



國聯通信控股有限公司

# Global Link Communications Holdings Limited

*(incorporated in the Cayman Islands with limited liability)*

## Interim 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.

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## HIGHLIGHTS

Turnover for the six months ended 30 September 2002 was HK\$15,509,000 representing a 31.4% decrease from the corresponding period of last year.

Net profit attributable to shareholders amounted to approximately HK\$5,139,000 representing a 2.1% growth from the corresponding period of last year.

## UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2002

The board of directors (the “Board”) of Global Link Communications Holdings Limited (the “Company”) is pleased to announce the unaudited condensed combined financial statements of the Company and its subsidiaries (together the “Group”) for three months and the six months ended 30 September 2002 together with the unaudited comparative figures for the corresponding period in 2001 as follows:

### CONDENSED COMBINED INCOME STATEMENT

	Note	For the three months ended 30 September		For the six months ended 30 September	
		2002 (Unaudited) HK\$'000	2001 (Unaudited) HK\$'000	2002 (Unaudited) HK\$'000	2001 (Unaudited) HK\$'000
Turnover	2	<b>11,130</b>	6,512	<b>15,509</b>	22,597
Cost of sales		<b>(5,305)</b>	(3,898)	<b>(7,829)</b>	(15,038)
Gross profit		<b>5,825</b>	2,614	<b>7,680</b>	7,559
Other revenue		<b>100</b>	794	<b>156</b>	794
Selling expenses		<b>(336)</b>	(180)	<b>(808)</b>	(542)
Administrative expenses		<b>(863)</b>	(1,787)	<b>(1,797)</b>	(1,923)
Profit from operations	3	<b>4,726</b>	1,441	<b>5,231</b>	5,888
Finance costs		<b>(1)</b>	4	<b>2</b>	13
Profit before taxation		<b>4,725</b>	1,445	<b>5,233</b>	5,901
Taxation	4	<b>(57)</b>	(5)	<b>(94)</b>	(19)
		<b>4,668</b>	1,440	<b>5,139</b>	5,882
Minority interests		<b>0</b>	(217)	<b>0</b>	(869)
Profit attributable to shareholders		<b>4,668</b>	1,223	<b>5,139</b>	5,013
Dividend	5	<b>0</b>	0	<b>0</b>	0
Basic earning per share (in HK cents)	6	<b>0.8</b>	0.2	<b>0.9</b>	0.9

## CONDENSED COMBINED BALANCE SHEET

		As at <b>30 September</b> <b>2002</b> <i>(Unaudited)</i> <b>HK\$'000</b>	As at 31 March 2002 <i>Audited</i> <b>HK\$'000</b>
	<i>Notes</i>		
<b>NON-CURRENT ASSETS</b>			
Fixed assets		<b>845</b>	567
Negative goodwill		<b>(505)</b>	(505)
		<b>340</b>	62
<b>CURRENT ASSETS</b>			
Inventories		<b>2,690</b>	925
Trade and other receivables	7	<b>13,801</b>	11,759
Due from shareholders/directors		<b>265</b>	0
Prepayment and deposits		<b>3,806</b>	1,724
Bank and cash balances		<b>4,985</b>	7,234
		<b>25,547</b>	21,642
<b>CURRENT LIABILITIES</b>			
Trade and other payables	8	<b>8,886</b>	8,227
Due to a related company		<b>37</b>	848
Due to shareholders/directors		<b>0</b>	897
Provision for taxation		<b>162</b>	69
		<b>9,085</b>	10,041
<b>NET CURRENT ASSETS</b>		<b>16,462</b>	11,601
<b>NET ASSETS</b>		<b>16,802</b>	11,663
<b>CAPITAL AND RESERVES</b>	9	<b>16,802</b>	11,663

## CONDENSED COMBINED CASH FLOW STATEMENT

	For the six months ended	
	30 September	
	2002	2001
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net cash (outflow)/inflow from operating activities	(1,894)	1,713
Net cash (outflow)/inflow from returns on investments and servicing of finance	(1,974)	(642)
Net cash (outflow)/inflow from investing activities	<u>(381)</u>	<u>433</u>
Net cash (outflow)/inflow before financing	(4,249)	1,504
Net cash inflow/(outflow) from financing	<u>2,000</u>	<u>(283)</u>
(Decrease)/increase in cash and cash equivalents	(2,249)	1,221
Cash and cash equivalents at 1st April	<u>7,234</u>	<u>2,041</u>
Cash and cash equivalents at 30th September	<u><u>4,985</u></u>	<u><u>3,262</u></u>

## CONDENSED COMBINED STATEMENT OF CHANGES IN EQUITY

	Share capital	Retained profits	Proposed final dividend	Statutory reserve fund	Foreign exchange translation reserve	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>
As at 1 April 2001	78	1,459	0	42	12	1,591
Profit for the period		5,013				5,013
Transfer to statutory reserve fund		(395)		395		0
As at 30 September 2001	<u>78</u>	<u>6,077</u>	<u>0</u>	<u>437</u>	<u>12</u>	<u>6,604</u>
As at 1 April 2002	78	9,051	2,000	522	12	11,663
Profit for the period		5,139				5,139
Increase in share capital	2,000					2,000
Dividend paid			(2,000)			(2,000)
Transfer to statutory reserve fund		(239)		239		0
As at 30 September 2002	<u>2,078</u>	<u>13,951</u>	<u>0</u>	<u>761</u>	<u>12</u>	<u>16,802</u>

## NOTES TO THE INCOME STATEMENT

### 1. Group reorganization and basis of presentation

The Company was incorporated in the Cayman Islands on 9 May 2002 as an exempted Company with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. Pursuant to a group reorganization (the “Reorganization”) to rationalize the group structure in preparation for the listing of the Company’s shares on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (“GEM”), the Company became the holding company of the Group upon completion of the Reorganization on 23 October 2002. Further details of the Reorganization are set out in the Company’s prospectus dated 31 October 2002 (the “Prospectus”). The Company’s shares were listed on GEM on 13 November 2002. The Group resulting from the Reorganization is regarded as a continuing entity.

The condensed combined financial statements of the Group have been prepared as if the Group for the six months ended 30 September 2002 and 30 September 2001 had been in existence throughout the periods covered by this report or since their respective dates of incorporation where this is a shorter period except that Guangzhou Global Link Communications Inc. (“Guangzhou Global Link”) has been accounted for as a wholly-owned subsidiary from the date of incorporation on 22 August 2001.

All significant transactions and balances between companies now comprising the Group have been eliminated on combination. The interim financial statements are prepared in accordance with the requirements as set out in the GEM Listing Rules and the Statement of Standard Accounting Practice 2.125 “Interim Financial Reporting” as issued by the Hong Kong Society of Accountants except that the comparative figures of the condensed combined cash flow statement have not been prepared as the Company has taken advantage of the transitional provisions set out in the GEM Listing Rules. The accounting policies and basis for the preparation of the unaudited condensed combined interim financial statements of the Group are consistent with those used in the Accountants’ Report as set out in the Prospectus.

### 2. Turnover and revenue

Turnover represents the net invoiced value of the sales of goods and licence fees received after allowances for returns and trade discounts and after elimination of all significant intra-group transactions.

### 3. Profit from operations and segment information

For the three months and six months ended 30 September 2002, profit from operation is stated after charging depreciation on owned fixed assets amounting to approximately HK\$45,000 and HK\$83,000 respectively (three months and six months ended 30 September 2001: HK\$17,000 and HK\$35,000 respectively).

The Group has only one business segment, which is the provision of value-added telecommunications solutions, telecommunications application software and networking solutions.

Segmental information is presented in respect of the Group’s geographical segments. Geographical segment information is chosen as the reporting format because this is more relevant to the Group in making operation and financial decision.

The Group’s business can be sub-divided into the PRC and Hong Kong markets.

In presenting information on the basis of geographical segment, segment revenue is based on the geographical location of customers. Segment assets, liabilities, capital expenditure, depreciation and amortization are based on the geographical of assets.

An analysis of the Group's turnover and condition to operating results and segmental assets and liabilities by geographical areas is as follows:

	PRC		Hong Kong		Total	
	Six months ended 30 September					
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
TURNOVER	<u>9,051</u>	<u>21,440</u>	<u>6,458</u>	<u>1,157</u>	<u>15,509</u>	<u>22,597</u>
RESULT						
Profit before taxation	2,319	3,951	2,914	1,950	5,233	5,901
Taxation	—	—	(94)	(19)	(94)	(19)
Net profit	<u>2,319</u>	<u>3,951</u>	<u>2,820</u>	<u>1,931</u>	<u>5,139</u>	<u>5,882</u>
SEGMENT ASSETS	<u>18,558</u>	<u>22,554</u>	<u>7,329</u>	<u>1,946</u>	<u>25,887</u>	<u>24,499</u>
SEGMENT LIABILITIES	<u>7,019</u>	<u>16,452</u>	<u>2,066</u>	<u>1,443</u>	<u>9,085</u>	<u>17,895</u>

#### 4. Taxation

Hong Kong profits tax has been provided at the rate of 16% on the three months and six months ended 30 September 2002 (2001: 16%) on the estimated assessable profits arising in or derived from Hong Kong.

No provision for deferred taxation has been made in the combined financial statements as the effect of all timing differences is not material to the Group.

#### 5. Dividend

The Board does not recommend an interim dividend for the six months ended 30 September 2002 (six months ended 30 September 2001: nil)

#### 6. Earnings per share

The calculation of the basic earnings per share is based on the Group's net profit attributable to shareholders for the three months and six months ended 30 September 2002 and on the assumption that 572,000,000 shares were deemed to be in issue throughout each of the respective financial period.

#### 7. Trade and other receivables

	As at 30 September 2002 HK\$'000	As at 31 March 2002 HK\$'000
Trade receivables	13,237	11,126
Other receivables	<u>565</u>	<u>633</u>
	<u>13,801</u>	<u>11,759</u>

Customers are generally granted with credit terms of 30 days to 90 days.

Details of the aging analysis of trade receivables are as follows:

	As at 30 September 2002 <i>HK\$'000</i>	As at 31 March 2002 <i>HK\$'000</i>
Between 0 to 90 days	6,869	4,465
Between 91 to 180 days	1,741	1,959
Between 181 to 365 days	2,215	4,292
Between 1 to 2 years	<u>2,412</u>	<u>410</u>
	<u><u>13,237</u></u>	<u><u>11,126</u></u>

**8. Trade and other payables**

	As at 30 September 2002 <i>HK\$'000</i>	As at 31 March 2002 <i>HK\$'000</i>
Trade payables	1,439	391
Other payables	2,092	3,903
Bills payables	1,174	2,420
Customers' deposit received	<u>4,181</u>	<u>1,513</u>
	<u><u>8,886</u></u>	<u><u>8,227</u></u>

Details of the aging analysis of trade payables are as follows:

	As at 30 September 2002 <i>HK\$'000</i>	As at 31 March 2002 <i>HK\$'000</i>
Between 0 to 90 days	<u>1,439</u>	<u>391</u>

Bills payable are repayable within three months.

## 9. Reserves

	Share capital <i>HK\$'000</i>	Retained profits <i>HK\$'000</i>	Proposed final dividend <i>HK\$'000</i>	Statutory reserve fund <i>HK\$'000</i>	Foreign exchange translation reserve <i>HK\$'000</i>	Total <i>HK\$'000</i>
As at 1 April 2001	78	1,459	0	42	12	1,591
Profit for the period		5,013				5,013
Transfer to statutory reserve fund		(395)		395		0
As at 30th September, 2001	<u>78</u>	<u>6,077</u>	<u>0</u>	<u>437</u>	<u>12</u>	<u>6,604</u>
As at 1st April, 2002	78	9,051	2,000	522	12	11,663
Profit for the period		5,139				5,139
Increase in share capital	2,000					2,000
Dividend paid			(2,000)			(2,000)
Transfer to statutory reserve fund		(239)		239		0
As at 30th September, 2002	<u>2,078</u>	<u>13,951</u>	<u>0</u>	<u>761</u>	<u>12</u>	<u>16,802</u>

## BUSINESS OBJECTIVE REVIEW

As this interim report covers activities up to 30 September 2002 only, all business objectives stated in the paragraph headed “Implementation plans” under the section headed “Statement of business objectives” of the Prospectus are still in progress and no further update is applicable.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Business review and prospects

During the period under review, the Group continued to fine-tune its version 3.0 MAGPlus Multi-Services Platform. Version 4.0 of the MAGPlus Multi-Services Platform is expected to be launched in 2003. The Group also continued to conduct research and seek improvement on the functionality and application of the MAGPlus Large Capacity IVR System and the MAGPlus Intelligent Public Phone Management System.

The Group believe that the new VoIP solutions and next generation network business application will have tremendous growth in the coming years and the Group has allocated more resources on the research and development with a view to capitalizing on the growing demand in this market. Besides, the Group also intend to seek new business partnerships in conducting joint research and development activities.

Taking advantage of the rapid nationwide expansion, the Group managed to have a sales and marketing presence in Beijing with its representative office established in June 2002. The Group also plans to establish sales and marketing presence in more cities in the PRC. In addition, the Group will continue to actively expand the overseas market in the Asia Pacific region through the employment of overseas sales professionals.



## **Financial review**

For the six months ended 30 September 2002, despite the decrease in turnover by approximately 31.4% to HK\$15.5 million, the Group recorded a growth in gross profit by 1.6% to HK\$7.7 million as compared with the same period in 2001. Gross profit margin increased from 33.5% to 49.5% while net profit margin increased from 22.2% to 33.1% during the review period. Net profit attributable to shareholders amounted to approximately HK\$5.1 million, representing a slight increase by 2.1%, as compared with the same period of 2001.

During the period under review, the Group further put more focus in fine-tuning its solution products so as to increase in market competitiveness and prepare to capture more business in the coming years. The increase in gross profit margin and net profit margin was mainly attributed to the higher gross profit fetched from the matured software solutions with more value-added services and a proportionally lower increase in the cost of sales in hardware elements.

The Group generally finances its operation with internally generated cashflow and banking facilities provided by its banker. In June 2002, the Group obtained equity financing of HK\$2 million through a pre-IPO fund raising exercise.

The Group's gearing ratio, expressed as a percentage of bank borrowings over total assets, is approximately 7.0% as at 30 September 2002.

As at 30 September 2002, the cash and bank balances of the Group amounted to approximately HK\$5.0 million. Together with the proceeds from placing in November 2002, the Board is confident that the Group is generating sufficient funds to meet its daily business operation requirements as well as implementing its future business development plans.

## **Material acquisition, disposal and significant investments**

The Group had not made any acquisition or disposal of subsidiaries or affiliated companies, investments or divestments during the six months ended 30 September 2002. During the same period in 2001, the Group had acquired the remaining 46% equity interest in Guangzhou Global Link from the minority shareholder at a cash consideration of RMB695,128 and Guangzhou Global Link became the wholly owned subsidiary under the Group in August 2001.

## **Employee information**

As at 30 September 2002, the Group had 54 employees (31 March 2002: 54 employees). 43 and 11 of them are working in the PRC and Hong Kong respectively. For the six months ended 30 September 2002, staff costs including Directors' remuneration was approximately HK\$0.9 million (six months ended 30 September 2001: HK\$0.2 million). The increase in staff cost was mainly due to the increase in number of staff and the directors' remuneration during the period.

## **Charges on Group assets**

As at 30 September 2002, the Group did not pledge any of its assets to banks and financial institutions to secure any general credit facilities (31 March 2002: nil).

## **Contingent liabilities**

The Group did not have any significant contingent liabilities as at 30 September 2002 (31 March 2002: nil)

## DIRECTORS' INTEREST IN SECURITIES

As at 13 November 2002, the date of listing of the shares (the “Shares”) of the Company on GEM, the interests of the Directors in the shares as recorded in the register required to be kept under Section 29 of the Securities (Disclosure of Interests) Ordinance (the “SDI Ordinance”) were as follows:

<b>Name</b>	<b>Number of Shares</b>	<b>Type of interest</b>	<b>Approximate percentage of shareholding</b>
Ma Yuanguang	170,530,000	personal	26.24%
Chau Siu Piu	100,330,000	personal	15.44%
Hu Zhi Jian	84,660,000	personal	13.02%
Li Guo Ping	58,120,000	personal	8.94%

## DIRECTORS' RIGHT TO SUBSCRIBE FOR EQUITY OR DEBT SECURITIES

Save as set out in the paragraph headed “Outstanding share options” below, none of the Directors 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 or any body corporate, or had exercised any such right as at 13 November 2002.

## SUBSTANTIAL SHAREHOLDERS' INTERESTS

Subsequent to the listing of the shares on GEM on 13 November 2002, the following entity had or deemed to have interest of ten percent or more of the issued share capital of the Company, as recorded in the register of interests required to be kept by the Company pursuant to Section 16(1) of the SDI Ordinance:

<b>Name</b>	<b>Number of Shares</b>	<b>Approximate percentage of shareholding</b>
Ma Yuanguang	170,530,000	26.24%
Chau Siu Piu	100,330,000	15.44%
Hu Zhi Jian	84,660,000	13.02%

Save as disclosed above, the Company has not been notified of any other interests representing ten percent or more of the entire issued share capital of the Company as at 13 November 2002.

## OUTSTANDING SHARE OPTIONS

### (a) Pre-IPO share option scheme

Pursuant to the pre-IPO share option scheme conditionally adopted by the Company on 24 October 2002 (the “Pre-IPO Share Option Scheme”), the principal terms of which were set out in the paragraph headed “Pre-IPO Share Option Scheme” in appendix IV to the Prospectus, there were 57,771,000 options granted under the Pre-IPO Share Option Scheme (“Options”) to the grantees thereunder (“Grantees”). Below is a list of Grantees under the Pre-IPO Share Option Scheme:

Name of grantees	Number of Shares under the options granted
<i>Executive Directors</i>	
1. Ma Yuanguang	10,556,000
2. Chau Siu Piu	7,778,000
3. Hu Zhi Jian	8,889,000
4. Li Guo Ping	4,861,000
5. Lin Jiang	2,222,000
<i>Non-executive Director</i>	
6. Wing Kee Eng, Lee	2,778,000
<i>Independent non-executive Directors</i>	
7. Hu Tiejun	833,000
8. Professor Lu Ting Jie	833,000
<i>Advisers/consultants</i>	
9. Liu Bing	2,222,000
10. Zhang Xue Dan	278,000
11. Ge Jian Hua	222,000
12. Liang Zhi Da	139,000
13. Xian Hao Tong	139,000
14. Liang Hong Bin	83,000
15. Zhang Fen Xiang	833,000

Name of grantees	Number of Shares under the options granted
16. Gao Zhi Rong	833,000
17. Jin Li Yan	833,000
18. Shao Ming Rui	278,000
19. Wang Jian Dong	222,000
20. Zheng Hong Hong	167,000
21. Yang Lei	167,000
22. Lo Wai Kwok	833,000
23. Chan Wai Lun	417,000
24. Muhammad Luqman Kamil	833,000
25. Lim Boon Hua	278,000
26. Huang Jia Xing	139,000
27. Zhang Dan	138,000
<i>Senior management</i>	
28. Huang Zheng Chao	833,000
29. Feng Yan Fa	778,000
30. Li Guo Hui	611,000
31. 28 other employees of the Group	<u>7,745,000</u>
Total:	<u><u>57,771,000</u></u>

A total of 57,771,000 Options were granted to the Grantees on 24 October 2002.

Each of the Grantees to whom options have been conditionally granted under the Pre-IPO Share Option Scheme will be entitled to exercise (i) 50% of the options so granted to him/her (rounded down to the nearest whole number) at any time after the expiry of 12 months from 13 November 2002, and (ii) the remaining 50% of the options granted to him/her (rounded down to the nearest whole number) at any time after 24 months from 13 November 2002 and in each case, not later than 10 years from the date of the grant of the options.

Up to 13 November 2002, no Options have been exercised.

The options granted under the Pre-IPO Share Option Schemes are not recognized in the financial statements until they are exercised. The Directors consider that it is not appropriate to state the value of the share options granted during the period on the ground that a number of variables such as the market price when the options are exercised and volatility of the market price which are crucial for the valuation of the option value cannot be reasonably determined.

**(b) Post-IPO share option scheme**

Pursuant to written resolution of all the shareholders of the Company on 24 October 2002, the Company conditionally adopted the share option scheme, the principal terms of which are set out in the section head “Share Option Scheme” in appendix IV to the Prospectus. Up to 13 November 2002, no option has been granted by the Company pursuant to such share option scheme.

**PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY**

None of the member of the Group had purchased, sold or redeemed any of the Shares during the period from 13 November 2002 (being the listing date) to the date of this report.

**SPONSOR’S INTERESTS**

Pursuant to a sponsor agreement dated 31 October 2002 entered into between the Company and Kingsway Capital Limited (“Kingsway”), Kingsway will be retained as the sponsor of the Company for the purpose of Chapter 6 of the GEM for the period from 13 November 2002 (being the listing date) to (and including) 31 March 2005.

None of Kingsway, its directors, employees nor associates had any shareholding interest in the securities of the Company or any member of the Group nor have any right or option (whether legally enforceable or not) to subscribe for or nominate persons to subscribe for the securities of the Company or any member of the Group as at 13 November 2002 (being the listing date).

**COMPETING INTERESTS**

None of the Directors nor the initial management shareholders (as defined in the GEM Listing Rules) of the Company nor their respective associates (as defined in the GEM Listing Rules) had any interest in a business which competed or might compete with business of the Group.

**BOARD PRACTICES AND PROCEDURES**

The Company has complied with board practices and procedures as set out in rules 5.28 to 5.39 of the GEM Listing Rules since listed on GEM.

## **AUDIT COMMITTEE**

The Company has established an audit committee with written terms of reference in compliance with the GEM Listing Rules. The audit committee has 2 members, namely Mr. Hu Tiejun and Professor Lu Ting Jie, both being independent non-executive Directors. The Group's unaudited interim results for the six months ended 30 September 2002 have been reviewed by the audit committee, who was of the opinion that such results complied with the applicable accounting standards, the Stock Exchange and legal requirements, and that adequate disclosures had been made.

By order of the Board  
**Ma Yuanguang**  
*Chairman*

Hong Kong, 13 November 2002