

AUDIT COMMITTEE

The Company has an audit committee, which was established in accordance with requirements of the Code of Best Practice, for the purposes of reviewing and providing supervision over the Group's financial reporting process and internal controls. Mr. Lao Youan, independent non-executive director of the Company, was appointed on 18 April 2002 as the sole member of the audit committee.

REVIEW OF INTERIM REPORT BY THE AUDIT COMMITTEE AND THE AUDITORS

This interim report has been reviewed by Mr. Lao Youan, an independent non-executive director and the sole member of the audit committee of the Company, along with Moore Stephens, the Company's auditors.

COMPLIANCE WITH THE CODE OF BEST PRACTICE OF THE LISTING RULES

In the opinion of the directors, the Company has complied with the Code of Best Practice as set out in Appendix 14 of the Listing Rules of The Stock Exchange of Hong Kong Limited throughout the accounting period covered by the interim report. 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 accounting period covered by the interim report, 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 except that non-executive directors are not appointed for a specific term as they are subject to retirement by rotation and re-election at Annual General Meetings in accordance with Article 105 of the Company's Articles of Association. The Board is also aware that an additional independent non-executive director should be appointed to the Board as an additional member of the Audit Committee. However, the Board is having difficulty in seeking suitable candidate to fill this vacancy in view of the problems faced by the Group.

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

During the six months ended 30 September 2002, there was no purchase, sale or redemption by the Company or any of its subsidiaries of the Company's listed securities.