



SHANXI CENTRAL PHARMACEUTICAL INTERNATIONAL LIMITED

正 中 藥 業 國 際 有 限 公 司 *

(incorporated in Bermuda with limited liability)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 NOVEMBER 2002

OVERVIEW

The board (the “Board”) of directors (the “Directors”) of Shanxi Central Pharmaceutical International Limited (the “Company”) announces the unaudited condensed consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 30 November 2002.

The unaudited condensed consolidated financial statements (the “financial statements”) have not been audited and reviewed by the Group’s auditors, Ernst & Young. The financial statements have been reviewed and considered by the audit committee (“the Audit Committee”) of the Company which comprises two independent non-executive directors of the Company, Mr. Ko Siu Shing, Patrick and Mr. Siu Siu Ling, Robert. Because of the unforeseeable difficulties encountered in the process of preparing and reviewing the financial statements, which include the changes in directors and management of the Group and the huge outbreak of the contagious Severe Acute Respiratory Syndrome (“SARS”) in Taiyuan City, Shanxi Province, the People’s Republic of China (“PRC”) where the Group’s major operations are situated, the Directors and the Audit Committee are unable to resolve satisfactorily all outstanding issues in relation to this financial statements.

CHANGES IN MANAGEMENT & DIRECTORS

As stated in the Company’s announcement dated 31 December 2002, Mr. David Y. M. Shi (“Mr. Shi”), the deputy chairman and managing director of the Company, suffered from illness and could not perform his duty. Mr. Shi has been a key member of the Group who had been in charge of the Group’s operations and the establishment and investments in the 94 Rheumatic Treatment Centres.

On 29 January 2003, Mr. Gao Guoshi and Mr. Dai Zhongcheng were appointed as the executive directors and Mr. Siu Siu Ling, Robert was appointed as the independent non-executive director. Mr. Siu also joined the Group’s Audit Committee since 29 January 2003. On 16 April 2003, Mr. Chan Bo Ching resigned from the office of independent non-executive director.

During the financial period ended 31 May 2002, the Group had carried out an investment project for the establishment of Rheumatic Treatment Centres in 94 hospitals in the PRC with total original cost of investments amounting to approximately HK\$164.6 million. As stated in the Company’s previous announcements dated 27 February 2003, 21 March 2003, 8 April 2003 and 23 May 2003 respectively, the newly appointed Directors only started to review the Group’s interim financial statements since joining the Group on 29 January 2003. The new Directors carried out certain review work when preparing the interim financial statements, which include, inter alia, the evaluation on (i) the recoverability of outstanding receivable amount of approximately HK\$19.6 million and HK\$18.3 million and (ii) the impairment value

for the long term investment in the remaining 30 Rheumatic Treatment Centres (64 Rheumatic Treatment Centres had been either disposed or terminated during the reporting period). Because of the huge outbreak of SARS in Taiyuan City and in the absence of Mr. Shi in performing his duty or assisting the new Directors to perform their duties during the time, the new Directors had not been able to complete the review work within the stipulated time, despite of the fact that much effort and resources had been already devoted.

POSTPONEMENT OF THE ISSUANCE OF INTERIM FINANCIAL STATEMENTS

As most of the books of accounts and records of transactions are kept in Taiyuan City, the outbreak of SARS in the PRC, in particular where Taiyuan City is one of the major infected areas, had caused difficulties for the new Directors to attend physically and carry out review work as required. In addition, a number of the PRC accounting staffs had left the Group which caused delay in relation to the preparation of the interim financial statements. With a view to speeding up the preparation process, the Board has engaged an independent firm of Certified Public Accountants (the “Accountant”) to assist the review of certain information in the interim financial statements. The review was initially scheduled to be carried out in Taiyuan City and to be completed in April 2003. As a result of the outbreak of SARS, the plan had come to a halt because of the difficulties in arranging the Accountant to carry out the site visit in Taiyuan City.

As it is uncertain for how long the epidemic will continue, after due consideration, the Board considers that it is impossible and impracticable at present to fix a time schedule for the completion of the review to be carried out in Taiyuan City and it is not in the best interest of shareholders for further postponement of releasing the interim financial statements, despite of the fact that the new Directors still require additional time to complete the review. After postponement of over three months, the Board decides that it is for the best interest of shareholders to receive the interim financial statements even though there are outstanding issues of which the Board is obliged to follow up and resolve during the coming months.

The financial statements and accounting record of all PRC subsidiaries and investee companies of the Group are prepared in accordance with the generally accepted accounting practice (“GAAP”) and legal requirements of the PRC. In the past, the accounting officers of the Group in the PRC had prepared the financial statements and the auditors from Hong Kong were required to work in the office of Taiyuan City for a substantial period of time in order to review the Group’s financial statements for reporting purposes. Under the impact of SARS, the Board, although tried its best effort, was unable to carry out similar procedures. Accordingly, it caused further difficulties for the new Directors in reviewing the financial statements as they could not obtain the necessary assistance and professional advice.

The Directors and the Accountant are still carrying out continuous assessment of the outstanding issues which have not been completed when releasing this unaudited financial statements. Having completed the review, the Board and the Audit Committee will, where appropriate, set out further information in the forthcoming audited annual report.

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the six months ended 30 November 2002

| | | 30 November 2002 (Unaudited) HK\$'000 | 30 November 2001 (Unaudited) HK\$'000 |
|---|---|--|--|
| TURNOVER | 3 | 90,049 | 148,542 |
| Cost of sales | | <u>(64,942)</u> | <u>(87,087)</u> |
| Gross profit | | 25,107 | 61,455 |
| Other revenue | | 268 | 409 |
| Selling and distribution costs | | (13,948) | (14,832) |
| Administrative expenses | | (5,520) | (7,700) |
| Other operating expenses | | <u>(189,630)</u> | <u>(3,863)</u> |
| LOSS/(PROFIT) FROM OPERATING ACTIVITIES | | (183,723) | 35,469 |
| Finance costs | | <u>(833)</u> | <u>(32)</u> |
| (LOSS)/PROFIT BEFORE TAX | 4 | (184,556) | 35,437 |
| Tax | 5 | <u>(1,870)</u> | <u>(6,419)</u> |
| (LOSS)/PROFIT BEFORE MINORITY INTERESTS | | (186,426) | 29,018 |
| Minority interests | | <u>–</u> | <u>(326)</u> |
| NET (LOSS)/PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS | | <u>(186,426)</u> | <u>28,692</u> |
| (LOSS)/EARNINGS PER SHARE | 6 | | |
| – Basic | | <u>HK(8.58) cents</u> | <u>HK1.37 cents</u> |
| – Diluted | | <u>N/A</u> | <u>N/A</u> |

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 November 2002

Notes:

1. BASIS OF PRESENTATION AND ACCOUNTING POLICIES

The existing Board have used their best endeavour to prepare and review all the financial and business records of the Group. However, due to the illness and the absence of Mr. Shi, the deputy chairman and managing director of the Company, and in view of the failure for arranging the Accountant to carry out the review of certain financial information of the Group in Taiyuan, the Directors encountered the following difficulties in preparing the unaudited condensed consolidated financial statements:

- i. The Directors were unable to obtain sufficient information to assess the outcome of a court proceedings initiated by a body corporate against (i) the Company; (ii) Central Pharmaceutical Holdings (BVI) Limited, a wholly-owned subsidiary of the Company; (iii) Mr Shi; and (iv) Madam Hou Li Ping for the claim of HK\$17,550,000 and the interest thereon arising from a dishonoured cheque drawn by Central Pharmaceutical Holdings (BVI) Limited. Instruction was given to the Company's solicitors for further investigation on the detail of the proceedings and the outcome is unknown up to the date of these financial statements. Against the background described above, although the Directors have tried their best efforts, they were unable to represent as to the completeness of records of transactions entered into by the Group in the PRC for the period ended 30 November 2002 and of the completeness of disclosure of claims, commitments and contingent liabilities in the financial statements. The Directors are also unable to represent as to the completeness of identification and disclosure of related and connected party transactions and balances.
- ii. The huge outbreak of SARS in Taiyuan City and other cities in the PRC, in short term, inevitably has adverse impact on the Group's operation, which are closely relied via alliance with hospitals in the PRC. However, in view of insufficient information, the Board is unable to assess the long term impact of SARS. Based on the Group's prudent accounting policy and in view of the fundamental uncertainty relating to the impact of SARS, the Board considers it's prudent to provide impairment loss of HK\$61.7 millions in the value of the investment in the remaining 30 Rheumatic Treatment Centres. Also, the Group made a full or partial provision for certain outstanding receivables which include HK\$18.3 millions relating to the remaining balance on the disposal of 28 Rheumatic Treatment Centres, HK\$19.6 millions relating to the remaining balance on the medical equipment of 36 Rheumatic Treatment Centres returned to an independent medical equipment supplier and certain outstanding trade receivables amounting to approximately HK\$67.2 million.
- iii. Any adjustments arising from the matters described in (i) to (ii) above would materially affect the net assets of the Company and the Group as at 30 November 2002 and the net loss and cash flows of the Group for the six months then ended.

The Company was Incorporated in Bermuda on 4 November 1999 as an exempted company with limited liability under the Companies Act 1981 of Bermuda. The Company had not carried on any business since the date of its incorporation save for the acquisition on 8 July 2000 of the entire issued share capital of Central Pharmaceutical Holdings (BVI) Limited, the intermediate holding company of other subsidiaries within the Group, in preparation for the listing of the Company's shares on the main board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The unaudited condensed consolidated financial statements for the six months ended 30 November 2002 had been prepared using the merger basis of accounting and is consolidated according to the management accounts of the PRC subsidiaries.

The financial information relating to the financial year ended 31 May 2002 included in the financial statements is extracted from the Group's audited financial statements for the year ended 31 May 2002. The Group's auditors, Ernst & Young, have expressed an unqualified opinion on those financial statements in their report dated 29 October 2002.

The unaudited condensed consolidated interim financial statements of the Group are prepared in accordance with Hong Kong Statement of Standard Accounting Practice (“SSAP”) No.2.125 “Interim Financial Reporting”, issued by the Hong Kong Society of Accountant and the applicable disclosure requirements of Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. The accounting policies and basis of preparation are the same as those used in the audited annual financial statements for the year ended 31 May 2002, except that the following new and revised SSAPs have been adopted for the first time in the preparation of the current period’s condensed consolidated financial statements.

| | |
|-------------------|--------------------------------------|
| SSAP 1 (Revised) | Presentation of Financial Statements |
| SSAP 11 (Revised) | Foreign Currency Translation |
| SSAP 15 (Revised) | Cash Flow Statements |
| SSAP 25 (Revised) | Interim Financial Reporting |
| SSAP 34 | Employee Benefits |

The adoption of new/revised standards during the period has no material effect on the Group’s results of the current and prior period other than the changes in the format of presentation of consolidated cash flow statement and the consolidated statement of changes in equity. Certain comparative figures have been reclassified to conform with the current period’s presentation.

Short term liquidity

Two banks initiated court proceedings claiming the Company and/or its subsidiary and certain directors for repayment of bank loans totaling about HK\$35.5 million. One body corporate instituted a court proceeding demanding a subsidiary company HK\$17.55 million and the interest thereon arising from a dishonoured cheque drawn by that subsidiary. A printing company initiated court proceedings against the Company claiming for the settlement of outstanding printing services fees in the sum of HK\$204,138.60 and the interest thereon.

2. SEGMENT INFORMATION

The principal activities of the Group consisted of the development, manufacturing and provision of Chinese pharmaceutical products which are predominantly medicinal preparations and anti-rheumatoid capsules primarily for the treatment of rheumatoid and/or arthritic conditions, the operation of Taiyuan City Rheumatoid Hospital (“Taiyuan Hospital”), and wholesale and retail of Chinese and Western pharmaceutical products and health care products in the PRC. The results of operations by principal activity for the six months ended 30 November 2002 are summarized as follows:

| | Turnover | | Contribution to | |
|-------------------------------|------------------|----------------|--------------------------|---------------|
| | Six months ended | | (loss)/profit before tax | |
| | 30 November | | 30 November | |
| | 2002 | 2001 | 2002 | 2001 |
| | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) |
| | HK\$’000 | HK\$’000 | HK\$’000 | HK\$’000 |
| By principal activity: | | | | |
| Manufacturing business | 75,466 | 135,635 | (186,537) | 35,563 |
| Trading business | 10,314 | 9,574 | (50) | (74) |
| Operation of Taiyuan Hospital | 4,269 | 3,333 | 161 | (52) |
| | <u>90,049</u> | <u>148,542</u> | <u>(186,426)</u> | <u>35,437</u> |

The principal activities of the Group are carried out in the PRC.

3. TURNOVER

Turnover represents the net invoiced value of goods sold, after allowance for returns and trade discounts, and services provided. All significant transactions among the companies comprising the Group have been eliminated on consolidation.

4. (LOSS)/PROFIT BEFORE TAX

The Group's (loss)/profit before tax is arrived at after charging/(crediting):

| | Six months ended | |
|---|------------------|-------------|
| | 30 November | |
| | 2002 | 2001 |
| | (Unaudited) | (Unaudited) |
| | HK\$'000 | HK\$'000 |
| Cost of inventories sold | 62,993 | 84,671 |
| Cost of services provided | 1,949 | 2,416 |
| Depreciation | 917 | 1,170 |
| Amortisation of deferred development costs * | 544 | 1,163 |
| Provision for deferred development costs * | 11,020 | 2,700 |
| Provision for impairment of long term investments * | 61,712 | – |
| Provision for bad and doubtful debts* | 105,060 | – |
| Research and development expenses * | 11,294 | – |
| Interest income | (268) | (409) |

* Included in "Other operating expenses" on the face of the condensed consolidated profit and loss account.

5. TAX

Hong Kong profits tax not been provided (2001: Nil) as the Group has no assessable profits arising in Hong Kong for the period.

Taxes on profits assessable elsewhere have been calculated at the applicable rates of taxation prevailing in the jurisdictions in which the subsidiaries operated during the period based on existing legislation, interpretation and practices in respect thereof.

PRC income tax for all of the subsidiaries operating in the PRC is calculated at a unified tax rate of 33% (2001: 33%) on their taxable profits unless waivers are granted by relevant tax authorities during the period.

Shanxi Zhengzhong Pharmaceutical Co. Ltd. was exempted from PRC income tax for two years from its first profit-making year of operations, which was the year ended 31 December 1998, and thereafter is eligible for a 50% relief from PRC income tax for the following three years under the Income Tax Law of the PRC.

Deferred tax has not been provided (31 May 2002: Nil) as the Group had no significant timing differences at 30 November 2002.

6. (LOSS)/EARNINGS PER SHARE

The calculation of basic (loss)/earnings per share is based on the net loss from ordinary activities attributable to shareholders for the six months ended 30 November 2002 of HK\$186,426,000 (2001: profits of HK\$28,692,000), and the weighted average number of 2,171,910,000 (2001: 2,100,000,000) ordinary shares.

No diluted loss per share has been calculated for period ended 30 November 2002 as the exercise of share options and the conversion of the convertible debentures would result in a decrease in the loss per share for the period.

INTERIM DIVIDEND

The Board has resolved not to declare any interim dividend for the six months ended 30 November 2002 (2001: Nil).

BUSINESS REVIEW

For the six months ended 30 November 2002, the Group recorded consolidated turnover of approximately HK\$90 million, representing a decrease of 39.4% over that of the same period in 2001. The Board considers that the decrease in turnover for the previous six months was mainly attributable to (i) the intensified market competition which was led by the continuous decline of the medicine prices under the PRC government policy; and (ii) the higher-profit sharing ratio as required by the hospitals which resulted in the decrease in the sales of pharmaceutical products to hospitals and over-the-counter drug markets. Gross profit amounted to HK\$25.1 million, representing a decrease of 59.2% over that of the same period in 2001. Gross profit margin fell from 41.4% to 27.9%. The decline in the gross profit margin was mainly due to intense price competition and higher production costs on the manufacture and development of medicinal products.

During the period under review, the Group recorded its first net loss attributable to shareholders since the listing of its shares in July 2000. The loss of HK\$186.4 million was mainly attributable to (i) the provision for impairment of long term investments amounting to approximately HK\$61.7 million and (ii) the provision of bad and doubtful debts amounting to approximately HK\$105.1 million. During the reporting period, approximately HK\$11.3 million of the research and development expenses of the two newly developed products, Runchang Tongbian Cha (潤腸通便茶) and Tongluo Zhitong Jiaonang (通絡止痛膠囊) were charged to the profit and loss account. Provision for deferred development costs of approximately HK\$11 million were made for products which are in the initial stage of development.

Manufacturing Operation

For the six months ended 30 November 2002, the manufacturing operation contributed approximately 83.8% of the Group's turnover. The turnover decreased approximately 44.4% as compared to the last corresponding period.

Rheumatic Treatment Centres

The Group entered into various agreements with 94 hospitals in the PRC for the establishment of the Rheumatic Treatment Centres in these hospitals during the financial year ended 31 May 2002. The total original cost of investments in the Rheumatic Treatment Centres, amounted to approximately HK\$164.6 million. During the period under review, the Group carried out continuous assessment of the operation of the Rheumatic Treatment Centres. The results of these centers were not performing satisfactory. As a result, during the period from August to October 2002, the Group terminated the co-operations with 36 hospitals and disposed of its investments in other 28 hospitals. Details of the above have been included in the Company's announcement dated 4 November 2002 and circular dated 14 February 2003.

In August and September 2002, the Group entered into various Termination Agreements with 36 hospitals for the termination of its investments in the Rheumatic Treatment Centres. As a result of the Termination Agreements, the Group incurred a loss of HK\$4.6 million while the loss for the initial establishment costs amounted to HK\$11.5 million, which were all charged to the profit and loss account for the year ended 31 May 2002. Pursuant to the Supplier Agreement, the Group was entitled to receive a total of HK\$41.4 million in relation to the return of the medical equipment in the 36 Rheumatic Treatment Centers. The Group received HK\$21.8 million from the Supplier in September 2002 but has not received the HK\$5.5 million and HK\$14.1 million which was due to in November 2002 and January 2003. The Group has assessed the recoverability of the outstanding amount and based on the Group's prudent accounting policy, the Directors are of view to make full provision for bad and doubtful debts on the total of HK\$19.6 million and charged to the profit and loss account during the reporting period.

In October 2002, the Group entered into the Disposal Agreements to dispose of its entire interests in the 28 Rheumatic Treatment Centres at aggregate consideration of approximately HK\$36.5 million. As a result of the Disposal Agreements, the Group incurred a loss of its initial establishment cost of approximately HK\$8.9 million which were charged to the profit and loss account of the Group for the year ended 31 May 2002.

Pursuant to the Disposal Agreements, the Group received non-refundable deposits of approximately HK\$18.2 million from the Purchasers in October 2002. In accordance with the Disposal Agreements, the remaining balance will be settled as to approximately HK\$7.3 million and approximately HK\$11.0 million by the Purchasers in April 2003 and December 2003, respectively. The Group has not received the balance of approximately HK\$7.3 million in April 2003 and based on the Group's prudent accounting policy, the Directors are of the view to make full provision for bad and doubtful debts on the total disposal proceeds of HK\$18.3 million and charged to the profit and loss account during the reporting period.

The Directors consider that further impairment in value of the investments in the Rheumatic Treatment Centres with the remaining 30 hospitals of approximately HK\$61.7 million are provided as there is only a minimal revenue generated from the 30 hospitals. Resources from these hospitals are driven to against SARS and accordingly, the Rheumatic Treatment Centres would not be able to generate profit in the near future. Based on the Group's prudent accounting policy, the Directors are of the view to make full impairment on the long term investments of approximately HK\$61.7 million.

Trading Business Operation

For the six months ended 30 November 2002, the turnover of the Group's trading operations increased approximately 7.7% as compared to the last corresponding period. The trading operations will continue to focus on selling the Group's core products to secure sales increase.

Taiyuan Hospital Operation

For the six months ended 30 November 2002, the turnover of the Group's Taiyuan Hospital operation increased approximately 28.1% as compared to the last corresponding period. The Taiyuan Hospital is maintained as the base for the development and promotion of the Group's self-manufactured pharmaceutical products.

PROSPECTS

The outbreak of SARS starting in the first quarter of 2003 has affected the overall business and financial performance of the Group. The Board is of the view that the continued persistence of the outbreak of SARS could have a negative impact of the business operation and financial position of the Group.

To sustain the Group's future development, the Group continues to expand its product mix to meet the needs of the market. During the reporting period, the Group had completed the approval procedure and successfully obtained the approval from State Drug Administration (國家藥品監督局) for the production of Runchang Tongbian Cha (潤腸通便茶) and Tongluo Zhitong Jiaonang (通絡止痛膠囊).

Foreseeing the increasing competition in the PRC's pharmaceutical market, the management of the Group will be prudent during its implementation of technological improvement and expansion of production facilities. The Group will carefully evaluate the investment on the establishment of the new GMP factory on the manufacture and development of medicinal products. The Group will make an effort to rationalize and streamline its existing operations to improve the operational results. Capitalizing on the Group's experience in the Chinese pharmaceutical products for the treatment of rheumatoid and/or arthritic conditions, the Group will utilize its market advantages and study the possibility of cooperation between pharmaceutical companies and look for investment opportunities for future development.

EMPLOYEES

As at 30 November 2002, the Group has a workforce of approximately 175 in both the PRC and Hong Kong. Remuneration policies are reviewed annually and certain staffs are entitled to commission. During the period, there was no significant change in the Company's employees and remuneration policies.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 November 2002, the Group's cash and cash equivalents was HK\$13.9 million (31 May 2002: HK\$52.9 million) and its net current liabilities was HK\$16.4 million (31 May 2002: net current assets: HK\$115.9 million). The gearing ratio, defined as long-term liabilities to shareholder's fund, was 0.65 (31 May 2002: 0.10).

The Group's bank borrowings amounted to HK\$35.5 million (31 May 2002: 37 million). As the Group has defaulted in payment of the bank borrowings, consequently, the bank borrowings of the Group become due for immediate repayment. The banking facilities of the Group were supported by corporate guarantees executed by the Company and a subsidiary of the Company together with personal guarantees executed by two executive Directors of the Company.

Most of the Group's monetary assets and borrowings are denominated in Renminbi and Hong Kong dollar. The foreign exchange fluctuation between Hong Kong dollar and Renminbi is not material. Thus, the exchange rate risk of the Group is considered to be minimal.

POST BALANCE SHEET EVENT

A writ dated 26 March 2003 was issued by solicitors acting for Dao Heng Bank Limited against Shanxi Zhengzhong Pharmaceutical Co., Ltd., a 99% non-wholly owned subsidiary of the Company, as borrower claiming for the repayment of the instalment loans in the sum of HK\$30,000,000 together with all interest. A Order 14 Summons hearing is fixed on 7 July 2003.

A writ dated 27 March 2003 and a statement of claim dated 23 April 2003 were issued respectively by solicitors acting for CITIC Ka Wah Bank Limited against (i) Central International Investments Limited, a wholly-owned subsidiary of the Company and (ii) the Company, as borrower claiming for the repayment of the overdue trust receipt loans in the sum of approximately HK\$5.5 million together with all interest.

A court proceedings was initiated by a body corporate on 13 May 2003 against (i) the Company; (ii) Central Pharmaceutical Holdings (BVI) Limited, a wholly-owned subsidiary of the Company; (iii) Mr Shi Yue Ming; and (iv) Madam Hou Li Ping for the claim of HK\$17,550,000 and the interest thereon arising from a dishonoured cheque drawn by Central Pharmaceutical Holdings (BVI) Limited. Instruction was given to the Company's solicitors for further investigation on the detail of the proceedings and the outcome is unknown up to the date of this report.

A writ dated 14 May 2003 was issued by solicitors acting for a printing company against the Company for the settlement of outstanding printing services fees in the sum of HK\$204,138.60 and the interest thereon. The Company has appointed solicitors acting on behalf of the Company to handle the litigation.

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

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the period.

AUDIT COMMITTEE

The Audit Committee of the Company, comprising two independent non-executive directors of the Company, has reviewed with the management the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters, including the review of the Group's unaudited interim financial statements for the six months ended 30 November 2002.

COMPLIANCE WITH THE CODE OF BEST PRACTICE

None of the directors is aware of information that would reasonably indicate that the Company is not, or was not at any time during the six months ended 30 November 2002, in compliance with Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange.

PUBLICATION OF INTERIM RESULTS ON THE WEBSITE OF THE STOCK EXCHANGE OF HONG KONG LIMITED

A detailed interim results announcement containing all information required by paragraphs 46(1) to 46(6) of Appendix 16 of the Rules Governing the Listing of Securities on the Stock Exchange will be published on the website of the Stock Exchange as soon as practicable.

By Order of the Board
Hou Li Ping
Chairman

Hong Kong, 2 June 2003

* *For identification only*

“Please also refer to the published version of this announcement in The Standard”.