



CHAODA MODERN AGRICULTURE (HOLDINGS) LIMITED

超大現代農業(控股)有限公司*

(incorporated in the Cayman Islands with limited liability)

ANNOUNCEMENT OF UNAUDITED CONSOLIDATED RESULTS FOR THE SIX MONTHS ENDED 31st DECEMBER, 2001

The Board of Directors of Chaoda Modern Agriculture (Holdings) Limited (the “Company”) is pleased to present the interim results for the six months ended 31st December, 2001 of the Company and its subsidiaries (collectively the “Group”). The consolidated profit and loss account, for the six months ended 31st December, 2001 and the consolidated balance sheet of the Group as at 31st December 2001 (the “interim financial statements”), which are all unaudited are set out below and have been reviewed by the Company's Audit Committee and the Company's independent auditors, PricewaterhouseCoopers and Charles Chan, Ip & Fung CPA Ltd.

INTERIM FINANCIAL STATEMENTS

UNAUDITED CONSOLIDATED PROFIT AND LOSS ACCOUNT

		Six months ended 31st December,	
		2001	2000
	<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i>
Turnover			
Sales of crops		452,067	275,671
Sales of livestock		8,240	6,718

Sales of ancillary food products		1,094	2,177
		461,401	284,566
Cost of sales		(115,815)	(69,588)
Gross profit		345,586	214,978
Other revenues		9,424	2,579
Selling and distribution expenses		(40,673)	(20,902)
General and administrative expenses		(24,608)	(8,853)
Net other operating income/ (expenses)		1,056	(60)
Operating profit	4	290,785	187,742
Finance costs		(920)	(313)
Share of results of an associated company		619	--
Profit before taxation		290,484	187,429
Taxation	5	--	(1,652)
Profit for the period		290,484	185,777
Earnings per share	6	RMB17.4 cents	RMB15 cents
Dividends	7	148,654	20,000

UNAUDITED CONSOLIDATED BALANCE SHEET
As at 31st December, 2001 and 30th June, 2001

		As at 31st December, 2001	(Restated) As at 30th June, 2001
	<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i>
Fixed assets		292,545	135,192
Construction-in-progress		171,380	128,160
Deferred development costs		58,257	49,443
Long-term prepaid rental		305,375	239,436
Other long-term deposits		2,150	2,150
Interest in an associated company		119,193	--
Current assets			
Inventories, at cost		45,269	28,325
Accounts receivable	8	37,992	25,150
Other receivables, deposits and prepayments		69,453	58,501
Bank balances and cash		1,145,695	577,169
		1,298,409	689,145
Current liabilities			
Amount due to a related company	9	3,752	2,352

Other payables and accrued charges		27,584	21,026
Dividend payable		148,654	--
Short term bank loans - secured		--	50,000
Taxation		38,613	38,613
		218,603	111,991
Net current assets		1,079,806	577,154
		2,028,706	1,131,535
Financed by:			
Share capital	10	203,789	169,824
Reserves	11	1,824,917	961,711
Shareholders' funds		2,028,706	1,131,535

NOTES TO THE INTERIM FINANCIAL STATEMENTS

1. Basis of preparation

The interim consolidated 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 (as applicable to condensed interim financial statements) and Appendix 16 of the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited.

These condensed interim financial statements should be read in conjunction with the financial statements for the year ended 30th June, 2001.

2. **Principal Accounting Policies**

The accounting policies and methods of computation used in the preparation of these condensed interim financial statements are consistent with those used in the annual financial statements for the year ended 30th June, 2001 apart from the following:

- (a) The Group adopted SSAP No. 10 “Accounting for investments in associates” following its acquisition of an associated company during the period.
- (b) The Group changed certain of its accounting policies following its adoption of the following new SSAPs which are effective for accounting periods commencing on or after 1st January, 2001:

SSAP 9 (revised)	Events after the balance sheet date
SSAP 28	Provisions, contingent liabilities and contingent assets
SSAP 26	Segment reporting
SSAP 29	Intangible assets
SSAP 30	Business Combinations
SSAP 31	Impairment of assets
SSAP 32	Consolidated financial statements and accounting for investments in subsidiaries

The adoption of the above new SSAPs does not have material impact on the Group’s financial statements except for SSAP 9 (revised) of which the impact has been set out in note 11 below.

3. **Principal Activities of Operations**

The Group is principally engaged in the growing and sale of crops, breeding and sale of livestock and sale of ancillary food products. The results of the major business activities for the six months ended 31st December, 2000 and 2001 are summarised below:

For the six months ended 31st December, 2001

	Growing and sale of crops	Breeding and sale of livestock	Sale of ancillary food products	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Turnover	452,067	8,240	1,094	461,401
Cost of sales	(110,875)	(4,123)	(817)	(115,815)
Gross profit	341,192	4,117	277	345,586
<i>Unallocated items:-</i>				
Other revenues				9,424
Selling and distribution expenses				(40,673)
General and administrative expenses				(24,608)
Net other operating income				1,056
Operating profit				290,785
Finance costs				(920)
Share of results of an associated company				619
Profit before taxation				290,484
Taxation				--

Profit for the period				290,484
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For the six months ended 31st December, 2000

	Growing and sale of crops	Breeding and sale of livestock	Sale of ancillary food products	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Turnover	275,671	6,718	2,177	284,566
Cost of sales	(66,319)	(1,422)	(1,847)	(69,588)
Gross profit	209,352	5,296	330	214,978
<i>Unallocated items:-</i>				
Other revenues				2,579
Selling and distribution expenses				(20,902)
General and administrative expenses				(8,853)
Net other operating expenses				(60)
Operating profit				187,742
Finance costs				(313)
Profit before taxation				187,429
Taxation				(1,652)

Profit for the period	185,777
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There are no sales transactions between the business segments.

Growing and sale of crops is the Group's primary business segment. The turnover, operating profit and total assets attributable to this business segment accounted for over 90% of the Group's consolidated totals for the periods ended 31st December, 2000 and 2001. Consequently, no other segment analysis by business activities is presented.

The Group's operations are primarily in the People's Republic of China ("PRC") and the Group's sales, gross profit and total assets attributable to other geographical areas are both less than 10% of the Group's consolidated totals. Consequently, no geographical segment analysis is presented.

4. **Operating profit**

Operating profit is stated after crediting and charging the following:

	Six months ended 31st December,	
	2001	2000
	<i>RMB'000</i>	<i>RMB'000</i>
<i>Crediting</i>		
Amortisation of negative goodwill	4,068	--
Interest income	9,424	2,579
<i>Charging</i>		
Depreciation of owned fixed assets	6,242	1,242
Operating lease expenses		
-- land and buildings	13,749	7,067

-- motor vehicles	194	242
Staff costs	40,169	24,847
Amortisation of deferred development costs	1,187	300
Amortisation of long-term prepaid rental	3,291	1,721

5. Taxation

The amount of taxation charged to the consolidated profit and loss account represents:

		Six months ended 31st December,	
	<i>Note</i>	2001	2000
		<i>RMB'000</i>	<i>RMB'000</i>
PRC income tax	(i)	--	1,652
Hong Kong profits tax	(ii)	--	--

(i) No provision for PRC income tax has been made, as there are no estimated assessable profits for the subsidiaries operated in the PRC during the period. PRC income tax for the period ended 31st December, 2000 represented tax charges on the assessable profits of the PRC subsidiaries of the Group.

(ii) No provision for Hong Kong profits tax has been made as there are no estimated assessable profits for the subsidiary operated in Hong Kong during the period.

(iii) No taxation attributable to the associated company is shared by the Group as there is no estimated assessable profit for the associated company.

6. Earnings per share

The calculation of the earnings per share is based on the profit for the period of RMB290,484,000 (2000: RMB185,777,000) and the weighted average number of 1,669,565,217 (2000: 1,236,956,522) shares in issue during the period.

7. **Dividends**

	Six months ended 31st December,	
	2001	2000
	<i>RMB'000</i>	<i>RMB'000</i>
2000/2001 final, declared, of HK\$0.073 per share (1999/2000 final, paid)	148,654	20,000

The directors do not recommend a payment of dividends for the six months ended 31st December, 2001 (2000: nil).

8. **Accounts receivable**

The Group grants a credit term of 30 days (2000: 30 days) to the majority of its customers and all the Group's accounts receivable as at 31st December, 2001 and 2000 are within such credit term.

9. **Amount due to a related company**

The amount due to a related company arose from purchases of agricultural materials. Such companies are majority owned by Mr. Kwok Ho, a director and controlling shareholder of the Company. They are trading nature and aged within 3 months.

10. **Share capital**

	Authorised Ordinary shares of HK\$0.1 each		
	<i>No. of shares'000</i>	<i>HK\$'000</i>	<i>RMB'000</i>
As at 30th June, 2001 and 31st December, 2001	5,000,000	500,000	527,515

**Issued and fully paid
Ordinary shares of HK\$0.1 each**

		<i>No. of shares</i>	<i>HK\$'000</i>	<i>RMB'000</i>
As at 30th June, 2001		1,600,000,000	160,000	169,824
Issue and fully paid	<i>Note</i>	320,000,000	32,000	33,965
As at 31st December, 2001		1,920,000,000	192,000	203,789

Note: The Company issued 320,000,000 shares at a subscription price of HK\$2.3 each to investors under a shares placing arrangement in November 2001 and raised approximately HK\$711.6 million (equivalent to RMB 755.3 million) net of related expenses from this issue of shares.

11. Reserves

For the year ended 30th June, 2001

	Share Premium	Capital Reserve	Statutory Common Reserve	Statutory Welfare Reserve	Retained profits	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
As at 1st July, 2000 as previously reported	--	63,283	--	566	13,766	77,615
Adoption of SSAP 9 (Revised) (<i>Note</i>)	--	--	--	--	20,000	20,000
As at 1st July, 2000 as restated	--	63,283	--	566	33,766	97,615

Acquisition of subsidiaries	--	15,044	--	--	--	15,044
Contributed surplus arising from group reconstruction	--	16,567	--	--	--	16,567
Issue of shares upon listing	602,875	--	--	--	--	602,875
Issuing expenses	(63,843)	--	--	--	--	(63,843)
Capitalisation issue	(127,368)	--	--	--	--	(127,368)
Profit for the year	--	--	--	--	440,821	440,821
1999/2000 Final Dividend paid	--	--	--	--	(20,000)	(20,000)
Appropriation	--	--	26,881	165	(27,046)	--
As at 30th June, 2001	411,664	94,894	26,881	731	427,541	961,711

For the period ended 31st December, 2001

	Share Premium	Capital Reserve	Statutory Common Reserve	Statutory Welfare Reserve	Retained profits	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
As at 1st July, 2001 as previously reported	411,664	94,894	26,881	731	303,733	837,903

Adoption of SSAP 9 (Revised) (Note)	--	--	--	--	123,808	123,808
As at 1st July, 2001 as restated	411,664	94,894	26,881	731	427,541	961,711
Issue of shares (note 10)	747,226	--	--	--	--	747,226
Issuing expenses	(25,850)	--	--	--	--	(25,850)
Profit for the period	--	--	--	--	290,484	290,484
2000/2001 Final Dividend declared	--	--	--	--	(148,654)	(148,654)
As at 31st December, 2001	1,133,040	94,894	26,881	731	569,371	1,824,917

Note

In accordance with SSAP 9 (revised), the Group no longer recognises dividends proposed or declared after the balance sheet date as a liability. This change in accounting policy has been applied retrospectively and the comparatives presented have been restated to conform to the new policy.

Business Review

Financial Performance

For the six months ended 31st December, 2001, turnover for the Group amounted to RMB461,401,000, representing a 62% increase as compared to the same period in the previous year; net profit attributable to shareholders was RMB290,484,000, representing an increase of

56% as compared to the same period in the previous year. The gross profit margin was maintained at 75% while the net profit margin was 63%.

The increase in turnover was mainly due to the increase in production area from the growing number of production bases which in turn led to sales of 186,963 tonnes of agricultural produce as compared to 129,000 tonnes as recorded in the same period of previous year. As at 31st December, 2001, the Group had over 130 different types of products for sale. There is an increase in average unit selling price for the agricultural produce compared to the same period in the previous year.

Agriculture is a seasonal industry. According to the Group's past records, performance in the second half of the year was usually stronger than the first half.

Production Bases

As at 31st December, 2001, the Group's aggregate production bases in China amounted to 92,629 mu (6,175 hectares), representing an increase of 94% as compared to 47,830 mu (3,189 hectares) as at 31st December, 2000. It also represents an increase of 48% when compared to 62,429 mu (4,162 hectares) recorded at the end of the financial year ended 30th June, 2001. In total, the Group operates 32 production bases widely spread across the North and the South of the Mainland China. This includes the existing provinces of Fujian, Liaoning, Shandong, Jiangsu, Guangdong, Hainan, Shaanxi and Shanghai city, and, as well as those new production bases acquired during the review period in Zhejiang Province, Guangxi Province and Beijing and Tianjin. Production areas now cover 12 provinces or cities.

Sales Performance

Sales for domestic consumption contributed 65% to total turnover while export sales by means of direct sales to overseas customers and sales locally to the PRC trading companies represented 35% of turnover for the period under review.

Based on its principal strategy to rapidly expand the domestic market, the Group is focusing on promoting sales amongst the high consumption cities, as well as tapping the districts of Beijing and Tianjin, Shanghai, Nanjing and the areas along the Yangtze River. During the period under review, the market of Shanghai, and Nanjing also recorded strong growth in sales.

Export Sales is also the Group's important development focus. For the period under review, the Group expanded direct exports, and is successfully entering the European and American markets with several products being exported to more than 10 countries and regions, including Japan, South Korea, the United States, Canada, the United Kingdom, France, Germany, Malaysia, Thailand, Hong Kong etc.

Livestock Business

The Group has added a pastureland in Shandong in the second half of the previous year. This vast pastureland enlarges the breeding land for reproduction expansion that increases the number of breeding goats. The reproduction of Boer goat has fully adopted the “Embryo Transfer Technology” that maintained the origin quality attributes. Moreover, the breeding goats’ adaptation, heat and disease resistance are enhanced. At the same time, solving the limitation of time and quantity problem caused by natural breeding of pure-bred goats. This enabled the Group to reproduce pure-bred Boer goats in institutionalized scale, to substitute the imported ones that reduced the production costs and increased effectiveness, hence coping with the increasing demand by day. In addition, the application of “cross breeding technology” between Boer goats and local goats, has greatly improve the characteristics and the meat tenderness of the local goats, inherited the Boer goats’ similar meat quality, meat volume and adaptation ability. Under the current increasing mutton consumption in China, the “cross breeding technology” was applied timely to match this growing trend, the selling volume cannot be underestimated. At the same time, during the period under review, the Group has also import Dorper Goat, a top quality overseas species, the world’s latest best mutton sheep species. It is famous for its excellent adaptation ability, strong reproduction rate, high weight gain, meat tenderness and good quality. With its brilliant market prospect and outstanding economic returns, Dorper Goat will lead the Group’s livestock business into a new era.

Investment Project Performance

During the period under review, the Group started investment in four major projects, details are as follows:

- a. In July, 2001, the Group acquired a 49% interest in Newasia Global Limited, which holds a wholly owned subsidiary, to operate a Mandarin orange farm in Beihai, Guangxi Province. This plantation mainly produces Mandarin oranges originating from California and are ripe in summer. Most of the Mandarin orange trees have been planted for four to five years and are now entering their first year of harvest. The quantities of fruit produced are expected to increase year over year. The peak harvest period will be in 2007 and then high production level will last for a period of about 30 years.
- b. As at 31st December, 2001, in Nanjing branch the original area of 3,000 mu farmland is expanded to 14,000 mu. In this portion of land, 9,000 mu farmland has been producing vegetables for sale while the rest is undergoing the construction of its farmland infrastructure and facilities. This farmland is expected to be harvested in full capacity in second half of the current financial year.
- c. As at 31st December, 2001, 7,000 mu (2,000 mu situated in Tianjin inclusive) farmland in Beijing branch have been developed. During this interim period, the construction of its farmland infrastructure and facilities are in progress, together with high quality seeds selection and store the seeds for Spring. Beijing farmland will be expected to be harvested in the current financial year.

- d. The installation of the first batch of 150 green stands in Shanghai is under progress. Upon the completion of the green stands the Group's retail sales network will be substantially strengthened, further enhancing customer recognition of the "Chaoda" brand.

Finally, the Group has also received numerous recognition since its listing in December, 2000. Apart from becoming one of constituents in "The 200-stock on the Hang Seng Composite Index Series" in October, 2001, the group received Forbes Magazine's "World's Best 200 Small Companies" award in November, 2001 as well as Asiamoney Magazine's "Best Newly Listed Companies in 2001 for China" in January 2002. The Board of Directors would like to express its deepest thanks for all this support, so that the group is elevated into a higher international capital platform.

Prospects

The Group consistently put emphasis on the research and development of production technologies. Extensive research and development were conducted with regard to the planting of selected organic green fruits and vegetables, organic cultivation technologies, preservation and processing of agricultural produce. With the application of these new technologies and new products in the plantation, preservation and processing of the Company's organic green fruits and vegetables produce, the production cost will be reduced and the output, quality, and value-added of the same will be efficiently enhanced. This will in turn bring substantial return to the Company.

With the rapid development of the Company, the area of farm at Huang Shan Technological Farm in Fuzhou increased from 45 mu to almost 130 mu. The capability in research and development was enhanced to cope with expansion of the production bases in the future. The farm will act as a centre to support the Group. The Huang Shan Technological Farm, after expansion, will be equipped with state-of-art technology in the PRC, research and development centre for nursery and processing operation. In respect of the vegetable and fruits in PRC market that have the characteristic of popular, special and excellent, research and development will be conducted on selection, optimization and new processing technology. The farm will also establish first class quality inspection laboratory for organic green agricultural products, and will be responsible for the inspection of organic green fruits and vegetables produced, in order to ascertain the quality of products in meeting the international standard.

Hence, following the expansion of Huang Shan Technological Farm, new technologies and new products will be continuously developed and applied. With China's accession into the World Trade Organization, the Group will rely on its own strong research and development capabilities to increase its market share in the domestic and international markets.

After China's accession to World Trade Organisation, cost advantages in China's vegetable and fruit agricultural industry are even more outstanding. The Group's management is aiming at a unique and key target: to accelerate the development of international trade market within 3 to 5 years. This will maximize profit through direct exports to end consumers without being traded through middlemen. At the same time, the Group is also equipped to increase export capabilities by developing the food processing business. This extends the corporate operation chain and copes with the development of direct export sales of the international arena. The Group is now negotiating with some international agriculture companies for preparation of major international

co-operation.

The “Chaoda Model” is greatly recognized by the government and farmers. The Agricultural Department, and the Local District Government have visited the Group to gain a better understanding of the model. Currently, the majority of China's farmlands is allocated to individual farmers. Consolidation of farmland and institutionalized farming will become the main development trend. With the importance of ecological farming under environmental protection concerns, organic green agricultural business operation like “Chaoda Model” has been recognized as the future direction for China's modern agricultural industry. The management believes that they must continue to work hard, exploring new horizons for product species, technology and markets, to maintain the Group as a flagship in China's agricultural industry.

The Group has put strong emphasis in the establishment of direct sales network in the PRC, such as actively participating in the government project for the “introduction of agricultural products in supermarkets”. Outlets will be set up for the sales of agricultural products. The Group will also strengthen its cooperation with leading retail chains in the PRC for direct sales of the Group's agricultural products.

The Group intends to expand its range of products through expansion in sales network and results in research and development. On the basis of existing fruits and vegetables currently available, it will develop the cultivation of edible mushroom and organic livestock breeding, so as to develop new profit centre for the Group.

Liquidity, Financial Resources and Capital Structure

On 7th November, 2001, the Group placed a total of 320,000,000 new shares to independent institutional investors at HK\$2.3 each. The net proceeds amounted to RMB755,341,000 (equivalent to HK\$711,645,000). The net proceeds will be applied for the development of the projects mentioned in the “Use of Listing and Placement Proceeds” below. As at 31st December, 2001, the Group had cash and bank balances amounting to RMB1,145,695,000 without any bank loans, or pledge of assets. In January, 2002, the Group entered into a 3-year syndicated banking facility of US\$50,000,000. Interest rate is at London Inter-Bank Offered Rate plus 1.875%. It is a revolving loan in the first year and is convertible into a term loan from the beginning of the second year.

As at 31st December, 2001, the Group's gearing ratio was zero. This is based on the division of long term debt by total assets. Additionally, the Group's liquidity ratio is 5.9, reflecting the presence of sufficient financial resources.

The Group's sales are mainly transacted in Renminbi and its books are also recorded in Renminbi. As the Company raised net proceeds equivalent to RMB755,341,000 (equivalent to HK\$711,645,000) upon its placement during the period under review, the Group still has large sums of Hong Kong dollar bank deposits. Since the exchange rate fluctuation between the Hong Kong dollar and Renminbi is very small, the foreign exchange risk is very low and no hedging has been carried out.

As at 31st December, 2001, the Group had outstanding capital commitments amounting to RMB1,132,458,000 (contracted but not provided for amounting to RMB373,244,000, authorized but not contracted for amounting to RMB759,214,000), in respect of the purchase of fixed assets and research and development expenditure. As at 31st December, 2001, the Group did not have any material contingent liabilities.

Use of Listing and Placement Proceeds

For the six months ended 31st December, 2001, the Group had applied part of the listing and placement proceeds as follows:

- I. Application of funds from listing in December, 2000:
 - a. Approximately RMB66,874,000 (equivalent to HK\$63,053,000) for the establishment of new production bases;
 - b. Approximately RMB93,919,000 (equivalent to HK\$88,553,000) for the establishment of basic facilities for new production bases, such as greenhouse facilities, irrigation systems and the setting up of food processing factories;
 - c. Approximately RMB4,000,000 (equivalent to HK\$3,771,000) for the funding of marketing and promotional activities in connection with the China domestic and export sales; and
 - d. Approximately RMB1,296,000 (equivalent to HK\$1,222,000) for the funding of the expansion of the Boer goats breeding business;

- II. Application of funds from placement in November, 2001:
 - a. Approximately RMB7,350,000 (equivalent to HK\$6,930,000) for the investment in Newasia Global Limited;
 - b. Approximately RMB60,578,000 (equivalent to HK\$57,117,000) for the construction of irrigation systems and infrastructure facilities in Nanjing and Beijing production bases;
 - c. Approximately RMB7,000,000 (equivalent to HK\$6,600,000) for the setting up of retail green stand to sell organic green vegetables and fruits in Shanghai to expand sales network.

The net proceeds which have not yet been utilized will be used for the intended applications as set out in the Company's prospectus dated 5th December, 2000 and the Company's placing of existing shares and subscription for new shares announcement dated 7th November, 2001.

Staff and Remuneration Policies

As at 31st December, 2001, the Group employed 6,037 staff member, of which 5,140 worked on farmland. Employees salaries are therefore determined at a competitive level, while employees with outstanding performance will be awarded with discretionary bonus. Other staff benefits include Hong Kong Mandatory Provident Fund, insurance, education subsidies, training programmes and share option scheme.

The share option scheme adopted by the Company on 23rd November, 2000 provided that the Board of Directors may grant to any full-time staff (including Executive Director) of the Company and its subsidiaries options to subscribe for the shares of the Company pursuant to the provisions of the scheme. However, no options had been granted for the six months ended 31st December, 2001.

Corporate Governance

The Group endeavours to maintain a high corporate governance level and to enhance its transparency. The Group decide to strengthen communications with shareholders and investors, so as to ensure every major decision making is accountable to the shareholders and serving the greatest interest to all shareholders.

INTERIM DIVIDEND

The Board of Directors does not recommend a payment of an interim dividend for the period.

PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES

There was no purchase, sale or redemption of listed securities of the Company by the Company or any of its subsidiaries during the six months ended 31st December, 2001.

AUDIT COMMITTEE

The Audit Committee comprises two independent non-executive directors of the Company, namely Mr. Wong Kong Chi and Professor Lin Shun Quan. The Audit Committee has reviewed with the Company's management the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial matters including the review of the unaudited interim financial statements. The Group's independent auditors, PricewaterhouseCoopers and Charles Chan, Ip & Fung CPA Ltd., have carried out a review of the unaudited interim financial statements in accordance with Statement of Auditing Standards 700 issued by Hong Kong Society of Accountants.

CODE OF BEST PRACTICE

None of the Directors is aware of any information that would reasonably indicate that the Company is not, or was not, for any part of the accounting period for the six months ended 31st December, 2001, in compliance with the Code of Best Practice as set out in Appendix 14 of the Listing Rules.

On behalf of the Board
Kwok Ho
Chairman
Hong Kong, 21st March, 2002

* *for identification purposes only*

Please also refer to the published version of this announcement in the Hong Kong iMail.