CAPITAL PUBLICATIONS LIMITED

資本出版有限公司

(Incorporated in the Cayman Islands with limited liability)

THIRD QUARTERLY REPORT
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2002

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 Capital Publications 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 of the Company, 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.

QUARTERLY RESULTS

The board of directors (the "Board") of the Company is pleased to announce 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 2002, together with the comparative unaudited figures for the corresponding periods in 2001, as follows:

CONSOLIDATED INCOME STATEMENT - UNAUDITED

		Three months ended 30 September		Nine months ended 30 September	
		2002	2001	**2002**	2001
	Notes	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Turnover	2	**1,633**	2,953	**4,596**	7,246
Printing and other production costs (other than staff costs)		**(548)**	(1,493)	**(1,257)**	(2,299)
Staff costs		**(1,811)**	(2,094)	**(4,521)**	(5,161)
Selling and distribution expenses		**(156)**	(142)	**(405)**	(401)
Other operating expenses		**(690)**	(819)	**(1,707)**	(1,953)
Loss from operations		**(1,572)**	(1,595)	**(3,294)**	(2,568)
Interest income	2	**29**	—	**29**	—
Loss before taxation	3	**(1,543)**	(1,595)	**(3,265)**	(2,568)
Taxation	4	**—**	—	**—**	—
Loss attributable to shareholders		**(1,543)**	(1,595)	**(3,265)**	(2,568)
Accumulated deficit, beginning of period		**(7,191)**	(2,324)	**(5,469)**	(1,351)
Dividend	5	**—**	—	**—**	—
Accumulated deficit, end of period		**(8,734)**	(3,919)	**(8,734)**	(3,919)
Basic loss per share	6	**HK(0.31)cent**	HK(0.35)cent	**HK(0.69)cent**	HK(0.56)cent

Notes:

1. GROUP REORGANISATION AND BASIS OF PRESENTATION

The Company was incorporated in the Cayman Islands on 9 July 2001 as an exempted company with limited liability under the Companies Law (2001 Second Revision) of the Cayman Islands. The Company's shares were listed on GEM of the Stock Exchange on 18 July 2002.

On 22 February 2002, the Company became the holding company of the other companies comprising the Group pursuant to a group reorganisation scheme (the "Reorganisation") which included exchanges of shares. The Reorganisation involved companies under common control, and the Group resulting from the Reorganisation has been regarded as a continuing group. Details of the Reorganisation are set out in the prospectus of the Company dated 10 July 2002 (the "Prospectus").

The comparative unaudited consolidated results of the Group have been prepared using the merger basis of accounting. Under this basis, the Company has been treated as the holding company of its subsidiaries prior to the date of their exchange of shares pursuant to the Reorganisation. Accordingly, the unaudited results of the Group for the three months and nine months ended 30 September 2001 included that of the Group as if the current Group structure had been in existence throughout the relevant periods.

The unaudited consolidated income statements for the three months and nine months ended 30 September 2002 have not been audited by the Company's auditors but have been reviewed by the Company's audit committee.

The accounting policies adopted by the Group in preparing the unaudited consolidated results are consistent with those followed in the Accountants' Report as set out in the Prospectus, except for the adoption of the new SSAP34 Employee Benefits issued by the Hong Kong Society of Accountants, which has no significant impact on the unaudited consolidated income statements of the reporting period. The unaudited consolidated income statements have been prepared in accordance with Statements of Standard Accounting Practice issued by the Hong Kong Society of Accountants, the accounting principles generally accepted in Hong Kong, the disclosure requirements of Hong Kong Companies Ordinance and the GEM Listing Rules.

2. TURNOVER AND REVENUE

An analysis of turnover and revenue in the unaudited consolidated income statement is as follows:

	Three months ended 30 September		**Nine months ended 30 September**	
	2002	2001	**2002**	2001
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Sales of magazines	**248**	691	**742**	1,330
Advertising income	**1,385**	2,262	**3,824**	5,827
Promotion and marketing income	**—**	—	**30**	89
Total turnover	**1,633**	2,953	**4,596**	7,246
Interest income	**29**	—	**29**	—
Total revenue	**1,662**	2,953	**4,625**	7,246

During the three months and nine months ended 30 September 2002, the Group recorded advertising income from barter transactions both amounting to HK$3,000 (2001: HK$7,200 and HK$78,400 respectively).

The Group is principally engaged in the publication and marketing of a monthly Chinese financial and economic magazine, namely "資本雜誌Capital" magazine, which caters for businessmen and professional readers in Hong Kong. Accordingly, the Board considers that there is only one business and geographical segment and no analysis of turnover and segmental assets and liabilities by geographical location is presented.

3. LOSS BEFORE TAXATION

Loss before taxation is stated after charging the following:

	Three months ended 30 September		**Nine months ended 30 September**	
	2002	2001	**2002**	2001
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
After charging -				
Staff cost (including directors' emoluments)	**1,811**	2,094	**4,521**	5,161
Operating lease rentals				
- Office premises	**42**	—	**68**	—
- Office equipment	**—**	78	**—**	197
Advertising expenses	**1**	7	**36**	20
Depreciation of fixed assets	**25**	—	**46**	—
Auditors' remuneration	**50**	—	**150**	—
After crediting -				
Interest income from bank deposit	**29**	—	**29**	—

4. TAXATION

No Hong Kong profits tax was provided as the Group had no assessable profit arising in or derived from Hong Kong during the three months and nine months ended 30 September 2002 (2001: Nil).

The tax effect of deferred tax assets not provided for is analysed as follows:

	Three months ended 30 September		Nine months ended 30 September	
	2002	2001	**2002**	2001
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Tax losses	**247**	255	**522**	411

5. DIVIDEND

The Board resolved not to declare the payment of an interim dividend for the nine months ended 30 September 2002 (2001: Nil).

6. LOSS PER SHARE

The calculation of basic loss per share for the three months and nine months ended 30 September 2002 is based on the unaudited consolidated loss attributable to shareholders of approximately HK$1,543,000 and HK$3,265,000 respectively (2001: loss of HK$1,595,000 and HK$2,568,000 respectively) and on the weighted average number of approximately 498,240,518 and 470,135,677 shares respectively (2001:455,850,344 shares) deemed to be in issue throughout the periods. The weighted average number of 455,850,344 shares for the three months and nine months ended 30 September 2001 is determined on the assumption that the Reorganisation as described in Note 1 had been completed on 1 January 2001.

No diluted loss per share is presented as there were no dilutive potential ordinary shares in existence during the periods and the Company's outstanding share options would have no dilutive effect on loss per share during the three months and nine months ended 30 September 2002.

7. MOVEMENT OF RESERVES

Movements of reserves were:

	Three months ended 30 September				
	2002				2001
	Share premium	**Capital reserve**	**Accumulated deficit**	**Total**	Total
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***	*HK$'000*
Consolidated					
At 1 July	**—**	**1,941**	**(7,191)**	**(5,250)**	(2,324)
Issue of shares	**14,688**	**—**	**—**	**14,688**	—
Share issuance expenses	**(3,205)**	**—**	**—**	**(3,205)**	—
Net loss attributable to shareholders	**—**	**—**	**(1,543)**	**(1,543)**	(1,595)
At 30 September	**11,483**	**1,941**	**(8,734)**	**4,690**	(3,919)

	Share Premium	**Capital reserve**	**Accumulated profit**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Company				
At 1 July 2002	—	652	1,397	2,049
Issue of shares	14,688	—	—	14,688
Share issuance expenses	(3,205)	—	—	(3,205)
Net profit attributable to shareholders	—	—	23	23
At 30 September 2002	**11,483**	**652**	**1,420**	**13,555**

	Nine months ended 30 September				
	2002				2001
	Share premium	**Capital reserve**	**Accumulated deficit**	**Total**	Total
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***	*HK$'000*
Consolidated					
At 1 January	**—**	**—**	**(5,469)**	**(5,469)**	(1,351)
Issue of shares	**14,688**	**6,044**	**—**	**20,732**	—
Share issuance expenses	**(3,205)**	**—**	**—**	**(3,205)**	—
Transfer to bonus shares	**—**	**(4,103)**	**—**	**(4,103)**	—
Net loss attributable to shareholders	**—**	**—**	**(3,265)**	**(3,265)**	(2,568)
At 30 September	**11,483**	**1,941**	**(8,734)**	**4,690**	(3,919)

	Share Premium	**Capital reserve**	**Accumulated profit**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Company				
At 1 January 2002	—	—	—	—
Issue of shares	14,688	652	—	15,340
Share issuance expenses	(3,205)	—	—	(3,205)
Transfer to bonus shares	—	—	(4,103)	(4,103)
Net profit attributable to shareholders	—	—	5,523	5,523
At 30 September 2002	**11,483**	**652**	**1,420**	**13,555**

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

This quarter marks a major milestone in our corporate history. On 18 July 2002, the Company was successfully listed on the GEM of the Stock Exchange. Investors' response to the placement of shares was enthusiastic and approximately HK$15,200,000 (net proceeds: approximately HK$11,989,000) was raised through the placement exercise.

On 30 August 2002, Mr. Fung Ka Pun (alias K.B. Fung) was appointed as Director and Executive Co-Chairman of the Company. Mr. Fung has over 26 years of experience in finance, broking, securities trading and corporate finance areas. With his extensive business connections, Mr. Fung is actively strengthening the editorial and business network of our magazine, in setting directions as well as lining up exclusive interview with renowned persons to build up "資本雜誌 Capital" magazine's leading position in investigative reportage.

During the quarterly period, the Company continued to enhance the editorial content and layout of the "資本雜誌 Capital" magazine and further streamlining operating costs by reducing headcounts from 21 (30 June 2002) to 20 (30 September 2002).

For the three months ended 30 September 2002, turnover and loss attributable to shareholders of the Group were approximately HK$1,633,000 and HK$1,543,000 respectively, a decrease of approximately 44.7% and 3.3% respectively as compared to the same period last year. The decrease in turnover (mainly advertising and circulation revenue) reflects the continuous slowdown in the economy. The decrease in operating loss was mainly due to lower printing and other production costs (during August to December 2001, "資本雜誌 Capital" magazine was published bi-weekly).

For the nine months ended 30 September 2002, turnover and loss attributable to shareholders of the Group were approximately HK$4,596,000 and HK$3,265,000 respectively, a decrease of approximately 36.6% and an increase of approximately 27.1% respectively as compared to the same period last year.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 September 2002, the Group had net current assets of approximately HK$9,179,000 (31 December 2001: net current liabilities of approximately HK$5,582,000).

During the year 2001, the Group's operation was mainly financed by its shareholders.

Prior to the placement of shares on 16 July 2002 (the "New Issue"), the Group's operation was mainly financed by the raising of additional equity funding of HK$6,500,000 in February 2002 and its shareholders.

Following the New Issue, the Board expects to finance the Group's future operations from the net proceeds (approximately HK$11,989,000) of the New Issue and the Group's internally generated resources.

The Board is of the opinion that, taking into account the internal financial resources of the Group and the net proceeds of the New Issue, the Group has sufficient working capital for its present requirements. To the extent that the Group's cash resources are not immediately required for its ongoing operating and development requirements, such amounts are placed on time deposit with banks in Hong Kong.

During the nine months ended 30 September 2002, the Group had no material acquisitions, disposals and investment other than those set out in the Prospectus (Appendix IV under "Reorganisation").

As at 30 September 2002, (i) the Group had no significant exposure to fluctuations in exchange rates, (ii) the Group did not have any loan arrangements with or obtained any credit facilities from any financial institutions, (iii) the Group did not have any charges on the Group's assets; and (iv) the Group did not have any contingent liabilities.

As the Group had no bank borrowings, no gearing ratio (measured by bank borrowings net of cash and bank balance to shareholders' equity) is presented as at 30 September 2002.

PROSPECTS

With consumer spending and the overall economy remaining weak, we do not anticipate significant improvement in the advertising business environment in the near future. However, we are confident that the strengthened management team shall enable new business development for the Company, and that the benefits of the improved editorial content and the various cost control measures implemented, shall be reflected in the coming months. Going forward, our focus will remain on cost control and explore new areas of revenue to weather out the prevalent market conditions. We will move forward our business plan with caution.

The third Outstanding Information Technology and Financial Enterprise Awards conducted in November 2002 will consolidate our magazine's position in the financial media industry and further enhance the public awareness of the "資本雜誌 Capital" magazine.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN EQUITY SECURITIES

As at 30 September 2002, the interests of the directors ("Directors") and the chief executive of the Company and their respective associates in equity securities of the Company and its associated corporations (as defined in the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance")) as recorded in the register maintained by the Company pursuant to Section 29 of the SDI Ordinance or as otherwise notified to the Company and the Stock Exchange pursuant to Rules 5.40 to 5.59 of the GEM Listing Rules, were as follows:

1. Shares of the Company

	Number of Ordinary Shares Held				
Name of Directors	**Personal interests**	**Family interests**	**Corporate interests**	**Other interests**	**Total**
Mr. Ng Hung Sang, Robert	17,886,800	—	318,132,403 *(Note)*	—	336,019,203
Mr. Fung Ka Pun	6,000,000	—	—	—	6,000,000

Note:

The 318,132,403 shares referred to above include 92,966,000 shares held by Parkfield Holdings Limited ("Parkfield"), 99,012,563 shares held by Fung Shing Group Limited ("Fung Shing"), 4,166,400 shares held by Ronastar Investments Limited ("Ronastar") and 121,987,440 shares held by Earntrade Investments Limited ("Earntrade"), which is owned as to 60%, 20% and 20% by Mr. Ng Hung Sang, Robert, Ms. Cheung Choi Ngor, Christina and Mr. Richard Howard Gorges, directors of South China Holdings Limited, respectively. The 121,987,440 shares referred to above include the 59,325,840 shares held by Bannock Investment Limited ("Bannock") which is a wholly owned subsidiary of Earntrade. Each of Parkfield, Fung Shing and Ronastar is wholly owned by Mr. Ng Hung Sang, Robert.

Save as disclosed above, none of the Directors or chief executive of the Company or their respective associates had any personal, family, corporate or other interests in the equity or debt securities of the Company or its associated corporations as at 30 September 2002 as recorded in the register maintained by the Company pursuant to Section 29 of the SDI Ordinance or as otherwise notified to the Company and the Stock Exchange pursuant to Rules 5.40 to 5.59 of the GEM Listing Rules.

2. Share options

Pursuant to the employee share option scheme adopted by the Company on 24 June 2002 (the principal terms are summarised under the sub-section headed "Share Option Scheme" in Appendix IV to the Prospectus), the following Director was granted share options for nominal consideration to subscribe for shares in the Company, details of which are as follows:

Name of Director	**As at 1.1.2002**	**Number of Share Options Granted on 27.8.2002 at exercise price* of HK$0.27 per share** *(Note b)*	**As at 30.9.2002**
Mr. Fung Ka Pun	—	5,064,983	5,064,983

Notes:

(a) The vesting period of the share options is from the date of grant till the commencement of the exercise period.

(b) The share options are exercisable during the period from 27 August 2003 to 23 June 2012.

* the exercise price is subject to adjustment

None of the above options have been exercised during the nine months ended 30 September 2002.

Save as disclosed above, none of the Directors or chief executive of the Company or their spouse or children under the age of 18 was granted by the Company or any of its subsidiaries any right to subscribe for equity or debt securities of the Company, nor had exercised any such right during the period.

SUBSTANTIAL SHAREHOLDERS

As at 30 September 2002, the interests of every person (other than the Directors and chief executive of the Company whose interests are disclosed above), being 10% or more in the issued share capital of the Company as recorded in the register kept by the Company pursuant to Section 16(1) of the SDI Ordinance, were as follows:

Name	**Number of Shares Held**	**Approximate Percentage of Shareholding**
Parkfield	92,966,000 *(Note a)*	18.4%
Fung Shing	99,012,563 *(Note a)*	19.6%
Earntrade	121,987,440 *(Note b)*	24.1%
Bannock	59,325,840 *(Note b)*	11.7%

Notes:

(a) Each of Parkfield and Fung Shing is wholly owned by Mr. Ng Hung Sang, Robert.

(b) Bannock is a wholly owned subsidiary of Earntrade. The 121,987,440 shares referred to above include the 59,325,840 shares held by Bannock. Earntrade is owned as to 60%, 20% and 20% by Mr. Ng Hung Sang, Robert, Ms. Cheung Choi Ngor, Christina and Mr. Richard Howard Gorges, all of them are directors of South China Holdings Limited, respectively.

Save as disclosed above, the Company had no notice of any interests to be disclosed under Section 16(1) of the SDI Ordinance as at 30 September 2002.

SPONSOR'S INTEREST

As at 30 September 2002, neither MasterLink Securities (H.K.) Corp. Ltd. ("MasterLink"), nor its directors, employees or associates 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 members of the Group.

Pursuant to the sponsor agreement dated 10 July 2002 entered into between MasterLink and the Company, MasterLink has received and will receive fees for acting as the Company's sponsor for the period up to 31 December 2004 or until the termination of the sponsor agreement upon the terms and conditions as set out therein.

COMPETING INTEREST

The Interests of Initial Management Shareholders and directors of the Group, the South China Group and the Jessica Publications Group

Mr. Ng Hung Sang, Robert ("Mr. Ng"), the co-chairman of the Company, is also the chairman of the South China Group and the Jessica Publications Group. As at 30 September 2002, Mr. Ng, personally and through Parkfield, Fung Shing and Ronastar, has interests in (i) 856,167,052 shares of South China Holdings Limited ("South China"), representing approximately 47.0% of the issued share capital of South China; and (ii) 214,031,763 shares of Jessica Publications Limited ("Jessica Publications"), representing approximately 42.0% of the issued share capital of the Jessica Publications. In addition, Mr. Ng together with Ms. Cheung Choi Ngor, Christina and Mr. Richard Howard Gorges have beneficial interests in Earntrade, which directly and indirectly through Bannock holds (i) 487,949,760 shares of South China, representing approximately 26.8% of the issued share capital of South China; and (ii) 121,987,440 shares of Jessica Publications, representing approximately 24.1% of the issued share capital of the Jessica Publications. Ms. Cheung Choi Ngor, Christina, who was an ex-director of Capital Publishing Limited and Mr. Richard Howard Gorges are also directors of various members of the South China Group. Mr. Ng, Ms. Cheung Choi Ngor, Christina and Mr. Richard Howard Gorges are also interested in options in South China Brokerage Company Limited.

Mr. Au Tze Sheung and Mr. Wong Po Ki (both are Directors) are interested in options in respect of 1,600,000 and 480,000 shares in Jessica Publications respectively. Mr. Au Tze Sheung is interested in options in South China Brokerage Company Limited. Both Mr. Au Tze Sheung and Mr. Hui Ping (a Director) were ex-employees of the South China Group. Mr. Wong Po Ki was an ex-employee and is currently a part time staff of the South China Group.

The existing businesses of the South China Group and details of competing business

The South China Group is presently and principally engaged in a range of diversified businesses including trading and manufacturing, securities and commodities brokerage and trading, margin financing, money lending, provision of corporate advisory services, information and technology related businesses, real estate investment and development, implementation and marketing of software applications, publishing and printing business, marketing and promotional services, sale of air tickets and provision of other related travel services.

The South China Media Group publishes a series of weekly and monthly magazines. The magazines that are published by the South China Media Group cover various topics including public affairs, entertainment, finance and business, parenthood, fashion, automobiles, and other lifestyle topics.

The Board recognises that certain magazines published by the South China Media Group, whose readers include business and professional readers, may potentially indirectly compete with the publication business of the Group. Such magazines include "Express Weekly", "HIM" and "Esquire".

The existing businesses of the Jessica Publications Group and details of competing business

As mentioned, Mr. Ng, the co-chairman of the Company, is also the chairman of the South China Group and the Jessica Publications Group. The principal business activity of the Jessica Publications Group is the publication of two monthly Chinese language magazines for female readers, namely "Jessica" magazine and "Lisa" magazine. The magazines of the Jessica Publications Group are principally marketed in Hong Kong. The Board believes that these magazines may potentially be in indirect competition with the Group's magazine, in terms of readers' reading time. As "Jessica" magazine and "Lisa" magazine are general-interest magazines targeted at female readers which is a different market segment in comparison with those of the "資本雜誌 Capital" magazine, the Board does not believe that these magazines will be in direct competition with the Group's magazine.

The management, sales team and editorial staff of the South China Media Group, the Jessica Publications Group and the Group

Except for those services including photofinishing and processing services, marketing services, support services, advertising services, hyperlink services and rental of property, the management, sales team and editorial staff of the three groups are independent.

Potential conflict of interests of the directors

If and when a common director of the Group and/or the South China Media Group and/or the Jessica Publications Group are approached by advertisers, the common director will notify the heads of sales for each magazine published by the Group and/or the South China Media Group and/or the Jessica Publications Group of such advertisers and pass along their contacts. The respective heads of sales of each magazine published by the Group, the South China Media Group and the Jessica Publications Group will then allocate each of those accounts to the appropriate individual sales staff of the relevant magazine, and this staff is responsible for servicing the potential client and will arrange individual meetings with such client to present the magazine he/she handles and magazine advertising proposals. It is then the advertiser's own decision to choose which magazine it will use for advertising for its products.

In case when a common director of the Group and/or the South China Media Group and/or the Jessica Publications Group is approached by publication business or magazine owner(s) who may wish to dispose of its/their interest in such business or magazine, the common director will inform each of the respective boards of directors of the Group and/or the South China Media Group and/or the Jessica Publications Group of such investment opportunity. The respective boards of directors of the Group and/or the South China Media Group and/or the Jessica Publications Group will then consider and decide whether to invest in such investment opportunity or not and, if so, give such owner(s) a general presentation of their respective groups and the terms and conditions each such group is willing to pay for such interest, and it is then the owner(s)' own decision to choose which group it will sell its interest to.

Mr. Ng, being the only common director of the Group, the South China Media Group and the Jessica Publications Group, has given an undertaking in favour of the Company that (for so long he is a director of any member of the Group, the South China Media Group and/or the Jessica Publications Group (as the case may be)) in the event he is approached by advertisers or publication business owner(s) or magazine owner(s) as aforesaid, he shall take appropriate action in accordance with the paragraphs set out above and will abstain from voting as a director of the Group, the South China Media Group and the Jessica Publications Group in relation to these matters.

Save as disclosed herein, none of the directors or chief executive of the Group, the initial management shareholders or the substantial shareholders (as defined under the GEM Listing Rules) of the Company or their respective associates had any interest in a business which competes or may compete with the business of the Group.

BOARD PRACTICES AND PROCEDURES

The Company has complied with the Board Practices and Procedures as set out in Rules 5.28 to 5.39 of the GEM Listing Rules since the shares of the Company were listed on GEM of the Stock Exchange on 18 July 2002.

AUDIT COMMITTEE

The Company established an audit committee on 25 February 2002 with written terms of reference in compliance with Rules 5.23 to 5.25 of the GEM Listing Rules. The primary duties of the audit committee are to review and supervise the financial reporting and internal control procedures of the Group. The audit committee comprises two members, Mr. Law Cho Wa, Richard and Dr. Lo Wing Yan, William, JP, who are independent non-executive directors of the Company.

The Group's unaudited results for the three months and nine months ended 30 September 2002 have been reviewed by the audit committee, who was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements and that adequate disclosures have been made.

PURCHASE, SALE OR REDEMPTION OF SHARES

The Company's shares were listed on GEM on 18 July 2002 by way of placement. Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's shares since that date.

On behalf of the Board
Ng Hung Sang, Robert
Co-Chairman

Hong Kong Special Administrative Region of the People's Republic of China
8 November 2002