in the Group's product *Vira-38*[°]. We are committed to continue our contribution to the global fight against avian flu.

FINANCIAL REVIEW

The Group's financial position remained healthy. As at 30 September 2005, the Group has cash and bank balances and pledged bank deposits of HK\$4.6 million. The bank and other borrowings was HK\$4.8 million at period end.



SHARE OPTION SCHEME

Pursuant to a written resolution passed by all shareholders of the Company on 26 June 2002, the Company, among others, conditionally adopted a pre-IPO share option scheme (the “Pre-IPO Share Option Scheme”) and a share option scheme (the “Share Option Scheme”), the principal terms of which are set out in the Prospectus.

Movements of share option during nine months ended 30 September 2005 were as follows:

Grantees	Date of Grant	Number of share options				Outstanding at 30.09.2005
		Outstanding at		Exercised/		
		1.1.2005	Granted	cancelled	Lapsed	
<i>Directors</i>						
Lee Siu Fong	26.06.2002	1,600,000	–	–	–	1,600,000
<i>Leelalertsuphakun</i>						
Wanee	13.01.2003	289,000	–	–	–	289,000
Li Xiaoyi	13.01.2003	2,890,000	–	–	–	2,890,000
Mauro Bove	11.07.2005	–	500,000	–	–	500,000
<i>Chan Yau Ching, Bob</i>						
	13.01.2003	100,000	–	–	–	100,000
	25.06.2004	300,000	–	–	–	300,000
	11.07.2005	–	100,000	–	–	100,000
Lam Yat Cheong	11.07.2005	–	300,000	–	–	300,000
Tsim Wah Keung, Karl	11.07.2005	–	300,000	–	–	300,000
<i>Sub-total of Directors</i>		5,179,000	1,200,000	–	–	6,379,000
<i>Employees</i>						
	26.06.2002	400,000	–	–	(350,000)	50,000
	13.01.2003	550,000	–	–	(150,000)	400,000
	25.06.2004	6,800,000	–	–	(550,000)	6,250,000
	11.07.2005	–	3,750,000	–	–	3,750,000
<i>Sub-total of employees</i>		7,750,000	3,750,000	–	(1,050,000)	10,450,000
Grand total		12,929,000	4,950,000	–	(1,050,000)	16,829,000



Notes:

1. Particulars of share options:

Date of Grant	Exercise period	Exercise price per share <i>HK\$</i>
26.06.2002	(i) 50% exercisable not less than 2 years from date of grant but not more than 10 years, i.e. 26.06.2004-25.06.2012 (ii) unexercised balance thereof be exercisable not less than 3 years from date of grant but not more than 10 years, i.e. 26.06.2005-25.06.2012	0.280
13.01.2003	13.07.2003-12.01.2013	0.405
25.06.2004	(i) 50% exercisable not less than 6 months from date of grant but not more than 10 years, i.e. 25.12.2004-24.06.2014 (ii) unexercised balance thereof be exercisable not less than 15 months from date of grant but not more than 10 years, i.e. 25.09.2005-24.06.2014	0.218
11.07.2005	(iii) 50% exercisable not less than 6 months from date of grant but not more than 10 years, i.e. 11.01.2006-10.07.2015 (iv) unexercised balance thereof be exercisable not less than 15 months from date of grant but not more than 10 years, i.e. 11.10.2006-10.07.2015	0.159

Saved as disclosed above, as at 30 September 2005, none of the Directors or chief executive or their respective spouse or children under 18 years of age were granted or exercise any rights to subscribe for any equity of the Company or any of its associated corporations.



DIRECTORS' AND CHIEF EXECUTIVE'S INTEREST

As at 30 September 2005, the following Directors and chief executive and their associates had interest or short positions in the Shares or underlying Shares of the Company or any of its associated corporations as required to be disclosed under and within the meaning of Part XV of the Securities and Future Ordinance (the "SFO") were as follows:

1. Long positions

(a) Ordinary shares of HK\$0.05 each of the Company

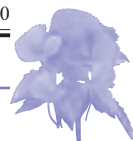
Name	Capacity and nature	Notes	Number of shares	Total	% of issued share capital
Lee Siu Fong	Beneficial owner		2,334,375		
	Interest of corporation	(i)	163,290,625	165,625,000	47.84
Leelalertsuphakun Wanee	Beneficial owner		1,240,000		
	Interest of corporation	(i)	163,290,625	164,530,625	47.52
Li Xiaoyi	Interest of spouse	(ii)	16,000,000	16,000,000	4.62

Notes:

- (i) 163,290,625 Shares are held through Huby Technology Limited ("Huby Technology") and Dynamic Achieve Investments Limited ("Dynamic Achieve"). Each of Huby Technology and Dynamic Achieve is an investment holding company jointly owned by Ms. Lee Siu Fong and Ms. Leelalertsuphakun Wanee.
- (ii) These Shares are held by High Knowledge Investments Limited ("High Knowledge") which is wholly owned by Dr. Li's spouse, Ms. Lue Shuk Ping, Vicky ("Ms. Lue"). The interest held by Ms. Lue is deemed to be part of the interest of Dr. Li.

(b) Share options

Name	Capacity and nature	Number of options held	Number of underlying Shares
Lee Siu Fong	Beneficial owner	1,600,000	1,600,000
Leelalertsuphakun Wanee	Beneficial owner	289,000	289,000
Li Xiaoyi	Beneficial owner	2,890,000	2,890,000
Mauro Bove	Beneficial owner	500,000	500,000
Chan Yau Ching, Bob	Beneficial owner	500,000	500,000
Lam Yat Cheong	Beneficial owner	300,000	300,000
Tsim Wah Keung, Karl	Beneficial owner	300,000	300,000
		6,379,000	6,379,000



(c) *Aggregate long positions in the Shares and the underlying Shares*

Name	Number of Shares	Number of underlying Shares	Aggregate in number	% of issued share capital
Lee Siu Fong	165,625,000	1,600,000	167,225,000	48.30
Leelalertsuphakun Wanee	164,530,625	289,000	164,819,625	47.60
Li Xiaoyi	16,000,000	2,890,000	18,890,000	5.46
Mauro Bove	–	500,000	500,000	0.14
Chan Yau Ching, Bob	–	500,000	500,000	0.14
Lam Yat Cheong	–	300,000	300,000	0.09
Tsim Wah Keung, Karl	–	300,000	300,000	0.09

2. Short positions

No short positions of Directors and chief executive in the Share or underlying Shares of the Company and its associated corporations were recorded in the register or as otherwise notified to the Company and the Stock Exchange pursuant to Rule 5.46 of the GEM Listing Rules.

DIRECTORS' RIGHTS TO ACQUIRE SHARES

Apart from as disclosed under the paragraph headed "Directors and Chief Executive's Interests" above, at no time during nine months ended 30 September 2005 were rights to acquire benefits by means of the acquisition of Shares in the Company granted to any Director or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company, or any of its holding companies and subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.



INTERESTS DISCLOSEABLE UNDER THE SFO AND SUBSTANTIAL SHAREHOLDERS

At 30 September 2005, the following persons/companies, other than a Director or chief executive of the Company, who had interests or short positions in the Shares or underlying Shares of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO and required to be entered into the register maintained by the Company pursuant to Section 336 of the SFO and/or were directly or indirectly interested in 5% or more of the issued share capital carrying rights to vote in all circumstances at general meetings of any members of the Group:

1. Long positions

(a) Ordinary shares of HK\$0.05 each of the Company

Name	Capacity and nature	Notes	Number of Shares	% of issued share capital
Huby Technology Limited	Beneficial owner		155,290,625	44.85
Defiante Farmaceutica, Lda	Beneficial owner		57,000,000	16.46
High Knowledge Investments Limited	Beneficial owner	(i)	16,000,000	4.62
Lue Shuk Ping, Vicky	Interest in corporation	(i)	16,000,000	4.62

(b) Underling shares

Name	Capacity and nature	Notes	Kind of underlying Shares	Number of underlying Shares
Defiante Farmaceutica, Lda	Beneficial owner		Unlisted warrants	69,245,000
Lue Shuk Ping, Vicky	Interest of spouse	(ii)	Share options	2,890,000



(c) *Aggregate long positions in the Shares and the underlying Shares*

Name	Number of Shares	Number of underlying Shares	Aggregate in number	% of issued share capital
Huby Technology Limited	155,290,625	-	155,290,625	44.85
Defiante Farmaceutica, Lda	57,000,000	69,245,000	126,245,000	36.46
High Knowledge Investments Limited	16,000,000	-	16,000,000	4.62
Lue Shuk Ping, Vicky	16,000,000	2,890,000	18,890,000	5.46

Notes:

- (i) These Shares are legally owned by High Knowledge Investments Limited, which is entirely and beneficially owned by Dr. Li Xiaoyi's spouse, Ms. Lue.
- (ii) Dr. Li Xiaoyi, husband of Ms. Lue, has been granted share option to subscribe for 2,890,000 Shares under Share Option Scheme, therefore Ms. Lue is deemed to be interested in such number of Shares

2. Short positions

No short positions of other persons and substantial shareholders in the Share or underlying Shares of the Company and its associated corporations were recorded in the register.

Saved as disclosed above, as at 30 September 2005, so far as is known to the Directors, no person was recorded in the register required by the SFO to be kept as having an interest of 5% or more of the issued share capital of the Company or short positions in the Shares or underlying Shares of the Company.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company listed securities during the nine months ended 30 September 2005.



COMPETING INTERESTS

None of the Directors, the management shareholders or substantial shareholders of the Company or any of their respective associates has engaged in any business that competes or may compete, either directly or indirectly, with the businesses of the Group, as defined in the GEM Listing Rules, or has any other conflict of interests with the Group during the nine months ended 30 September 2005.

AUDIT COMMITTEE

An audit committee was set up with written terms of reference in compliance with Rules 5.28 to 5.33 of the GEM Listing Rules. The primary duties of the audit committee are to review and supervise the financial reporting process and internal control system of the Group.

The audit committee comprises three members, Dr. Chan Yau Ching, Bob, Mr. Lam Yat Cheong and Dr. Tsim Wah Keung, Karl, who are the independent non-executive directors of the Company.

The audit committee has reviewed with the management and auditors this unaudited quarterly report for the nine months ended 30 September 2005 before recommending it to the Board for approval.

As at the date of this report, the Board comprises the following directors:

Executive directors:

Ms. Lee Siu Fong (*Chairperson*)

Dr. Li Xiaoyi

Ms. Leelalertsuphakun Wanee

Non-executive director:

Dr. Mauro Bove

Independent non-executive directors:

Dr. Chan Yau Ching, Bob

Mr. Lam Yat Cheong

Dr. Tsim Wah Keung, Karl

By order of the Board

Lee Siu Fong

Chairperson

Hong Kong, 10 November 2005

