



凱聯國際酒店有限公司
Associated International Hotels Limited

Interim Report 2001

ASSOCIATED INTERNATIONAL HOTELS LIMITED

INTERIM REPORT

(Expressed in Hong Kong dollars)

The Board of Directors is pleased to announce the unaudited consolidated results of the Group for the half year ended 30 September 2001. These results have been reviewed in accordance with Statement of Auditing Standards 700 "Engagements to review interim financial reports" issued by the Hong Kong Society of Accountants, by KPMG, certified public accountants in Hong Kong. The review report issued by KPMG is attached.

CONSOLIDATED PROFIT AND LOSS ACCOUNT for the six months ended 30 September 2001 — unaudited

		Six months ended 30 September	
		2001	2000
		<i>\$'000</i>	<i>\$'000</i>
		(Restated)	
	<i>Note</i>		
Turnover	2	191,269	205,777
Cost of services/sales		<u>(64,369)</u>	<u>(78,211)</u>
		126,900	127,566
Other revenue		5,962	7,816
Other net income		1,713	2,923
Selling expenses		(12,015)	(12,382)
Administrative expenses		<u>(49,321)</u>	<u>(49,353)</u>
Profit from operations	2	73,239	76,570
Finance cost	3(a)	(547)	(769)
Provision for impairment loss in respect of other properties		<u>(6,500)</u>	<u>—</u>
Profit from ordinary activities before taxation	3	66,192	75,801
Taxation	4	<u>(11,172)</u>	<u>(11,429)</u>
Profit from ordinary activities after taxation		55,020	64,372
Minority interests		<u>—</u>	<u>—</u>
Profit attributable to shareholders		<u>55,020</u>	<u>64,372</u>
Dividends attributable to the interim period	5	<u>28,800</u>	<u>28,800</u>
Earnings per share	6	<u>15 cents</u>	<u>18 cents</u>

The notes on pages 5 to 9 form part of this interim financial report.

CONSOLIDATED STATEMENT OF RECOGNISED GAINS AND LOSSES
for the six months ended 30 September 2001 — unaudited

	<i>Note</i>	Six months ended 30 September	
		2001	2000
		<i>\$'000</i>	<i>\$'000</i>
Deficit on revaluation of hotel properties	12	(170,000)	—
Premium in respect of shares issued to minority shareholders of a subsidiary	12	1,468	2,683
Exchange differences arising on translation of foreign subsidiaries' accounts	12	<u>(74)</u>	<u>(35)</u>
Net (losses)/gains not recognised in the profit and loss account		(168,606)	2,648
Net profit for the period		<u>55,020</u>	<u>64,372</u>
Total recognised (losses)/gains		<u><u>(113,586)</u></u>	<u><u>67,020</u></u>

The notes on pages 5 to 9 form part of this interim financial report.

CONSOLIDATED BALANCE SHEET
at 30 September 2001 — unaudited

		At 30 September 2001		At 31 March 2001	
	Note	\$'000	\$'000	\$'000	\$'000
					(Restated)
Non-current assets					
Fixed assets	7		3,568,196		3,753,840
Land held for development			31,030		31,033
Other investments in securities			6,429		5,998
			<u>3,605,655</u>		<u>3,790,871</u>
Current assets					
Inventories			2,647		2,757
Accounts receivable, deposits and prepayments	8		20,584		24,136
Cash and cash equivalents	9		326,127		254,166
			<u>349,358</u>		<u>281,059</u>
Current liabilities					
Bank loans — secured			4,800		1,600
Accounts payable, other payables and accruals	10		46,116		44,716
Deposits received			24,618		30,677
Provision for long service payments			11,617		16,010
Tax payable			26,070		20,517
Dividend payable			72,000		—
			<u>185,221</u>		<u>113,520</u>
Net current assets			<u>164,137</u>		<u>167,539</u>
Total assets less current liabilities			3,769,792		3,958,410
Non-current liabilities					
Bank loans — secured			(15,200)		(18,400)
Government lease premiums payable			(2,602)		(2,602)
Deferred taxation			(1,548)		(1,380)
			<u>(19,350)</u>		<u>(22,382)</u>
Minority interests			(2)		(2)
NET ASSETS			<u>3,750,440</u>		<u>3,936,026</u>
Capital and reserves					
Share capital	11		360,000		360,000
Reserves	12		3,390,440		3,576,026
			<u>3,750,440</u>		<u>3,936,026</u>

The notes on pages 5 to 9 form part of this interim financial report.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT
for the six months ended 30 September 2001 — unaudited

	Six months ended 30 September	
	2001	2000
	\$'000	\$'000
Net cash inflow from operating activities	76,184	80,891
Net cash inflow from returns on investments and servicing of finance	4,658	5,796
Tax paid	(5,451)	(3,336)
Net cash outflow from investing activities	(3,430)	(3,780)
Increase in cash and cash equivalents	71,961	79,571
Effect of foreign exchange rate changes	—	8
Cash and cash equivalents at 1 April	254,166	199,932
Cash and cash equivalents at 30 September	326,127	279,511
Analysis of the balances of cash and cash equivalents		
Deposits with banks maturing within three months of the balance sheet date	319,104	271,612
Cash at bank and in hand	7,023	7,899
	326,127	279,511

The notes on pages 5 to 9 form part of this interim financial report.

NOTES ON THE UNAUDITED INTERIM FINANCIAL REPORT

1. Basis of preparation

This interim financial report is unaudited, but has been reviewed by KPMG in accordance with Statement of Auditing Standards 700 "Engagements to review interim financial reports", issued by the Hong Kong Society of Accountants ("HKSA"). KPMG's independent review report to the board of directors is included on page 14.

The interim financial report has been prepared in accordance with the requirements of the Main Board Listing Rules of The Stock Exchange of Hong Kong Limited, including compliance with Statement of Standard Accounting Practice 25 "Interim financial reporting" issued by the HKSA.

The financial information relating to the financial year ended 31 March 2001 included in the interim financial report does not constitute the Group's statutory accounts for that financial year but is derived from those accounts. Statutory accounts for the year ended 31 March 2001 are available from the Company's registered office. The auditors have expressed an unqualified opinion on those accounts in their report dated 10 July 2001.

The same accounting policies adopted in the 2001 annual accounts have been applied to the interim financial report, except that the Group has adopted the following new or revised Statements of Standard Accounting Practice ("SSAPs") which became effective for the current accounting period.

(a) SSAP 9 (revised) "Events after the balance sheet date"

In prior years, dividends proposed or declared were recognised as a liability in the accounting period to which they related. With effect from 1 April 2001, in order to comply with SSAP 9 (revised), the Group recognises dividends proposed or declared as a liability in the accounting period in which they are declared by the directors (in case of interim dividends) or approved by the shareholders (in case of final dividends).

This change in accounting policy has been applied retrospectively, resulting in a prior period adjustment (note 12) by increasing both the opening balance of retained earnings and the shareholders' funds as at 31 March 2001 by \$72,000,000.

(b) SSAP 26 "Segment reporting"

In note 2 to this interim financial report, the Group has disclosed segment revenue and results as defined under SSAP 26. The Group has determined that business segments will be presented as the primary reporting format and by geographical segments as the secondary reporting format. Comparative information has been given.

Segment revenue, expense and results include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to that segment and are determined before intra-group balances and intra-group transactions are eliminated as part of the consolidation process.

(c) SSAP 30 "Business combinations"

Previously goodwill arising on the acquisition of subsidiaries and associates was charged directly to retained earnings in the year of acquisition. In accordance with SSAP 30, goodwill arising from acquisitions is capitalised and is amortised to the profit and loss account on a straight-line basis over its estimated useful life not exceeding 20 years. Any impairment of the goodwill will be recognised as an expense in the profit and loss account immediately.

The Group has taken advantage of the transitional provisions of SSAP 30 by not restating goodwill previously included in reserves. The directors consider that goodwill previously charged to retained earnings had been fully impaired prior to 1 April 2000. Accordingly, this change in accounting policy does not have any impact on the Group's profit for the current or prior period and net assets at the current or prior period end.

1. Basis of preparation (continued)

(d) SSAP 31 "Impairment of assets"

SSAP 31 prescribes the procedures to be applied to ensure that assets are carried at not more than their recoverable amounts. The recoverable amount of an asset is defined to be the higher of its net selling price and its value in use. The Group determines the value in use of its asset, as the present value of estimated future cash flows together with estimated disposal proceeds at the end of its useful life. The Group is required to assess at each balance sheet date whether there are any indications that assets may be impaired, and if there are such indications, the recoverable amount of the assets is to be determined. Any resulting impairment losses identified are charged to the profit and loss account.

2. Segmental reporting

An analysis of the Group's revenue and results for the six months ended 30 September 2001 and 2000 by business segments is as follows:

	Turnover		Segment profit/(loss)	
	Six months ended		Six months ended	
	30 September	30 September	30 September	30 September
	2001	2000	2001	2000
	\$'000	\$'000	\$'000	\$'000
Hotel operation	129,450	149,359	42,035	49,160
Property investment	48,801	44,636	46,527	42,038
Golf and recreational club operation	13,018	11,782	(3,181)	(975)
	<u>191,269</u>	<u>205,777</u>	<u>85,381</u>	90,223
Unallocated other revenue			5,962	7,816
Unallocated operating income and expenses			<u>(18,104)</u>	<u>(21,469)</u>
Profit from operations			<u>73,239</u>	<u>76,570</u>

Segmental information is presented only in respect of the Group's business segments. No geographical analysis is shown as less than 10% of the Group's turnover and profit from operations were derived from activities outside Hong Kong.

3. Profit from ordinary activities before taxation

Profit from ordinary activities before taxation is arrived at after charging/(crediting):

	Six months ended 30 September	
	2001	2000
	\$'000	\$'000
(a) Finance cost:		
Interest on bank advances and other borrowings repayable within 5 years	<u>547</u>	<u>769</u>
(b) Other items:		
Net loss/(profit) on sale of fixed assets	26	(25)
Dividend income from listed securities	(120)	(116)
Net unrealised gain on other investments in securities carried at fair value	(431)	—
Depreciation	<u>12,522</u>	<u>13,781</u>

4. Taxation

	Six months ended 30 September	
	2001	2000
	\$'000	\$'000
Hong Kong profits tax	10,940	11,166
Overseas taxation	64	—
Deferred taxation	168	263
	<u>11,172</u>	<u>11,429</u>

The provision for Hong Kong profits tax is calculated at 16% (2000: 16%) of the estimated assessable profits for the six months ended 30 September 2001. Taxation for overseas subsidiaries is charged at the appropriate current rates of taxation ruling in the relevant countries.

5. Dividends attributable to the interim period

	Six months ended 30 September	
	2001	2000
	\$'000	\$'000
Interim dividend declared after the interim period end of 8 cents (2000: 8 cents) per share	<u>28,800</u>	<u>28,800</u>

The interim dividend declared after the interim period end has not been recognised as a liability at the interim period end date.

6. Earnings per share

The calculation of basic earnings per share is based on the profit attributable to shareholders of \$55,020,000 (2000: \$64,372,000) and 360,000,000 ordinary shares (2000: 360,000,000 ordinary shares) in issue during the period. There were no potential dilutive shares in existence during the six months ended 30 September 2001 and 2000.

7. Fixed assets

The hotel and investment properties were revalued at 30 September 2001 by the directors, who are not qualified valuers, using relevant market indices to update the professional valuations that were carried out at 31 March 2001. Revaluation deficit of the hotel properties, amounting to \$170,000,000, has been transferred to the hotel properties revaluation reserve (see note 12).

No significant changes in the value of the investment properties since 31 March 2001 was identified and therefore, no adjustments are considered necessary in this respect.

8. Accounts receivable, deposits and prepayments

Included in accounts receivable, deposits and prepayments are accounts receivable (net of specific provisions for bad and doubtful debts) with the following ageing analysis:

	30 September 2001	31 March 2001
	<i>\$'000</i>	<i>\$'000</i>
Current	7,872	10,151
1 to 3 months overdue	2,327	2,215
More than 3 months overdue but less than 12 months overdue	1,916	1,664
More than 12 months overdue	210	625
	<u>12,325</u>	<u>14,655</u>

Debts are generally due within 45 days in respect of hotel operation and 14 days in respect of the operation of investment properties from the date of billing. Debtors of the hotel operation with balances that are 60 days overdue are requested to settle all outstanding balances before any further credit is granted. For debtors of the operation of investment properties, legal action will be taken against overdue debtors whenever the situation is appropriate.

9. Cash and cash equivalents

	30 September 2001	31 March 2001
	<i>\$'000</i>	<i>\$'000</i>
Deposits with bank	319,104	245,731
Cash at bank and in hand	7,023	8,435
	<u>326,127</u>	<u>254,166</u>

10. Accounts payable, other payables and accruals

Included in accounts payable, other payables and accruals are accounts payable with the following ageing analysis:

	30 September 2001	31 March 2001
	<i>\$'000</i>	<i>\$'000</i>
Due within one month or on demand	6,845	6,127
Due after 1 month but within 3 months	349	296
Due after 3 months but within 6 months	84	329
Retention monies payable after 12 months	3,077	3,172
	<u>10,355</u>	<u>9,924</u>

11. Share capital

	No. of shares	Amount
	<i>'000</i>	<i>\$'000</i>
<i>Issued and fully paid:</i>		
At 1 April 2001 and 30 September 2001	<u>360,000</u>	<u>360,000</u>

12. Reserves

	Investment properties revaluation reserves \$'000	Hotel properties revaluation reserve \$'000	Exchange reserve \$'000	Capital reserve \$'000	Retained earnings \$'000	Total \$'000
At 1 April 2001						
— as previously reported	870,149	1,721,797	(5,074)	115,920	801,234	3,504,026
— prior period adjustment in respect of dividends (<i>note 1(a)</i>)	—	—	—	—	72,000	72,000
— as restated	870,149	1,721,797	(5,074)	115,920	873,234	3,576,026
Dividends approved in respect of previous financial year	—	—	—	—	(72,000)	(72,000)
Revaluation deficit (<i>note 7</i>)	—	(170,000)	—	—	—	(170,000)
Premium in respect of shares issued by a subsidiary to minority shareholders	—	—	—	1,468	—	1,468
Exchange differences	—	—	(63)	(11)	—	(74)
Profit for the period	—	—	—	—	55,020	55,020
At 30 September 2001	<u>870,149</u>	<u>1,551,797</u>	<u>(5,137)</u>	<u>117,377</u>	<u>856,254</u>	<u>3,390,440</u>

13. Capital commitments outstanding not provided for in the interim financial report

	30 September 2001 \$'000	31 March 2001 \$'000
Contracted for	607	2,502
Authorised but not contracted for	<u>4,507</u>	<u>4,987</u>
	<u>5,114</u>	<u>7,489</u>

INTERIM DIVIDEND

The Directors have resolved that an interim dividend of 8 cents (2000: 8 cents) per share be payable on or about 17 January 2002 to shareholders whose names appear on the register of members of the Company on 8 January 2002. The register of members of the Company will be closed from 3 January 2002 to 8 January 2002, both dates inclusive. Accordingly, transfers must be lodged with the Company's registrars by not later than 4:00 p.m. on Wednesday, 2 January 2002.

BUSINESS REVIEW

- The Group achieved a profit from operations of approximately \$73.2 million for the half year ended 30 September 2001, representing a decrease of approximately 4.4% compared with the corresponding period in 2000. The decrease in profit from operations was mainly due to the decreased contribution from the operation of the Hyatt Regency Hotel (the "Hotel").
- The average room rate obtained at the Hotel during the half year ended 30 September 2001 was approximately \$778, representing a decrease of approximately 2.7% in comparison with the corresponding period in 2000.
- The average room occupancy of the Hotel during the half year ended 30 September 2001 was approximately 70.4% as compared to approximately 79.7% for the half year ended 30 September 2000.
- For the period under review, both the Hotel's average room rate and average room occupancy rate recorded declines against the corresponding period in 2000 due to the downturn of the United States and Japan economies.
- Rental income for the Hotel's shopping arcade for the half year ended 30 September 2001 was approximately \$48.7 million, representing an increase of approximately 9.2% over that of the corresponding period in 2000. The increase was due to the higher rental charged on certain renewed tenancy agreements, as well as a number of previously vacant shops having been successfully leased to new tenants during the period under review.
- As at 30 September 2001, the total number of employees of the Group (excluding the employees of the Hotel but including the Executive Directors and employees of the Group's resort operation) was 205, and the related costs incurred during the period amounted to \$12.8 million.
- The shareholders' funds for the Group as at 30 September 2001 were approximately \$3,750 million, and total borrowings of the Group were \$20 million. Accordingly, the Group's gearing ratio as at 30 September 2001 was approximately 0.5%.
- There has been no material change to the information disclosed in the Company's annual report for the year ended 31 March 2001 which necessitates additional disclosure to be made herein.

OUTLOOK

Similar to other top grade hotels in Hong Kong, it is anticipated that the Hotel will be operating in a difficult environment. As mentioned above, the results of the Hotel have already been negatively affected by the economic slowdown in the United States and Japan during the period under review. The

situation has worsened as a result of the September 11th events in the United States and has led to many cancellations of hotel bookings. Although the data released by the Hong Kong Tourism Board ("HKTB") for the month of September 2001 did not show a drastic decrease in visitor arrivals, the HKTB has warned that the situation could worsen. The decrease in visitor arrivals was reflected in the top grade hotels category where occupancy fell to 71% for October 2001 as compared with 88% for October 2000. The Group will try to tackle these adverse factors by strengthening its marketing activities and by cost management.

Despite the sluggish retail market in Hong Kong, rental income from the Hotel's shopping arcade is expected to be maintained.

DIRECTORS' INTERESTS

The following table shows the beneficial interests as at 30 September 2001 of the Directors in shares of HK\$1 each in the share capital of the Company, as recorded in the Company's register maintained pursuant to the Securities (Disclosure of Interests) Ordinance:

Name	Number of shares			Total beneficial interests
	Personal interests	Family interests	Corporate interests	
Cheong Hooi Hong (<i>Chairman</i>)	2,073,992	—	—	2,073,992
Cheong Kheng Lim (<i>Deputy Chairman & Managing Director</i>)	25,169,715	34,000	—	25,203,715
Cheong Keng Hooi	14,969,839	275,280	—	15,245,119
Cheong Sim Lam	2,659,155	24,000	—	2,683,155
Cheong Been Kheng	3,411,198	—	—	3,411,198
Sin Cho Chiu, Charles	242,000	—	120,000	362,000
Lau Wah Sum	—	—	—	—

Note: The corporate interest of 120,000 shares represents 120,000 shares held by Chason Limited where Mr Sin Cho Chiu, Charles is taken to be interested in such shares under the Securities (Disclosure of Interests) Ordinance.

The following table shows the beneficial interests as at 30 September 2001 of the Directors in shares of Malaysian Ringgit 1 each in the share capital of Austin Hills Country Resort Bhd., an indirectly held subsidiary of the Company:

Name	Number of shares			Total beneficial interests
	Personal interests	Family interests	Corporate interests	
Cheong Hooi Hong	—	—	—	—
Cheong Kheng Lim	1	—	—	1
Cheong Keng Hooi	—	—	—	—
Cheong Sim Lam	—	3	—	3
Cheong Been Kheng	—	—	—	—
Sin Cho Chiu, Charles	—	—	—	—
Lau Wah Sum	—	—	—	—

The following table shows the beneficial interests as at 30 September 2001 of the Directors in shares of HK\$0.25 each in the share capital of Tian Teck Land Limited (which, including shares held by its wholly-owned subsidiary, beneficially owned 180,030,681 shares of HK\$1 each in the Company, representing 50.01% of its issued share capital):

Name	Number of shares			Total beneficial interests
	Personal interests	Family interests	Corporate interests	
Cheong Hooi Hong	1,625,792	—	—	1,625,792
Cheong Kheng Lim	45,279,872	115,292	—	45,395,164
Cheong Keng Hooi	26,742,036	1,002,384	—	27,744,420
Cheong Sim Lam	4,191,504	—	—	4,191,504
Cheong Been Kheng	300,100	—	—	300,100
Sin Cho Chiu, Charles	2,000	—	115,200	117,200
Lau Wah Sum	—	—	—	—

Note: The corporate interest of 115,200 shares represents 115,200 shares held by Chason Limited where Mr Sin Cho Chiu, Charles is taken to be interested in such shares under the Securities (Disclosure of Interests) Ordinance.

The following table shows the beneficial interests as at 30 September 2001 of the Directors in shares of HK\$1 each in the share capital of Tian Teck Investment Holding Co., Limited (subsidiaries of which, including Tian Teck Land Limited, beneficially held 180,030,681 shares of HK\$1 each in the Company, representing 50.01% of its issued share capital):

Name	Number of shares			Total beneficial interests
	Personal interests	Family interests	Corporate interests	
Cheong Hooi Hong	25	—	—	25
Cheong Kheng Lim	25	—	—	25
Cheong Keng Hooi	25	—	—	25
Cheong Sim Lam	25	—	—	25
Cheong Been Kheng	—	—	—	—
Sin Cho Chiu, Charles	—	—	—	—
Lau Wah Sum	—	—	—	—

The following table shows the beneficial interests as at 30 September 2001 of the Directors in shares of HK\$1 each in the share capital of Yik Fok Investment Holding Company, Limited (which is an indirectly-owned subsidiary of Tian Teck Investment Holding Co., Limited), representing 0.00695% of Yik Fok Investment Holding Company, Limited's issued share capital:

Name	Number of shares			Total beneficial interests
	Personal interests	Family interests	Corporate interests	
Cheong Hooi Hong	10	—	—	10
Cheong Kheng Lim	10	—	—	10
Cheong Keng Hooi	10	—	—	10
Cheong Sim Lam	10	—	—	10
Cheong Been Kheng	1,350	—	—	1,350
Sin Cho Chiu, Charles	—	—	—	—
Lau Wah Sum	—	—	—	—

Note: "Personal interests" consists of shares owned beneficially by the relevant director and registered in the director's name or in the name of the director's nominee. "Family interests" consists of shares owned beneficially by the spouse of the relevant director and registered in the spouse's name or in the name of the spouse's nominee (no shares being beneficially owned by any children aged under 18 of any of the directors). "Corporate interests" consists of shares beneficially owned by a corporation in which the relevant director is entitled to exercise or control the exercise of one third or more of the voting power in general meetings of that corporation or where the corporation or its directors are accustomed to act in accordance with the director's directions or instructions, and registered in the corporation's name or in the name of the corporation's nominee.

No director had any interest in or rights to subscribe for relevant securities other than as shown above.

SUBSTANTIAL SHAREHOLDERS

As at 30 September 2001, the following interests in shares in the Company were recorded in the register required to be kept under Section 16(1) of the Securities (Disclosure of Interests) Ordinance:

Name of person having disclosed an interest in shares in the Company	Number of shares of HK\$1 in which an interest was disclosed
Tian Teck Investment Holding Co., Limited	180,030,681
Tian Teck Land Limited	180,030,681

Note: The registered holders shown on the relevant disclosure notice for Tian Teck Investment Holding Co., Limited were the same as those shown on the disclosure notice for Tian Teck Land Limited.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

During the period, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's shares.

PLEDGE OF ASSETS

As at 30 September 2001, certain land and buildings of the Company with an aggregate carrying value of approximately \$3,204,947,000 were mortgaged or charged to a bank for credit facilities of \$100 million granted to the Company. Such banking facilities were utilised to the extent of \$20 million as at 30 September 2001.

COMPLIANCE WITH THE CODE OF BEST PRACTICE

In the opinion of the Directors, the Company has complied 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, throughout the period.

By Order of the Board
Sin Cho Chiu, Charles
Secretary

Hong Kong, 7 December 2001

INDEPENDENT REVIEW REPORT TO THE BOARD OF DIRECTORS OF ASSOCIATED INTERNATIONAL HOTELS LIMITED

Introduction

We have been instructed by the company to review the interim financial report set out on pages 1 to 9.

Directors' responsibilities

The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and Statement of Standard Accounting Practice 25 "Interim financial reporting" issued by the Hong Kong Society of Accountants. The interim financial report is the responsibility of, and has been approved by, the directors.

Review work performed

We conducted our review in accordance with Statement of Auditing Standards 700 "Engagements to review interim financial reports" issued by the Hong Kong Society of Accountants. A review consists principally of making enquiries of group management and applying analytical procedures to the interim financial report and based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the interim financial report.

Review conclusion

On the basis of our review which does not constitute an audit, we are not aware of any material modifications that should be made to the interim financial report for the six months ended 30 September 2001.

KPMG

Certified Public Accountants

Hong Kong, 7 December 2001