

CHAIRPERSON'S STATEMENT

I am pleased to announce the unaudited interim financial results of the Company and its subsidiaries (the "Group") for the six months ended 30 September 2002. These results have been reviewed by the Company's auditors Grant Thornton in accordance with Statements of Auditing Standards applicable to review engagements and by the Audit Committee of the Board of Directors. The review report of the auditors is included in this interim report.

Global as well as domestic economies continued to be depressed in the first six months. Adversely affected by the austere market conditions, compounded by completion of the disposal of the Group's entire interest in the Brokerage Group to a fellow subsidiary on 22 May 2002 ("the Disposal"), the Group posted a nearly 60% drop in turnover to HK\$20.5 million (2001: HK\$50.9 million). Despite the plunge in turnover, the Group realized a gain of HK\$187.4 million from the Disposal, driving up the profit attributable to shareholders to HK\$194.1 million (2001: HK\$22.5 million) for the period under review.

Since the Group realized sale proceeds of HK\$159.5 million in cash from the Disposal, the Directors declared a special interim dividend of HK\$2.5 per share on 10 September 2002, totalling HK\$180 million which was paid in cash on 4 October 2002. The Directors have further declared an interim dividend of HK 2 cents per share on 4 December 2002 for the six months ended 30 September 2002 to shareholders whose names appear on the Register of Members at the close of business on 20 December 2002.

OPERATION REVIEW

Revenue

The Group completed the disposal of its entire equity interest in the Brokerage Group to a fellow subsidiary on 22 May 2002. Background to, and reasons for, the Disposal were disclosed in the circular of the Company to shareholders dated 28 March 2002. Pursuant to the disposal agreement, the Group would no longer participate in the disposed businesses, comprising securities and futures broking, share margin financing, financing on initial public offerings, underwriting and placement of securities, research, custody and nominee services after the Disposal. The Group would only carry on its businesses in corporate finance and financial advisory services after the Disposal.

On account of the Disposal, combined with depressed market conditions, operating performance of the Group, particularly those relating to the disposed brokerage businesses, was badly hit. Revenue from securities and futures broking and custody and nominee services plummeted over 63% and 69%, respectively in the period. Apart from repeated interest rate cuts in U.S. and HK over the year, Group interest income also fell on discontinuation of share margin financing as well as new issues' subscription financing.

Leveraging on the enlarged corporate finance team and their core-competencies, revenue from corporate finance and financial advisory activities, defying the subdued capital market, rose substantially to HK\$7.0 million. This, combined with the HK\$0.6 million fee and commission from placement, underwriting and sub-underwriting, boosted total earnings from corporate finance operations for the period to HK\$7.6 million. In the first half, the corporate finance team was mandated to engage in six IPOs, of which three were completed, and ten other financial advisory projects including four transactions relating to the Takeovers Code.

In the dismal state of local economy and ongoing bear market, the Group reported a loss of HK\$0.3 million from securities investment and trading. Nonetheless, the Group realized a hefty profit of HK\$187.4 million from the Disposal in the period under review.

Given its exceptional nature, the gain has been excluded from the Group turnover as reported in the income statement. Instead, it is reported separately on the face of the income statement.

Costs

In line with the decline in Group turnover for the period, costs shrank, with staff costs and other operating expenses falling 49% and 64%, respectively over the period, largely owing to the disposal of the Brokerage Group. Pursuant to the Disposal, only operating costs of the disposed Brokerage Group incurred up to 21 May 2002 were consolidated to Group result for the period.

Liquidity and Financial Conditions

The Group had cash reserves of HK\$316.7 million as at 30 September 2002. Most of cash reserves were placed in HK\$ and US\$ short-term deposits with major banks in Hong Kong.

Gearing ratio is measured on the basis of the Group's total interest bearing debts net of own cash reserves over the Company's shareholders' funds as of the reporting date. Net of debt balances, the Group had net surplus cash of HK\$334.6 million and HK\$316.7 million at the close of 31 March 2002 and 30 September 2002, respectively. As such, a gearing ratio, as required under paragraph 40(2) of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), at these two days did not exist.

PROSPECTS

After completion of the Disposal, the Group will only continue to carry on its fee-based corporate finance and corporate advisory activities and its investment and trading in securities. In the absence of an alternative business plan, at present, the business outlook of the Group will heavily rely on the prospect of our corporate finance and corporate advisory activities, which is in turn dependent on the domestic and global economic conditions and market sentiment.

Globally, we see no sign of the U.S. or other major economies reviving in near future. The local economy is likely to be teetering into another year of recession, with both unemployment and the budget-deficit worsening. Such a deteriorating situation is expected to continue in the short term and is prone to risk of worsening. Terrorist attacks and U.S. military conflict with Iraq continue to threaten global equity markets, with investors browbeaten. Thus, the Group's operating performance is likely to remain depressed. Group income is heading for further erosion in the second half.

Looking ahead, the Group will exercise stringent control over costs amid the worsening operating environment, which will ensure survival in such a dismal yet competitive environment. We hope that we can leverage the network of our affiliated financial services companies to explore and grasp more opportunities.

In midst of these events, I take this opportunity to express thanks on behalf of the Board to all our customers for their support and to our fellow directors and staff for their dedication and contribution during the period.

By Order of the Board
Lee Woo Sau Yin, Gloria
Chairperson

Hong Kong, 4 December 2002

OTHER INFORMATION

DIRECTORS' INTERESTS IN EQUITY OR DEBT SECURITIES

As at 30 September 2002, the interests of the directors of the Company and their associates in the equity or debt securities of the Company or any of its associated corporations (within the meaning of the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance")) as recorded in the register required to be kept under section 29 of the SDI Ordinance were as follows:

	Number of shares held	Nature of interest
The Company (Ordinary shares)		
Fok Kwong Hang, Terry	3,592,800	Personal
Kim Eng Ong Asia Holdings Ltd ("KES"), the ultimate holding company (Ordinary shares)		
Lee Woo Sau Yin, Gloria	45,941,770	Personal
Ooi Thean Yat, Ronald Anthony	85,544,928	Personal
Fok Kwong Hang, Terry	3,309,000	Personal

Details of directors' interests under the share option scheme are set out in the section headed "SHARE OPTION SCHEME".

Save as disclosed above, as at 30 September 2002, none of the Company's directors or any of their associates had or was deemed to have interests in the equity or debt securities of the Company or any of its associated corporations as defined in the SDI Ordinance.

SHARE OPTION SCHEME

On 29 December 1997, a share option scheme (the "Scheme") was approved and adopted, under which the Directors may, at their discretion, offer to any employees (including any executive directors) of the Group options to subscribe for shares in the Company subject to the terms and conditions stipulated in the Scheme.

Pursuant to the Scheme, the Company has granted options to certain directors and employees of the Group, details of which are set out below:

Name or category of participants	Date of grant	Exercisable period	Exercise price HK\$	Outstanding at 1 April 2002	Lapsed during the period	Outstanding at 30 September 2002
<i>Directors</i>						
Chan Yick Hung	27 April 1998	27 April 1999 to 26 April 2002	8	720,000	(720,000)	–
Wong Chun Wai	4 May 1998	4 May 1999 to 3 May 2002	8	720,000	(720,000)	–
<i>Employee</i>	27 April 1998	27 April 1999 to 26 April 2002	8	360,000	(360,000)	–

During the period under review, no share options were granted to or exercised by the directors or employees of the Group.

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

SUBSTANTIAL SHAREHOLDERS

As at 30 September 2002, the persons interested in 10% or more of the issued share capital of the Company as recorded in the register required to be kept under section 16(1) of the SDI Ordinance were as follows:

Name	Number of shares		Total
	Direct interest	Deemed interest	
Kim Eng Investment Limited ("KEI") <i>(Note)</i>	10,907,200	–	10,907,200
KES <i>(Note)</i>	39,500,000	10,907,200	50,407,200

Note: KEI is a wholly-owned subsidiary of KES. Accordingly, KES is deemed to be interested in 10,907,200 shares in the Company held by KEI.

Save as disclosed above, no person has any interest in the share capital of the Company which is required to be recorded in the register kept under section 16(1) of the SDI Ordinance as at 30 September 2002.

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

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 September 2002 other than as an agent for clients of the Company or its subsidiaries.

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 six months ended 30 September 2002 in compliance with the Code of Best Practice as set out in Appendix 14 to the Listing Rules, except that the independent non-executive directors of the Company are not appointed for a specific term but are subject to retirement by rotation and re-election at the Company's annual general meetings in accordance with the Company's Articles of Association.

AUDIT COMMITTEE

This interim report has been reviewed by the audit committee of the Board, whose members comprise the two independent non-executive directors.

CONDENSED CONSOLIDATED INCOME STATEMENT

for the six months ended 30 September 2002

	Notes	Six months ended 30 September	
		2002 (Unaudited) HK\$'000	2001 (Unaudited) HK\$'000
Turnover	2	20,467	50,875
Other revenue		1,159	6,033
Gain on disposal of brokerage business	10	187,377	–
Staff costs		(8,803)	(17,152)
Other operating expenses		(5,306)	(14,805)
Profit from operations		194,894	24,951
Finance costs		(176)	(1,176)
Share of profits of associates		388	54
Profit before taxation	3	195,106	23,829
Taxation	4	(989)	(1,306)
Profit attributable to shareholders		194,117	22,523
Dividends	5	181,440	7,200
Earnings per share – Basic	6	HK\$2.70	HK\$0.31

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the six months ended 30 September 2002

	Share capital HK\$'000	Share premium HK\$'000	Investment revaluation reserve HK\$'000	Capital reserve HK\$'000	Retained profits HK\$'000	Dividend reserve HK\$'000	Total HK\$'000
At 1 April 2001	14,400	116,612	3,591	179,722	24,030	91,440	429,795
Revaluation surplus arising on other investments	—	—	1,079	—	—	—	1,079
Net gain not recognised in the income statement	—	—	1,079	—	—	—	1,079
Reserve realised upon disposal of other investments	—	—	(3,735)	—	—	—	(3,735)
Net profit for the period attributable to shareholders	—	—	—	—	22,523	—	22,523
Final dividends paid for 2001	—	—	—	—	—	(91,440)	(91,440)
Interim dividends declared (note 5)	—	—	—	—	(7,200)	7,200	—
At 30 September 2001	14,400	116,612	935	179,722	39,353	7,200	358,222
Revaluation surplus arising on other investments	—	—	4,154	—	—	—	4,154
Net gain not recognised in the income statement	—	—	4,154	—	—	—	4,154
Reserve realised upon disposal of other investments	—	—	292	—	—	—	292
Net profit for the period attributable to shareholders	—	—	—	—	13,168	—	13,168
Interim dividends paid	—	—	—	—	—	(7,200)	(7,200)
Final dividends proposed for 2002	—	—	—	—	(12,240)	12,240	—
At 31 March 2002	14,400	116,612	5,381	179,722	40,281	12,240	368,636
Revaluation deficit arising on other investments	—	—	(2,769)	—	—	—	(2,769)
Net loss not recognised in the income statement	—	—	(2,769)	—	—	—	(2,769)
Reserves realised upon disposal of subsidiaries	—	—	(511)	(179,683)	—	—	(180,194)
Net profit for the period attributable to shareholders	—	—	—	—	194,117	—	194,117
Final dividends paid for 2002	—	—	—	—	—	(12,240)	(12,240)
Interim dividends declared (note 5)	—	—	—	—	(181,440)	1,440	(180,000)
At 30 September 2002	14,400	116,612	2,101	39	52,958	1,440	187,550

CONDENSED CONSOLIDATED BALANCE SHEET

as at 30 September 2002

	Notes	At 30 September 2002 (Unaudited) HK\$'000	At 31 March 2002 (Audited) HK\$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		230	2,984
Interest in associates		2,721	2,333
Other investments	7	34,289	38,465
Other assets		–	2,350
		37,240	46,132
Current assets			
Trading securities		16,238	15,435
Trade and other receivables	8	662	193,742
Tax recoverable		38	283
Short term deposits placed with banks		315,867	240,512
Cash at banks and in hand		788	269,753
		333,593	719,725
Current liabilities			
Trade and other payables	9	2,435	367,089
Dividend payable		180,000	–
Amounts due to ultimate holding company		–	16,499
Provision for tax		848	13,633
		183,283	397,221
Net current assets		150,310	322,504
Net assets		187,550	368,636
CAPITAL AND RESERVES			
Share capital		14,400	14,400
Reserves		171,710	341,996
Proposed dividend		1,440	12,240
		173,150	354,236
Shareholders' funds		187,550	368,636

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

for the six months ended 30 September 2002

	Six months ended 30	
	September	2001
	2002	(Unaudited and restated)
	(Unaudited)	(Unaudited and restated)
	HK\$'000	HK\$'000
Net cash from operating activities	(4,852)	(28,285)
Net cash used in investing activities	(176,869)	(6,571)
Net cash used in financing activities	(11,889)	(94,752)
Net decrease in cash and cash equivalents	(193,610)	(129,608)
Cash and cash equivalents at 1 April 2002	510,265	604,561
Cash and cash equivalents at 30 September 2002	316,655	474,953
Analysis of the balances of cash and cash equivalents		
Short term deposits placed with banks	315,867	215,501
Cash at banks and in hand	788	259,452
	316,655	474,953

NOTES TO THE INTERIM FINANCIAL REPORT

For the six months ended 30 September 2002

1. BASIS OF PREPARATION

This interim financial report has been reviewed by Grant Thornton in accordance with Statement of Auditing Standards 700 “Engagements to review interim financial reports”, issued by the Hong Kong Society of Accountants (“HKSA”) but has not been audited. Grant Thornton’s independent review report to the board of directors is included on page 15.

The unaudited interim financial statements of the Group have been prepared in accordance with Statement of Standard Accounting Practice (“SSAP”) No. 25 “Interim financial reporting” issued by the HKSA and the applicable disclosure requirements set out in Appendix 16 to the Listing Rules. The accounting policies adopted in the preparation of the interim financial statements are consistent with those adopted in the annual financial statements for the year ended 31 March 2002 except as described below:

In the current period, the Group has adopted for the first time, the following revised or new SSAPs issued by the HKSA, which are effective for the accounting period commencing on or after 1 January 2002:

(a) SSAP 1 (revised): Presentation of financial statements

SSAP 1 (revised) now requires all the movements in equity to be disclosed in a separate statement and replaces the previous need to disclose a statement of recognised gains and losses. The presentation in the prior period’s condensed financial statements has been restated in order to achieve a consistent presentation.

(b) SSAP 15 (revised) : Cash flow statements

SSAP 15 (revised) has changed the classification of cash flows in the cash flow statement and the definition of cash equivalents by excluding cash balances held for investment purposes and short-term loans that are financing in nature. The presentation in the prior period’s condensed cash flow statement has been restated in accordance with the new format.

(c) SSAP 33 : Discontinuing operations

SSAP 33 is concerned with the presentation of financial information regarding discontinuing operations and replaces the requirements previously included in SSAP 2 “Net Profit or Loss for the Period, Fundamental Errors and Changes in Accounting Policies”. Under SSAP 33, financial statement amounts relating to discontinuing operations are disclosed separately from the point at which either a binding sale agreement is entered into or a detailed plan for the discontinuance is announced. The adoption of SSAP 33 has resulted in the identification of the Group’s brokerage business as a discontinued operation in the current period, details of which are set out in note 10.

(d) SSAP 34 : Employee benefits

SSAP 34 has introduced a formal framework for the recognition of liabilities and expenses in respect of employee benefits. The adoption of this new accounting standard has not resulted in any significant effects on the financial statements of the prior period and accordingly, no prior period adjustment is required.

2. SEGMENT INFORMATION

An analysis of the Group's turnover and contribution to operating profit for the period ended 30 September 2002 is as follows:

Group turnover		Contribution to operating profit	
Six months ended 30 September			
2002	2001	2002	2001
(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
HK\$'000	HK\$'000	HK\$'000	HK\$'000

By Principal Activities

Commission and brokerage from securities and futures dealing – discontinued #	9,805	26,642	2,440	3,391
Custodian and handling service fees – discontinued #	77	252	28	76
Interest income – continuing	2,229	1,154	1,824	804
– discontinued #	1,045	9,270	855	6,455
Net (loss)/income from securities investment and trading	(274)	8,810	(416)	6,791
Placement/underwriting/sub-underwriting and financial advisory fees – continuing	7,042	3,187	1,157	(428)
– discontinued #	543	1,560	294	653
	20,467	50,875	6,182	17,742
Other revenue			1,159	6,033
Gain on disposal of brokerage business			187,377	–
			194,718	23,775

The Group's turnover and contribution to profit from operating activities were principally derived from operations in Hong Kong.

The Group's operations outside Hong Kong contributed less than 10% of turnover and less than 10% of profit from operating activities, and accordingly a geographical analysis of such activities has not been presented.

During the period, the Company disposed of its interests in the subsidiaries which were mainly engaged in securities and futures brokerage, provision of margin financing, placing and underwriting and nominee and custodian services. Details of these discontinued operations are set out in note 10.

3. PROFIT BEFORE TAXATION

	Six months ended 30 September 2002 (Unaudited) HK\$'000	2001 (Unaudited) HK\$'000
Profit before taxation is arrived at after charging:		
Depreciation and amortisation expenses	262	683
and crediting :		
Realised gain on disposal of shares in Hong Kong Exchanges and Clearing Limited	—	4,217
	<u>262</u>	<u>4,217</u>

4. TAXATION

	Six months ended 30 September 2002 (Unaudited) HK\$'000	2001 (Unaudited) HK\$'000
Taxation	989	1,306
Share of associates' taxation	—	—
	<u>989</u>	<u>1,306</u>

Hong Kong profits tax has been provided at the rate of 16% (2001: 16%) on the estimated assessable profit for the six months ended 30 September 2002.

5. DIVIDENDS

	Six months ended 30 September 2002 (Unaudited) HK\$'000	2001 (Unaudited) HK\$'000
Interim dividend of HK 2 cents (2001: HK 10 cents) per share	1,440	7,200
Special interim dividend of HK\$2.50 (2001: nil) per share	180,000	—
	<u>181,440</u>	<u>7,200</u>

On 10 September 2002 and 4 December 2002, the directors declared a special interim dividend and an interim dividend of HK\$2.5 and HK 2 cents per share to shareholders whose names are on the register of members on 26 September 2002 and 20 December 2002, payable in cash on 4 October 2002 and 30 December 2002, respectively.

6. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to shareholders of HK\$194,117,000 (2001: HK\$22,523,000) and the weighted average of 72,000,000 (2001: 72,000,000) ordinary shares in issue during the period.

Diluted earnings per share for the period has not been presented as the Company has no outstanding options as at 30 September 2002. The diluted earning per share for the period ended 30 September 2001 has also not been presented as the options outstanding had no dilutive effect on the basic earnings for the period then ended.

7. OTHER INVESTMENTS

	At 30 September 2002 (Unaudited) HK\$'000	At 31 March 2002 (Audited) HK\$'000
Investment securities		
Listed equity securities in Hong Kong, at fair value	954	1,663
Unlisted equity securities, at fair value	12,154	12,154
Participating interest in mutual fund, at fair value	20,925	23,546
Club debentures	256	1,102
	<u>34,289</u>	<u>38,465</u>
Market value of listed securities	<u>954</u>	<u>1,663</u>

8. TRADE AND OTHER RECEIVABLES

Included in trade and other receivables are debtors with the following ageing analysis:

	At 30 September 2002 (Unaudited) HK\$'000	At 31 March 2002 (Audited) HK\$'000
Debtors due		
– within one month	397	124,289
– within six months	–	78
Total debtors	<u>397</u>	<u>124,367</u>
Custodian and margin accounts receivable	–	46,477
Other and sundry receivables	265	22,898
	<u>662</u>	<u>193,742</u>

For trade receivables, the billing is in accordance with the mandate with the client, and is due on presentation.

9. TRADE AND OTHER PAYABLES

Included in trade and other payables are creditors with the following ageing analysis:

	At 30 September 2002 (Unaudited) HK\$'000	At 31 March 2002 (Audited) HK\$'000
Creditors due within one month	–	120,652
Custodian and margin accounts payable	–	202,776
Other and sundry payables	2,435	43,661
	<u>2,435</u>	<u>367,089</u>

Other and sundry payables include a current account balance due to a fellow subsidiary of HK\$361,000 (31 March 2002: HK\$1,000) which is unsecured, interest free and has no fixed terms of repayment.

10. DISCONTINUED OPERATIONS

On 28 February 2002, the Company entered into a disposal agreement with a fellow subsidiary pursuant to which the Company disposed of its entire direct and indirect equity interests in Kim Eng Securities (Hong Kong) Limited, Kim Eng Futures (Hong Kong) Limited and Kim Eng Nominees (Hong Kong) Limited ("the brokerage business"), all being wholly owned subsidiaries of the Company, to the fellow subsidiary at an aggregate cash consideration of approximately HK\$159,473,000. The disposal was approved by independent shareholders at an extraordinary general meeting held on 15 April 2002 and was completed on 22 May 2002. The gain on disposal of the brokerage business was approximately HK\$187,377,000.

Upon completion of the disposal, the Group no longer participates in the disposed businesses, including securities and futures broking, provision of margin financing, placing and underwriting and nominee and custodian services (collectively defined as the "Discontinued Operations"). Thereafter, the Group is principally engaged in corporate finance, corporate advisory and investment and trading in securities. Further details of the disposal are set out in the Company's announcements dated 6 March 2002 and 24 May 2002.

The amount of cash flows attributable to the Discontinued Operations is as follows:

	(Unaudited) HK\$'000
Net assets disposed of:	
Property, plant and equipment	2,725
Other investments	1,407
Other assets	2,350
Trade and other receivables	304,716
Tax recoverable	7
Cash at banks and in hand	339,325
Trade and other payables	(467,937)
Amounts due to ultimate holding company	(16,582)
Provision for tax	(13,871)
	<u>152,140</u>
Release of reserves upon disposal:	
Capital reserve	(179,683)
Investment revaluation reserve	(511)
	<u>(28,054)</u>
Share of stamp duty on the disposal agreement	150
Gain on disposal	187,377
	<u>159,473</u>
Consideration	<u>159,473</u>
Satisfied by:	
Cash	<u>159,473</u>
Analysis of net cash outflow in respect of the disposal of subsidiaries:	
Cash consideration received	159,473
Share of stamp duty on the disposal agreement paid	(150)
Cash at banks and in hand disposed of	(339,325)
	<u>(180,002)</u>

11. RELATED PARTY TRANSACTIONS

KES, the ultimate holding company incorporated and listed in the Republic of Singapore together with its subsidiaries had the following transactions with the Group for the six months ended 30 September 2002:

	Six months ended 30 September	
	2002	2001
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Sale proceeds received from disposal of brokerage business	159,473	–
Commission and brokerage income	817	472
Commission and brokerage charges	428	401
Interest charges on short term advances	176	920
Referral fees paid and payable	1,298	2,299
Sharing of office expenses	236	–
Sharing of facilities and administrative expenses	161	–
	—————	—————

During the period, certain directors used the Group's services, on a periodic basis, to undertake trading of securities. The brokerage and commission income earned by the Group on such trades for the six months ended 30 September 2002 amounted to HK\$59,000 (2001: HK\$247,000).

INDEPENDENT REVIEW REPORT

Certified Public Accountants
**Hong Kong Member Firm of
Grant Thornton International**

Grant Thornton 
均富會計師行

To the board of directors of Kim Eng Holdings (Hong Kong) Limited

Introduction

We have been instructed by the Company to review the interim financial report set out on pages 5 to 14.

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 ("HKSA"). 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 HKSA. 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 2002.

Grant Thornton
Certified Public Accountants
Hong Kong

4 December 2002