



LAI FUNG HOLDINGS

LAI FUNG HOLDINGS LIMITED

Interim Report 2001-2002

## **PLACE OF INCORPORATION**

Cayman Islands

## **BOARD OF DIRECTORS**

Lam Kin Ngok, Peter (Chairman)

Lam Kin Ming\* (Deputy Chairman)

Ho Wing Tim<sup>o</sup> (Chief Executive Officer)

Lam Kin Hong, Matthew (appointed on 22nd December, 2001)  
(Deputy Chief Executive Officer)

Lam Kin Ko, Stewart<sup>o</sup>

Yew Yat Ming (appointed on 7th January, 2002)

Chiu Wai<sup>o</sup>

Shiu Kai Wah<sup>o</sup>

Mui Chiu Ying<sup>o</sup>

Siu Fai Wing<sup>o</sup>

Yu Po Kwan<sup>o</sup>

Chan Lap Wai (appointed on 22nd December, 2001)

Wong Yee Sui, Andrew\*\*

Lam Bing Kwan\*\*

*Tong Yuk Lun, Paul resigned as Director and Vice Chairman on  
30th November, 2001*

\* also alternate director to<sup>o</sup>

\*\* independent non-executive directors

## **COMPANY SECRETARY**

Yeung Kam Hoi

## RESULTS

The Board of Directors of Lai Fung Holdings Limited (the “Company”) announces that the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 31st January, 2002 are as follows:

### CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the six months ended 31st January, 2002

	<i>Notes</i>	<b>Six months ended</b>	
		<b>31/1/02</b>	<b>31/1/01</b>
		<b>(Unaudited)</b>	<b>(Unaudited)</b>
		<b>HK\$'000</b>	<b>HK\$'000</b>
Turnover	2	<b>77,840</b>	74,843
Cost of sales		<b>(34,866)</b>	(31,541)
Gross profit		<b>42,974</b>	43,302
Other revenues		<b>31,335</b>	27,967
Administrative expenses		<b>(39,986)</b>	(36,044)
Other operating expense		<b>(3,000)</b>	—
Profit from operating activities	3	<b>31,323</b>	35,225
Finance costs	4	<b>(33,154)</b>	(44,705)
Share of losses of associates		<b>(10,312)</b>	(29,433)
Loss before tax		<b>(12,143)</b>	(38,913)
Tax	5	<b>395</b>	—
Loss after tax		<b>(11,748)</b>	(38,913)
Minority interests		<b>1,336</b>	(295)
Net loss from ordinary activities attributable to shareholders		<b>(10,412)</b>	(39,208)
Loss per share	6		
Basic		<b>0.34 cents</b>	3.04 cents
Diluted		<b>N/A</b>	N/A

## CONDENSED CONSOLIDATED BALANCE SHEET

As at 31st January, 2002

		31/1/02 (Unaudited) HK\$'000	31/7/01 (Audited) HK\$'000
	Notes		
Non-current assets			
Fixed assets		5,957	6,364
Investment properties		2,954,000	2,954,000
Properties under development		3,378,938	3,354,567
Associates		632,957	624,178
Jointly controlled entities		50,169	50,127
		<b>7,022,021</b>	6,989,236
Current assets			
Pledged bank deposits		19,664	2,315
Cash and bank balances		118,992	98,507
Completed properties developed for sale		25,787	58,130
Debtors, deposits and prepayments	7	66,251	54,814
Tax prepayments		15,553	14,370
		<b>246,247</b>	228,136
Current liabilities			
Current portion of long-term bank loans		153,452	86,106
Creditors and accruals	8	313,811	303,780
		<b>467,263</b>	389,886
Net current liabilities		<b>(221,016)</b>	(161,750)
Total assets less current liabilities		<b>6,801,005</b>	6,827,486
Non-current liabilities			
Long-term bank loans, secured		853,021	891,635
Loans from a substantial shareholder	9	73,532	53,285
Long-term rental deposits received		9,740	7,303
		<b>936,293</b>	952,223
		<b>5,864,712</b>	5,875,263
Capital and reserves			
Share capital	10	307,083	307,083
Reserves	11	5,395,932	5,405,804
		<b>5,703,015</b>	5,712,887
Minority interests		<b>161,697</b>	162,376
		<b>5,864,712</b>	5,875,263

## CONDENSED CONSOLIDATED STATEMENT OF RECOGNISED GAINS AND LOSSES

For the six months ended 31st January, 2002

	Six months ended	
	31/1/02	31/1/01
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Exchange differences arising on translation of the financial statements of subsidiaries, associates and jointly controlled entities	540	3,035
Gain not recognised in the profit and loss account	540	3,035
Net loss from ordinary activities attributable to shareholders	(10,412)	(39,208)
Total recognised losses	(9,872)	(36,173)

## CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 31st January, 2002

	Six months ended	
	31/1/02	31/1/01
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
NET CASH INFLOW FROM OPERATING ACTIVITIES	<b>46,286</b>	54,905
NET CASH OUTFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE	<b>(33,188)</b>	(46,213)
NET CASH OUTFLOW FROM TAX	<b>(788)</b>	(3,000)
NET CASH OUTFLOW FROM INVESTING ACTIVITIES	<b>(21,836)</b>	(61,400)
NET CASH OUTFLOW BEFORE FINANCING	<b>(9,526)</b>	(55,708)
NET CASH INFLOW/(OUTFLOW) FROM FINANCING	<b>47,890</b>	(18,695)
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	<b>38,364</b>	(74,403)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	<b>98,507</b>	180,004
INCREASE ON RESTRICTED BANK DEPOSITS PLEDGED	<b>(17,349)</b>	—
EXCHANGE REALIGNMENT	<b>(530)</b>	772
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<b>118,992</b>	106,373
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	<b>118,992</b>	106,373

Notes:

## 1. PRINCIPAL ACCOUNTING POLICIES

These unaudited condensed consolidated financial statements have been prepared under the historical cost convention except for the revaluation of investment properties and properties under development held for investment potential and have been prepared in accordance with Statement of Standard Accounting Practice 25 (SSAP 25), "Interim financial reporting" issued by the Hong Kong Society of Accountants.

The accounting policies and basis of preparation used in the preparation of the interim financial statements are the same as those used in the annual financial statements for the year ended 31st July, 2001, except that the following new or revised Statements of Standard Accounting Practice ("SSAPs") and related Interpretation effective for accounting periods commenced on or after 1st January, 2001 are adopted for the first time in the preparation of the current period's unaudited condensed consolidated interim financial statements:

- SSAP 26 : "Segment reporting"
- SSAP 28 : "Provisions, contingent liabilities and contingent assets"
- SSAP 30 : "Business combinations"
- SSAP 31 : "Impairment of assets"
- SSAP 32 : "Consolidated financial statements and accounting for investments in subsidiaries"
- Interpretation 13 : "Goodwill — continuing requirements for goodwill and negative goodwill previously eliminated against/credited to reserves"

These SSAPs prescribe new accounting measurement and disclosure practices. The major effects on the Group's accounting policies of adopting these SSAPs and Interpretation, are summarized as follows:

SSAP 26 prescribe the principles to be applied for financial information by segment. In accordance with the Group's internal financial reporting, the Group has determined that business segments be presented as the primary reporting format and geographical segments as the secondary reporting format. Comparative information has been given.

SSAP 28 prescribes the recognition criteria and measurement bases to apply to provisions, contingent liabilities and contingent assets, together with the required disclosures in respect thereof. The adoption of the SSAP 28 has had no significant impact on the preparation of these interim financial statements.

## 1. PRINCIPAL ACCOUNTING POLICIES (Continued)

SSAP 30 prescribes the accounting treatment for business combinations, including the determination of the date of acquisition, the method for determining the fair values of the assets and liabilities acquired, and the treatment of goodwill or negative goodwill arising on acquisition. Interpretation 13 prescribes the application of SSAP 30 to goodwill arising from acquisitions in previous years which remains eliminated against reserves. The transitional provisions set out in paragraph 88 of SSAP 30 have been adopted by the Group for goodwill/negative goodwill arose from acquisitions prior to 1st August, 2001, the date when the SSAP was first adopted by the Group, which had been previously eliminated against/taken to reserves and had not been retrospectively restated under the SSAP. On disposal of subsidiaries and associates, the gain or loss on disposal is calculated by reference to the net assets at the date of disposal, including the attributable amount of goodwill which remains unamortised or negative goodwill which has not been recognised in the profit and loss account and any relevant reserves as appropriate.

SSAP 31 prescribes the recognition and measurement criteria for impairments of assets. The SSAP is required to be applied prospectively and therefore, has had no effect on amounts previously reported in prior year financial statements.

SSAP 32 prescribes the accounting treatment and disclosures for the preparation and presentation of consolidation financial statements, and has had no significant impact on the preparation of these financial statements.

## 2. TURNOVER AND SEGMENTAL INFORMATION

The Group's principal activities have not changed during the period and consisted of property development for sale and property investment for rental purposes.

	Turnover		Contribution to operating Profit/(Loss)	
	Six months ended		Six months ended	
	31/1/02	31/1/01	31/1/02	31/1/01
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Sales of completed properties	29,857	38,620	(8,009)	7,079
Rental	47,983	36,223	24,189	15,831
	<b>77,840</b>	<b>74,843</b>	<b>16,180</b>	<b>22,910</b>
Other revenues			22,215	19,270
Unallocated administrative expenses			(7,072)	(6,955)
			<b>31,323</b>	<b>35,225</b>

No geographical analysis is presented as over 90% of the Group's turnover and operating profit are derived from activities inside the People's Republic of China.



### 3. PROFIT FROM OPERATING ACTIVITIES

	Six months ended	
	31/1/02	31/1/01
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
This is arrived at after charging:		
Cost of completed properties developed for sale recognised*	37,866	31,541
Depreciation	893	1,407
Amortisation of goodwill arising on acquisition of an associate	—	578

\* included provision for completed properties for sales to net realisable value of HK\$3,000,000 (2001: Nil)

### 4. FINANCE COSTS

	Six months ended	
	31/1/02	31/1/01
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Interest expenses on:		
Bank loans repayable within five years	31,078	6,953
Amounts due to minority shareholders	—	1,318
Convertible guaranteed bonds and convertible note	—	38,955
Loans from a substantial shareholder	1,297	—
Provision for premium on convertible note redemption	—	10,000
Bank charges	2,578	—
	34,953	57,226
Less:		
Amounts capitalised in properties under development	(1,799)	(10,082)
Amounts capitalised in associates engaged in property development	—	(2,439)
	33,154	44,705

## 5. TAX

No provision for Hong Kong profits tax has been made as the Group had no estimated assessable profits arising in Hong Kong during the period (2001: Nil).

Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in places in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

	Six months ended	
	31/1/02	31/1/01
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Over-provision of tax in the People's Republic of China in prior year	395	—

## 6. LOSS PER SHARE

Basic loss per share is calculated based on the following:

	Six months ended	
	31/1/02	31/1/01
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Net loss from ordinary activities attributable to shareholders	10,412	39,208

	Six months ended	
	31/1/02	31/1/01
	(Unaudited)	(Unaudited)
	'000	'000
Weighted average number of ordinary shares in issue during the period	3,070,827	1,289,079

Diluted loss per share for the six months ended 31st January, 2002 and 2001 has not been shown because there were no potential shares which have dilutive effect on the basic loss per share outstanding during these periods.

## 7. DEBTORS, DEPOSITS AND PREPAYMENTS

The credit terms of the Group range from 30 to 180 days. The ageing analysis of debtor is stated as follows:

	31/1/02 (Unaudited) HK\$'000	31/7/01 (Audited) HK\$'000
Amount not yet due	11,551	7,975
Overdue by:		
0–30 days	1,256	5,405
31–60 days	2,308	8,307
61–90 days	3,184	1,865
more than 90 days	20,668	14,299
Trade receivables	38,967	37,851
Deposits and prepayments	27,284	16,963
Total	66,251	54,814

## 8. CREDITORS AND ACCRUALS

The ageing analysis of creditors is stated as follows:

	31/1/02 (Unaudited) HK\$'000	31/7/01 (Audited) HK\$'000
Overdue by:		
0–30 days	97,889	88,339
more than 180 days	62,032	84,113
Trade payables	159,921	172,452
Accruals	153,890	131,328
Total	313,811	303,780

## 9. LOANS FROM A SUBSTANTIAL SHAREHOLDER

The balance outstanding at the balance sheet date in respect of the loans granted by a substantial shareholder to the Group during the period are as follows:

	31/1/02 (Unaudited) HK\$'000	31/7/01 (Audited) HK\$'000
Interest bearing at best lending rate quoted by a specified		
bank	40,787	40,787
Interest bearing at LIBOR	10,795	10,795
Interest free	21,950	1,703
Total	73,532	53,285

All the loans above are unsecured and repayable on or before 31st December, 2003.

## 10. SHARE CAPITAL

	Number of shares 31/1/02 (Unaudited) '000	Nominal value 31/1/02 (Unaudited) HK\$'000	Number of shares 31/7/01 (Audited) '000	Nominal value 31/7/01 (Audited) HK\$'000
Authorised:				
Ordinary share of HK\$0.10 each	7,000,000	700,000	7,000,000	700,000
Issued and fully paid:				
Ordinary share of HK\$0.10 each	3,070,827	307,083	3,070,827	307,083

## 11. RESERVES

	Share premium account HK\$'000	Exchange fluctuation reserve HK\$'000	Investment properties revaluation reserve HK\$'000	Properties under development held for investment potential revaluation reserve HK\$'000	Capital reserve HK\$'000	Retained profits/ (accumulated losses) HK\$'000	Total HK\$'000
At 1st August, 2001 (Audited)	3,228,831	16,340	438,120	1,534,865	181,292	6,356	5,405,804
Exchange realignments:							
Subsidiaries	—	243	—	—	—	—	243
Associates	—	255	—	—	—	—	255
Jointly controlled entities	—	42	—	—	—	—	42
Loss for the period retained	—	—	—	—	—	(10,412)	(10,412)
At 31st January, 2002 (Unaudited)	3,228,831	16,880	438,120	1,534,865	181,292	(4,056)	5,395,932

## 12. RELATED PARTY TRANSACTIONS

The Group had the following material transaction with related parties during the period:

		Six months ended 31/1/02 (Unaudited) HK\$'000	31/1/01 (Unaudited) HK\$'000
	Notes		
Interest income from an associate	(a)	18,836	15,419
Interest expense on loans from a substantial shareholder	(b)	1,297	—

(a) Interest is charged on advance to an associate at Hong Kong prime rate plus 2% per annum. The amounts due are unsecured and have no fixed terms of repayment

(b) Details of the loans are included in note 9.

### 13. CONTINGENT LIABILITIES

- (1) Under a mortgage loan facility provided by a bank to the end-buyers of the office and apartment units of Hong Kong Plaza, the Company agreed to guarantee up to 95% of the liabilities of Shanghai Li Xing Real Estate Development Co., Ltd. for the due performance of its undertaking to buy back the relevant property in case of default by the borrowers.
- (2) Under a mortgage loan facility provided by another bank to the end-buyers of Eastern Place Phase I and Phase II, the Company agreed to provide guarantees to the bank to buy back the relevant property in case of default by the borrowers.
- (3) Pursuant to a loan agreements, the Company agreed to provide a corporate guarantees to the banks to secure the loan facilities of approximately RMB250,000,000 and US\$119,280,000, respectively, granted to wholly-owned subsidiaries of the Group. Approximately RMB80,000,000 and US\$119,280,000, respectively, of the loans were outstanding as at 31st January, 2002.

### 14. COMMITMENTS

As at 31st January 2002, the Group has the following capital commitment:

	31/1/02 (Unaudited) HK\$'000	31/7/01 (Audited) HK\$'000
Contracted, but not provided for		
Land premium, resettlement and compensation payment and construction costs	786,316	786,620

### 15. COMPARATIVE AMOUNTS

Certain comparative amounts have been reclassified to conform with the current period's presentation. In particular, to give a fairer presentation, management fee income of HK\$8,697,000 earned during the previous corresponding period has been reclassified from administrative expenses to other revenues.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Business Review

For the six months ended 31st January, 2002, the Group achieved a turnover of HK\$77,840,000 (2001: HK\$74,843,000) and recorded a profit from operating activities of HK\$31,323,000 (2001: HK\$35,225,000), representing an increase of approximately 4% and a decrease of approximately 11% respectively when compared with the previous corresponding period. Despite the slight decrease in the sale of the Group's properties, turnover increased as a result of the improvement in the occupancy of the offices and service apartments of Hong Kong Plaza, Shanghai. However, owing to the effect of a write-back of provision for doubtful debts of approximately HK\$3 million in the previous corresponding period, operating profit had slightly decreased by HK\$3,902,000 in the period under review. At the same time, finance costs had been reduced to HK\$33,154,000 (2001: HK\$44,705,000) following the successful completion of the Group's debt restructuring, representing a reduction of approximately 26%. As a result, the Group recorded a net loss from ordinary activities attributable to shareholders for the period of HK\$10,412,000 as compared with a loss of HK\$39,208,000 for the previous corresponding period.

### Capital Structure, Liquidity and Debt Maturity Profile

The Group has diverse sources of financing comprising internal funds generated from the Group's business operations, bank borrowings on project basis and general bank loan facilities on secured basis.

As at 31st January, 2002, the Group had a gross borrowing (inclusive of the loan of HK\$73,532,000 loaned by Mr. Lim Por Yen) amounting to HK\$1,080 million (31st July, 2001: HK\$1,031 million), representing an increase of HK\$49 million over that of the preceding financial year end. Net debt (gross borrowing less cash and cash equivalent) and net debt to shareholders' funds were HK\$961 million (31st July, 2001: HK\$933 million) and 17% (31st July, 2001: 16%) respectively as at 31st January, 2002. All of the Group's gross borrowings were on floating rate basis at the balance sheet date. The Group has benefited, and is expected to continue to benefit, from the lower level of the prevailing interest rates. As at 31st January, 2002, approximately 21% of the Group's gross borrowings were denominated in Renminbi, 6% were denominated in Hong Kong dollars and 73% were denominated in US dollars.

The maturity profile of the Group's borrowings as at 31st January, 2002 was spread over a period of five years, with approximately 14% repayable within one year and 86% repayable between more than one to five years. Certain assets of the Group

have been pledged to secure financing, including investment properties with carrying value amounting to HK\$2,954 million and properties under development with carrying value amounting to HK\$530 million. The Group continued to adopt a prudent approach in the management of foreign exchange rate exposure. The revenue of the Group was mainly in Renminbi and the Group's bank borrowings were denominated either in US dollars or Renminbi. In view of the foreign exchange control policy of the government of the Mainland of the People's Republic of China (the "PRC"), no significant exchange rate risk is expected at the present moment. However, the exposure to US dollar liabilities would be closely monitored and hedging instruments will be employed if considered necessary in order to optimise the exchange rate risk of the Group.

With the cash held as at the balance sheet date, plus the available banking facilities and the improvement in the Group's operating activities, the Group has sufficient liquidity to finance orderly its existing and planned property development and other investment projects.

### **Contingent Liabilities**

As a common practice in the PRC for banks to provide mortgage financing to end-users, the bank will normally require the developer to provide buy-back guarantee to secure the due performance of the mortgages. The Company is currently providing buy-back guarantees to banks for granting mortgage loans to buyers of Hong Kong Plaza, Phase I and Phase II of Eastern Place. As the PRC property market is currently stable, the management does not expect any such contingent liabilities to be crystallised.

### **Prospects**

The real estate markets in major cities in the PRC have experienced a reasonable recovery over the past six months as both residential and commercial rentals have exhibited a steady uptrend. Rental contributions from both Hong Kong Plaza in Shanghai and Tianhe Entertainment Plaza in Guangzhou, in which the Company has a 25% interest, have shown continuous improvement. In response to the market demand, space which was previously vacant or used for administration purpose in Hong Kong Plaza, has been relocated and renovated, which is expected to provide an additional 80 rooms for rental by mid-2002. It is anticipated that these changes will positively contribute to the Group's results. With the improved local market knowledge and experience of the Group in Guangzhou, detailed design of New Trend Plaza and Phase III of Eastern Place is being reviewed. It is expected that the completion of such fine-tuning and realignment in design and the pre-sale of these projects scheduled to take place next year would bring in decent increase in the Group's turnover and reasonable return.

## Employees and Remuneration Policies

The Group employs a total of approximately 350 employees. The Group recognises the importance of the strength of its human resources for its success. Pay rates of employees are maintained at competitive levels and promotion and salary increments are assessed on a performance related basis. Discretionary bonuses are granted to certain employees on a merit basis and in accordance with industry practice. Other staff benefits include a mandatory provident fund, free hospitalisation insurance plan, subsidized medical care and subsidies for external educational and training programmes. The Group currently does not have any share option schemes for employees.

## INTERIM DIVIDEND

The Board of Directors does not recommend the payment of an interim dividend in respect of the six months ended 31st January, 2002. No interim dividend was declared in respect of the previous corresponding period.

## DIRECTORS' INTERESTS IN EQUITY OR DEBT SECURITIES

As at 31st January, 2002, none of the Directors and chief executive of the Company had any interest in the equity or debt securities of the Company and its associated corporations (within the meaning of the Securities (Disclosure of Interest) Ordinance (the "SDI Ordinance")) as recorded in the register required to be kept by the Company pursuant to Section 29 of the SDI Ordinance or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to the Code for Securities Transactions by Directors adopted by the Company.

## SUBSTANTIAL SHAREHOLDERS

As at 31st January, 2002, the persons listed below were interested in 10% or more of the total issued share capital of the Company as recorded in the register required to be kept by the Company under Section 16(1) of the SDI Ordinance:

Name of Shareholder	Number of Shares Held	Shareholding Percentage
Lai Sun Development Company Limited ("LSD")	779,958,912	25.40%
Lai Sun Garment (International) Limited ("LSG")	1,413,700,289 (Note)	46.04%
Lim Por Yen	1,413,700,289 (Note)	46.04%
Silver Glory Securities Limited ("SGS")	443,456,895	14.44%
Credit Suisse First Boston (Hong Kong) Limited	442,112,068	14.40%



*Note:* These interests in the Company represented the shares beneficially owned by LSD (779,958,912 shares), LSG (190,284,482 shares) and SGS (443,456,895 shares), a wholly-owned subsidiary of LSG. LSG and Mr. Lim Por Yen were deemed to be interested in the 1,413,700,289 shares in the Company held by LSD, LSG and SGS by virtue of LSG and its wholly-owned subsidiary holding collectively an interest of about 42.25% in the issued share capital of LSD and Mr. Lim Por Yen (together with his spouses) holding an interest of about 34.30% in the issued share capital of LSG. Mr. Lim Por Yen, Mr. Lam Kin Ngok, Peter, Mr. Lam Kin Ming, Madam U Po Chu and Madam Lai Yuen Fong were directors of LSG and held in aggregate an interest of about 42% in the issued share capital of LSG.

Save for the interests disclosed above, the Directors are not aware of any other person being interested in 10% or more of the issued share capital of the Company as at 31st January, 2002.

### **PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES**

During the six months ended 31st January, 2002, there was no purchase, sale or redemption by the Company, or any of its subsidiaries, of the Company's listed securities.

### **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 period covered by the Interim Report of the Company for the six months ended 31st January, 2002, 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. The non-executive directors of the Company are subject to retirement by rotation and re-election at the Company's Annual General Meeting in accordance with the Articles of Association of the Company. The Interim Report has been reviewed by the Audit Committee.

By Order of the Board  
**Lam Kin Ngok, Peter**  
*Chairman*

Hong Kong, 19th April, 2002