



**NORSTAR FOUNDERS GROUP LIMITED**

**北泰創業集團有限公司**

*(incorporated in the Cayman Islands with limited liability)*



**Interim Report 2003**

The Board of Directors (the “Board”) of Norstar Founders Group Limited (the “Company”) are pleased to present the condensed consolidated interim financial statements of the Company and its subsidiaries (collectively the “Group”) for six months ended 30 September 2003, which has been reviewed by the audit committee of the Company, together with appropriate comparative figures, as follows:

**CONDENSED CONSOLIDATED INCOME STATEMENT**

		<b>Six months ended 30 September</b>	
	<i>Notes</i>	<b>2003</b>	2002
		<b>RMB'000</b>	RMB'000
		<b>(Unaudited)</b>	<b>(Unaudited)</b>
Turnover	2	<b>833,690</b>	622,953
Cost of sales		<b>(685,254)</b>	(507,067)
Gross profit		<b>148,436</b>	115,886
Distribution and selling expenses		<b>(31,101)</b>	(23,880)
Administrative expenses		<b>(9,724)</b>	(11,414)
Other operating income	2	<b>3,491</b>	1,268
Profit from operations	3	<b>111,102</b>	81,860
Finance costs	4	<b>(11,139)</b>	(12,645)
Profit before tax		<b>99,963</b>	69,215
Tax	5	<b>(7,640)</b>	—
Profit before minority interests		<b>92,323</b>	69,215
Minority interests		<b>(9,422)</b>	(7,046)
Net profit		<b>82,901</b>	62,169
Dividends	6	<b>24,700</b>	—
Earnings per share	7		
— Basic		<b>RMB13.82 cents</b>	RMB10.36 cents
— Diluted		<b>Not applicable</b>	Not applicable



## CONDENSED CONSOLIDATED BALANCE SHEET

		<b>30 September</b>	31 March
		<b>2003</b>	2003
	<i>Note</i>	<b>RMB'000</b>	<b>RMB'000</b>
		<b>(Unaudited)</b>	<b>(Audited)</b>
<b>NON-CURRENT ASSETS</b>			
Fixed assets	8	<b>60,779</b>	62,919
Construction-in-progress	8	<b>4,878</b>	842
		<u><b>65,657</b></u>	<u>63,761</u>
<b>CURRENT ASSETS</b>			
Inventories		<b>85,910</b>	108,153
Tax receivable		<b>75,006</b>	53,089
Due from a director		—	353
Due from related companies		—	34
Prepayments and other receivables		<b>59,719</b>	56,411
Accounts receivable	9	<b>202,284</b>	209,233
Cash and bank balances	10	<b>242,859</b>	226,217
		<u><b>665,778</b></u>	<u>653,490</u>
<b>CURRENT LIABILITIES</b>			
Short-term borrowings	11	<b>(230,000)</b>	(310,000)
Accounts payable	12	<b>(14,308)</b>	(12,380)
Advances from customers		<b>(389)</b>	(212)
Due to a related company		—	(201)
Accruals and other payables		<b>(20,813)</b>	(21,275)
Taxes payable		<b>(30,796)</b>	(26,579)
Dividend payable		<b>(24,700)</b>	—
		<u><b>(321,006)</b></u>	<u>(370,647)</u>
<b>NET CURRENT ASSETS</b>		<u><b>344,772</b></u>	<u>282,843</u>

**CONDENSED CONSOLIDATED BALANCE SHEET** (Continued)

	<b>30 September 2003 RMB'000 (Unaudited)</b>	31 March 2003 RMB'000 (Audited)
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>	<b>410,429</b>	346,604
<b>MINORITY INTERESTS</b>	<b>(42,424)</b>	(36,800)
<b>NET ASSETS</b>	<b>368,005</b>	309,804
<b>CAPITAL AND RESERVES</b>		
Share capital	<b>10,600</b>	10,600
Reserves	<b>357,405</b>	299,204
<b>SHAREHOLDERS' FUNDS</b>	<b>368,005</b>	309,804



## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

	Share capital <i>RMB'000</i>	Reserves					Total shareholders' reserves <i>RMB'000</i>	Total funds <i>RMB'000</i>
		Reserve fund <i>RMB'000</i>	Enterprise expansion fund <i>RMB'000</i>	Exchange reserve <i>RMB'000</i>	Retained earnings <i>RMB'000</i>	Proposed dividend <i>RMB'000</i>		
At 1 April 2002	10,600	17,512	17,512	370	132,088	—	167,482	178,082
Net profit for the period	—	—	—	—	62,169	—	62,169	62,169
At 30 September 2002	<u>10,600</u>	<u>17,512</u>	<u>17,512</u>	<u>370</u>	<u>194,257</u>	<u>—</u>	<u>229,651</u>	<u>240,251</u>
At 1 April 2003	10,600	29,787	29,787	370	239,260	—	299,204	309,804
Net profit for the period	—	—	—	—	82,901	—	82,901	82,901
Dividend declared	—	—	—	—	—	(24,700)	(24,700)	(24,700)
At 30 September 2003	<u>10,600</u>	<u>29,787</u>	<u>29,787</u>	<u>370</u>	<u>322,161</u>	<u>(24,700)</u>	<u>357,405</u>	<u>368,005</u>

## CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Six months ended 30 September	
	2003	2002
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
<b>Net cash inflow/(outflow) from operating activities</b>	<b>110,564</b>	(927)
<b>Net cash outflow from investing activities</b>	<b>(7,043)</b>	(8,970)
<b>Net cash (outflow)/inflow from financing activities</b>	<b>(86,903)</b>	126,975
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>16,618</b>	117,078
Cash and cash equivalents at beginning of the period	<u>218,149</u>	<u>99,247</u>
<b>CASH AND CASH EQUIVALENTS AT END OF THE PERIOD</b>	<b><u>234,767</u></b>	<b><u>216,325</u></b>
<b>ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS</b>		
Cash on hand	49	99
Cash in bank	<u>234,718</u>	<u>216,226</u>
	<b><u>234,767</u></b>	<b><u>216,325</u></b>



## NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

### 1. Listing date and basis of preparation and accounting policies

The amount of 800,000,000 shares of the Company were listed on the main board of The Stock Exchange of Hong Kong Limited on 10 October 2003.

The unaudited condensed consolidated interim financial statements are prepared in accordance with Hong Kong Statement of Standard Accounting Practice (“SSAP”) No. 25 “Interim Financial Reporting” issued by the Hong Kong Society of Accountants (“HKSA”), and Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“Listing Rules”).

The accounting policies and basis of preparation used in the preparation of the interim financial statements are the same as those used in the audited financial statements for the year ended 31 March 2003, except the following revised SSAP which has been adopted for the first time in the preparation of the current period’s condensed consolidated financial statements:

- SSAP 12 (Revised): “Income taxes”

A summary of its major effects is as follows:

SSAP 12 (Revised) prescribes the basis for accounting for income taxes payable or recoverable, arising from the taxable profit or loss for the current period (current tax); and income taxes payable or recoverable in future periods, principally arising from taxable and deductible temporary differences and the carryforward of unused tax losses (deferred tax).

The SSAP has had no significant impact on these condensed consolidated financial statements.

2. Turnover, revenues and segment information

	Six months ended 30 September	
	2003	2002
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Turnover		
– Automotive spare parts	664,456	448,046
– Construction decorative hardware products	169,234	174,907
	<u>833,690</u>	<u>622,953</u>
Other revenue – interest income	644	1,147
– others	2,847	121
	<u>3,491</u>	<u>1,268</u>
Total revenue	<u><u>837,181</u></u>	<u><u>624,221</u></u>

The table below sets out the analysis of the Group's turnover for the six months period ended 30 September 2003:

	Six months ended 30 September	
	2003	2002
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Overseas		
Sales made by the Group		
United States	370,261	245,466
Canada	69,010	58,664
Europe	74,641	24,737
	<u>513,912</u>	<u>328,867</u>
Sales made through an export company		
United States	128,120	100,512
Canada	118,658	103,524
Europe	73,000	72,403
	<u>319,778</u>	<u>276,439</u>
Total overseas sales	<u>833,690</u>	<u>605,306</u>
Domestic sales	<u>—</u>	<u>17,647</u>
Total	<u><u>833,690</u></u>	<u><u>622,953</u></u>





### 3. Profit from operations

During the period, depreciation of approximately RMB5,791,000 (2002: RMB3,945,000) was charged to the income statement in respect of the Group's fixed assets.

### 4. Finance costs

	Six months ended 30 September	
	2003	2002
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Interest expenses on short-term loans	6,903	7,680
Interest expenses on other loans	—	345
Discounting charges	2,330	4,397
Bank charges	551	147
Exchange losses	1,355	76
	<u>11,139</u>	<u>12,645</u>

### 5. Tax

No provision for Hong Kong profit tax has been made as the Group had no assessable profit in Hong Kong during the period (2002: Nil).

Beijing Norstar Automotive Industries Inc., the Group's subsidiary established in the PRC, is subject to enterprise income tax at the rate of 15% and is granted an exemption from enterprise income tax for two years commencing from the year ended 31 December 2001, and a 50% reduction in the enterprise income tax rate for three years thereafter. Therefore, the PRC enterprise income tax for the six months period ended 30 September 2003 represented 7.5% (2002: Nil) tax charges on the taxable income of Beijing Norstar Automotive Industries Inc.

The taxation charged during the period represented the PRC enterprise income tax which amounted to approximately RMB7,640,000 (2002: Nil).

**6. Dividends**

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2003</b>	2002
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Interim dividend of RMB24,700,000 (2002: Nil)	<b><u>24,700</u></b>	<u>—</u>

On 4 September 2003, Norstar Industrial Limited declared a dividend of RMB24,700,000 to its then shareholder, Fullitech International Limited (“Fullitech”), and on the same day Fullitech declared the same amount to its then shareholder, Century Founders Group Limited. Other than these dividend payments, no other dividend or distribution has been declared, made or paid by the Company or any of its subsidiaries during the period (2002: Nil).

**7. Earnings per share**

The calculation of basic earnings per share for the six months ended 30 September 2003 is based on profit attributable to shareholders of approximately RMB82,901,000 (2002: RMB62,169,000) and on the weighted average number of approximately 600,000,000 shares (2002: 600,000,000 shares) deemed to be in issue during the period and taking no account of 230,000,000 new shares issued pursuant to the Listing.

Diluted earnings per share is not presented since no potential dilutive shares existed during the period (2002: Nil).

**8. Fixed assets and construction-in-progress**

During the period, approximately RMB3,651,000 and RMB4,036,000 respectively were spent on the acquisition of fixed assets and construction-in-progress (2002: RMB7,273,000 and RMB2,844,000 respectively).



## 9. Accounts receivables

Credit terms of 30 to 90 days are generally granted to customers.

The following is an aging analysis of accounts receivables, based on the invoice date:

	<b>30 September 2003 RMB'000 (Unaudited)</b>	31 March 2003 RMB'000 (Audited)
Less than 90 days	<b>195,712</b>	205,378
91-180 days	<b>1,418</b>	3,843
Over 180 days	<b>5,154</b>	12
	<hr/>	<hr/>
Total	<b>202,284</b>	209,233
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## 10. Cash and bank balances

	<b>30 September 2003 RMB'000 (Unaudited)</b>	31 March 2003 RMB'000 (Audited)
Cash on hand	<b>49</b>	18
Cash in banks	<b>234,718</b>	218,131
	<hr/>	<hr/>
	<b>234,767</b>	218,149
Pledged bank deposits	<b>8,092</b>	8,068
	<hr/>	<hr/>
	<b>242,859</b>	226,217
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As at 30 September 2003, a pledged bank deposit of approximately HK\$7,634,000 (31 March 2003: HK\$7,611,000) was maintained as security for certain banking facilities of the Group.

**11. Short-term borrowings**

All the short-term borrowings were borrowed from banks in the PRC. They were guaranteed by independent third parties and related companies (see Note 15).

**12. Accounts payables**

The aging analysis of accounts payable is as follows:

	<b>30 September 2003 RMB'000 (Unaudited)</b>	31 March 2003 RMB'000 (Audited)
Less than 90 days	<b>6,521</b>	6,768
91-180 days	<b>7,787</b>	5,612
Total	<b><u>14,308</u></b>	<u>12,380</u>

**13. Contingent liabilities**

The Group did not have any significant contingent liabilities as at the balance sheet date (31 March 2003: Nil).

**14. Capital commitments**

The Group had approximately RMB40,824,000 (31 March 2003: RMB1,542,000) of capital commitments for acquisition of plant and equipment contracted but not provided for in the financial statements as at 30 September 2003.



## 15. Related party transactions

Transactions (i) to (iii) also constituted connected transactions as defined under the Listing Rules:

		Six months ended 30 September	
	<i>Notes</i>	2003 <i>RMB'000</i> <i>(Unaudited)</i>	2002 <i>RMB'000</i> <i>(Unaudited)</i>
Rental expenses paid to a related company	(i)	5,400	5,400
Purchases made from related companies	(ii)	64,206	22,835
Corporate guarantee provided by a related company	(iii)	200,000	—

*Notes:*

- (i) The rental payment was based on market rate. A director of the Company has control on this related company.
- (ii) The purchases were made based on market rate. A director and his family member owned these related companies. After the listing of the Group on The Stock Exchange of Hong Kong Limited, the purchases made from these related companies ceased.
- (iii) The related Company provided Corporate Guarantee of up to a maximum amount of RMB200 million in respect of short-term banking facilities given to the Group. The Corporate Guarantee given by this related Company was released after the Group's listing on The Stock Exchange of Hong Kong Limited.

## 16. Approval of the interim financial statements

The unaudited condensed consolidated interim financial statements were approved and authorised for issue by the board of directors on 8 December 2003.

## **INTERIM DIVIDEND**

Other than the interim dividend of RMB24,700,000 declared by the Group to its then shareholder, the Board of Directors does not recommend the payment of an interim dividend for the six months ended 30 September 2003.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **Financial Review**

For the six months ended 30 September 2003, turnover of the Group amounted to approximately RMB833,690,000, representing an increase of approximately 34% as compared to the corresponding period of 2002. Profit attributable to shareholders was approximately RMB82,901,000, representing an increase of approximately 33% when compared with prior period. Earnings per share were RMB13.82 cents (2002: RMB10.36 cents). Other than the interim dividend of RMB24,700,000 declared by the Group to its then shareholder, the Board of directors does not recommend the payment of any interim dividend for the six months ended 30 September 2003 (2002: Nil).

### **Business Review**

The Group was listed on the Main Board of The Stock Exchange of Hong Kong Limited on 10 October 2003. The new issue comprised of 230,000,000 Shares (including the 30,000,000 Shares issued pursuant to the exercise of the Over-allotment Option) at an offer price of HK\$1.33 per Share, in which 130,000,000 Shares were offered as Placing Shares and 100,000,000 were offered as Public Offer Shares. All Shares offered are new shares and the net proceeds raised were approximately HK\$283 million. Such net proceeds will be applied to implement the future plans as stated in the prospectus of the Company dated 29 September 2003.

The subscription of the Public Offer was approximately 120 times, based on the 20,000,000 Shares originally planned to offer to the public. The Group was overwhelmed by the favourable market response which has reflected the recognition and confidence of investors towards the Group's potential growth. The Group's listing on The Stock Exchange of Hong Kong Limited provided funding for the Group's expansion plan. It accelerated the speed of corporate development as well as enhanced the reputation and profile of the Group. In addition, it provided impetus for the Group to become a global leading manufacturer of automotive spare parts.



## MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

### Business Review (Continued)

As at 30 September 2003 as the IPO has not in place yet, none of the net proceeds raised was used in the future plans as described in the prospectus of the Company dated 29 September 2003.

The Group is principally engaged in the manufacture and sales of automotive spare parts including brake plates and brake shoes. These products are used in the brake system of various types of motor vehicles including cars, passengers vans and trucks. The Group is also engaged in the trading and distribution of automotive spare parts such as universal joints and transmission shafts, all of which are sourced from independent third parties. In addition, the Group is engaged in the manufacture and sales of construction decorative hardware products. A significant portion of the Group's products is sold to overseas customers directly or through an export Company in the PRC. The majority of such overseas customers are suppliers and distributors of automotive spare parts in the United States, Canada and Europe.

For the six months ended 30 September 2003, the sales of automotive spare parts reached RMB664,456,000 that accounted for approximately 80% of the Group's turnover. The sales of construction decorative hardware products amounted to RMB169,234,000, representing 20% of the Group's turnover. Overseas sales accounted for 100% of the Group's turnover and there was no domestic sales made during current period. Among the overseas sales, those made through an export company in the PRC to overseas customers accounted for approximately 38% of the Group's turnover; while those made directly by the Group to overseas customers accounted for approximately 62%.

The construction of research and development center, production plant and administrative building in the BETD Zone is in line with the plan of the Group. It is scheduled to be completed by the end of 2003. The production plant is intended to be used for the production of new types of automotive spare parts such as suspension system parts. It is expected that upon the commencement of the production plant, the Group's production capacity will be raised, and bring production of the new forth greater economic value and improved competitiveness.

## MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

### Prospects

Looking forward, the Group will continue to expand its overseas markets, such as South America and various Asian countries. China is becoming one of the global leading auto parts production and procurement centres, the PRC market is expected to experience an escalating demand for quality automotive components. The Group is steering to develop the vast PRC market. With the aim to expand the market, the Group will continue to consolidate and extend the sales network.

In addition, the Group will develop more diversified products, such as the other key parts used in various systems of motor vehicles, particularly high value-added products that require the use of high precision production techniques. The new products are expected to include new friction materials and suspension system parts. It is expected that by adopting the new production facilities in the production of other high value-added automotive spare parts, the production capacity would be enhanced and reach the economies of scale. The development of the Group could be speeded up and better satisfy the customers and market demand.

Listing on The Stock Exchange of Hong Kong Limited is a milestone for the Group and is also a brand new start. More challenges and opportunities are ahead and require the concerted effort of all employees to speed up the development of the automotive spare parts business. The Group is committed to become one of the major manufacturers of automotive spare parts in the PRC so as to bring attractive returns for its shareholders.





## MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

### Liquidity and Capital Structure and foreign exchange risk

As at 30 September 2003, the Group's cash and bank balances amounted to approximately RMB243 million (31 March 2003: RMB226 million). The Group's total bank borrowings amounted to approximately RMB230 million (31 March 2003: RMB310 million). Net proceeds of approximately HK\$283 million were raised from the IPO. The IPO were completed in October 2003 and the Group was able to achieve its target of achieving its debt-to-equity ratio of less than 35%. The Group's gearing ratio (total interest-bearing borrowings over shareholders' fund) was 62% (31 March 2003: 100%) and the current ratio (current assets over current liabilities) was 207% (31 March 2003: 176%).

Income and most of the expenditure of the Group are denominated in US dollars and RMB. The Group has not experienced any material difficulties or effects on its operations or liquidity as a result of fluctuations in currency exchange rates during the six months ended 30 September 2003. The Directors of the Company believes that the Group will have sufficient foreign exchange to meet its foreign exchange requirements. No foreign exchange contracts were outstanding as at 30 September 2003 (31 March 2003: Nil).

### Employees

As at 30 September 2003, the Group had 2,163 (31 March 2003: 2,146) full-time employees. Total wages and salaries of the Group for the six months then ended amounted to approximately RMB8.0 million (six months ended 30 September 2002: RMB5.5 million). Remuneration packages are determined by reference to the qualifications and experiences of the staff concerned and are reviewed annually by the management with reference to the market conditions and their performance. The Group also participates in Mandatory Provident Fund Scheme in Hong Kong and state-managed retirement benefit scheme in the PRC.

The Company's directors may, at their discretion, invite employees, including directors, of the Company or any of its subsidiaries and associates to take up options to subscribe for shares of the Company. During the period, no share options were granted to any director or employee of the Group. As at 30 September 2003, there is no outstanding options granted to non-director employees.

## INTERESTS OF DIRECTORS AND CHIEF EXECUTIVES

At 30 September 2003, the interests and short positions of the directors, supervisors and chief executives of the Company and their associates in any shares, underlying shares or debentures of the Company and its associated corporations as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance (the “SFO”) or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) pursuant to Divisions 7 and 8 of the SFO or the Model Code for Securities Transactions by Directors of Listed Companies were as follows:

### Interests in the Company

<b>Name of director</b>	<b>Nature of interest</b>	<b>Number of shares</b>
Lilly Huang	Corporate	600,000,000

All the interests above represent long positions in the shares of the Company and its associated corporations.

Save as disclosed above and other than certain shares in subsidiaries held by a director of the Group, none of the directors and their associates has any interests or short positions in any shares, underlying shares and debentures of the Company or any associated corporations (within the meaning of the SFO) as recorded in the register to be kept under Section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to the Model Code.

The Company operates a share option scheme (the “Scheme”) for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group’s operations. Eligible participants of the Scheme include directors, including independent non-executive directors, and employees of the Company and any of its subsidiaries and associates.

No share options were granted to or exercised by the directors or lapsed for the six months ended 30 September 2003.



## INTERESTS OF DIRECTORS AND CHIEF EXECUTIVES (Continued)

Apart from the foregoing, at no time during the period was the Company, its holding companies, or any of its subsidiaries and fellow subsidiaries a party to any arrangements to enable the directors of the Company, their respective spouse or children under 18 years of age, to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Save as disclosed above, none of the directors, supervisors and chief executives of the Company or their associates had any personal, family, corporate or other interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations as defined in the SFO.

## INTERESTS OF SUBSTANTIAL SHAREHOLDERS

As at 30 September 2003, the following interests or short positions of 5% or more in the shares or underlying shares of the Company were recorded in the register kept by the Company under Section 336 of the SFO:

Name	Number of shares	Position	Percentage of issued shares
Lilly Huang	600,000,000 ( <i>Note 1</i> )	Long	75%
Lilly Huang	30,000,000 ( <i>Note 1 and 2</i> )	Short	3.75%
Century Founders Group Limited	600,000,000 ( <i>Note 1</i> )	Long	75%
Century Founders Group Limited	30,000,000 ( <i>Note 1 and 2</i> )	Short	3.75%

### Notes:

1. The entire issued share capital of Century Founders Group Limited is wholly and beneficially owned by Ms. Lilly Huang and therefore Ms. Lilly Huang is taken to be interested in the long position and short position of these shares pursuant to Part XV of the SFO.
2. These shares are subject of the stock borrowing agreement entered into between Century Founders Group Limited and ICEA Capital Limited on 26 September 2003.

## **INTERESTS OF SUBSTANTIAL SHAREHOLDERS (Continued)**

Save as disclosed above, the Company was not aware of any other person (other than the directors, supervisors or chief executives of the Company) who has an interest or short position in the shares or underlying shares of the Company as at 30 September 2003 which would fall to be disclosed to the Company and The Stock Exchange of Hong Kong Limited under the provisions of Divisions 2 and 3 of the SFO or was required to be recorded under Section 336 of the SFO.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities for the six months ended 30 September 2003.

## **CODE OF BEST PRACTICE**

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 during the period covered by this interim report. Independent non-executive directors are subject to retirement by rotation and re-election at the annual general meeting of the Company according to the provisions of the Company's articles of association.

## **AUDIT COMMITTEE**

The Company has established an audit committee consisting of two independent non-executive directors, in accordance with paragraph 14 of the Code of Best Practice.

The audit committee has reviewed with the management the accounting principles and practices adopted by the Group and discussed its internal controls and financial reporting matters, including a review of the unaudited condensed consolidated interim financial statements of the Group for the six months ended 30 September 2003.



## ACKNOWLEDGEMENT

The Directors would like to take this opportunity to express our sincere gratitude to our shareholders for their support and to our staff for their commitment and hard work during the period.

On behalf of the Board

**Lilly Huang**

*Chairman*

8 December 2003