

Leadership Publishing Group Limited

2003 / 2004 THIRD QUARTERLY REPORT

Sing Pao



singpao.com



現代旌旗出版集團有限公司
Leadership Publishing Group Ltd.

Wide Angle



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 of Hong Kong Limited 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 of Leadership Publishing Group Limited collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to Leadership Publishing Group Limited. The directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (1) the information contained in this report is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this report misleading; and (3) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

3RD QUARTERLY RESULTS FOR THE NINE MONTHS ENDED 31 DECEMBER, 2003

The unaudited consolidated results of Leadership Publishing Group Limited (the "Company") and its subsidiaries (together, the "Group") for the three months and nine months ended 31 December, 2003, together with the comparative unaudited figures for the corresponding period in 2002 are as follows:

	Notes	Three months ended		Nine months ended	
		31 December, 2003 HK\$'000	2002 HK\$'000	31 December, 2003 HK\$'000	2002 HK\$'000
Turnover	1	31,562	47,089	90,275	138,196
Cost of sales		(38,806)	(50,734)	(114,129)	(156,035)
Gross loss		(7,244)	(3,645)	(23,854)	(17,839)
Other revenue		629	1,313	3,024	3,771
Advertising and promotion expenses		(1,429)	(4,461)	(4,890)	(14,142)
Administrative expenses		(10,603)	(21,591)	(33,635)	(62,330)
Impairment loss reversed/ (recognised) in respect of investments in securities		-	633	-	(3,900)
Impairment loss reversed in respect of prepaid airtime		-	-	6,000	-
Loss from operations	2	(18,647)	(27,751)	(53,355)	(94,440)
Finance costs	3	(946)	(1,953)	(2,862)	(7,037)
Gain on acquisition on a subsidiary		2,268	-	2,268	-
(Loss) gain on disposal of subsidiaries		-	106	(7,539)	106
Loss on deemed disposal of associates		-	(309)	-	(309)
Share of results of associates		(178)	267	(257)	(232)
Loss before taxation		(17,503)	(29,640)	(61,745)	(101,912)
Taxation	4	-	-	-	-
Loss before minority interests		(17,503)	(29,640)	(61,745)	(101,912)
Minority interests		16	-	16	-
Loss attributable to shareholders		(17,487)	(29,640)	(61,729)	(101,912)
Loss per share – basic (cents)	5	(3.2)	(6.3)	(11.7)	(32.5)

Notes:

1. Turnover

Turnover represents the aggregate of the net amounts received and receivables from third parties in respect of goods sold and service rendered and is summarised as follow:

	Three months ended		Nine months ended	
	31 December,		31 December,	
	2003	2002	2003	2002
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Newspapers and magazines				
advertising income	14,187	24,431	38,757	69,996
Sales of newspapers and magazines	17,371	21,830	50,810	66,116
Consultancy services	–	–	–	159
Internet website content sales	–	810	704	1,866
Sales of goods, net of discounts and allowances	4	18	4	59
	<u>4</u>	<u>18</u>	<u>4</u>	<u>59</u>
	<u>31,562</u>	<u>47,089</u>	<u>90,275</u>	<u>138,196</u>

2. Loss from operations

	Three months ended		Nine months ended	
	31 December,		31 December,	
	2003	2002	2003	2002
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Loss from operations has been arrived at after charging:				
Amortisation of intangible assets included in administrative expenses	96	2,637	96	7,904
Depreciation and amortisation of property, plant and equipment	4,899	5,563	15,133	17,017
	<u>4,899</u>	<u>5,563</u>	<u>15,133</u>	<u>17,017</u>

3. Finance costs

	Three months ended		Nine months ended	
	31 December,		31 December,	
	2003	2002	2003	2002
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Interests on:				
Loan from shareholders	252	1,663	755	5,535
Finance leases	190	290	600	907
Loan from a related party	504	–	1,507	595
	<u>504</u>	<u>–</u>	<u>1,507</u>	<u>595</u>
	<u>946</u>	<u>1,953</u>	<u>2,862</u>	<u>7,037</u>

4. Taxation

No provision for Hong Kong Profits Tax has been made in the financial statements as the Group has no estimated assessable profit for the period. The Group has no estimated assessable profits in other jurisdictions for the period.

5. Loss per share

The calculation of the basic loss per share for the three months and nine months ended 31 December, 2003 is based on the respective unaudited consolidated net loss attributable to shareholders of HK\$17,487,000 and HK\$61,729,000 (2002: HK\$29,640,000 and HK\$101,912,000) and the weighted average number of 551,123,981 and 529,681,679 (2002: 468,424,181 and 314,103,761) ordinary shares in issue during the periods.

The weighted average number of shares for the respective periods ended 31 December, 2003 and 2002 for the purpose of calculating the basic loss per share have been adjusted for the effect of share consolidation approved on 24 May, 2002 and the rights issue on 17 September, 2002.

The calculation of diluted loss per share does not assume the exercise of the Company's outstanding share options since their exercise would have an anti-dilutive effect on the loss per share.

6. Movement of reserves

	Shareholder's Contribution HK\$'000	Share premium HK\$'000	Merger reserve HK\$'000	Exchange reserve HK\$'000	Distributable reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1 April, 2002	-	118,260	121,914	2,773	-	(403,168)	(160,221)
Reduction of share premium transferred to accumulated losses	-	(110,000)	-	-	-	110,000	-
Rights issue of shares	-	91,082	-	-	-	-	91,082
Rights issue expenses	-	(2,697)	-	-	-	-	(2,697)
Reduction of share capital transferred to distributable reserves	-	-	-	-	93,215	312,753	405,968
Reserve released on disposals of subsidiaries	-	-	-	(106)	-	-	(106)
Exchange differences arising from translation of overseas operations	-	-	-	(8)	-	-	(8)
Net loss for the period	-	-	-	-	-	(101,912)	(101,912)
At 31 December, 2002	-	96,645	121,914	2,659	93,215	(82,327)	232,106
At 1 April, 2003	72,894	96,645	121,914	2,212	231,340	(462,275)	62,730
Subscription for shares	-	29,599	-	-	-	-	29,599
Share allotment's expenses	-	(169)	-	-	-	-	(169)
Reserve released on disposal of a subsidiary	-	-	-	92	-	-	92
Net loss for the period	-	-	-	-	-	(61,729)	(61,729)
At 31 December, 2003	72,894	126,075	121,914	2,304	231,340	(524,004)	30,523

INTERIM DIVIDEND

The board of directors does not recommend the payment of an interim dividend for the nine months ended 31 December, 2003 (2002: Nil).

MANAGEMENT DISCUSSION & ANALYSIS

Analysis of the Group's performance

For the three months ended 31 December, 2003, the Group saw an increase in turnover of 5.1% and 10.0% over the previous quarter and that of the first quarter respectively. Total income from the publication and advertising section increased, mainly due to the growth in advertising income caused by the resumption of the horseracing season and increased consumer spending as a result of the gradual recovery of economic conditions. At the same time, the Group continues to adhere to its stringent cost control measures and diversify its publication and advertiser base.

For the nine months ended 31 December, 2003, the Group recorded a turnover of approximately HK\$90.3 million, representing a decrease of approximately 34.7% against approximately HK\$138.2 million recorded in the corresponding period last year. The decrease in turnover in the first half of the year was due to the reduction of advertising expenditures and consumer spending as a result of the economic fallout during the Severe Acute Respiratory Syndrome ("SARS") outbreak, and the further streamlining of the remaining business relating to "stareastnet.com". With the initial recovery of the macro economic conditions after the SARS fallout, the Group's performance showed progressive recovery in the latter part of the nine-month period.

From the decreases noted upon comparison made with the corresponding period in prior year, it is noted that the net loss for current reporting quarter also represents a decrease of 18.3% and 23.4% against the amounts reported for preceding quarter and the first quarter of the current financial year. Similarly, the operating loss for the current reporting quarter also represents a 1.0% and a 14.7% decrease against the amounts reported for the preceding quarter and the first quarter of current financial year too, excluding the gain from reversal of impairment loss in respect of airtime purchased in the past. From these decreases, they demonstrate that the Group has progressively achieved its goals by enhancing its value within a short period of them.

For the nine-month period ended 31 December, 2003, as a result of the continuous implementation of cost controls in both production and administration, the Group's operating loss dropped from approximately HK\$94.4 million in the corresponding period of last year to approximately HK\$53.4 million. Similarly, net loss reduced to approximately HK\$61.7 million, representing a drop of approximately 39.5% as compared to approximately HK\$101.9 million recorded in the previous corresponding period.

The reduction in net loss was mainly attributable to the loss recorded on the disposal of a subsidiary, the full write-off of intangible assets, including the goodwill of subsidiaries, and associated amortization made in the previous financial year as well as the reversal of an over provision of impairment loss of HK\$6 million in respect of prepaid airtime purchased a few years ago, as a result of reviewing the net book value with reference to the revised agreed terms and the term of expiry. Moreover, there was a gain of HK\$2.3 million generated from the acquisition of a PRC enterprise during the period reviewed for which is engaged in the processing and trading of audio and visual products in the PRC.

Business review and prospects

The newspaper business – Sing Pao Daily News

During the period under review, Sing Pao Daily News (“Sing Pao”) continued to be the major and stable revenue stream for the Group, accounting for approximately 97.4% of total turnover. Stable newspaper sales contributed to part of Sing Pao’s revenues by riding on its solid readership base. Publication income from the Mainland market and advertising income grew satisfactorily. At the same time, Sing Pao continuously implemented its stringent cost controls, substantially reducing operating costs by approximately 24.8% during the period under review as compared to the previous corresponding period. Its newspaper production efficiency also continued to be improved through the computerization of its editorial system as well as the restructuring of the production units, resulting in higher cost effectiveness.

Since Sing Pao’s repositioning as a healthy mass newspaper in March 2003, Sing Pao continued its content enrichment, its growing quality and layout improvements, leading to the further expansion of its readership base. During the period, Sing Pao placed every effort into content diversification to cope with market demand. In December 2003, the Group invited Mr. James Yiu to write for a newly inserted column known as ‘New Approach to Study English with Kids’ in the ‘Schoollife’ of Sing Pao’s supplement section to enhance attraction to the newspaper.

In view of the welcome response from advertisers and readers to the sizable marketing campaigns held in the first half of the year, Sing Pao continued to organize a number of marketing activities leading to further welcome responses from such targeting segments. Activities organized during the third quarter included the “Yan Chai Charity Walk” which raised funds of HK\$30,000 for the Yan Chai Hospital, two health care seminar series jointly organized with the Yan Chai Hospital and the Hong Kong Baptist Hospital respectively, two Buddhism seminars held at the Hong Kong Coliseum with full house attendances, and a “Free Visit to The 38th Hong Kong Products Expo”.

In order to further focusing on the Hong Kong’s youngsters, Sing Pao organized a reading incentive program and a seminar jointly with the City University of Hong Kong. In addition, Sing Pao organized a 12-day tour to a mystery destination, Lop Nur in China jointly with Great Wall Travel Services Company and Xinjiang China International Travel Company which brought in excellent responses.

In view of the favourable response of such marketing activities, the Group will continue its marketing efforts to broaden its readership and advertiser bases in the forthcoming period. Series of marketing programmes such as further reading incentive schemes, the Sing Pao Horseracing Champion Cup, daily offers of consumer privileges to be held since coming quarter throughout the coming year, and a Buddhism seminar, among others, to obtain greater echo from the general public.

The magazine business – Wide Angle Magazine

Turnover generated from the magazine business amounted to approximately HK\$1.7 million during the period under review, accounting for approximately 1.9% of total turnover. The Group's core magazine, being one of the leading magazines in the PRC – Wide Angle Magazine, continued to maintain its content enrichment efforts and its distribution channels expansion to strengthen and stabilize its competitiveness in both the Hong Kong and the PRC markets. Meanwhile, the Group will persist to explore potential publishing business opportunities to strengthen its position in the publishing industry as to increase the value of the Group.

News and entertainment websites

Apart from the layout reformation of Sing Pao in March 2003, the revamped website "singpao.com" also provides extensive and informative content with attractive breaking news headlines for broadening its readership base. The average daily page views for "singpao.com" remained stable during the period under review. Currently, the readership of the online newspaper has extended to more young people and non-subscribers of Sing Pao.

Meanwhile, the Group will continue to implement different measures to attract more advertisers to its website and generate further revenues. In the coming quarter, the Group aims to provide better service to the viewers of its website. For example, there will be information to be introduced in the website in terms of various kinds of expos to be held locally in Hong Kong to the viewers of the website. Moreover, a new content section – Advertising Supplement will also be available in mid February 2004.

Number of employees and remuneration policies

As at 31 December, 2003, the Group employed approximately 425 (2002: 557) employees. Staff costs including Mandatory Provident Fund contribution amounted to approximately HK\$73 million during the period under review (2002: approximately HK\$88 million). The Group reviews its remuneration policies regularly by ensuring that staffs are being remunerated at competitive market rates.

Corporate Developments

In line with the Group's business strategy, "Sing Pao Media Group Limited" was renamed as "Leadership Publishing Group Limited" in April 2003. This move reflects the Group's goal to actively expand its publishing and distribution business in the Greater China region, further strengthening its revenue base through the acquisition of companies with strong potential. Subsequent to the change in the Company's name, Leadership Publishing will continue to focus on the development of Sing Pao Daily News, aiming to enhance its functionality and deliver diverse information to serve the needs of local readers, while also positioning Sing Pao Daily News as a healthy mass newspaper.

On 15 April, 2003, Leadership Publishing entered into a subscription agreement with an independent private investor in the PRC for an aggregate of 50,000,000 shares at a price of HK\$0.40 per subscription share, representing approximately 9.64% of the then enlarged issued share capital of the Company. The net proceeds of approximately HK\$19.8 million was intended to mainly be used to develop a third party distribution business for publishing goods, including but not limited to books, audio-visual products, electronic publishing products and magazines in the PRC, as well as serving as general working capital. The related subscription was completed on 6 May, 2003.

On 28 May, 2003, the warrants of the Company (GEM warrant code: 8353) expired at 4:00 p.m. The listing of the warrants was thereby withdrawn at the close of business on 28 May, 2003.

On 24 June and 25 June, 2003, the Company also entered into 2 other subscription agreements with 2 independent private investors in the PRC, for an aggregate of 43,684,000 shares at a price of HK\$0.42 per subscription share, representing approximately 7.77% of the then enlarged issued share capital of the Company. The net proceeds of approximately HK\$17.8 million was intended to mainly be used to develop distribution business for published products in the PRC and to serve as general working capital. On 30 July, 2003, 17,856,000 subscription shares in respect of subscriptions were completed. On 14 August, 2003, 14,843,800 subscription shares out of the remaining 25,828,000 subscription shares have been subscribed for by the independent investor for which shares were allotted on the basis of amount such investor deposited in the Company. The remaining proposed subscription for 10,984,200 new shares was not completed and whereas the Company reserves the right to take necessary legal action to claim compensation for the loss in respect of the unsubscribed shares.

On 26 September, 2003, the Company's controlling shareholder, namely Sun Media Group Holdings Limited ('Sun Media'), resolved to declare a special interim dividend in specie by way of the conditional distribution of 351,257,794 shares of the Company held by Sun Media. Having obtained its shareholders' approval for the capital reorganization of Sun Media on 5 December, 2003, Sun Media's capital reorganization became effective on 8 December, 2003 and thus the proposed distribution became unconditional on the same date. The 351,257,794 shares, being the entire shareholding interest of Sun Media in the Group, represented 63.7% of the then issued share capital of the Company. Following the distribution, Sun Media ceased to have any shareholding interest in the Company.

On 16 January, 2004, the Company announced its proposal to raise approximately HK\$11 million, before expenses, by issuing not less than 137,780,995 rights shares at a subscription price of HK\$0.08 per rights share on the basis of one rights share for every four existing shares held by the qualifying shareholders. The net proceeds of approximately HK\$10 million will be used for the expansion of the publishing distribution business in the PRC, North America and the South East Asian region and general working capital.

DIRECTORS' INTERESTS OR SHORT POSITIONS IN SHARES AND OPTIONS

As at 31 December, 2003, the interests or short positions of the directors and the chief executive of the Company and their respective associates in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance) which (a) are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the Securities and Futures Ordinance (including interests or short positions which each of them is taken or deemed to have under such provisions of the Securities and Futures Ordinance); or (b) are required pursuant to section 352 of the Securities and Futures Ordinance, to be entered in the register referred to therein; or (c) are required, pursuant to Rules 5.40 to 5.58 of the GEM Listing Rules relating to securities transactions by directors, to be notified to the Company and the Stock Exchange were as follows:

Interests in shares in the Company

Name of Directors	Number of shares beneficially held		
	Personal Interests	Family interests	Total interests
Dr. Wu Zheng, Bruno (<i>Note</i>)	765,779	15,518,267	16,284,046
Mr. Li John Zongyang	510,519	–	510,519

Note: 765,779 shares are held by Dr. Wu Zheng, Bruno and 7,860,471 shares are held by Ms. Yang Lan, who is the spouse of Dr. Wu Zheng, Bruno. 7,657,796 shares are held by Excel Asia Profits Limited, of which 80% is owned by Ms. Yang Lan. Thus, Dr. Wu Zheng, Bruno is deemed to be interested in 16,284,046 shares of the Company

Interests in share options in the Company

Name of Directors	Date of grant	Exercise period of share options	Exercisable price (HK\$)	Number of share options outstanding as at 31/12/2003
Dr. Wu Zheng, Bruno	13/8/2003	13/8/2003 – 12/8/2013	0.593	5,362,000
Mr. Li John Zongyang	13/8/2003	13/8/2003 – 12/8/2013	0.593	4,825,800
Mr. Lin Ning	13/8/2003	13/8/2003 – 12/8/2013	0.593	4,289,600
Mr. Pao Wan Lung	13/8/2003	13/8/2003 – 12/8/2013	0.593	4,289,600
Ms. Tang Yuen Ching, Irene	13/8/2003	13/8/2003 – 12/8/2013	0.593	2,681,000

None of the above options has been exercised during the nine months ended 31 December, 2003.

Save as disclosed above and as at 31 December, 2003, none of the directors, chief executive or their respective associates had any interests or short positions in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance) which (a) are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the Securities and Futures Ordinance (including interests or short positions which each of them is taken or deemed to have under such provisions of the Securities and Futures Ordinance); or (b) are required pursuant to section 352 of the Securities and Futures Ordinance, to be entered in the register referred to therein; or (c) are required pursuant to Rules 5.40 to 5.58 of the GEM Listing Rules relating to securities transactions by directors, to be notified to the Company and the Stock Exchange.

Save as disclosed above, at no time during the period was the Company, its subsidiaries or holding company a party to any arrangements to enable the directors, their spouses or children under 18 years of age to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

SHARE OPTION SCHEME

On 15 January, 2002, the Company adopted the New Share Option Scheme under which the board of directors of the Company may at its discretion offer to any director (including non-executive director), executive, employee and contracted celebrity (the "Eligible Persons") of the Company and/or its subsidiaries options to subscribe for shares in the Company in accordance with the terms of the New Share Option Scheme and Chapter 23 of the GEM Listing Rules. The principal purposes of the New Share Option Scheme are to recognise the significant contributions of the Eligible Persons to the growth of the Group. The total number of shares which may be issued upon exercise of all options to be granted under the New Share Option Scheme and any other outstanding share option schemes of the Company must not in aggregate exceed ten per cent. of the issued share capital of the Company at the date of the approval of the New Share Option Scheme by the shareholders and such limit might be refreshed by the shareholders in general meeting. The New Share Option Scheme commenced on 15 January, 2002 and will end on the day immediately prior to the tenth anniversary of 15 January, 2002.

As at 31 December, 2003, options under the New Share Option Scheme comprising an aggregate of 33,244,400 underlying shares granted on 13 August, 2003 at an exercise price of HK\$0.593 each were outstanding. The option period is from 13 August, 2003 to 12 August, 2013 (both days inclusive). These options were granted to the following categories of grantees:

Categories of grantees	Total number of grantees	Number of underlying shares comprised in the options
Directors of the Company	5	21,448,000
Employees of the Group	5	11,796,400
Total		<u><u>33,244,400</u></u>

The fair value of the 33,244,400 options granted totalled HK\$8,046,000. The following significant assumptions were used to derive the fair value using the Black-Scholes option pricing model:

- (1) an expected volatility of 22%;
- (2) no annual dividends; and
- (3) the estimated expected life of the options granted during the period is ten years. The corresponding ten-year Hong Kong Exchange Fund Notes rate at the date of the options granted was ranged at 4.68%.

The Black-Scholes option pricing model requires the input of highly subjective assumptions, including the volatility of share price, which can materially affect the fair value estimate. Thus, in the directors' opinion, the existing model does not necessarily provide a reliable single measure of the fair value of the share options.

For the purpose of the calculation of fair value, no adjustment has been made in respect of options expected to be forfeited, due to lack of historical data.

No charge is recognized in the income statement in respect of value of options granted during the period.

SUBSTANTIAL SHAREHOLDERS

As at 31 December, 2003, according to the register kept by the Company pursuant to Section 336 of the Securities and Futures Ordinance and so far as is known to the directors, the following parties had an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provision of Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance or were, directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company:

Name of shareholder	Number of shares held	Approximate percentage of shareholding
SINA Corporation	51,769,817	9.39%
Peng Chi Hui	50,000,000	9.07%

Save as disclosed above, the directors are not aware of any other person who has interests or short positions in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provision of Divisions 2 & 3 of Part XV of the Securities and Futures Ordinance or interests in 10% or more in the Company's issued share capital as at 31 December, 2003.

COMPETING INTERESTS

None of the directors or the management shareholders of the Company (as defined in the GEM Listing Rules) has an interest in a business which causes or may cause significant competition with the business of the Group.

BOARD PRACTICES AND PROCEDURES

The Company has complied with Rules 5.28 to 5.39 of the GEM Listing Rules concerning board practices and procedures during the nine months ended 31 December, 2003.

AUDIT COMMITTEE

The audit committee has two members comprising the two independent non-executive directors, namely Mr. Ho, Cecil Te Hwai and Mr. Xu, Tie Liang.

The primary duties of the audit committee are to review the Company's annual report and accounts, half-yearly reports and quarterly reports and to provide advice and comment thereon to the board of directors. The audit committee will also be responsible for reviewing and supervising the financial reporting process and internal control procedures of the Group.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the nine months ended 31 December, 2003.

By Order of the Board
Wu Zheng, Bruno
Chairman

Hong Kong, 11 February, 2004