



INTERIM REPORT 2002



**雲南實業控股有限公司**  
**YUNNAN ENTERPRISES HOLDINGS LIMITED**  
*(Incorporated in the Cayman Islands with limited liability)*

## INTERIM RESULTS

The board of directors (the “Directors”) of Yunnan Enterprises Holdings Limited (the “Company”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 30 September 2002, together with comparative figures for the corresponding period in 2001, as follows:

### CONDENSED CONSOLIDATED INCOME STATEMENT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2002

		Six months ended	
		30 September	30 September
		2002	2001
	NOTES	HK\$	HK\$
		(Unaudited)	(Unaudited)
Turnover	3	155,038	4,665,131
Bank interest income		781,475	1,618,232
Compensation income	10	4,417,920	–
Other operating income		20,010	107,817
Administrative expenses		(5,165,862)	(5,806,996)
Profit from operations		208,581	584,184
Share of results of associates		1,106,376	1,237,265
Profit before taxation		1,314,957	1,821,449
Taxation	4	(300,185)	(447,731)
Net profit for the period		1,014,772	1,373,718
Basic earnings per share	5	0.22 cents	0.30 cents

**CONDENSED CONSOLIDATED BALANCE SHEET**  
*AT 30 SEPTEMBER 2002*

	<i>NOTES</i>	<b>30 September 2002 HK\$ (Unaudited)</b>	31 March 2002 HK\$ (Audited)
<b>NON-CURRENT ASSETS</b>			
Investment property	6	<b>14,200,000</b>	14,200,000
Property, plant and equipment	7	<b>1,702,034</b>	1,465,952
Interests in associates	8	<b>59,565,119</b>	52,470,430
Investment in an investee company		<b>31,177,196</b>	31,177,196
Loan to an investee company		<b>4,843,000</b>	4,843,000
		<b>111,487,349</b>	104,156,578
<b>CURRENT ASSETS</b>			
Trade and other receivables	9	<b>1,076,702</b>	8,903,254
Pledged bank deposits		–	5,000,000
Bank deposits		<b>72,977,112</b>	65,989,650
Bank balances and cash		<b>11,164,723</b>	12,386,781
		<b>85,218,537</b>	92,279,685
<b>CURRENT LIABILITIES</b>			
Other payables		<b>469,796</b>	1,034,052
Amount due to an associate		<b>773,014</b>	773,014
Taxation		–	180,893
		<b>1,242,810</b>	1,987,959
<b>NET CURRENT ASSETS</b>			
		<b>83,975,727</b>	90,291,726
		<b>195,463,076</b>	194,448,304
<b>CAPITAL AND RESERVES</b>			
Share capital		<b>45,947,300</b>	45,947,300
Reserves		<b>149,514,329</b>	148,499,557
		<b>195,461,629</b>	194,446,857
<b>MINORITY INTERESTS</b>			
		<b>1,447</b>	1,447
		<b>195,463,076</b>	194,448,304

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2002**

	Share capital HK\$	Share premium HK\$	Capital redemption reserve HK\$	Goodwill reserve HK\$	Special reserve HK\$	Exchange reserve HK\$	Investment property revaluation reserve HK\$	Deficit HK\$	Total HK\$
At 1 April 2001	45,947,300	187,468,964	8,000	(7,938,469)	3,460,016	1,412,683	800,514	(40,768,749)	190,390,259
Net profit for the period	-	-	-	-	-	-	-	1,373,718	1,373,718
At 30 September 2001	45,947,300	187,468,964	8,000	(7,938,469)	3,460,016	1,412,683	800,514	(39,395,031)	191,763,977
Revaluation decrease for the period and loss not recognised in the condensed consolidated income statement	-	-	-	-	-	-	(800,000)	-	(800,000)
Net profit for the period	-	-	-	-	-	-	-	3,482,880	3,482,880
At 31 March 2002	45,947,300	187,468,964	8,000	(7,938,469)	3,460,016	1,412,683	514	(35,912,151)	194,446,857
Net profit for the period	-	-	-	-	-	-	-	1,014,772	1,014,772
At 30 September 2002	<b>45,947,300</b>	<b>187,468,964</b>	<b>8,000</b>	<b>(7,938,469)</b>	<b>3,460,016</b>	<b>1,412,683</b>	<b>514</b>	<b>(34,897,379)</b>	<b>195,461,629</b>

**CONDENSED CONSOLIDATED CASH FLOW STATEMENT**  
*FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2002*

	<b>Six months ended</b>	
	<b>30 September</b>	30 September
	<b>2002</b>	2001
	<b>HK\$</b>	<b>HK\$</b>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Net cash from operating activities	<b>6,807,375</b>	5,379,076
Net cash used in investing activities	<u><b>(1,041,971)</b></u>	<u>(6,225,399)</u>
Net increase (decrease) in cash and cash equivalents	<b>5,765,404</b>	(846,323)
Cash and cash equivalents at beginning of the period:		
– as previously reported	<b>78,376,431</b>	84,571,539
– effect of reclassification of deposits held for investment	<u><b>(8,207,547)</b></u>	<u>(5,188,680)</u>
	<u><b>70,168,884</b></u>	<u>79,382,859</u>
Cash and cash equivalents at end of the period	<u><b>75,934,288</b></u>	<u>78,536,536</u>
Analysis of the balances of cash and cash equivalents		
Bank deposits	<b>64,769,565</b>	72,256,476
Bank balances and cash	<u><b>11,164,723</b></u>	<u>6,280,060</u>
	<u><b>75,934,288</b></u>	<u>78,536,536</u>

## **NOTES TO THE CONDENSED FINANCIAL STATEMENTS**

*FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2002*

### **1. BASIS OF PREPARATION**

The condensed financial statements have been prepared in accordance with applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and with the Statement of Standard Accounting Practice (“SSAP”) 25 “Interim financial reporting” issued by the Hong Kong Society of Accountants.

### **2. PRINCIPAL ACCOUNTING POLICIES**

The condensed financial statements have been prepared under the historical cost convention, as modified for the revaluation of 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 2002, except as described below.

In the current period, the Group adopted, for the first time, a number of new and revised SSAPs issued by the Hong Kong Society of Accountants, which has resulted in the adoption of the following new and revised accounting policies. The adoption of these SSAPs has resulted in a change in the format of presentation of the cash flow statement and the statement of changes in equity.

#### *Cash flow statements*

In the current period, the Group adopted SSAP 15 (Revised) “Cash Flow Statements”. Under SSAP 15 (Revised), cash flows are classified under three headings – operating, investing and financing, rather than the previous five headings. Bank interest income, which were previously presented under a separate heading, are classified as investing cash flows. Cash flows arising from taxes on income are classified as operating activities, unless they can be separately identified with investing or financing activities. In addition, the amounts presented for cash and cash equivalents have been amended to exclude cash balances held for investment purposes. The re-definition of cash and cash equivalents resulted in a restatement in the comparative amounts shown in the cash flow statement.

### **3. SEGMENT INFORMATION**

For management purposes, the Group is currently organized into four operating divisions – property rental, provision of agency services, consultancy services and investment holding for dividend income. These divisions are the basis on which the Group reports its primary segment information.

Segment information about these businesses is presented below.

	<b>Property rental</b> <i>HK\$</i> <i>(Note)</i>	<b>Agency services</b> <i>HK\$</i>	<b>Consultancy services</b> <i>HK\$</i>	<b>Investment holding</b> <i>HK\$</i>	<b>Consolidated</b> <i>HK\$</i>
Six months ended 30 September 2002					
TURNOVER	<u>155,038</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>155,038</u>
SEGMENT RESULTS	<u>(19,879)</u>	<u>3,582,904</u>	<u>(491,683)</u>	<u>(1,366,015)</u>	1,705,327
Bank interest income					781,475
Other operating income					20,010
Unallocated corporate expenses					<u>(2,298,231)</u>
Profit from operations					<u>208,581</u>
Share of results of associates					<u>1,106,376</u>
Profit before taxation					<u>1,314,957</u>
Taxation					<u>(300,185)</u>
Net profit for the period					<u>1,014,772</u>

	<b>Property rental</b> <i>HK\$</i> <i>(Note)</i>	<b>Agency services</b> <i>HK\$</i>	<b>Consultancy services</b> <i>HK\$</i>	<b>Investment holding</b> <i>HK\$</i>	<b>Consolidated</b> <i>HK\$</i>
Six months ended 30 September 2001					
TURNOVER	<u>429,336</u>	<u>-</u>	<u>4,235,795</u>	<u>-</u>	<u>4,665,131</u>
SEGMENT RESULTS	<u>53,051</u>	<u>-</u>	<u>2,606,176</u>	<u>(1,712,909)</u>	946,318
Bank interest income					1,618,232
Other operating income					107,817
Unallocated corporate expenses					<u>(2,088,183)</u>
Profit from operations					584,184
Share of results of associates					<u>1,237,265</u>
Profit before taxation					1,821,449
Taxation					<u>(447,731)</u>
Net profit for the period					<u>1,373,718</u>

*Note:* In the current period, the Group has identified property rental as one of the principal activities and as a separate business segment of the Group. Accordingly, rental income was classified as turnover for the period and the comparative amount was also restated.

The Group's activity of property holding for rental income is located in Hong Kong while that of provision of consultancy services and investment holding for dividend income are located in the People's Republic of China (the "PRC"). The Group's revenue and segment results of each operating division are derived from the respective geographical areas.

#### 4. TAXATION

	<b>Six months ended</b>	
	<b>30 September</b>	30 September
	<b>2002</b>	2001
	<b>HK\$</b>	<b>HK\$</b>

The charge comprises:

PRC income tax	<b>33,383</b>	173,594
Share of taxation attributable to associates	<b>266,802</b>	274,137
	<b>300,185</b>	447,731

No provision for Hong Kong Profits Tax has been made as the Group has no assessable profit arising in Hong Kong during both periods.

Tax arising in the PRC is calculated at the rates prevailing in the relevant jurisdiction.

There is no significant unprovided deferred taxation for the period or at the balance sheet date.

#### 5. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the net profit for the period of HK\$1,014,772 (HK\$1,373,718 for the six months ended 30 September 2001) and on 459,473,000 (459,473,000 for the six months ended 30 September 2001) ordinary shares in issue during the period.

No diluted earnings per share is presented because the exercise price of the Company's outstanding warrants was higher than the average market price for shares during either period.

#### 6. INVESTMENT PROPERTY

At 30 September 2002, the directors have considered the carrying amount of the Group's investment property carried at revalued amounts and have estimated that the carrying amounts do not differ significantly from that which would be determined using fair values at the balance sheet date. Consequently, no revaluation surplus or deficit has been recognised in the current period.

#### 7. ADDITIONS TO PROPERTY, PLANT AND EQUIPMENT

During the period, the Group spent HK\$383,539 (HK\$82,318 for the six months ended 30 September 2001) on additions to property, plant and equipment and depreciation of HK\$147,242 (HK\$331,541 for the six months ended 30 September 2001) was charged to the condensed consolidated income statement in respect of the Group's property, plant and equipment.



## 8. INTERESTS IN ASSOCIATES

	<b>30 September 2002 HK\$</b>	31 March 2002 HK\$
Share of net assets	<b>55,498,015</b>	48,296,297
Goodwill arising on acquisition of an associate	<b>4,067,104</b>	4,174,133
	<b><u>59,565,119</u></b>	<b><u>52,470,430</u></b>

During the period, the Group injected a further capital of RMB5.39 million (approximately HK\$5.09 million) into Yunnan Meng Sheng Pharmaceutical Co., Limited (“Meng Sheng Pharmaceutical”), in which the Group holds a 49% equity interest. Meng Sheng Pharmaceutical is a company established in the PRC and is engaged in the research, development, manufacture and sale of biotechnology products in the PRC.

The Group has also entered into a new joint venture agreement for the formation of Shanghai Pine & Power Biomaterial Company Limited (“Pine & Power Biomaterial”) during the period. Pine & Power Biomaterial is a hi-tech entity registered in Shanghai Zhangjiang Hi-Tech Park, the PRC. It is engaged in the research, manufacture and sale of medical biomaterials but has not commenced operation. The Group contributed RMB1.35 million (approximately HK\$1.27 million) for a 25% interest in Pine & Power Biomaterial.

In addition, amortisation of HK\$107,029 (Nil for the six months ended 30 September 2001) for the period in respect of the goodwill arising on acquisition of an associate has been included in the amount reported as administrative expenses in the condensed consolidated income statement.

## 9. TRADE AND OTHER RECEIVABLES

The Group allows a credit period of 21 days to its trade customers.

A breakdown of trade and other receivables are as follows:

	<b>30 September 2002 HK\$</b>	31 March 2002 HK\$
Trade receivables	<b>9,517</b>	131,040
Other receivables	<b>1,067,185</b>	1,166,046
Dividends receivable	–	7,606,168
	<b><u>1,076,702</u></b>	<b><u>8,903,254</u></b>

## 10. RELATED PARTY TRANSACTION

During the period, the Group received compensation income of HK\$4,417,920 (Nil for the six months ended 30 September 2001) from Yuxi Hongta Tobacco (Group) Limited (“Yuxi Hongta”), which is a substantial shareholder of the Company’s ultimate holding company. According to the agency agreement between the Group and Yuxi Hongta, the Group is entitled to receive compensation income from Yuxi Hongta if the agreed level of purchases was not achieved by Yuxi Hongta.

## **INTERIM DIVIDEND**

The Directors do not declare an interim dividend for the six months ended 30 September 2002. (2001: Nil)

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **Financial Review**

For the six months ended 30 September 2002, the Group recorded a turnover of HK\$155,000 with the corresponding amount for 2001 being HK\$4,665,000. The substantial drop in turnover was due to the fact that the Group did not engage in the business of provision of consultancy services during the period under review, whereas this business brought the Group a consultancy fee income of HK\$4,236,000 during the corresponding period last year. The Group, however, continued on its stringent cost controls. During the period under review, administrative expenses for the Group decreased by 11% compared to last year. Moreover, the Group received a cash payment of US\$566,400 (or HK\$4,418,000) from Yuxi Hongta Tobacco (Group) Limited (“Yuxi Hongta”) during the period as compensation for the quantity differences which have arisen from the import business in the current and last financial years. At the same time, the Group’s two associated companies engaging in biotechnology business continued to bring in a profit contribution to the Group, which amounted to a combined profit (before tax) of HK\$1,106,000 during the period. The Group recorded a net profit of HK\$1,015,000 for the six months ended 30 September 2002, representing a decrease of 26% over the corresponding period last year. During the period, the Group continued to enjoy a healthy financial position. As at 30 September 2002, the Group held cash and bank balances of approximately HK\$84,000,000, with no debts or borrowings.

### **Business Review**

#### *Cigarettes-related businesses*

The Group, as an import agent for Yuxi Hongta, is engaged in the import of corresponding materials related to cigarette manufacturing. Pursuant to the import agency agreement, Yuxi Hongta shall import materials with an annual aggregate value of not less than a specified quantity (or the “Minimum Import Quantity”) through the Group. Nevertheless, the continuing sluggish market conditions affected the Group’s import business. The Group’s total import quantities for the current and last financial years were lower than the Minimum Import Quantity. As a result, Yuxi Hongta, in accordance with the terms of the import agency agreement, compensated the Group in respect of the difference in the import quantities for each financial year. Total compensation fees amounting to US\$566,400 (or HK\$4,418,000) were paid to the Group during the period. This move reflects the full support of Yuxi Hongta for the Group as one of the major shareholders. The Group will closely monitor market conditions for such business in the year ahead.

On the other hand, Yuxi Globe Colour Printing Carton Co., Ltd. (“Yuxi Globe”), in which the Group holds a 12.5% equity interest, continued to maintain stable operating performances during the period under review. With its strong foundations, Yuxi Globe is expected to achieve profitability again in 2002. The Group therefore believes that the dividend income derived from its investment in Yuxi Globe in the coming year will strengthen the income base of the Group.

*Performances of associates*

- (1) Shenzhen Xinpeng Biotechnology Engineering Company Limited (“Xinpeng Biotechnology Engineering”)

Competition in China’s pharmaceutical market intensified in 2002. Under the tough market environment, Xinpeng Biotechnology Engineering’s major product rhG-CSF recorded a turnover of RMB16,450,000 (excluding VAT) during the period under review, representing a decrease of 10% as compared to the corresponding amount of RMB18,300,000 (excluding VAT) recorded last year. In order to cope with the intense competition in the domestic pharmaceutical market, as well as to minimize the impact of the market environment on turnover, the sales team of Xinpeng Biotechnology Engineering continued to enhance the sales and marketing efforts for rhG-CSF in the current year. At the same time, two new specifications for rhG-CSF were launched in the second half of 2002, resulting in a total of five specifications for this product currently on sale in the market. With the increase in selling and other relevant expenses, Xinpeng Biotechnology Engineering recorded a profit (before tax) of RMB1,630,000 during the period under review. The Group is therefore entitled to a profit share (before tax) of RMB782,000 (or HK\$738,000) during the period, representing a decrease of 38% over the corresponding period last year. The management of Xinpeng Biotechnology Engineering, however, believes that with the support of its established and comprehensive sales network, long-term and well-maintained customer relationships as well as wide recognition of its quality product in the market over the years, Xinpeng Biotechnology Engineering has a strong competitive edge, enjoying a highly favourable position in the domestic pharmaceutical market.

During the period, Xinpeng Biotechnology Engineering cooperates with the Institute of Basic Medical Sciences of the Chinese Academy of Medical Sciences to jointly carry out the “Chuiluosu intermediate tests and clinical researches”, which was approved under the Tenth 5-Year Plan Major Key Program in October 2002, to develop a Category I anti-cancer drug – Chuiluosu. Chuiluosu is a functional protein which naturally exists in human cells. It possesses a broad spectrum of anti-tumor functions. Compared to traditional chemotherapy drugs, Chuiluosu has two distinct characteristics. Firstly, Chuiluosu is able to kill targeted tumor cells with no toxic effects on normal cells. Secondly, Chuiluosu possesses a broad spectrum of anti-tumor activity, which induces various tumor cells, including rectum, lung, liver, mammary gland and kidney cancers, malignant melanomas, as well as glioma, to shrink away. Chuiluosu will therefore bring a new era of hope for many cancer patients. With its strong research capabilities and its many years of experience in R&D, Xinpeng Biotechnology Engineering will be leveraging Chuiluosu to create a R&D platform for further anti-cancer drugs development and promoting these drugs through its existing comprehensive sales channels. The Group’s management is highly optimistic with regard to the future development of Chuiluosu, and is confident that it will create more lucrative profits for Xinpeng Biotechnology Engineering.

(2) Yunnan Meng Sheng Pharmaceutical Co., Limited (“Meng Sheng Pharmaceutical”)

Meng Sheng Pharmaceutical brought in an immediate profit contribution to the Group last year as a newly-acquired associate company of the Group, fully reflecting the potential of this entity. The Group is also confident of the development prospect of Meng Sheng Pharmaceutical. During the period under review, the Group injected further capital of RMB5,390,000 into Meng Sheng Pharmaceutical, bringing the Group’s total investment in this entity to RMB16,170,000. Meng Sheng Pharmaceutical also maintained progressive growth in its operating performance during the period under review, with a turnover of RMB2,455,000 and net profit of RMB797,000 being recorded. The Group was therefore entitled to a profit share of HK\$368,000 during the period.

The first phase of construction work for Meng Sheng Pharmaceutical’s new production plant, located in the Kunming Economic and Technology Development Zone, has been completed. The new production plant has already started productions, increasing Meng Sheng Pharmaceutical’s production capacity to cater for future demands. The relevant production workshops in the new production plant have successfully passed inspections conducted by the State Drug Administration and been awarded the GMP certification in July 2002. This proves that the manufacturing process, including production facilities, equipment, raw materials, production management and quality control, are fully compliant with GMP standards. There are currently 170 pharmaceutical companies in Yunnan Province, with only 35 of them being awarded GMP certification so far. GMP compliance provides strong assurance for the quality products manufactured by Meng Sheng Pharmaceutical which will help boost sales volumes. With the current intensifying competition in the domestic pharmaceutical market, this places the entity in an advantageous position. The Group strongly believes that with the support of its GMP certification, coupled with the new production plant’s advanced production facilities as well as its innovative R&D techniques, the product sales of Meng Sheng Pharmaceutical would be significantly boosted, continuing to bring lucrative investment returns for the Group.

## **Prospects**

The domestic pharmaceutical industry is facing tough challenges arising from market changes attributable to China’s entry into the World Trade Organization. Despite the difficulties, through their established solid foundations, as well as the full support of the Group and its local shareholders, the Group’s associate biotechnology companies are well equipped to meet future challenges. With the comprehensive sales network, the GMP-compliant production workshops, recognition as a “High and New Technology Enterprise”, and the distinguished R&D and sales teams, the Group believes that these associate companies will be able to attain even more advantageous position in the market. Looking forward, the Group will follow on the development strategy in the area of biotechnology investments to strengthen the Group’s investment portfolio, bringing more favourable returns for shareholders.

## DIRECTORS' INTERESTS IN SHARES

At 30 September 2002, none of the Directors or chief executives, nor their associates had or were deemed to have any interests in the share capital of the Company or any of its associated corporations (within the meaning of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance")) as recorded in the register kept by the Company pursuant to Section 29 of the SDI Ordinance.

## SUBSTANTIAL SHAREHOLDERS

At 30 September 2002, according to the register of interests kept by the Company under Section 16(1) of the SDI Ordinance, the Company had been notified of the following persons who were directly or indirectly interested in 10% or more of the issued share capital of the Company:

<b>Name</b>	<b>Number of shares held</b>
South Hong Investment Limited	262,442,930
China National Tobacco Corporation Yunnan Branch	262,442,930 ( <i>Note</i> )
Yuxi Hongta Tobacco (Group) Limited	262,442,930 ( <i>Note</i> )
Yunnan International Trust and Investment Corporation	262,442,930 ( <i>Note</i> )

*Note:* These shares refer to the 262,442,930 shares held by South Hong Investment Limited in which China National Tobacco Corporation Yunnan Branch, Yuxi Hongta Tobacco (Group) Limited and Yunnan International Trust and Investment Corporation, both being substantial shareholders of South Hong Investment Limited, are deemed to be interested.

Save as disclosed above, no person was recorded in the register as having an interest of 10% or more in the issued share capital of the Company.

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

During the six months ended 30 September 2002, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

## AUDIT COMMITTEE

The audit committee has reviewed with management the accounting principles and practices adopted by the Group and discussing auditing, internal control and financial reporting matters including the review of the unaudited interim results for the six months ended 30 September 2002 of the Company now reported on. At the request of the Directors, the Group's external auditors have carried out a review of the unaudited interim financial statements in accordance with the Statement of Auditing Standards 700 issued by the Hong Kong Society of Accountants.

## **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 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

By order of the Board  
**Ma Pizhi**  
*Managing Director*

Hong Kong, 19 December 2002

# 德勤·關黃陳方會計師行

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**Deloitte  
Touche  
Tohmatsu**

## **INDEPENDENT REVIEW REPORT**

### **TO THE BOARD OF DIRECTORS OF YUNNAN ENTERPRISES HOLDINGS LIMITED**

#### **INTRODUCTION**

We have been instructed by the Company to review the interim financial report set out on pages 1 to 8.

#### **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 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 Statement of Auditing Standards 700 "Engagements to Review Interim Financial Reports" ("SAS 700") 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 2002.

**Deloitte Touche Tohmatsu**  
*Certified Public Accountants*

Hong Kong, 19 December 2002