

INTERIM RESULTS

The Board of Directors of Leefung-Asco Printers Holdings Limited (the “Company”) are pleased to announce the unaudited interim results for the six months ended 30 June 2002 of the Company and its subsidiaries (the “Group”) together with the comparative figures for the same period as follows:

CONSOLIDATED PROFIT AND LOSS ACCOUNT

		Six months ended 30 June	
		2002	2001
		(Unaudited)	(Unaudited)
	Notes	HK\$'000	HK\$'000
Turnover			
Continuing operations		451,635	467,818
Discontinuing operations	3	34,666	31,795
		<u>486,301</u>	<u>499,613</u>
Cost of sales		(376,533)	(403,637)
Gross profit		109,768	95,976
Other revenue		9,178	2,490
Distribution costs		(17,130)	(12,961)
Administrative expenses		(62,823)	(60,430)
Amortisation of goodwill in respect of acquisition of subsidiaries		—	(304)
Profit from operations	4	38,993	24,771
Finance costs	5	(7,006)	(14,026)
Share of results of associates		1,174	(76)
Amortisation of goodwill in respect of acquisition of an associate		(201)	(140)
Profit before taxation			
Continuing operations		30,526	10,321
Discontinuing operations	3	2,434	208
		<u>32,960</u>	<u>10,529</u>
Taxation			
Continuing operations		(8,868)	(3,492)
Discontinuing operations	3	(400)	—
	6	<u>(9,268)</u>	<u>(3,492)</u>
Profit before minority interests		23,692	7,037
Minority interests		(3,366)	(6,478)
Profit attributable to shareholders		<u>20,326</u>	<u>559</u>
Interim dividend		8,055	—
Basic earnings per share	7	5.05 HKcents	0.15 HKcents
Interim dividend per share		2 HKcents	—

CONSOLIDATED BALANCE SHEET

		30 June 2002 (Unaudited)	31 December 2001 (Audited)
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current assets			
Investment properties		13,710	13,710
Other properties, plant and equipment		674,112	677,348
Interests in associates		53,634	52,656
		<u>741,456</u>	<u>743,714</u>
Current assets			
Inventories		134,885	127,642
Debtors, deposits and prepayments	8	361,087	279,733
Amounts due from associates		217	6,330
Investments in securities		12	11
Taxation recoverable		2,946	2,887
Pledged bank deposits		—	1,820
Cash and bank balances		61,803	89,407
		<u>560,950</u>	<u>507,830</u>
Current liabilities			
Creditors and accrued charges	9	149,939	148,126
Bills payable		43,450	31,612
Taxation payable		8,033	3,106
Short-term bank borrowings	10	238,606	315,444
		<u>440,028</u>	<u>498,288</u>
Net current assets		<u>120,922</u>	<u>9,542</u>
Total assets less current liabilities		<u>862,378</u>	<u>753,256</u>

CONSOLIDATED BALANCE SHEET (Continued)

		30 June 2002 (Unaudited)	31 December 2001 (Audited)
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current liabilities			
Bank borrowings repayable			
beyond one year	10	100,000	—
Deferred taxation		10,096	10,096
		<u>110,096</u>	<u>10,096</u>
Minority interests		53,727	64,931
		<u>698,555</u>	<u>678,229</u>
CAPITAL AND RESERVES			
Share capital	11	40,274	40,274
Reserves	12	650,226	637,955
Proposed dividend		8,055	—
		<u>698,555</u>	<u>678,229</u>

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Six months ended 30 June	
	2002	2001
	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Net cash inflow/(outflow) from operating activities	(10,228)	28,312
Net cash outflow from investing activities	(27,789)	(52,686)
Net cash inflow from financing activities	6,713	30,179
	<u> </u>	<u> </u>
Increase/(decrease) in cash and cash equivalents	(31,304)	5,805
Cash and cash equivalents at the beginning of the period	59,113	73,299
	<u> </u>	<u> </u>
Cash and cash equivalents at the end of the period	27,809	79,104
	<u> </u>	<u> </u>
Analysis of the balance of cash and cash equivalents		
Cash and bank balances	61,803	99,859
Bank overdrafts	(4,752)	(6,902)
Trust receipt loans	(29,242)	(13,853)
	<u> </u>	<u> </u>
	27,809	79,104
	<u> </u>	<u> </u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Six months ended 30 June	
	2002	2001
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Total shareholders equity at 1 January	678,229	636,648
Issue of shares	—	161,669
Purchase of own shares	—	(689)
Net profit for the period	20,326	559
Dividend paid	—	(24,190)
	<hr/>	<hr/>
Total shareholders equity at 30 June	<u>698,555</u>	<u>773,997</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of preparation and accounting policies

The unaudited interim financial statements are prepared in accordance with Hong Kong Statement of Standard Accounting Practice No. 25 “Interim financial reporting” issued by the Hong Kong Society of Accountants and Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The accounting policies and basis of preparation used in preparing the interim financial statements are the same as those used in the annual financial statements for the year ended 31 December 2001.

In the current period, the Group has adopted, for the first time, a number of new and revised Statements of Standard Accounting Practice (“SSAPs”) issued by the Hong Kong Society of Accountants, which are effective for accounting periods commencing on or after 1 January 2002:

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 33	:	Discontinuing operations
SSAP 34	:	Employee benefits

The adoption of these SSAPs do not have any material impact on accounting policies and financial results of the Group except that certain comparatives figures have been reclassified to conform with the new disclosure requirements.

2. Business and geographical segments

Business segments

Segment information of the three operating divisions are as follows:

Six months ended 30 June 2002

	Printing of books and magazines <i>HK\$'000</i>	Printing of packaging products <i>HK\$'000</i>	Financial printing <i>HK\$'000</i>	Others <i>HK\$'000</i>	Eliminations <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment revenue						
External sales	325,472	126,163	34,666	—	—	486,301
Inter-segment sales	5,072	4,413	—	—	(9,485)	—
	<u>330,544</u>	<u>130,576</u>	<u>34,666</u>	<u>—</u>	<u>(9,485)</u>	<u>486,301</u>
Result						
Segment result	37,552	10,862	2,443	—	—	50,857
Unallocated corporate expenses						(11,864)
Profit from operations						38,993
Finance costs						(7,006)
Share of results of associates	1,200	—	—	(26)	—	1,174
Amortisation of goodwill in respect of acquisition of an associate	(201)	—	—	—	—	(201)
Profit before taxation						32,960
Taxation						(9,268)
Profit before minority interests						23,692
Minority interests						(3,366)
Net profit for the period						<u>20,326</u>

2. Business and geographical segments (Continued)

Business segments (Continued)

Six months ended 30 June 2001

	Printing of books and magazines HK\$'000	Printing of packaging products HK\$'000	Financial printing HK\$'000	Others HK\$'000	Eliminations HK\$'000	Total HK\$'000
Segment revenue						
External sales	337,966	129,852	31,795	—	—	499,613
Inter-segment sales	4,896	4,922	—	—	(9,818)	—
	<u>342,862</u>	<u>134,774</u>	<u>31,795</u>	<u>—</u>	<u>(9,818)</u>	<u>499,613</u>
Result						
Segment result	16,789	13,477	(223)	—	—	30,043
Unallocated corporate expenses						(4,968)
Amortisation of goodwill in respect of acquisition of subsidiaries	(304)	—	—	—	—	(304)
Profit from operations						24,771
Finance costs						(14,026)
Share of results of associates	692	—	—	(768)	—	(76)
Amortisation of goodwill in respect of acquisition of an associate	(140)	—	—	—	—	(140)
Profit before taxation						10,529
Taxation						(3,492)
Profit before minority interests						7,037
Minority interests						(6,478)
Net profit for the period						<u>559</u>

2. Business and geographical segments (*Continued*)*Geographical segments*

	Turnover	
	Six months ended 30 June	
	2002	2001
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Mainland China	270,261	282,584
Hong Kong	61,181	70,258
	<u>331,442</u>	<u>352,842</u>
United States of America	123,226	111,915
United Kingdom	21,984	14,926
Other areas	9,649	19,930
	<u>486,301</u>	<u>499,613</u>

Contribution to profit by geographical market has not been presented as the contribution to profit from each market is substantially in line with the overall Group's ratio of profit to turnover.

3. Discontinuing operations

On 2 August 2002, the Company entered into a sales and purchase agreement with an independent third party pursuant to which the Company procure to dispose the entire interests in Vite Limited, a wholly owned subsidiary of the Company, for a total consideration of HK\$34 million. The principal activity of Vite Limited is financial printing and the segmental information of the subsidiary has been presented in note 2 to the condensed consolidated financial statements. The transaction was completed on 8 August 2002 and the profit arising from the disposal amounted to approximately HK\$25 million will be reflected in the result in the second half of the year. For disclosure purposes, the results of the subsidiary to be disposed in August 2002 were classified as discontinuing operations in the consolidated profit and loss account for the period ended 30 June 2002.

As at 30 June 2002, the carrying amounts of the total assets and liabilities of the subsidiary to be disposed of were HK\$22.3 million (2001: HK\$72 million) and HK\$16.1 million (2001: HK\$17 million), respectively. For the six months ended 30 June 2002, the other revenue and total expenses attributable to the discontinuing operations amounted to HK\$0.7 million (2001: HK\$1.7 million) and HK\$33.7 million (2001: HK\$33.6 million), respectively. The net cash inflows/(outflows) attributable to the operating, investing and financing activities of the discontinuing operations for the current period amounted to HK\$4.3 million (2001: HK\$(3.3 million)), HK\$(0.6 million) (2001: HK\$(0.8 million)) and nil (2001: HK\$(48 million)), respectively.

4. Profit from operations

The profit from operations has been arrived at after charging:

	Six months ended 30 June	
	2002	2001
	(Unaudited) <i>HK\$'000</i>	(Unaudited) <i>HK\$'000</i>
Staff costs, including directors' remuneration	58,478	66,472
Provident fund	940	1,073
Less: Forfeited contribution	(81)	(320)
Net contribution	<u>859</u>	<u>753</u>
Total staff costs	59,337	67,225
Auditors' remuneration	590	487
Amortisation of goodwill	201	444
Loss on disposal of properties, plant and equipment	756	—
Exchange loss	—	1,412
Operating leases charges:		
Premises	1,370	2,148
Plant and machinery	529	1,749
	<u>1,899</u>	<u>3,897</u>
Depreciation	30,513	29,454
And after crediting:		
Gain on disposal of properties, plant and equipment	—	330
Rental income	251	200
Interest income	<u>109</u>	<u>637</u>

5. Finance costs

	Six months ended 30 June	
	2002	2001
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest on bank borrowings and other loans wholly repayable within five years	7,006	13,714
Interest on other loans	—	312
	<u>7,006</u>	<u>14,026</u>

6. Taxation

The charge comprises of:

	Six months ended 30 June	
	2002	2001
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong Profits Tax calculated at 16% on the estimated assessable profit for the period	400	—
Profits tax outside Hong Kong	8,868	3,492
Taxation charge for the period	<u>9,268</u>	<u>3,492</u>

Taxation outside Hong Kong are calculated at the rates prevailing in the respective jurisdictions.

7. Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to shareholders of HK\$20,326,000 for the six months ended 30 June 2002 (2001: HK\$559,000) and on the weighted average number of 402,736,918 (2001: 379,020,696) shares in issue during the period.

The Company has no dilutive potential shares in issue during the period.

8. Debtors, deposits and prepayments

The Group allows different credit periods to its trade customers depending on the type of printing services required. Credit periods vary from 0 to 180 days in accordance with industry practice.

The aged analysis of the trade debtors is as follows:

	30 June 2002 (Unaudited) HK\$'000	31 December 2001 (Audited) HK\$'000
Within credit period	226,216	174,334
0 - 30 days past due	30,974	19,291
31 - 60 days past due	20,384	11,874
61 - 90 days past due	10,205	4,688
Over 90 days past due	22,049	22,686
	<hr/>	<hr/>
	309,828	232,873
Other receivables, deposits and prepayments	51,259	46,860
	<hr/>	<hr/>
	<u>361,087</u>	<u>279,733</u>

9. Creditors and accrued charges

The aged analysis of the trade payables is as follows:

	30 June 2002 (Unaudited) <i>HK\$'000</i>	31 December 2001 (Audited) <i>HK\$'000</i>
0 - 30 days	73,413	56,830
31 - 60 days	11,374	10,062
61 - 90 days	7,024	2,804
91 - 120 days	1,655	2,548
Over 120 days	4,522	1,354
Trade payables	<u>97,988</u>	<u>73,598</u>
Other payables and accrued charges	<u>51,951</u>	<u>74,528</u>
	<u><u>149,939</u></u>	<u><u>148,126</u></u>

10. Bank borrowings

	30 June 2002 (Unaudited) <i>HK\$'000</i>	31 December 2001 (Audited) <i>HK\$'000</i>
Bank overdrafts repayable within one year		
- Unsecured	4,752	10,680
Trust receipt loans repayable within one year		
- Unsecured	29,242	19,614
Short-term bank loans repayable within one year		
- Secured	18,500	5,000
- Unsecured	164,112	109,196
	<u>182,612</u>	<u>114,196</u>
Other bank loans repayable:		
Within one year or on demand		
- Secured	—	14,954
- Unsecured	22,000	156,000
In the second year		
- Unsecured	20,000	—
In the third to fifth years, inclusive		
- Unsecured	80,000	—
	<u>122,000</u>	<u>170,954</u>
Total interest-bearing bank borrowings	338,606	315,444
Amount repayable within one year shown as current liabilities	<u>(238,606)</u>	<u>(315,444)</u>
Amount repayable beyond one year shown as non-current liabilities	<u>100,000</u>	<u>—</u>
In summary		
- Secured	18,500	19,954
- Unsecured	320,106	295,490
	<u>338,606</u>	<u>315,444</u>

11. Share capital

	No. of shares	Nominal value <i>HK\$'000</i>
Authorised:		
Ordinary shares of HK\$0.10 each	500,000,000	50,000
Issued and fully paid:		
Ordinary shares of HK\$0.10 each:		
At 1 January 2002 and at 30 June 2002	402,736,918	40,274

12. Reserves

	Share premium (Unaudited) <i>HK\$'000</i>	Property revaluation reserve (Unaudited) <i>HK\$'000</i>	Capital redemption reserve (Unaudited) <i>HK\$'000</i>	Translation reserve (Unaudited) <i>HK\$'000</i>	Other reserves (Unaudited) <i>HK\$'000</i>	Retained profits (Unaudited) <i>HK\$'000</i>	Total (Unaudited) <i>HK\$'000</i>
Balance as at 1 January 2002	326,499	14,107	2,514	(16,114)	8,101	302,848	637,955
Capitalisation of reserves of a subsidiary	—	—	—	—	1,849	(1,849)	—
Net profit for the period ended 30 June 2002	—	—	—	—	—	20,326	20,326
Proposed dividend	—	—	—	—	—	(8,055)	(8,055)
Balance as at 30 June 2002	326,499	14,107	2,514	(16,114)	9,950	313,270	650,226

The other reserves of the Group represent the Group's share of the statutory reserves of a subsidiary in the PRC. These statutory reserves represent appropriations of the subsidiary's profits for designated purposes and are not distributable.

13. Operating lease commitments

At 30 June 2002, the amounts of future lease payments under non-cancellable operating leases are repayable as follows:

	Premises		Plant and machinery	
	30 June 2002 (Unaudited) <i>HK\$'000</i>	31 December 2001 (Audited) <i>HK\$'000</i>	30 June 2002 (Unaudited) <i>HK\$'000</i>	31 December 2001 (Audited) <i>HK\$'000</i>
In respect of operating leases expiring				
- Within one year	219	2,205	90	1,058
- In the second to fifth year inclusive	—	2,192	—	3,503
	<u>219</u>	<u>4,397</u>	<u>90</u>	<u>4,561</u>

14. Capital commitments

	30 June 2002 (Unaudited) HK\$'000	31 December 2001 (Audited) HK\$'000
Capital expenditure in respect of plant, machinery and equipment:		
- contracted but not provided for in the financial statements	11,134	19,921
- authorised but not contracted for	1,068	—
	<u>12,202</u>	<u>19,921</u>

15. Contingent liabilities

	30 June 2002 (Unaudited) HK\$'000	31 December 2001 (Audited) HK\$'000
Export bills discounted with recourse	—	18,089
Guarantees given to banks in respect of banking facilities granted to an associate	—	31,200

16. Related party transactions

- (a) During the period, the Group purchased fibre based products amounting to HK\$1,906,000 (2001: nil) from the group companies of Jefferson Smurfit Group plc (“Smurfit”), a substantial shareholder of the Company. The transactions with the Smurfit Group were carried out in the ordinary and usual course of business and on normal commercial terms.
- (b) During the period, the Group sold packaging products amounting to approximately HK\$55,372,000 (2001: nil) to 上海金葉包裝材料有限公司, a company in which 上海紡印印刷包裝有限公司 holds 37% interest. 上海紡印印刷包裝有限公司 holds 41% interest in a subsidiary of the Company. The transactions with 上海金葉包裝材料有限公司 were carried out in the ordinary and usual course of business and on normal commercial terms.
- (c) During the period, the Group has also purchased paper amounting to approximately HK\$26,133,000 (2001: HK\$29,687,000) from 上海金葉包裝材料有限公司. The purchase prices were carried out in the ordinary and usual course of business and on normal commercial terms.

17. Comparative figures

Certain comparative figures have been reclassified to conform with the current period’s presentation.

DIVIDEND

The Board has resolved to declare an interim dividend of HK2 cents per share for the period ended 30 June 2002 (2001:nil) payable on Wednesday, 23 October 2002, to shareholders whose names appear on the register of members of the Company on Wednesday, 9 October 2002.

CLOSURE OF REGISTER

The register of members of the Company will be closed from Monday, 7 October 2002 to Wednesday, 9 October 2002, both days inclusive, during which period no transfer of shares will be registered. All transfers of shares accompanied by the relevant share certificates and transfer forms must be lodged with the Company's Registrars in Tengis Limited, 4th Floor, Hutchison House, 10 Harcourt Road, Central, Hong Kong, not later than 4:00 p.m. on Friday, 4 October 2002.

MANAGEMENT DISCUSSION & ANALYSIS

Business Review

I am pleased to report that in continued challenging business circumstances, Leefung-Asco is reporting a net profit of HK\$20.3 million and will pay an interim dividend of 2 cents per share.

The improvement in our core printing and packaging operations is well over HK\$20 million. On the other hand, our cigarette packaging business in Shanghai started paying full income taxes in 2002. This together with lower selling prices has caused the profit for this business segment to drop by almost HK\$3 million.

This turnaround reflects restructuring during the 9 months starting in September 2001, in particular at our Shenzhen and Dongguan plants. Supported by the comprehensive management changes implemented early this year, it bears evidence of the successful execution of the policies aiming at strengthening the organization, trimming costs and enhancing the overall efficiency of the management.

Sales

At the end of June 2002, sales amounted to HK\$486 million down from HK\$499 million last year. The decrease was largely caused by a drop in cigarette packaging sales in Shanghai by 8%. In our core printing and packaging business, average unit prices declined, however, volumes increased reflecting a good performance in a very competitive environment during the first half.

The sales of the Export and Children's Books Division have increased by 6%, despite the loss of a major German customer.

Business Review (Continued)

Sales (Continued)

In the Packaging Division, sales are 23% up from last year thanks to the Colour Box Department, which has resumed its trading with the USA. The Corrugated Box Department started up during the second quarter and concentrated first on manufacturing boxes for the Export and the Children's Books Divisions. It is now fully operational and has captured both domestic and foreign customers.

Although Vite posts a 9% increase in sales from 2001 as the IPO activity was higher, the disposal of Vite in the second half year should not have a significant impact on the Group's annual turnover.

Regarding our PRC business, severe competition and a more selective approach to customers with reference to debt collection have brought the sales 10% down. In Beijing, our plant was able to adjust the volume of orders subcontracted previously and to operate the two web presses at capacity.

Costs down, efficiency up

The profit increase is, for the most part, due to the progress in operational efficiencies. The key elements are:

- Reduction of direct material costs through centralized purchasing and lower wastage rates;
- Restructuring and reduction of headcount at all staff level in both our Shenzhen and Dongguan facilities; and
- A 20% increase in productivity resulting from changes to our technical staff and management systems.

The Company also benefits from the reduction of the finance costs by HK\$7 million due to the drop in interest rates and bank loan levels.

Business Review (Continued)

Strengthening of management

After consolidating the Finance Department, we have put a special emphasis on Human Resources during the second quarter. All aspects of the function have been addressed and streamlined. We have also added a significant number of professional staff in support and operating departments.

In particular, the structure and the management systems of the Export Division and of the Packaging Division have been entirely reengineered with almost immediate benefits. The Maintenance Department has been reorganized, its skills enhanced to support the operations more quickly and more efficiently.

Synergies have been created between the Shenzhen and Dongguan plants to fully utilize the production capacity. A tighter integration will be further developed.

Financial Review

The Group's net assets was generally financed by internal resources through share capital and reserves. As at 30 June 2002, the Group's cash and bank balances amounted to HK\$62 million while the total assets and the net assets were approximately HK\$1,302 million and HK\$ 699 million, representing a 4% and 3%, respectively increase over the balances as at 31 December 2001. As at 30 June 2002, the total borrowings from banks include term loans, trust receipts loans, overdrafts amounted to approximately HK\$338.6 million, of which 70.5%, 5.9% and 23.6% were repayable within one year, the second year and the third to five years respectively. Of the total borrowings, approximately HK\$84 million was borrowed in Renminbi, approximately HK\$28 million and HK\$1 million were denominated in US dollars and EURO and approximately HK\$225.6 million was denominated in Hong Kong dollars. The currency exposure has been hedged against the Group's Renminbi assets and Renminbi revenue as generated by the subsidiaries in China.

Financial Review (Continued)

The current ratio as at 30 June 2002 has increased from 1.02 to 1.27 due to the conversion of the short term bank borrowings into long term liabilities upon the restructuring of the bank facilities lines. The net asset value per share increased from HK\$1.68 at the end of 2001 to HK\$1.73 as at 30 June 2002.

As at 30 June 2002, the Group's net gearing ratio based on total debts to equity was 39.6%, slightly up from 33% as at 31 December 2001. The increase in borrowings is partly due to the seasonal effect of our business cycle together with the payment for the corrugated production line in our Dongguan plant. The Group currently has aggregate banking facilities of approximately HK\$960 million, of which HK\$382 million has been utilised as at 30 June 2002. The Group's borrowings are denominated in either Hong Kong dollars, US dollars or Renminbi and principally on a floating rate basis. When appropriate, hedging instruments including swaps are used in managing the interest rate exposure.

In the current period, the Group has already restructured the short term loan with an amount of HK\$100,000,000 into a 4 years term loan in order to take advantage of the current low interest rates environment. The amount is to be repayable from year 2004 until year 2006. Subsequently to the period end date, the Group has further entered into a 3.5 years term loan agreement amounted to HK\$50,000,000. Both new facilities have been used to extend the maturity profile of its borrowings and at the same time lowered the borrowing costs.

Employees Policy

At the end of June 2002, the Group employed a total of approximately 150 employees in Hong Kong and a workforce of approximately 2,900 in the PRC.

The Group's remuneration policies are primarily based on prevailing market salary levels and the performance of the respective companies and individuals concerned. In addition to salaries, the Group provides staff benefits including medical insurance, contributions to staff's provident fund and discretionary training subsidies. Share options and bonuses are also available to employees of the Group at the discretion of the directors and depending upon the financial performance of the Group.

Pledge of Assets

As at 30 June 2002, the Group pledged its investment properties and land & buildings with an aggregate carrying value of approximately HK\$4 million (31 December 2001: HK\$4 million) and HK\$185 million (31 December 2001: HK\$186 million), respectively as securities for generating banking facilities granted to the Group. The Group did not pledge any other plant and equipment (31 December 2001: HK\$22 million) and bank deposits (31 December 2001: HK\$2 million) to the banks as at the period end date.

Post Balance Sheet Event

Subsequent to the period end date, the Company has disposed of the entire interests in a wholly owned subsidiary, Vite Limited, which is engaged in financial printing in August 2002. Further details have been included in note 3 to the condensed consolidated financial statements.

PROSPECTS

Trading conditions remained good during the summer months and the outlook for the remainder of 2002 is positive.

We expect to continue to see the positive benefits of strict working capital management in the second half of the year. At the end of June 2002, the inventories are HK\$135 million down from HK\$231 million in June 2001. They remain stable compared to the balance at December 2001. The debtors balance is stable compared to June last year in our core printing and packaging business, but shows an increase in Shanghai. Overall, the deterioration versus December 2001 is due to the higher level of activity and hence a higher debtor figure in the summer months. This adding to the investments in the Packaging Division in Dongguan explains why the borrowings have increased. However, we are confident in our ability to improve this position going forward. Despite investments in two printing presses, our focus on strict working capital management and the addition of the proceeds of the disposal of Vite, means that Leefung-Asco should have a much strengthened and healthier balance sheet going forward.

DIRECTORS' INTERESTS IN SHARES

As at 30 June 2002, the interests of the directors in the shares of the Company as recorded in the register maintained by the Company under section 29 of Securities (Disclosure of Interests) Ordinance (the “SDI Ordinance”) were as follows:

Directors	Number of shares			
	Personal interests	Family interests	Corporate interests	Other interests
John, Yang Yat Kwei	—	11,469,432 ^(a)	—	132,398,495 ^(b)
Alain Raymond Baudant	—	—	—	—
Peter, Yang Sze Chen	900,000	—	16,514,867 ^(c)	—
Stanislaus, Tsao Kwang Ngo	—	—	—	—
Kyle Arnold Shaw Junior	—	—	13,052,000 ^(d)	—
Gerard William McGann	—	—	—	—
Michael Smurfit Junior	—	—	—	—
Ian James Curley	—	—	—	—
Anthony John Nevill Russell	300,000	—	—	—
Walter, Ma King Wah	—	—	—	—
Norman, Ho Man Kei	—	—	—	—

- (a) These shares were held by the spouse of Mr. John, Yang Yat Kwei.
- (b) These shares were held through companies controlled by Margentin Limited which is 100% owned by The Yang Family Trust, of which the spouse and issue of Mr. John, Yang Yat Kwei but not Mr. John, Yang Yat Kwei himself are the discretionary objects. Of the 132,398,495 shares, 31,166,267 shares are held by Randburg Limited, 74,316,900 shares are held by United Rise Investments Limited and 26,915,328 shares are held by Eggbutt Knitwear Limited. Randburg Limited and United Rise Investments Limited are controlled by Margentin Limited. 78% of the issued capital of Eggbutt Knitwear Limited is owned by Randburg Limited.
- (c) These shares were held through Team Long Development Limited, a company beneficially owned by Mr. Peter, Yang Sze Chen.

DIRECTORS' INTERESTS IN SHARES *(Continued)*

- (d) These share were held by Shaw, Kwei & Partners (Asia) Ltd., in which Mr. Kyle Arnold Shaw Junior has a beneficial interest.

Saved as disclosed above and other than certain nominees shares in subsidiaries held by Mr. John, Yang Yat Kwei in trust for the Group, 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, and none of the directors or chief executives, nor their spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right during the period ended 30 June 2002.

SUBSTANTIAL SHAREHOLDERS

At 30 June 2002, the register of substantial shareholders maintained under Section 16(1) of the SDI Ordinance showed that, other than the interests disclosed above in respect of the directors, the Company has been notified of the following shareholders with interests representing 10% or more of the Company's issued share capital:

Name of shareholder	Number of shares held	Shareholding percentage
United Rise Investments Limited	74,316,900	18.45%
S. I. Holdings Limited*	100,792,000	25.03%

- * These shares were held indirectly by Smurfit International B.V., through its indirect beneficial interest in the entire issued capital of S.I. Holdings Limited.

AUDIT COMMITTEE

The audit committee has reviewed the management the accounting principles and practices adopted by the Group and the unaudited financial statements for the six months ended 30 June 2002.

REPURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

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 throughout the period, except that the non-executive directors of the Company are not appointed for specific terms but are subject to retirement and re-election at each annual general meeting of the Company in accordance with the bye-laws of the Company.

ACKNOWLEDGEMENT

On behalf of the board, I would like to express my sincere gratitude to all our staff for their dedication, hard work and contribution during the period. In addition, we would like to thank all our shareholders for their support of the Group and our customers for their business.

By Order of the Board
Alain Raymond Baudant
Chief Executive Officer

Hong Kong
18 September 2002