



NEW RANK CITY DEVELOPMENT LIMITED
新協城市建設有限公司 *

Interim Report 2001

* for identification purposes only

INTERIM RESULTS

The Board of Directors (“Board”) of New Rank City Development Limited (the “Company”) is pleased to announce that the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2001 together with the comparative figures for the corresponding period in 2000 and the unaudited condensed consolidated balance sheet of the Group as at 30 June 2001 together with the audited comparative figures at 31 December 2000 and the unaudited condensed consolidated statement of recognized gains and losses and unaudited condensed consolidated cash flow statement of the Group for the six months ended 30 June 2001 were as follows:

Condensed Consolidated Income Statement

For the six months ended 30 June 2001

	Notes	Six months ended 30 June	
		2001 HK\$'000 (Unaudited)	2000 HK\$'000
Turnover	3	10,656	–
Cost of sales		(10,973)	–
Gross loss		(317)	–
Other revenue		2,378	1,473
Selling expenses		(825)	(15)
General and administrative expenses		(21,945)	(5,527)
Loss from operation		(20,709)	(4,069)
Financial costs		(7,545)	(9,857)
Loss before taxation		(28,254)	(13,926)
Taxation	4	–	–
Loss before minority interests		(28,254)	(13,926)
Minority interests		142	116
Net loss for the period		(28,112)	(13,810)
Loss per share (HK cents)	5		
Basic		(10.65)	(5.52)
Diluted		(10.49)	–

Condensed Consolidated Balance Sheet

As at 30 June 2001

		As at 30 June 2001	As at 31 December 2000
		(Unaudited) HK\$'000	(Audited) HK\$'000
	Notes		
Non-current assets			
Property under development for long-term development		211,193	203,519
Investment properties	6	252,013	262,986
Property, plant and equipment		70,965	72,167
Restricted cash	11	532	599
		534,703	539,271
Current assets			
Property under development for sale		363,369	352,034
Prepayments and other receivables		32,432	37,302
Current portion of instalment contract receivables		4,504	9,143
Accounts receivable	9	35,363	37,794
Bank balances and cash		2,673	6,006
		438,341	442,279
Current liabilities			
Taxes payable		(165,652)	(166,381)
Accruals and other payables		(101,341)	(107,663)
Advance from customers		(28,079)	(25,708)
Current portion of land demolition payable		(207,659)	(123,624)
Amount due to a related company	18(b)	(3,107)	(2,444)
Current portion of obligations under finance leases and hire purchase contracts		(100)	(100)
Accounts payable	10	(77,006)	(66,774)
Bank borrowings		(227,618)	(231,000)
		(810,562)	(723,694)
Net current liabilities		(372,221)	(281,415)
Total assets less current liabilities		162,482	257,856

Condensed Consolidated Balance Sheet (Continued)

As at 30 June 2001

		As at 30 June 2001	As at 31 December 2000
	Notes	(Unaudited) HK\$'000	(Audited) HK\$'000
Minority interests		(777)	(919)
Non-current liabilities			
Land demolition payable		(56,021)	(140,055)
Land premium payable		(98,491)	(98,491)
Long-term payable		(46,642)	(46,642)
Obligations under finance leases and hire purchase contracts		(342)	(392)
		(201,496)	(285,580)
		(39,791)	(28,643)
Capital and reserves			
Share capital	12	270	252
Reserves	13	(40,061)	(28,895)
		(39,791)	(28,643)

Condensed Consolidated Statement of Recognized Gains and Losses

For the six months ended 30 June 2001

	Unaudited HK\$'000
Loss for the period	(28,112)
Total recognized losses	(28,112)

Condensed Consolidated Cash Flow Statement

For the six months ended 30 June 2001

	Unaudited HK\$'000
Net cash outflow from operating activities	(2,259)
Returns on investments and servicing of finance	
Interest received	43
Interest paid	(7,545)
Net cash outflow from returns on investments and servicing of finance	(7,502)
Taxation	
Income tax paid	–
Investing activities	
Purchase of property, plant and equipment	(160)
Expenditure on property under development for long-term investment	(7,674)
Decrease in restricted cash	67
Net cash outflow from investing activities	(7,767)
Net cash outflow before financing	(17,528)
Financing activities	
Proceeds from issue of new shares	16,964
Repayment of bank borrowings	(3,382)
Repayment of obligations under finance leases and hire purchase contracts	(50)
Advance from a related party	663
Net cash inflow from financing	14,195
Decrease in cash and cash equivalents	(3,333)
Cash and cash equivalents, beginning of the period	6,006
Cash and cash equivalents, end of the period	2,673
Analysis of balances of cash and cash equivalents	
Bank balances and cash	2,673

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2001

1. BASIS OF PRESENTATION

The basis of presentation used in the condensed consolidated financial statements is consistent with those followed in the Group's annual financial statements for the year ended 31 December 2000.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared under the historical cost convention as modified for revaluation of certain properties.

The interim report has been prepared in accordance with the Statement of Standard Accounting Practice No. 25 "Interim financial reporting" issued by the Hong Kong Society of Accountants ("SSAP 25"), except that comparative figures are not presented either for the statement of recognized gains and losses or for the cash flow statement, being the first cash flow statement to be included in the interim financial report relating to accounting period on or after 1 July 2000. Such departures from SSAP 25 are permitted under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The principal accounting policies adopted are consistent with those followed in the Group's annual financial statements for the year ended 31 December 2000.

3. SEGMENT INFORMATION

The Group's turnover and contribution to operating loss before taxation for the six months ended 30 June 2001 and 2000, analysed by principal activity and geographical market, are as follows:

	Turnover		Contribution to operating loss before taxation	
	Six months ended 30 June		Six months ended 30 June	
	2001	2000	2001	2000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<i>By principal activity:</i>				
Sales of property, less returns	10,656	–	(317)	–
Other revenue			2,378	1,473
Finance costs			(7,545)	(9,857)
Operating expenses			(22,770)	(5,542)
Loss before taxation			(28,254)	(13,926)

3. SEGMENT INFORMATION (Continued)

No geographical analysis of the Group's consolidated turnover and contribution is shown as the operating business of the Group is solely carried out in Beijing, The People's Republic of China (the "PRC").

4. TAXATION

Income Tax

The companies of the Group which are operating in Hong Kong are subject to profits tax at the rate of 16% on the estimated assessable profit arising in or derived from Hong Kong for the period. No provision for Hong Kong Profits Tax has been made as the Group has no assessable income for Hong Kong Profits Tax for the six months ended 30 June 2001 and 2000.

The companies of the Group which are operating in the PRC are subject to enterprise income tax at a rate of 33%. No provision for PRC enterprise income tax has been made as the Group has no assessable income for PRC tax for the six months ended 30 June 2001 and 2000.

Land Appreciation Tax

Land appreciation tax is levied at progressive rates ranging from 30% to 60% on the balance of the proceeds received on transfer of real properties after deducting certain items including consideration paid for acquisition of land use rights, land development costs incurred, construction costs and taxes paid in relation to the transfer of real properties.

Business Tax

The Group is subject to the business tax at 5% on its turnover and other revenue.

5. LOSS PER SHARE

The calculation of basic loss per share is based on the loss for the period for the six months ended 30 June 2001 of approximately HK\$28,112,000 (Six months ended 30 June 2000: approximately HK\$13,810,000) and on the weighted average of 263,855,271 (Six months ended 30 June 2000: 250,000,000) shares in issue during the respective periods. In determining the weighted average number of shares for the six months ended 30 June 2000, a total of 250,000,000 shares issued after the reorganization of the Group were deemed to have been issued since 1 January 2000.

The calculation of diluted loss per share is based on the loss for the period for the six months ended 30 June 2001 of approximately HK\$28,112,000 and on the weighted average of 267,870,097 shares after adjusting for the effects of all dilutive potential shares. The comparative diluted loss per share has not been calculated as no diluting events existed during the period.

6. INVESTMENT PROPERTIES

The Group's investment properties were revalued at their open market value at 31 December 2000 by Messrs. Greater China Appraisal Limited, an independent firm of professional property valuers.

The Directors are of the opinion that the valuation of investment properties at 30 June 2001 is not significantly different from the valuation as at 31 December 2000. Accordingly, the same valuation has been adopted by the Directors and included in the condensed consolidated financial statements.

Certain investment properties of the Group have been pledged to secure banking facilities granted to the Group.

The investment properties are held outside Hong Kong under medium term lease.

7. DEPRECIATION

During the period, depreciation of HK\$1,362,104 (2000: HK\$338,821) was charged in respect of the Group's property, plant and equipment.

8. ADDITIONS TO PROPERTY, PLANT AND EQUIPMENT

During the period, the Group spent HK\$160,143 on property, plant and equipment.

9. ACCOUNTS RECEIVABLE

	As at 30 June 2001	As at 31 December 2000
	HK\$'000	HK\$'000
Accounts receivable with aging analysis :		
Within 3 months	2,727	2,256
4-6 months	7,945	1
7-9 months	23	–
10-12 months	20	612
Over 1 year	24,648	34,925
	<hr/> 35,363	<hr/> 37,794

The terms of payment in respect of the Group's sales of properties are in accordance with the terms of respective sales contracts.

10. ACCOUNTS PAYABLE

	As at 30 June 2001	As at 31 December 2000
	HK\$'000	HK\$'000
Accounts payable with aging analysis :		
Within 3 months	14,813	7,920
4-6 months	6	2,203
7-9 months	23	-
10-12 months	2,017	-
Over 1 year	60,147	56,651
	<u>77,006</u>	<u>66,774</u>

11. RESTRICTED CASH

As at 30 June 2001, pursuant to the terms of certain guarantee agreements, cash of approximately HK\$532,000 were designated as guarantee against mortgage facilities provided by a bank to buyers of the Group's properties (see note 14 below). Accordingly, the use of the cash balances is restricted.

12. SHARE CAPITAL

	Number of shares	Amount HK\$'000
Ordinary shares of HK\$0.001 each		
Authorised:		
Balance as at 30 June 2001 & 31 December 2000	500,000,000	500
Issued and fully paid:		
Balance as at 1 January 2001	252,300,000	252
Exercise of options	9,708,000	10
Issue of new shares	7,500,000	8
Balance as at 30 June 2001	<u>269,508,000</u>	<u>270</u>

13. RESERVES

	Share premium HK\$'000	Contributed surplus HK\$'000	Property revaluation reserve HK\$'000	Investment property revaluation reserve HK\$'000	Translation reserve HK\$'000	Revenue reserve (deficit) HK\$'000	Total HK\$'000
As at 1 January 2001	2,390	4,755	20,728	20,058	1,664	(78,490)	(28,895)
Loss for the period	-	-	-	-	-	(28,112)	(28,112)
Premium on issue of shares on exercise of share options	7,203	-	-	-	-	-	7,203
Premium on issue of shares on placement	9,743	-	-	-	-	-	9,743
As at 30 June 2001	<u>19,336</u>	<u>4,755</u>	<u>20,728</u>	<u>20,058</u>	<u>1,664</u>	<u>(106,602)</u>	<u>(40,061)</u>

14. CONTINGENT LIABILITIES

The Company had provided guarantees for mortgage facilities provided by a bank to the buyers of its properties developed by the Group. In addition, bank balance of approximately HK\$532,000 as at 30 June 2001 were restricted as guarantee for these mortgages (see note 11 above). As at 30 June 2001, the outstanding amount of the above mentioned mortgage facilities for which the Group had provided guarantees amounted to approximately HK\$24,560,000.

15. CAPITAL AND CONSTRUCTION COMMITMENTS

	As at 30 June 2001	As at 31 December 2000
	HK\$'000	HK\$'000
At 30 June 2001, the Group had the following capital and construction commitments:		
Capital expenditure in relation to property under development contracted but not provided for	7,171	20,666
Capital expenditure in relation to property under development authorised but not provided for	589,280	600,810
Acquisition of investments	5,042	5,042
	<u>601,493</u>	<u>626,518</u>

16. LEASE COMMITMENTS

	As at 30 June 2001	As at 31 December 2000
	HK\$'000	HK\$'000
At 30 June 2001, the Group had outstanding commitments under non-cancellable operating leases payable in the forthcoming year in respect of premises as follows:		
Operating leases which will expire:		
Within one year	797	106
In the second to fifth year inclusive	4,124	4,124
	<u>4,921</u>	<u>4,230</u>

17. PLEDGE OF ASSETS

At 30 June 2001, the Group had pledged its properties with an aggregate net book value of HK\$145,842,000 to secure bank loans.

18. RELATED PARTY TRANSACTIONS

- (a) The Group had the following significant transactions with related parties conducted on terms arrived at by reference to market prices during the period:

	As at 30 June 2001	As at 31 December 2000
	HK\$'000	HK\$'000
Estate management service fee to a company controlled by a director	167	286
Rental income from a company controlled by a company	162	325

- (b) At 30 June 2001, the amount due to a related company, which is controlled by a director, was HK\$3,107,000 which is unsecured and non-interest bearing.
- (c) In October 1999, the joint venture partners of Beijing Zhong Zheng Real Estate Development Co., Ltd. ("BJZZ") entered into an agreement, pursuant to which Guozheng Economic Development Company Limited ("Guozheng") will give up all its interest in the BJZZ in exchange for a fixed return as defined in the agreement. After completion of the transaction, BJZZ became a wholly-owned subsidiary of the Group. Accordingly, the amount due to Guozheng of HK\$3,218,000 was included in accounts payable and the previous capital investment of HK\$46,642,000 made by Guozheng was reclassified as a long-term payable.
- (d) Guozheng has jointly guaranteed the land demolition payable by the Group totalling approximately HK\$228,811,000 at 30 June 2001.

Note: The director interested in the above transactions is Mr. Leung Kwo, the chairman of the Group.

19. COMPARATIVE FIGURES

Certain comparative figures for six months ended 30 June 2001 and 2000, and as of 31 December 2000 have been reclassified to conform to the current interim period's presentation.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial results

During the six-month period under review, the Group's turnover and net loss for the period amounted to approximately HK\$10.7 million and HK\$28.1 million respectively, compared with the figures of HK\$ Nil and approximately HK\$13.8 million respectively for the first half of 2000. Basic loss per share for the period was HK cents 10.65, aggravated by 92.9% as compared with HK cents 5.52 for the corresponding period in 2000. The Group also recorded a gross loss of approximately HK\$317,000 due to the stock sales of certain units of the Investment Plaza in Beijing, which the selling price was relatively lower compared with the market price of office units in Beijing. The main reason for loss sustained by the Group during the period under review was the increase in the overheads of the Group due to (a) the removal of bigger office in Hong Kong and (b) the increase in expenditure to strengthen the management team of the Group.

Contingent Liabilities

The Group had provided guarantees for mortgage facilities by a bank to the buyers of its properties developed by the Group. In addition, bank balances of approximately HK\$532,000 as at 30 June 2001 were restricted as guarantee for these mortgages. As at 30 June 2001, the outstanding amount of the abovementioned mortgage facilities for which the Group had provided guarantees amounted to approximately HK\$24,560,000.

Liquidity, Financial Resources and Funding Requirements

As at 30 June 2001, the Group's borrowings amounted to approximately HK\$227.6 million which are interest-bearing and repayable within one year.

The Group still had a high gearing position at 30 June 2001. The Group had pledged its properties with an aggregate net book value of HK\$145,842,000 to secure bank loans.

In respect of funding requirements stated in the capital and construction commitments stated in note 15 to the condensed consolidated financial statements, the Group is now in negotiation with possible banking facilities and potential investors in the China Securities Building ("CSB") project, which are pending due to the consideration of possible change in CSB's construction plan as elaborated below. The directors expected that such negotiation will be finalized in the first half-year of 2002.

The majority of the Group's operations in the PRC, there is no significant exchange rate fluctuations during the period under review. Therefore, it is not necessary for the Group to make any foreign currency hedging arrangement to minimize the foreign exchange risk and exposure.

Recent Development of the China Securities Building

As the directors believe that merely developing office buildings of the CSB will be more flexible and profitable to the Group, therefore, the management of the Group is now in consideration of changing the construction plan of CSB. Such possible change affected the Group as follows:–

- (a) the completion of construction of CSB will be postponed and it is certain that the construction will not be completed in 2002. The directors anticipated that the completion of construction work of CSB will be in 2004;
- (b) the pre-sale of CSB has not yet commenced;
- (c) the negotiation with bankers in respect of possible banking facilities to finance CSB project are pending;
- (d) due to the above (b) and (c), the working capital condition of the Group was completely deviated from the cash flow projection stated in the scheme document dated 13 April 2000.

PROSPECTS

Beijing's success in securing the right to host the 2008 Olympics and the PRC's imminent entry to the WTO will continue to support the property market in Beijing in the next few years. This should benefit the Group as it continues to focus on office property development and investment in down town Beijing.

Beijing's office sector began to recover last year and continued into the first half of this year. Given the reduced supply in the next two to three years, the directors believe that office property prices and rentals should continue to appreciate. In addition, huge investments in infrastructure by the Beijing municipal government over the next few years should provide a favourable macroeconomic environment for the Group.

With regard to acquiring the 12,750 square metres site in the Central Business District ("CBD") area in Beijing, the Group is still in discussion with the relevant parties and regulatory authorities. The successful acquisition will increase the Group's property development portfolio substantially, hence future profitability. Meanwhile, the Group is also investigating other development opportunities in Beijing with a view to enhance earning capability and to generate long-term benefit to its shareholders.

STAFF

As at 30 June 2001, the Group has employed about 60 employees in both PRC and Hong Kong and the total remuneration paid to staff was approximately HK\$9,087,000 during the period under review. Remuneration packages are reviewed annually with reference to the then prevailing market employment practices and legislation. During the period under review, share options have been granted to certain directors and staff of the Group.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2001.

ADJUSTED NET TANGIBLE ASSETS OF THE GROUP

The following is a statement of the adjusted net tangible assets of the Group as at 30 June 2001 and are as follows:

	HK\$'000
Net tangible liabilities of the Group as at 30 June 2001 as stated in the Condensed Consolidated Balance Sheet	(39,791)
Surplus arising on revaluation of property under development (<i>Note 1</i>)	320,837
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Adjusted net tangible assets before provision for deferred tax on revaluation surplus	281,046
Provision for deferred taxation on revaluation surplus (<i>Note 2</i>)	(42,066)
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Adjusted net tangible assets after provision for deferred tax on revaluation surplus	238,980
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Notes :

1. Property under development was revalued at their open market value at 31 December 2000 by Messrs. Greater China Appraisal Limited, an independent firm of professional property valuers, on an open market existing use basis.

The principal accounting policies adopted for property under development are consistent with those followed in the Group's annual financial statements for the year ended 31 December 2000.

The directors are of opinion that the valuation of property under development at 30 June 2001 is not significantly different from the valuation at 31 December 2000. Accordingly, the same valuation has been adopted by the directors.

The surplus arising from the revaluation of the Group's property under development amounting to approximately HK\$320,837,000 was not incorporated into the Group's condensed consolidated financial statements for the period ended 30 June 2001.

2. The provision for deferred tax (which includes PRC business tax, land appreciation tax and income tax) on revaluation surplus is calculated on the basis that income tax provision is only made against those property under development for sale. No provision for deferred tax is made on revaluation surplus of property under development for long-term purpose.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SHARES

1. Shares

As at 30 June 2001, the director and the chief executive had the following interests in the number of shares of the Company as recorded in the register maintained under Section 29 of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance"):

Name of Director/Chief Executive	Number of shares held	
	Personal	
Leung Kwo, <i>director</i>	4,800,000	
Fu Yiu Man, Peter, <i>chief executive officer</i>	6,000,000	

Save as disclosed above and certain nominee shares in subsidiaries held by the directors in trust for the Group, none of the directors or the chief executive and their associates had and has any beneficial interest as at 30 June 2001 in the share capital of the Company or any of its associated corporations as defined in the SDI Ordinance.

2. Share Options

As at 30 June 2001, the directors and the chief executive had the following interests in the share options of the Company as follows:–

Name	Exercisable period	Exercise Price Per Share (HK\$)	Number of share options			
			Outstanding as at 1 January 2001	Granted during the period	Exercised during the period	Outstanding as at 30 June 2001
Leung Kwo, <i>director</i>	27/07/2000 to 26/07/2003	1.04	3,950,000	–	2,500,000	1,450,000
Han Junran, <i>director</i>	15/02/2001 to 14/02/2004	0.69	–	5,000,000	–	5,000,000
Fu Yiu Man, Peter, <i>chief executive officer</i>	13/02/2001 to 12/02/2004	0.64	–	6,250,000	4,000,000	2,250,000

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SHARES (Continued)

2. Share Options (Continued)

Save as disclosed above, at no time during the six months ended 30 June 2001 was the Company or any of its subsidiaries a party to any arrangements to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate. Similarly, none of the spouses or children under the age of 18 of the directors had any rights to subscribe for securities of the Company or had exercised any such rights during the six months ended 30 June 2001.

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2001, the following companies had interests of 10% or more of the issued share capital of the Company as recorded in the register maintained under Section 16(1) of the SDI Ordinance:—

Name	Number of Shares	Approximate percentage of holding
New Rank Groups Limited ("NRG")	120,254,297	44.6%
Silver World Limited	120,254,297	44.6%
Royal Bank of Canada Trust Company (Cayman) Limited	120,254,297	44.6%

Notes:

- NRG is a wholly-owned subsidiary of Silver World Limited which is, in turn, wholly-owned by Royal Bank of Canada Trust Company (Cayman) Limited ("Royal Bank Trustee").
- Royal Bank Trustee is the trustee of a discretionary trust called New Rank Trust. The beneficiaries of the New Rank Trust include a holding company and its wholly-owned subsidiary and certain relatives of Mr. Leung Kwo and Ms. Lau Suen, wife of Mr. Leung Kwo, provided that such individuals are not residents of Canada for tax purpose nor residents of the PRC. The holding company is wholly-owned by another discretionary trust called Hold Trust.
- The beneficiaries under the Hold Trust include the lineal descendants (together with their spouses) of every degree of consanguinity of the paternal grandfather and maternal grandfather of each of Mr. Leung Kwo and Ms. Lau Suen provided that they are not residents of Canada for tax purposes nor residents of the PRC.
- Under letters of wishes (which are not legally binding) issued to the trustees of both trusts, the trustees are requested to obtain the views of Ms. Lau Suen (or upon her death, Mr. Leung Kwo) from time to time on all matters relating to the trusts and consider her views as if they were the settler's.

SUBSTANTIAL SHAREHOLDERS (Continued)

So far as is known to any director or chief executive of the Company, the only company (other than members of the Group) directly or indirectly interested in 10% or more of the voting power at general meetings of the subsidiaries of the Company is set out below:—

Name of Owner	Name of subsidiary	Percentage of equity interest
Guozheng Economic Development Company Limited ("Guozheng")	Beijing Zhong Zheng Real Estate Development Co., Ltd. ("BJZZ")	34%

Note:

BJZZ was established on 5 June 1995. Its existing joint venture partners are Tong Sun Limited ("Tong Sun"), a subsidiary of the Company, Guozheng and Beijing Finance Street Construction & Development Co. Ltd. ("Finance Street Development") and its capital contributions are as to 66% by Tong Sun and 34% by Guozheng. Pursuant to an agreement entered into between Finance Street Development, Guozheng and Tong Sun on 9 October 1999, Tong Sun became entitled to 100% of the economic benefit of BJZZ and Guozheng becomes entitled to a fixed distribution by way of the ownership right of an office space in the China Securities Building, the property being developed by BJZZ, of gross floor areas of 7,000 square metres upon the completion of construction of the China Securities Building.

Save as disclosed above, the Company has not been notified of any other interest as at 30 June 2001 representing 10% or more of the issued share capital of the Company.

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 six months ended 30 June 2001.

COMPLIANCE WITH THE CODE OF BEST PRACTICE

None of the directors of the Company is aware of any information that would reasonably indicate that the Company is not, or was not for any part of the accounting period covered by this Interim Report, in compliance with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

AUDIT COMMITTEE

The Audit Committee has reviewed the financial statements of the Company for the six months ended 30 June 2001.

By Order of the Board
Leung Kwo
Chairman

Hong Kong, 24 September 2001