



# PREMIUM LAND LIMITED

INTERIM REPORT  
2002/2003

## INTERIM RESULTS

The board of directors (the “Board”) of Premium Land Limited (the “Company”) announces the unaudited condensed consolidated results of the Company and its subsidiaries (together “the Group”) for the six month ended 30th September, 2002.

### CONDENSED CONSOLIDATED INCOME STATEMENT

		Six months ended 30th September,	
		2002	2001
		(unaudited)	(unaudited)
	NOTES	HK\$'000	HK\$'000
Turnover	3	192,774	40,920
Cost of sales		(211,933)	(64,510)
		(19,159)	(23,590)
Other revenue		210	2,544
Administrative expenses		(14,124)	(40,070)
Other operating expenses		(65,267)	–
Loss from operations	4	(98,340)	(61,116)
Finance costs		(5,376)	(3,770)
Loss on disposal of subsidiaries		–	(4,942)
Share of results of associates		18	(5,952)
Loss before taxation		(103,698)	(75,780)
Taxation	5	–	–
Loss before minority interests		(103,698)	(75,780)
Minority interests		(370)	9,588
Loss for the period		(104,068)	(66,192)
Loss per share	6		
Basic		(3.73) cents	(20.40) cents
Diluted		N/A	N/A

# CONDENSED CONSOLIDATED BALANCE SHEET

		30th September, 2002 (unaudited) HK\$ '000	31st March, 2002 (audited) HK\$ '000
	NOTES		
Non-current assets			
Investment properties	7	83,630	83,630
Property, plant and equipment		7,126	3,013
Goodwill		39,824	28,724
Interests in associates		19,791	19,829
Investments in securities	8	156,402	67,550
Deposit paid for acquisition of investments in securities		17,900	17,900
		<hr/> 324,673 <hr/>	<hr/> 220,646 <hr/>
Current assets			
Inventories		78,888	7,416
Trade and other receivables and prepayments	9	134,637	14,823
Investments in securities		59,567	122,987
Pledged bank deposit		5,000	2,002
Bank balances and cash		103,543	47,698
		<hr/> 381,635 <hr/>	<hr/> 194,926 <hr/>
Current liabilities			
Trade and other payables	10	45,348	9,080
Amount due to a minority shareholder		1,228	1,281
Taxation Payable		3,464	530
Bank and other borrowings		287,105	180,010
		<hr/> 337,145 <hr/>	<hr/> 190,901 <hr/>
Net current assets		<hr/> 44,490 <hr/>	<hr/> 4,025 <hr/>
Total assets less current liabilities		369,163	224,671
Minority interests		<hr/> 34,689 <hr/>	<hr/> 823 <hr/>
Net assets		<hr/> 334,474 <hr/>	<hr/> 223,848 <hr/>
Capital and reserves			
Share capital	11	32,392	22,496
Reserves		<hr/> 302,082 <hr/>	<hr/> 201,352 <hr/>
Shareholders' funds		<hr/> 334,474 <hr/>	<hr/> 223,848 <hr/>

# CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Six months ended 30th September,	
	2002 (unaudited) HK\$'000	2001 (unaudited) HK\$'000
NET CASH (OUTFLOW) INFLOW FROM OPERATING ACTIVITIES	(60,257)	57,361
NET CASH (OUTFLOW) INFLOW FROM INVESTING ACTIVITIES	(125,377)	53,323
NET CASH INFLOW (OUTFLOW) FROM FINANCING ACTIVITIES	241,479	(43,161)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	55,845	67,523
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	47,698	52,299
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	103,543	119,822
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS		
Bank balances and cash	103,543	119,822
Bank overdrafts	—	—
	103,543	119,822

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

## Six months ended 30th September 2002 (unaudited)

	Share Capital account <i>HK\$'000</i>	Share premium account <i>HK\$'000</i>	Capital redemption reserve <i>HK\$'000</i>	Investment property revaluation reserve <i>HK\$'000</i>	Capital reserve (goodwill) on con- solidation <i>HK\$'000</i>	Special reserve <i>HK\$'000</i>	Con- tributed surplus <i>HK\$'000</i>	Warrant <i>HK\$'000</i>	Accumu- lated profits (losses) <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 31st March, 2002	22,496	106,252	13,878	24,877	–	78,176	658,247	–	(680,078)	223,848
Issue of shares ( <i>note 11</i> )	9,896	178,145	–	–	–	–	–	–	–	188,041
Issue of warrants	–	–	–	–	–	–	–	26,719	–	26,719
Loss for the period	–	–	–	–	–	–	–	–	(104,134)	(104,134)
At 30th September 2002	<u>32,392</u>	<u>284,397</u>	<u>13,878</u>	<u>24,877</u>	<u>–</u>	<u>78,176</u>	<u>658,247</u>	<u>26,719</u>	<u>(784,212)</u>	<u>334,474</u>

## Six months ended 30th September 2001 (unaudited)

	Share Capital account <i>HK\$'000</i>	Share premium account <i>HK\$'000</i>	Capital redemption reserve <i>HK\$'000</i>	Investment property revaluation reserve <i>HK\$'000</i>	Capital reserve (goodwill) on con- solidation <i>HK\$'000</i>	Special reserve <i>HK\$'000</i>	Con- tributed surplus <i>HK\$'000</i>	Exchange reserve <i>HK\$'000</i>	Accumu- lated profits (losses) <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 31st March, 2001	625,894	50,395	13,878	24,997	(52,602)	78,176	–	(496)	(528,909)	211,333
Cancellation of shares	(610,247)	–	–	–	–	–	610,247	–	–	–
Cancellation of share premium	–	(48,000)	–	–	–	–	48,000	–	–	–
Issue of shares	3,100	65,100	–	–	–	–	–	–	–	68,200
Share issue expenses	–	(682)	–	–	–	–	–	–	–	(682)
Eliminated on disposal of interest in subsidiaries	–	–	–	–	(1,445)	–	–	573	–	(872)
Loss for the period	–	–	–	–	–	–	–	–	(66,192)	(66,192)
At 30th September, 2001	<u>18,747</u>	<u>66,813</u>	<u>13,878</u>	<u>24,997</u>	<u>(54,047)</u>	<u>78,176</u>	<u>658,247</u>	<u>77</u>	<u>(595,101)</u>	<u>211,787</u>

## NOTES TO THE CONDENSED FINANCIAL STATEMENTS

### 1. BASIS OF PREPARATION

The unaudited condensed financial statements have been prepared in accordance with Statement of Standard Accounting Practice (“SSAP”) 25 “Interim financial reporting” issued by the Hong Kong Society of Accountants, 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 (the “Stock Exchange”).

### 2. PRINCIPAL ACCOUNTING POLICIES

The condensed financial statements have been prepared under the historical cost convention as modified for the revaluation of investment properties and certain investments in securities.

The accounting policies adopted are consistent with those followed in the preparation of the Group’s financial statements for the year ended 31st March, 2002, except that in the current period, the Group has adopted for the first time, a number of new and revised SSAPs. The major effects of adopting these revised SSAPs are summarized as follows:

#### **SSAP 1 (revised) Presentation of financial statements**

SSAP 1 prescribes the basis for presentation of financial statements and sets out guidelines for their structure and minimum requirements from presenting a statement of recognized gains and losses to a statement of changes in equity. The condensed consolidated statement of changes in equity for the current interim period and the comparative figures have been presented in accordance with this revised SSAP.

#### **SSAP 15 (revised) Cash flow statements**

According to the revised SSAP, cash flow during the period has been reclassified by operation, investing and financing activities. The condensed consolidated cash flow statement for the current interim period and the comparative figures have been presented in accordance with the revised SSAP.

SSAP 11 (revised)	Foreign Currency Translation
SSAP 25 (revised)	Interim financial reporting
SSAP 33	Discontinuing operations
SSAP 34	Employee benefits

Apart from SSAP 1 and SSAP 15, the other new and revised SSAPs adopted during the period do not have significant impact to the Group.

### 3. SEGMENT INFORMATION

	Turnover		Segment results	
	Six months ended		Six months ended	
	30th September,		30th September,	
	2002	2001	2002	2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Business nature</b>				
Publishing of newspaper and magazine and advertising income	–	37,940	–	(12,983)
Property rental	2,243	1,920	2,243	1,920
Securities trading and investment	171,794	1,051	(26,234)	(12,254)
Software development	–	9	–	(13,837)
Trading of building materials and renovations services	18,737	–	4,832	–
	<u>192,774</u>	<u>40,920</u>	(19,159)	(37,154)
Other income			210	2,544
Administrative expenses			<u>(79,391)</u>	<u>(26,506)</u>
Loss from operations			<u>(98,340)</u>	<u>(61,116)</u>
<b>Geographical region</b>				
Hong Kong	192,774	40,911	(19,159)	(23,317)
Canada	–	9	–	(13,837)
	<u>192,774</u>	<u>40,920</u>	(19,159)	(37,154)
Other income			210	2,544
Administrative expenses			<u>(79,391)</u>	<u>(26,506)</u>
Loss from operations			<u>(98,340)</u>	<u>(61,116)</u>

### 4. LOSS FROM OPERATIONS

The loss from operations has been arrived at after charging (crediting):

	Six months ended	
	30th September,	
	2002	2001
	HK\$'000	HK\$'000
Amortisation of intangible asset	865	859
Depreciation and amortisation of property, plant and equipment	469	4,829
Unrealised holding losses on investment securities	64,402	13,305
Interest income	<u>(144)</u>	<u>(1,340)</u>

## 5. TAXATION

No provision for Hong Kong Profits Tax has been made in the financial statements as the companies comprising the Group incurred tax losses for the six month periods ended 30th September, 2001 and 30th September, 2002 respectively. No provision for overseas taxation has been made in the financial statements for the six month periods ended 30th September, 2001 and 30th September, 2002 respectively as the Group's overseas subsidiaries have no taxable profits calculated in accordance with the tax laws of the countries in which they operate.

## 6. LOSS PER SHARE

The calculation of the basic and diluted loss per share for the period, is based on the following data:

	<b>Six months ended 30th September,</b>	
	<b>2002</b>	<b>2001</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Loss for the purpose of basic loss per share	(104,068)	(66,192)
Loss for the purpose of diluted loss per share	(104,068)	(66,192)

  

	<b>Six months ended 30th September,</b>	
	<b>2002</b>	<b>2001</b>
	<b>Number of shares</b>	<b>Number of shares</b>
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share	2,786,905,314	324,466,320

No diluted loss per share have been presented for the six months ended 30th September, 2001 and 2002, as there were no potential dilutive ordinary shares in existence for the periods end assuming no exercise of the Company's outstanding share options as the exercise price was higher than the average fair value per share.

The weighted average number of the shares for the purpose of basic and diluted loss per share for the six months ended 30th September, 2002 has been adjusted for the effect of the subdivision of the Company's shares as set out in note 11.

## 7. MOVEMENTS IN INVESTMENT PROPERTIES AND PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSET

The directors consider that the values of the Group's investment properties as at 30th September, 2002 would not differ materially from the professional valuation made as at 31st March, 2002 and, accordingly, no revaluation surplus or deficit has been recognised in the current period.



## 8. INVESTMENTS IN SECURITIES

Included in investment in securities is an investment of HK\$27,900,000 in the unlisted shares in Ariel Vision Limited, a company incorporated in the British Virgin Islands. Ariel Vision Limited is engaged in the development of an online platform for the management of shopping centers.

There is also an investment of HK\$45,000,000 in the unlisted shares in Info Tech Group Limited, a company incorporated in British Virgin Islands. Info Tech Group Limited is developing various e-solution projects such as online ticketing and booking services.

## 9. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

The Group allows a credit period normally ranging from 60 days to 90 days to its customers. The following is an aged analysis:

	<b>THE GROUP</b>	
	<b>30th September, 2002</b>	<b>31st March, 2002</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade receivables		
0 to 30 days	11,635	1,367
31 to 90 days	18,811	2,742
More than 90 days	13,982	4,382
	<hr/>	<hr/>
	44,428	8,491
Amounts due from customers for contract work ( <i>note</i> )	1,594	3,730
Retention receivable	1,152	581
Other receivables and prepayments	87,463	2,021
	<hr/>	<hr/>
	134,637	14,823
	<hr/>	<hr/>

*Note*

	<b>THE GROUP</b>	
	<b>30th September, 2002</b>	<b>31st March, 2002</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Amounts due from (to) customers for contract works		
Contract costs incurred plus recognized profits less recognized losses	1,207	6,147
<i>Less: Progress billings</i>	—	(2,576)
	<hr/>	<hr/>
	1,207	3,571
Represented by:		
Due from customers included in current assets	1,594	3,730
Due to customers included in current liabilities ( <i>note 10</i> )	(387)	(159)
	<hr/>	<hr/>
	1,207	3,571
	<hr/>	<hr/>

## 10. TRADE AND OTHER PAYABLES

	<b>THE GROUP</b>	
	<b>30th September, 2002</b>	<b>31st March, 2002</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade payables		
0 to 30 days	8,982	1,379
31 to 90 days	5,535	541
More than 90 days	7,663	1,210
	<hr/>	<hr/>
	22,180	3,130
Amounts due to customers for contract work (note 9)	387	159
Retention payables	122	116
Other payables	22,659	5,675
	<hr/>	<hr/>
	45,348	9,080
	<hr/>	<hr/>

## 11. SHARE CAPITAL

	<b>Number of shares</b>	<b>Amounts HK\$'000</b>
<i>Notes</i>		
<b>AUTHORISED</b>		
Ordinary shares at HK\$0.05 each at 1st April 2002	3,000,000,000	150,000
Addition due to subdivision of shares into 5 shares of HK\$0.01 each	12,000,000,000	—
	<hr/>	<hr/>
Ordinary shares at HK\$0.01 each at 30th September, 2002	15,000,000,000	150,000
	<hr/>	<hr/>
<b>ISSUED AND FULLY PAID</b>		
Balance at 31st March, 2002 at HK\$0.05 each	449,927,194	22,496
Issue of shares on subscription (a)	89,946,000	4,497
Addition due to subdivision of shares into 5 shares of HK\$0.01 each (b)	2,159,492,776	—
Issue of shares on private placement (c)	539,870,000	5,399
	<hr/>	<hr/>
Balance at 30th September, 2002 at HK\$0.01 each	3,239,235,970	32,392
	<hr/>	<hr/>

During the period, the following changes in the share capital of the Company took place:

- (a) Pursuant to a placing agreement dated 10th April, 2002 entered into between United Jumbo Limited and the Placing Agents, United Jumbo Limited placed, through the Placing Agents, 65,900,000 shares in the Company to independent investors at a price of HK\$0.80 per share. On 10th April, 2002 the Company and United Jumbo Limited entered into an agreement to subscribe for 89,946,000 shares in the Company at a price of HK\$0.80 per share. The share price of HK\$0.80 represents a discount of approximately 19.6% to the average closing market price for the last ten trading days ended 10th April, 2002 of HK\$0.998 per share. The proceeds from the subscription would be used as general working capital and repayment of the Group's loan.

- (b) Pursuant to special resolutions passed by the shareholders in a special general meeting held on 24th April, 2002, the Company subdivided each of the existing issued and unissued share of HK\$0.50 into 5 shares of HK\$0.01 each;
- (c) Pursuant to a placing agreement dated 31st July, 2002 entered into between United Jumbo Limited and the Placing Agents, United Jumbo Limited placed, through the Placing Agents, 395,620,000 shares in the Company to independent investors at a price of HK\$0.218 per share. On 31st July, 2002 the Company and United Jumbo Limited entered into an agreement to subscribe for 539,870,000 shares in the Company at a price of HK\$0.218 per share. The share price of HK\$0.218 represents a discount of approximately 1.2% to the average closing market price for the last ten trading days ended 30th July, 2002 of HK\$0.2206 per share. The proceeds from the subscription would be used as general working capital, investment and/or development projects in the PRC and repayment of the Group's bank loan.

## 12. SHARE OPTIONS

### (a) The 2001 share option scheme

This share option scheme was adopted on 9th April, 2001 and was terminated upon the adoption of the 2002 share option scheme on 24th April, 2002. Particulars and movements of share options which were granted under the 2001 share option scheme are as follows:

	Date of Grant	Exercise price HK\$	Balance Outstanding as at 1st April 2002	Options cancelled during the period	Balance Outstanding as at 30th September 2002	Exercise period
<b>Employees</b>	30th August, 2001	1.10	9,000,000	9,000,000	0	30th August, 2001 to 8th April, 2011

### (b) The 2002 share option scheme

This share option scheme was adopted on 24th April, 2002. Particulars and movements of share options which were granted under the 2002 share option scheme are as follows:

	Date of Grant	Exercise price HK\$	Balance Outstanding as at 1st April 2002	Options cancelled during the period	Balance Outstanding as at 30th September 2002	Exercise period
<b>Directors</b>						
Mr Dong Bo, Frederic	2nd May, 2002	0.298	16,778,000	0	16,778,000	2nd May, 2002 to 1st November, 2003
Mr Lau Man Tak	2nd May, 2002	0.298	26,990,000	0	26,990,000	2nd May, 2002 to 1st November, 2003
<b>Employees and Consultants</b>	2nd May, 2002	0.298	226,162,000	0	226,162,000	2nd May, 2002 to 1st November, 2003

### 13. CAPITAL COMMITMENTS

	30th September, 2002 HK\$'000	31st March, 2002 HK\$'000
Capital commitments contracted for but not provided in the financial statements:		
For acquisition of subsidiary	–	43,850
For acquisition of investment in securities	–	10,000
For acquisition of property, plant and equipment	–	–
	<hr/>	<hr/>
	–	53,850
	<hr/>	<hr/>

### 14. POST BALANCE SHEET EVENTS

The following events occurred subsequent to the balance sheet date:

- (a) In October 2001, the Group entered into an acquisition agreement with an independent third party to acquire 51% interest in Gold United International Industries Limited at a consideration of HK\$93.60 million to be settled by payment of cash of HK\$30 million and by the allotment and issue by the company to the vendor 240,000,000 shares in the Company. Gold United International Industries Limited is incorporated in British Virgin Islands and holds 80% interest of a PRC subsidiary of which the principal business is the operation of a first-class highway in Fuyang, Zhejiang Province, the PRC. The transaction was completed in December 2002.
- (b) In November 2002 the loan facility of HK\$105 million granted in November 2001 to the Group by a unrelated company (its shares is listed on the Stock Exchange of Hong Kong Limited) for a period of twelve months was extended for another six months.

### INTERIM DIVIDEND

The Board does not recommend the payment of any interim dividend for the six months ended 30th September, 2002. (2001: Nil)

### BUSINESS REVIEW AND OUTLOOK

For the six months ended 30th September, 2002, the turnover of the Group increased to approximately HK\$193 million from approximately HK\$40.9 million compared to last corresponding period representing an increase of approximately 371%. The increase in turnover was mainly attributable to the increase in securities trading and investment and increase in trading of building materials and renovation services.

The unaudited consolidated results of the same period of the Group recorded a loss of approximately HK\$104 million, as compared with a loss of approximately HK\$66 million for the last corresponding period representing an increase of approximately 57%. The business of trading of building materials and renovations services that the Group acquired in last year contributed approximately 19 million and approximately 5 million to the Group's turnover and net profit respectively. During the period under review, the Group has also completed the acquisition of Shanghai Hualong Construction Co., Limited, which is principally engaged in property development in Shanghai, the PRC.

The principal businesses of the Group continue to be property investment, development and property related services, and securities trading and investment. In October, 2002 the Group entered into a conditional acquisition agreement with the vendor to acquire the 51% interest in a company holding an investment in the PRC, the principal business of which is the operations of a first-class highway in Fuyang, Zhejiang Province, the PRC.

The Board believes that the PRC's accession to the World Trade Organization will provide considerable attractions to foreign investments in the PRC which may bring to significant growth in the property market. In view of this the Group will continue to focus on the PRC market, in particular Shanghai, as it is one of the cities in the PRC which receive much attentions from the foreign countries. The Group will utilize its financial capabilities and management expertise to further exploit these potential investment opportunities in properties and related industry by the PRC market.

### **Financial Position**

As at 30th September, 2002, the financial position of the Group remained stable and sound. The net asset was HK\$334.5 million. Total borrowings stood at HK\$287.1 million. The Group's gearing ratios at 30th September 2002 were 47.7% which was calculated by dividing the total liabilities by total assets.

The Group finances its operations with its own resources. The Group maintains good business relationship and banking facilities with banks.

### **Employee**

As at 30th September, 2002, the total number of employees of the Group was approximately 52, inclusive of its operations in the PRC and Hong Kong.

Remunerations were reviewed periodically in accordance with market situations and the performance of individual staff.

### **DIRECTORS' INTERESTS IN SECURITIES**

At 30th September 2002, the interests of the directors and their associates in the share capital of the Company within the meaning of the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance"), as recorded in the register maintained by the Company pursuant to Section 29 of the SDI Ordinance were as follows:

<b>Name of director</b>	<b>Type of Interest</b>	<b>No. of shares</b>
Dong Bo, Frederic	Corporate	865,520,350

These shares are held by United Jumbo Limited, a company beneficially owned by Mr. Dong Bo, Frederic.

Certain directors of the Company have been granted options to subscribe for shares in the Company under the Company's share option scheme, details of which are set out in note 12 to the accounts.

Other than as disclosed above, none of the directors or their associates had any interest in the securities of the Company or any of its associated corporations, as defined in the SDI Ordinance as at 30th September, 2002.

## **DIRECTORS RIGHTS TO ACQUIRE SHARES OR DEBT SECURITIES**

Save as disclosed under the section headed “DIRECTORS’ INTERESTS IN SECURITIES”, at no time during the year was the Company or any of its holding companies, fellow subsidiaries or subsidiaries a party to any arrangements to enable the directors or chief executives of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, and none of the directors or chief executives, nor any of their spouses or children under the age of 18, had any rights to subscribe the securities of the Company, or had exercised any such rights during the year.

## **SUBSTANTIAL SHAREHOLDERS**

As at 30th September, 2002, save for the interests of the Directors disclosed under the section headed “DIRECTORS’ INTERESTS IN SECURITIES”, according to the register of substantial shareholders maintained by the Company under section 16 of the SDI Ordinance for the purposes of sections 3 to 7 of the SDI Ordinance and in so far as was known to the Directors, the following persons were the only persons (not being a director or the chief executive of the Company) directly or indirectly interested in shares representing 10 per cent. Or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company:

<b>Name of Shareholder</b>	<i>Note</i>	<b>Direct interest</b>	<b>Deemed interest</b>	<b>Total Interest</b>	<b>% of Shareholding</b>
Great Huge Investment Limited		374,900,000	–	374,900,000	11.57
Chen Long	(1)	–	374,900,000	374,900,000	11.57

### *Note*

- (1) This represents the deemed corporate interest of Chen Long as he is the beneficial owner of Great Huge Investment Limited

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

During the period, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed securities.

## **CODE OF BEST PRACTICE**

None of the Directors is aware of any information that would reasonably indicate that the Company was not in compliance with the Code of Best Practice as set out in the Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited at any time during the six months period ended 30th September, 2002.

## **AUDIT COMMITTEE**

The Audit Committee has reviewed with directors the accounting principles and practices adopted by the Group and discussed internal control and financial reporting matters in relation to the preparation of the unaudited condensed financial statements for the six months ended 30th September, 2002.

By the Order of the Board

**Dong Bo, Frederic**

*Chairman*

Hong Kong, 24th December, 2002