DAH HWA

2001 Interim Report

DAH HWA INTERNATIONAL (HOLDINGS) LIMITED

(Incorporated in the Cayman Islands with limited liability)

Interim Results

For the six months ended 30 September 2001

The board of Directors (the "Board") of Dah Hwa International (Holdings) Limited (the "Company") announces the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30 September 2001, together with comparative figures for the corresponding period in 2000.

This interim financial report has not been audited, but has been reviewed by the Company's audit committee and the Company's auditors.

Condensed Consolidated Income Statement

For the six months ended 30 September 2001

	Six months ended	
	30.9.2001 (Unaudited) *HK$*	30.9.2000 (Unaudited) *HK$*
Turnover	88,482,213	153,839,832
Cost of sales	(65,817,278)	(124,504,505)
Gross profit	22,664,935	29,335,327
Other revenue	1,277,782	888,459
Distribution costs	(3,389,041)	(3,168,675)
Administrative expenses	(17,587,502)	(27,001,146)
Provision for bad and doubtful debts	–	(13,000,000)
Impairment losses recognised in respect of properties	(20,000,000)	–
Loss from operations	(17,033,826)	(12,946,035)
Finance costs	(2,471,350)	(3,296,452)
Share of results of an associate	4,777,034	3,880,556
Loss before taxation	(14,728,142)	(12,361,931)
Taxation	(474,677)	(410,050)
Net loss for the period	(15,202,819)	(12,771,981)
Basic loss per share	2.06 cents	1.81 cents

Condensed Consolidated Balance Sheet

	NOTES	30.9.2001 (Unaudited) HK$	31.3.2001 (Audited) HK$
Non-Current Assets			
Investment property		3,800,000	3,800,000
Property, plant and equipment		54,948,997	77,643,264
Interests in associates		36,761,268	31,709,435
		95,510,265	113,152,699
Current Assets			
Inventories		49,099,354	53,877,965
Trade and other receivables	7	22,721,486	22,248,963
Amount due from ultimate holding company	8	0	49,333,381
Loan receivable	9	28,297,995	0
Dividend receivables		5,042,874	5,042,874
Tax recoverable		–	749,960
Bank balances and cash		25,094,857	2,940,764
		130,256,566	134,193,907
Current Liabilities			
Bills payable		35,074,273	40,810,763
Trade and other payables	10	17,926,837	19,363,059
Amount due to a director		–	1,760,000
Taxation payable		–	4,992
Obligations under finance leases – due within one year		237,888	237,893
Bank borrowings, secured – due within one year		1,928,440	1,761,957
Bank overdrafts, secured		4,979,600	9,843,125
		60,147,038	73,781,789
Net Current Assets		70,109,528	60,412,118
Total Assets less Current Liabilities		165,619,793	173,564,817

	NOTES	30.9.2001 (Unaudited) HK$	31.3.2001 (Audited) HK$
Capital and Reserves			
Share capital	*11*	38,010,410	35,510,410
Reserves	*12*	108,607,689	117,935,793
		146,618,099	153,446,203
Minority Interests		3,739,050	3,739,050
Non-Current Liabilities			
Obligations under finance leases			
– due after one year		433,992	509,611
Bank borrowings – due after one year		14,677,683	15,721,986
Deferred taxation		150,969	147,967
		15,262,644	16,379,564
		165,619,793	173,564,817

Condensed Consolidated Statement of Recognised Gains and Losses

	Six months ended	
	30.9.2001 (Unaudited) *HK$*	30.9.2000 (Unaudited) *HK$*
Exchange differences arising on translation of overseas operations not recognised in income statement	2,020,315	(1,320,060)
Net loss for the period	(15,202,819)	(12,771,981)
Total recognised losses	(13,182,504)	(14,092,041)

Condensed Consolidated Cash Flow Statement

	Six months ended 30.9.2001 (Unaudited) *HK$*	Six months ended 30.9.2000 (Unaudited) *HK$*
NET CASH INFLOW (OUTFLOW) FROM OPERATING ACTIVITIES	3,039,290	(5,479,326)
NET CASH OUTFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE	(16,131,542)	(1,620,202)
TAX REFUNDED	1,067,359	943,646
NET CASH INFLOW (OUTFLOW) FROM INVESTING ACTIVITIES	838,125	(357,284)
NET CASH OUTFLOW BEFORE FINANCING	(11,186,768)	(6,513,166)
NET CASH INFLOW FROM FINANCING	38,179,514	14,670,034
INCREASE IN CASH AND CASH EQUIVALENTS	26,992,746	8,156,868
CASH AND CASH EQUIVALENTS AT 1 APRIL	(6,902,361)	10,277,648
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	24,872	1,638,440
CASH AND CASH EQUIVALENTS AT 30 SEPTEMBER	20,115,257	20,072,958
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS		
Bank balances and cash	25,094,857	23,215,383
Bank overdrafts	(4,979,600)	(3,142,427)
	20,115,257	20,072,956

Notes to the Condensed Financial Statements

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2001

1. BASIS OF PREPARATION

The condensed financial statements have been prepared in accordance with Statement of Standard Accounting Practice No. 25 ("SSAP 25") "Interim Financial Reporting", and with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed financial statements have been prepared under the historical cost convention, as modified for the revaluation of the investment property.

The accounting policies adopted are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 March 2001, except as described below.

In the current period, the Group has adopted, for the first time, a number of new and revised Statements of Standard Accounting Practice issued by the Hong Kong Society of Accountants. This has resulted in the adoption of the following new/revised accounting policies.

Segment reporting

In the current period, the Group has changed the basis of identification of reportable segments to that required by SSAP 26 "Segment Reporting". Segment disclosures for the six months ended 30 September 2000 have been amended so that they are presented on a consistent basis.

Goodwill

In the current period, the Group has adopted SSAP 30 "Business Combinations" and has elected not to restate goodwill (negative goodwill) previously eliminated against (credited to) reserves. Accordingly, goodwill arising on acquisitions prior to 1 January 2001 is held in reserves and will be charged to the income statement at the time of disposal of the relevant subsidiary or associate, or at such time as the goodwill is determined to be impaired. Negative goodwill arising on acquisitions prior to 1 January 2001 will be credited to income at the time of disposal of the relevant subsidiary or associate.

Goodwill arising on acquisitions after 1 January 2001 is capitalised and amortised over its estimated useful life. Negative goodwill arising on acquisitions after 1 January 2001 is presented as a deduction from assets and will be released to income based on an analysis of the circumstances from which the balance resulted.

Impairment of assets

SSAP 31 "Impairment of Assets" is effective for periods beginning on or after 1 January 2001 and has introduced a formal framework for the recognition of impairment losses in respect of the Group's assets other than financial assets and investment properties. Although in prior years the Group complied with the requirements of specific accounting standards in respect of impairment losses, the introduction of SSAP 31 has required a re-estimation of the recoverable amount of certain property, plant and equipment, resulting in the identification of additional impairment losses at 30 September 2001 amounting to HK$20,000,000. These additional impairment losses have been recognised in full in the current interim period.

3. SEGMENTAL INFORMATION

The Group's turnover and contribution to profit (loss) from operations, analysed by principal activities are as follows:

Business segments

	Six months ended 30.9.2001				Six months ended 30.9.2000			
	Turnover			Contribution to profit (loss) from operations	Turnover			Contribution to profit (loss) from operations
	External sales	Inter-segment sales	Total		External sales	Inter-segment sales	Total	
	HK$	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*
Leather trading	64,717,960	540,629	65,258,589	(15,193,869)	100,715,419	3,364,300	104,079,719	(7,160,814)
Leatherware distribution	17,660,961	–	17,660,961	201,834	28,753,205	1,224,457	29,977,662	13,903
Leatherware manufacturing	6,078,334	16,347,800	22,426,134	1,110,048	24,122,252	12,225,004	36,347,256	(1,572,671)
Leatherware finishing	24,958	290,696	315,654	(683,554)	248,956	–	248,956	(1,015,765)
	88,482,213	17,179,125	105,661,338	(14,565,541)	153,839,832	16,813,761	170,653,593	(9,735,347)
Eliminations	–	(17,179,125)	(17,179,125)	–	–	(16,813,761)	(16,813,761)	–
	88,482,213	–	88,482,213	(14,565,541)	153,839,832	–	153,839,832	(9,735,347)
Other revenue				1,277,782				888,459
Unallocated corporate expenses				(3,746,067)				(4,099,147)
				(17,033,826)				(12,946,035)

Geographical segments

	Six months ended 30.9.2001				Six months ended 30.9.2000			
	Turnover				Turnover			
	External sales *HK$*	Inter-segment sales *HK$*	Total *HK$*	Contribution to profit from operations *HK$*	External sales *HK$*	Inter-segment sales *HK$*	Total *HK$*	Contribution to loss from operations *HK$*
Hong Kong	59,834,288	218,189	60,052,477	(13,796,945)	101,267,549	1,562,432	102,829,981	(7,234,684)
Other regions in the People's Republic of China	6,093,296	12,188,377	18,281,673	(1,418,394)	3,033,476	8,379,364	11,412,840	(1,317,083)
Australia	17,660,961	4,772,559	22,433,520	201,834	29,407,503	6,871,965	36,279,468	(33,371)
Others	4,893,668	–	4,893,668	447,964	20,131,304	–	20,131,304	(1,150,209)
	88,482,213	17,179,125	105,661,338	(14,565,541)	153,839,832	16,813,761	170,653,593	(9,735,347)
Eliminations	–	(17,179,125)	(17,179,125)	–	–	(16,813,761)	(16,813,761)	–
	88,482,213	–	88,482,213	(14,565,541)	153,839,832	–	153,839,832	(9,735,347)
Other revenue				1,277,782				888,459
Unallocated corporate expenses				(3,746,067)				(4,099,147)
				(17,033,826)				(12,946,035)

4. DEPRECIATION

During the period, depreciation of HK$2,345,399 (2000: HK$2,873,072) was charged in respect of the Group's property, plant and equipment.

5. TAXATION

	Six months ended	
	30.9.2001	30.9.2000
	HK$	*HK$*
The charge comprises:		
(Over) underprovision in prior year		
Overseas	(322,392)	34,082
Deferred taxation	–	(34,082)
Share of taxation attributable to an associate	797,069	410,050
	474,677	410,050

6. BASIC LOSS PER SHARE

The calculation of loss per share for the period is based on the consolidated net loss attributable to shareholders of HK$15,202,819 (2000: HK$12,771,981) and on the weighted average number of 738,896,725 (2000: 706,902,189) ordinary shares in issue during the period.

7. TRADE AND OTHER RECEIVABLES

The Group allows an average credit period of 60 days to its trade customers.

The following is an aged analysis of trade receivables at the reporting date:

	30.9.2001 (Unaudited) *HK$*	31.3.2001 (Audited) *HK$*
Trade receivables		
Within 30 days	11,549,298	12,999,127
31 – 60 days	6,562,295	2,692,599
61 – 90 days	1,889,795	932,156
Over 90 days	824,343	2,044,311
	20,825,731	18,668,193
Other receivables	1,895,755	3,580,770
	22,721,486	22,248,963

8. AMOUNTS DUE FROM ULTIMATE HOLDING COMPANY

	Balance at 30.9.2001 *HK$*	Balance at 31.3.2001 *HK$*	Maximum amount outstanding during the period *HK$*
D.H. International Limited	–	49,333,831	49,333,381

The amount as at 31 March 2001, which represented advance to ultimate holding company, was unsecured, non-interest bearing and subsequently repaid. The directors, Messrs. Lee Deh and Lee Sam Yuen, John and Mrs. Lee Shiao Yu Cho, had controlling interests in D.H. International Limited.

9. LOAN RECEIVABLE

Pursuant to a loan agreement dated 10 July, 2001, the Group had advanced a total sum of HK$28,297,995 to a fellow subsidiary of the remaining shareholder of a 49% associate of the Group. The advances were used for the purpose of the operations of the associate. The loan receivable is unsecured, repayable on demand and bears interest at the rate of 10% per annum. The loan receivable represents approximately 16.3% of the audited consolidated net assets of the Group for the year ended 31 March 2001.

10. TRADE AND OTHER PAYABLES

The following is an aged analysis of trade payables at the reporting date:

	30.9.2001 (Unaudited) *HK$*	31.3.2001 (Audited) *HK$*
Within 30 days	7,474,321	5,364,483
31 – 60 days	996,932	1,610,577
61 – 90 days	621,856	475,233
Over 90 days	583,867	1,244,832
	9,676,976	8,695,125
Other payables	8,249,861	10,667,934
	17,926,837	19,363,059

11. SHARE CAPITAL

	30.9.2001		31.3.2001	
	Number of shares	Nominal value *HK$*	Number of shares	Nominal value *HK$*
Ordinary shares of HK$0.05 each				
Authorised:				
Balance at beginning and end of the period/year	1,800,000,000	90,000,000	1,800,000,000	90,000,000
Issued and fully paid:				
Balance at beginning of the period/year	710,208,200	35,510,410	655,208,200	32,760,410
Shares issued for cash proceeds	50,000,000	2,500,000	55,000,000	2,750,000
Balance at end of the period/year	760,208,200	38,010,410	710,208,200	35,510,410

12. RESERVES

	Share premium *HK$*	Capital redemption reserve *HK$*	Goodwill reserve *HK$*	Investment property revaluation reserve *HK$*	Translation reserve *HK$*	Retained profits (accumulated losses) *HK$*	Total *HK$*
At 31 March 2000 and 1 April 2000	119,895,808	68,600	(14,678,161)	1,949,561	(4,776,533)	52,395,083	154,854,358
Shares issued at premium	13,750,000	–	–	–	–	–	13,750,000
Share issue expenses	(412,500)	–	–	–	–	–	(412,500)
Deficit arising from revaluation	–	–	–	(200,000)	–	–	(200,000)
Exchange translation difference	–	–	–	–	(5,560,814)	–	(5,560,814)
Net loss for the year	–	–	–	–	–	(44,495,251)	(44,495,251)
At 31 March 2001	133,233,308	68,600	(14,678,161)	1,749,561	(10,337,347)	7,899,832	117,935,793
Shares issued at premium	4,000,000	–	–	–	–	–	4,000,000
Share issue expenses	(145,600)	–	–	–	–	–	(145,600)
Exchange translation difference	–	–	–	–	2,020,315	–	2,020,315
Net loss for the period	–	–	–	–	–	(15,202,819)	(15,202,819)
At 30 September 2001	137,087,708	68,600	(14,678,161)	1,749,561	(8,317,032)	(7,302,987)	108,607,689

Post Balance Sheet Event

During the month of November 2001, the Group repurchased 3,522,500 of its own shares through the Stock Exchange of Hong Kong Limited. The aggregate price paid for the repurchases amounted to HK$327,592. The repurchases were effected by the Directors for the enhancement of shareholder value in the long term.

Business Review and Prospects

For the six months ended 30 September 2001, the Group recorded a turnover of HK$88,482,213, which represented a drop of 42% against the corresponding period in 2000. The drop in turnover was mainly attributable to the previously rampant mad cow disease which had seriously affected leather prices and supply. However, with over 50 years of experience in the leather industry, the Group has successfully shifted its focus to the higher profit margin leather which boosted up the gross profit margin from 19% in 2000 to 26% in the period under review. The Group has also successfully controlled its overheads with administrative expenses saving of approximately HK$10 million for the six month period under review. However because of the HK$20 million impairment losses recognised in respect of properties under SSAP31, the Group reported a loss of HK$15,202,819 for the six months ended 30 September 2001.

As the mad cow disease is currently under control, the price of cowhides has stabilized, which relieved the downward pressure on leather price to a large extent and supply for leather is on its way to rebound. On top of that, being a consolidated leather group, Dah Hwa is able to take full advantage of its vertically integrated business structure, which not only enhanced cost effectiveness but also allows the full utilization of comprehensive information about the leather industry for its benefit.

Being a diversified leather trading enterprise, the Group’s core businesses spread across leather trading, leather goods manufacturing as well as retail and distribution of leather products. With regard to leather trading, the Group currently engages in the trading of a large variety of high quality leather suitable for the manufacture of footwear, gloves, handbags and furniture. Having well-established relationship with suppliers, the Group is able to secure a constant supply of fine leather at competitive prices, thereby lowering costs and raising profit margins.

During the period under review, the Group took part in the Asia Pacific Leather Fair, an important global event of leather industry, held in April 2001. During the occasion, the Group succeeded in building new business contacts and exchanged up-to-date information concerning the development of the industry, which was undoubtedly conducive to the future business growth of the Group.

Apart from this, the Group's leather trade in China has maintained stable growth during the period. The three representative offices set up in Beijing, Shanghai and Guangzhou have contributed to the expansion of the Group's customer base, hence enlarging its sales in the PRC.

Regarding the leather products manufacturing business, the Group's design team in Hong Kong is responsible for designing of various trendy and sophisticated leather products, including handbags, casual bags, and luggage. Having the products manufactured in its own production plants in Zhongshan, the PRC, the Group is able to capture the benefits of low rental and labour costs, which further enhanced profit margins.

During the time when the Group successfully won the bid for the manufacturing right for 2000 Olympics products, it has also secured the production of souvenirs for certain internationally well-established brands such as IBM, Fuji Film and Foster Beer. This further proved that the Group's efficient production capabilities and high quality products are recognized by the multinational corporations, which not only enlarged its customer base but also opened up new possibilities for their future cooperation.

Regarding its retail and distribution business, the Group has several stores under the management of its wholly owned subsidiary, Paragold Distributors Pty Ltd, ("Paragold") in Australia. The products sold in these stores mainly included colourful casual bags, handbags and accessories under the brands owned by the Group, such as Cab 55, Joan Weisz and Goldcrest. All of these brands are very popular in different age groups. Besides, with strategic locations spreading across different regions of Sydney, the stores have continually attracted high customer flows. In addition to the sales network in Australia, the Group has started to negotiate with major department stores and shopping malls in Shanghai, the PRC regarding its retail business and network. As the living standards there continue to improve, the demand for high quality leather products has increased in recent years and the sales performance has been very encouraging.

During the period under review, the world's economies had been suffering from sluggish growth, and the situation was further aggravated by the devastating 911 Incident in the United States. According to the statistic from the Hong Kong Government, export of leather and leather products in the third quarter decreased by 19% in value when compared with the corresponding period last year. Despite the present volatile economic situation, history has proved the resilience of the global economy in times of crisis. Thus, the Group is optimistic that there will be a normalization of economic conditions in 2002 and markets worldwide will go forward with renewed strength. Besides, the management believes that with the impressive 7% year to date GDP growth and the accession to WTO, the PRC market will provide the Group with incredible opportunities for future business growth. On top of that, with long-established relationship with suppliers, extensive market knowledge as well as proven strategies of sourcing new and diverse types of leather, the Group is confident that it is capable of overcoming the difficulties in these extraordinarily trying times and is well-positioned to expand its strong foothold in the leather industry.

Purchase, Sale or Redemption of the Company's Listed Shares

There was no purchase, sale or redemption of the Company's securities by the Company or any of its subsidiaries during the six months ended 30 September 2001.

Directors' Interests in Share

As at 30 September 2001, the interests of the directors in the share capital of the Company as recorded in the register maintained by the Company pursuant to Section 29 of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance") were as follows:

	Number of ordinary shares held		
Name of directors	Personal interests	Corporate interests	Other interests
Mr. Lee Deh	–	–	427,252,000 *(a)*
Mrs. Lee Shiao Yu Cho	450,000	–	427,252,000 *(a)*
Mr. Lee Sam Yuen, John	3,768,000	–	427,252,000 *(a)*
Dr. Sun Ping Hsu, Samson	–	7,200,000 *(b)*	–
Mr. Callister, Stephen William	780,000	–	

Notes:

(a) These shares are held by D.H. International Limited, a company owned by a foundation under which Mr. Lee Deh, Mrs. Lee Shiao Yu Cho and Mr. Lee Sam Yuen, John are beneficiaries.

(b) These shares are held by Sun International Limited, a company controlled by Dr. Sun Ping Hsu, Samson.

Other than as disclosed above and other than the nominee shares in subsidiaries held by a director in trust for the Group as at 30 September 2001, none of the directors or the chief executives or their associates had any interests in any securities of the Company or any of its subsidiaries as defined in the SDI Ordinance.

Substantial Shareholders

Other than the interests disclosed above in respect of 427,252,000 shares held by D.H. International Limited (representing approximately 56% of the entire issued share capital of the Company), the register of substantial shareholders maintained by the Company pursuant to Section 16(1) of the SDI Ordinance discloses no person as having an interest of 10% or more in the issued share capital of the Company as at 30 September 2001.

Loan Receivable

Pursuant to a loan agreement dated 10th July, 2001, the group had advanced a total sum of HK$28,297,995 to a fellow subsidiary of the remaining shareholder of a 49% associate of the Group. The advances were used for the purpose of the operations of the associate. The loan receivable is unsecured, repayable on demand and bear interest at the rate of 10% per annum. The loan receivable represent approximately 16.3% of the audited consolidated net assets of the Group for the year ended 31st March 2001.

Audit Committee

In view of the limitations on the scope of the review and the inability to reach a review conclusion by the auditors, the majority of the Audit Committee of the Company did not approve the unaudited interim financial statements of the Company for the six months ended 30 September, 2001.

Compliance with Code of Best Practice

None of the directors of the Company are aware of any information that would reasonably indicate that the Company is not, or was not for any part of the six months ended 30 September 2001, 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.

For and on behalf of the board
Lee Sam Yuen
Managing Director

Hong Kong, 10 January 2002

Independent Review Report

To the Board of Directors of Dah Hwa International (Holdings) Limited.

Introduction

We have been instructed by the Company to review the interim financial report set out on pages 1 to 18.

Directors' responsibilities

The Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules") require the preparation of an interim financial report to be in compliance with the Statement of Standard Accounting Practice No. 25 ("SSAP 25") "Interim Financial Reporting" issued by the Hong Kong Society of Accountants and the relevant provisions thereof. 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 the Statement of Auditing Standards 700 "Engagement to Review Interim Financial Reports" ("SAS 700") issued by the Hong Kong Society of Accountants, except that the scope of our review was limited as explained below.

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.

The scope of the review was limited as set out below

a. Included in the interim financial report is share of net assets of the associate amounting to HK$36,761,268 included in the condensed consolidated balance sheet as at 30 September 2001 and share of results of associate amounting to HK$4,777,034 and the related taxation of HK$797,069 included in the condensed consolidated income statement for the six months then ended. We were unable to obtain sufficient evidence for the purposes of our review to conclude as to whether such amounts are free from material misstatement in the interim financial report.

Similarly, we were unable to assess whether any impairment loss has arisen in respect of the goodwill reserve arising from the acquisition of the associate in prior years amounting to HK$16,824,082 included in the condensed consolidated balance sheet as at 30 September 2001.

Also, we were unable to reach a conclusion regarding the recoverability of dividend receivables from the associate amounting to HK$5,042,874 as at 30 September 2001.

b. We were unable to obtain sufficient evidence for the purposes of our review to reach a conclusion as to the validity of a loan receivable amounting to HK$28,297,995 included in the condensed consolidated balance sheet as at 30 September 2001. Also, in the absence of any information regarding the financial position of the borrower, we were unable to reach a conclusion as to whether a provision is required in respect of this amount.

Inability to reach a review conclusion

Because of the significance of the possible effect of the limitations in evidence available to us, we are unable to reach a review conclusion as to whether material modifications that should be made to the interim financial report for the six months ended 30 September 2001.

Without further modifying our review conclusion, we draw to your attention that the comparative condensed consolidated income statement, condensed consolidated cash flow statement and the condensed consolidated statement of recognized gains and losses for the six months ended 30 September 2000 disclosed in the interim financial report have not been reviewed in accordance with SAS 700.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong, 10 January 2002