

NEW ISLAND PRINTING HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

INTERIM REPORT 2002/2003

INTERIM RESULTS

The Board of Directors (“the Directors”) of New Island Printing Holdings Limited (“the Company”) announces the unaudited consolidated results of the Company and its subsidiaries (“the Group”) for the six months ended 30th September, 2002 as follows:

CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the six months ended 30th September, 2002 — Unaudited

(Expressed in Hong Kong dollars)

		Six months ended 30th September,	
		2002	2001
	Note	\$'000	\$'000
Turnover	2	247,094	237,485
Cost of sales		(190,509)	(188,382)
		56,585	49,103
Other revenue		580	460
Other net income/(loss)		312	(195)
Selling and distribution costs		(10,844)	(10,433)
Administrative expenses		(25,613)	(18,136)
Profit from operations	2	21,020	20,799
Finance costs	3	(5,613)	(7,278)
Profit from ordinary activities before taxation	3	15,407	13,521
Taxation	4	(3,239)	(2,511)
Profit attributable to shareholders		12,168	11,010
Proposed interim dividend	5a	2,225	2,225
Earnings per share	6	5.47 cents	4.95 cents

The notes on pages 6 to 12 form part of this interim financial report.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the six months ended 30th September, 2002 — Unaudited
(Expressed in Hong Kong dollars)

		Six months ended	
		30th September,	
		2002	2001
	<i>Note</i>	<i>\$'000</i>	<i>\$'000</i>
At 1st April - opening total equity			
— as previously reported		259,327	253,484
— prior period adjustment in respect of dividend proposed		—	3,338
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— as restated		259,327	256,822
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Currency translation differences	<i>14</i>	(244)	29
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Net (losses)/ gains not recognised in the profit and loss account		(244)	29
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		259,083	256,851
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Dividends approved in respect of the previous year		—	(3,338)
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Net profit for the period	<i>14</i>	12,168	11,010
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At 30th September - closing total equity		271,251	264,523
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The notes on pages 6 to 12 form part of this interim financial report.

CONSOLIDATED BALANCE SHEET*At 30th September, 2002 — Unaudited**(Expressed in Hong Kong dollars)*

	<i>Note</i>	At 30th September, 2002		At 31st March, 2002	
		\$'000	\$'000	\$'000	\$'000
NON-CURRENT ASSETS					
Fixed assets			404,791		372,940
CURRENT ASSETS					
Inventories		101,057		85,496	
Trade debtors, prepayments and deposits	7	135,374		94,940	
Cash at bank and in hand	8	36,067		31,537	
		272,498		211,973	
CURRENT LIABILITIES					
Bank loans and overdrafts					
— secured	9	115,531		89,219	
— unsecured	9	76,285		56,235	
Obligations under finance leases	10	4,240		4,320	
Trade creditors and accrued charges	11	91,128		63,783	
Bills payable	12	39,149		31,214	
Taxation		2,768		1,765	
		329,101		246,536	
NET CURRENT LIABILITIES			(56,603)		(34,563)
TOTAL ASSETS LESS					
CURRENT LIABILITIES			348,188		338,377

CONSOLIDATED BALANCE SHEET*At 30th September, 2002 — Unaudited (Continued)**(Expressed in Hong Kong dollars)*

	<i>Note</i>	At 30th September, 2002		At 31st March, 2002	
		\$'000	\$'000	\$'000	\$'000
NON-CURRENT LIABILITIES					
Bank loans					
— secured	9	50,341		61,744	
— unsecured	9	21,522		10,167	
Obligations under finance leases	10	5,074		7,139	
			(76,937)		(79,050)
NET ASSETS			271,251		259,327
CAPITAL AND RESERVES					
Share capital	13		22,253		22,253
Reserves	14		248,998		237,074
			271,251		259,327

The notes on pages 6 to 12 form part of this interim financial report.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT*For the six months ended 30th September, 2002 — Unaudited**(Expressed in Hong Kong dollars)*

	Six months ended 30th September,	
	2002	2001
	\$'000	\$'000
Net cash (used in)/from operating activities	(4,376)	25,987
Net cash used in investing activities	(38,150)	(18,741)
Net cash from financing activities	15,082	28,646
Net (decrease)/increase in cash and cash equivalents	(27,444)	35,892
Cash and cash equivalents at 1st April	1,621	(15,819)
Cash and cash equivalents at 30th September	(25,823)	20,073
Analysis of the balances of cash and cash equivalents		
Deposits with bank	—	2,279
Cash at bank and in hand	36,067	21,522
Bank overdrafts	(53,390)	(3,728)
	(17,323)	20,073
Cash at bank pledged	(8,500)	—
	(25,823)	20,073

Cash and cash equivalents at 30th September, 2002 include Rmb23,361,196 (30th September, 2001: Rmb21,150,251) held by subsidiaries in the People's Republic of China ("PRC"). The Renminbi is not a freely convertible currency.

The notes on pages 6 to 12 form part of this interim financial report.

NOTES ON THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars)

1. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

(a) *Basis of preparation*

This interim financial report is unaudited, but has been reviewed by KPMG in accordance with Statement of Auditing Standards 700 “Engagements to review interim financial reports”, issued by the Hong Kong Society of Accountants (“HKSA”). KPMG’s independent review report to the Board of Directors is included on page 13.

The interim financial report has been prepared in accordance with the requirements of the Main Board Listing Rules of The Stock Exchange of Hong Kong Limited, including compliance with Statement of Standard Accounting Practice 25 “Interim financial reporting” issued by the HKSA.

The financial information relating to the financial year ended 31st March, 2002 included in the interim financial report does not constitute the Company’s statutory financial statements for that financial year but is derived from those financial statements. Statutory financial statements for the year ended 31st March, 2002 are available from the Company’s office in Hong Kong. The auditors have expressed an unqualified opinion on those financial statements in their report dated 19th July, 2002.

The same accounting policies adopted in the 2002 annual financial statements have been applied to the interim financial report except for the adoption of following SSAPs which are effective for accounting periods commencing on or after 1st 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 the above SSAPs has no material effect on the prior year financial statements except as disclosed under note 1(b) below.

The notes on the interim financial report include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2002 annual financial statements.

(b) *Cash flow statements*

In prior years, for the purpose of the consolidated cash flow statement, cash flows of foreign subsidiaries were translated at the rates of exchange ruling at the balance sheet date. Cash and cash equivalents included bank overdrafts and advances from banks repayable within three months from the date of advance. With effect from 1st April, 2002, in order to comply with SSAP 15 (revised) “Cash flow statements” issued by the HKSA, cash flows of foreign subsidiaries are translated at the rates of exchange ruling at the dates of cash flows, cash and cash equivalents no longer include advances from banks other than overdrafts which are repayable on demand and which form an integral part of the Group’s cash management and the format of cash flow statement has been reclassified into operating, investing and financing activities. Comparative figures for the consolidated cash flow statement have been adjusted accordingly.

2. SEGMENTAL INFORMATION

Segment information is presented in respect of the Group's geographical segments. Information relating to geographical segments based on the location of assets is chosen as the primary reporting format because this is more relevant to the Group in making operating and financial decisions.

The Group's business principally participates in two economic environments classified by the location of assets, i.e. Hong Kong and other areas of the PRC.

Turnover and contribution to the Group's profit from geographical locations of assets during the period, after elimination of all material intercompany transactions, are as follows:

	Group turnover		Contribution to profit	
	Six months ended		from operations	
	30th September,		Six months ended	
	2002	2001	2002	2001
	\$'000	\$'000	\$'000	\$'000
Hong Kong	157,209	171,897	15,828	31,956
Other areas of the PRC	89,885	65,588	6,788	(9,251)
	247,094	237,485	22,616	22,705
Unallocated net operating income and expenses			(1,596)	(1,906)
Profit from operations			21,020	20,799

No business segment information is presented as all the Group's turnover and profit are mainly generated from the printing and manufacture of high quality multi-colour packaging products, carton boxes, books, brochures and other paper products.

3. PROFIT FROM ORDINARY ACTIVITIES BEFORE TAXATION

Profit from ordinary activities before taxation is arrived at after charging/(crediting):

	Six months ended	
	30th September,	
	2002	2001
	\$'000	\$'000
Cost of inventories	190,509	188,382
Finance charges on obligations under finance leases	190	384
Interest payable on bank loans and overdrafts	5,423	6,894
Depreciation	14,218	13,856
Relocation costs	5,002	—
Gain on disposal of fixed assets	(55)	(130)

4. TAXATION

	Six months ended 30th September,	
	2002 \$'000	2001 \$'000
Hong Kong taxation	—	—
PRC taxation	3,239	2,511
	<hr/>	<hr/>
	3,239	2,511

No provision for Hong Kong profits tax is required in respect of the six months ended 30th September, 2002 as the accumulated tax losses brought forward from the prior financial year exceed the estimated assessable profit for the current period.

Taxation for subsidiaries outside Hong Kong is calculated using the estimated annual effective rates of taxation that would be applicable to the relevant areas in which the subsidiaries operate.

5. DIVIDENDS

(a) *Dividend attributable to the interim period*

	Six months ended 30th September,	
	2002 \$'000	2001 \$'000
Interim dividend declared after the interim period end of 1 cent per share (2001: 1 cent per share)	2,225	2,225

The interim dividend declared after the interim period end has not been recognised as a liability at the interim period end date.

(b) *Dividend attributable to the previous financial year, approved and paid during the interim period*

	Six months ended 30th September,	
	2002 \$'000	2001 \$'000
Final dividend in respect of the previous financial year, approved and paid during the interim period, of Nil cent per share (2001: 1.5 cents per share)	—	3,338

6. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the consolidated profit attributable to shareholders of \$12,168,000 (2001: \$11,010,000) and 222,529,000 shares (2001: 222,529,000 shares) in issue during the period.

7. TRADE DEBTORS, PREPAYMENTS AND DEPOSITS

The Group allows an average credit period of 30-90 days to its trade debtors. Included in trade debtors, prepayments and deposits are trade debtors (net of provisions for bad and doubtful debts) with the following aging analysis:

	At 30th September, 2002 \$'000	At 31st March, 2002 \$'000
Current	55,282	42,175
1 to 3 months overdue	57,470	33,380
More than 3 months overdue	11,370	11,565
	124,122	87,120

8. CASH AT BANK AND IN HAND

At 30th September, 2002, cash at bank of \$8,500,000 (31st March, 2002: \$Nil) was pledged to a bank for banking facilities granted to a subsidiary.

9. BANK LOANS AND OVERDRAFTS

At 30th September, 2002, the bank loans and overdrafts were repayable as follows:

	At 30th September, 2002 \$'000	At 31st March, 2002 \$'000
Within one year	191,816	145,454
After one but within two years	31,141	27,211
After two but within five years	40,722	44,700
	71,863	71,911
	263,679	217,365

9. BANK LOANS AND OVERDRAFTS (Continued)

At 30th September, 2002, the bank loans and overdrafts were secured as follows:

	At 30th September, 2002 \$'000	At 31st March, 2002 \$'000
Bank overdrafts		
- secured	27,177	8,386
- unsecured	26,213	21,530
	53,390	29,916
Bank loans		
- secured	138,695	142,577
- unsecured	71,594	44,872
	210,289	187,449
	263,679	217,365

Certain banking facilities and loans granted to the Group are secured by mortgages over the Group's land, buildings and machinery with an aggregate carrying value of \$218,674,000 (31st March, 2002: \$232,823,000) at 30th September, 2002. Such banking facilities, amounting to \$232,690,000 (31st March, 2002: \$225,488,000) were utilised to the extent of \$171,209,000 (31st March, 2002: \$172,945,000) at 30th September, 2002.

10. OBLIGATIONS UNDER FINANCE LEASES

At 30th September, 2002, the obligations under finance leases were payable as follows:

	At 30th September, 2002			At 31st March, 2002		
	Present value of the minimum lease payments \$'000	Interest expense relating to future periods \$'000	Total minimum lease payments \$'000	Present value of the minimum lease payments \$'000	Interest expense relating to future periods \$'000	Total minimum lease payments \$'000
Within 1 year	4,240	313	4,553	4,320	359	4,679
After 1 year but within 2 years	4,122	139	4,261	4,110	191	4,301
After 2 years but within 5 years	952	23	975	3,029	54	3,083
	5,074	162	5,236	7,139	245	7,384
	9,314	475	9,789	11,459	604	12,063

11. TRADE CREDITORS AND ACCRUED CHARGES

Included in trade creditors and accrued charge are trade creditors with the following aging analysis:

	At 30th September, 2002 \$'000	At 31st March, 2002 \$'000
Current	22,096	21,884
1 to 3 months overdue	39,326	18,954
More than 3 months overdue	2,303	4,965
	<hr/>	
	63,725	45,803

12. BILLS PAYABLE

An aging analysis of bills payable is as follows:

	At 30th September, 2002 \$'000	At 31st March, 2002 \$'000
Due within 1 month	12,940	13,378
Due after 1 month but within 2 months	8,269	10,553
Due after 2 months but within 3 months	17,582	7,283
Due after 3 months but within 4 months	358	—
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	39,149	31,214

13. SHARE CAPITAL

	No. of shares '000	Amount \$'000
Issued and fully paid shares of \$0.1 each:		
At 1st April, 2002 and 30th September, 2002	222,529	22,253

14. RESERVES

	Share premium \$'000	Exchange reserve \$'000	Statutory surplus reserves \$'000	Retained profits \$'000	Total \$'000
At 1st April, 2002	37,741	(6,012)	10,329	195,016	237,074
Exchange differences on translation of financial statements of subsidiaries outside Hong Kong	—	(244)	—	—	(244)
Profit for the period	—	—	—	12,168	12,168
At 30th September, 2002	37,741	(6,256)	10,329	207,184	248,998

The exchange reserve has been set up and will be dealt with in accordance with the accounting policies adopted for foreign currency translation.

According to prevailing PRC Company Law and the PRC subsidiaries' articles of association, the PRC subsidiaries are required to transfer a certain percentage of their profit after taxation to statutory surplus reserves until the surplus reserve balance reaches 50% of the registered capital of the PRC subsidiaries. The transfer to these reserves has to be made before distribution dividend to shareholders.

The statutory surplus reserves can be used to make good previous years' losses, and are not distributable to shareholders.

15. CONTINGENT LIABILITIES

The Company has given guarantees to banks and leasing companies to secure facilities of \$405 million (31st March, 2002: \$377 million) granted to subsidiaries, of which \$276 million (31st March, 2002: \$227 million) was utilised at 30th September, 2002.

16. RELATED PARTY TRANSACTIONS

During the period, the Group entered into transactions with companies which are controlled by an Independent Non-Executive Director amounting to \$7,263,000 (2001: \$9,663,000), under normal commercial terms.

Apart from the above, the Group has not entered into any other material related party transactions during the period.

17. COMMITMENTS

- (a) At 30th September, 2002, the Group had outstanding commitments in respect of the acquisition of land, plant and machinery of \$18,940,000 (31st March, 2002: \$44,746,000).
- (b) At 30th September, 2002, the Group had commitments to contribute capital of \$31,305,000 (31st March, 2002: \$19,730,000) to certain subsidiaries in the PRC.

18. APPROVAL OF INTERIM FINANCIAL REPORT

The interim financial report was approved by the Board of Directors on 13th December, 2002.

**INDEPENDENT REVIEW REPORT TO THE BOARD OF DIRECTORS OF
NEW ISLAND PRINTING HOLDINGS LIMITED**

(Incorporated in Bermuda with limited liability)

We have been instructed by the Company to review the interim financial report set out on pages 1 to 12.

Directors' responsibilities

The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and Statement of Standard Accounting Practice 25 "Interim financial reporting" issued by the Hong Kong Society of Accountants. The interim financial report is the responsibility of, and has been approved by, the Directors.

Review work performed

We conducted our review in accordance with Statement of Auditing Standards 700 "Engagements to review interim financial reports" issued by the Hong Kong Society of Accountants. A review consists principally of making enquiries of Group management and applying analytical procedures to the interim financial report and based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the interim financial report.

Review conclusion

On the basis of our review which does not constitute an audit, we are not aware of any material modifications that should be made to the interim financial report for the six months ended 30th September, 2002.

KPMG

Certified Public Accountants

Hong Kong, 13th December, 2002

BUSINESS REVIEW AND OUTLOOK

The Group reported a turnover of approximately HK\$247.1 million for the six months period ended 30th September, 2002 (the "Review Period") as compared to approximately HK\$237.5 million for the corresponding period in 2001/2002 (the "Corresponding Period"). Profit before taxation and profit attributable to shareholders for the Review Period amounted to approximately HK\$15.4 million and approximately HK\$12.2 million, as compared to approximately HK\$13.5 million and approximately HK\$11.0 million for the Corresponding Period.

Notwithstanding the unfavourable economic conditions in Hong Kong and the competitive market environment in the packaging printing industry, the Group achieved during the Review Period a steady growth in revenue and the growth in revenue was due mainly to the strong demand from the Group's customers in Mainland China.

During the Review Period, the Group had substantially relocated the production unit in its Yuen Long factory to the newly constructed factory buildings in Dongguan. These new factory buildings, together with the warehouse facilities, have a total gross floor area of 280,000 square feet and are within a short distance from the Group's existing plant in Dongguan. Due mainly to the savings in operation costs resulted from the relocation the gross profit margin of the Group improved from approximately 20.7% during the Corresponding Period to approximately 22.9% during the Review Period.

During the Review Period, the selling and distribution costs increased in line with the increase in turnover. However, there was an approximately 41% increase in administrative expenses due mainly to the redundancy expenses incurred in connection with the relocation exercise as mentioned above. Finance costs, on the other hand, was reduced by approximately 23% as the Group was able to benefit from the lower interest rates environment during the Review Period.

Looking ahead, the Directors are optimistic that further savings would be achieved in the second half of the financial year as the Group would be able to enjoy the full benefit of the savings in operation costs after the relocation while the majority of the one-off relocation expenses had already been accounted for during the Review Period. The Directors are also confident that the relocation would better position the Group to meet its operational requirements particularly in light of the growing demand from its customers in Mainland China.

FINANCIAL AND CAPITAL RESOURCES

During the Review Period, the Group invested a total of approximately HK\$ 46 million on fixed assets investment. The fixed assets investment, which included the construction of the new factory and warehouse buildings in Dongguan, was financed by retained profit and bank loans. The daily operating activities of the Group were funded by profit generated from operations and banking facilities.

The Directors believe that the financial position of the Group remains sound and that the Group has adequate resources to meet its financial commitments in the foreseeable future. As at 30th September, 2002, the borrowings of the Group, which were either denominated in Hong Kong dollars or Chinese Renminbi, amounted to approximately HK\$312 million (31st March, 2002: HK\$260 million). Of this amount, approximately HK\$171 million (31st March, 2002: HK\$173 million) was secured by mortgages over the Group's land, buildings and machinery with an aggregate net book value of approximately HK\$219 million (31st March, 2002: HK\$233 million). The gearing ratio (defined as total interest-bearing borrowings divided by total assets) of the Group as at 30th September, 2002 was approximately 46% (31st March, 2002: 44%). The increase in the gearing ratio of the Group was due primarily to the financing requirements associated with the construction of the factory and warehouse buildings in Dongguan during the Review Period. The construction of these premises forms part of the Group's expansion programme to further develop its production facilities in Mainland China.

STAFF

As at 30th September, 2002, the Group had a total staff of 3,527 (31st March, 2002: 2,718) of which 3,398 (31st March, 2002: 2,448) were employed in the PRC for the Group's manufacturing and distribution businesses.

The Group provides employee benefits such as staff insurance, retirement schemes and discretionary bonus and also provides in-house training programmes and external training sponsorship.

INTERIM DIVIDEND

The Directors have resolved to declare an interim dividend of HK1 cent (2001: HK1 cent) per share for the six months ended 30th September, 2002 payable on 14th January, 2003 to the shareholders whose names appear on the register of members of the Company on 10th January, 2003.

CLOSURE OF THE REGISTER OF MEMBERS

The register of members of the Company will be closed from 6th January, 2003 to 10th January, 2003 both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the interim dividend, all share certificates with completed transfer forms must be lodged with the Company's Registrars in Hong Kong, Standard Registrars Limited, 5th floor, Wing on Centre, 111 Connaught Road, Central, Hong Kong not later than 4:00 p.m. on 3rd January, 2003.

DIRECTORS' INTERESTS IN SHARES

As at 30th September, 2002, the beneficial interests of the Directors in the issued share capital of the Company and its subsidiaries within the meaning of the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance") as recorded in the register required to be kept under section 29 of SDI Ordinance were as follows:

(a) Interests in the Company

Beneficial interests	Number of ordinary shares		
	Personal	Corporate (Note)	Total
Madam So Chau Yim Ping, JP	19,800,000	132,000,000	151,800,000
Mrs. Cheong So Ka Wai, Patsy	3,300,000	—	3,300,000
Mrs. Fung So Ka Wah, Karen	3,300,000	—	3,300,000
Mr. So Wah Sum, Conrad	3,300,000	—	3,300,000
Madam Shea Chau Hung Ping	3,300,000	—	3,300,000
The Hon. Ting Woo Shou, Kenneth, JP	105,000	—	105,000

No family interests in shares are held by any of the Directors.

Note: Ka Chau Enterprises (B.V.I.) Limited ("Ka Chau") beneficially owned 132,000,000 shares as at 30th September, 2002. Madam So Chau Yim Ping, JP has a 60 per cent. interest in Ka Chau, and each of Mrs. Cheong So Ka Wai, Patsy and Mrs. Fung So Ka Wah, Karen has a 20 per cent. interest in Ka Chau.

DIRECTORS' INTERESTS IN SHARES (Continued)

(b) Interests in subsidiaries

Beneficial interests	Non-voting deferred shares of HK\$100 each in New Island Printing Company Limited	Non-voting deferred shares of HK\$100 each in Sonic Manufacturing Company Limited
Madam So Chau Yim Ping, JP	6,700	500
Mrs. Cheong So Ka Wai, Patsy	1,000	500
Mrs. Fung So Ka Wah, Karen	1,000	—
Mr. So Wah Sum, Conrad	1,000	—
Madam So Chau Yim Ping, JP and Mrs. Cheong So Ka Wai, Patsy	150	—
Madam Shea Chau Hung Ping	150	—
	<hr/> 10,000	<hr/> 1,000

In addition to the above, certain Directors hold shares in subsidiaries on trust and as nominees for their respective intermediate holding companies.

SUBSTANTIAL SHAREHOLDERS

Save for those shares referred to in the Directors' interests in shares above, no person or corporation had any interest in the share capital of the Company as recorded in the register required to be kept under section 16(1) of the SDI Ordinance.

ARRANGEMENT TO PURCHASE SHARES

Under the Company's Share Option Scheme ("the Scheme") which was adopted as an incentive to the employees of the Group, the Directors of the Company may, at their discretion, invite any employees, including directors, of any company in the Group, to take up options to subscribe for shares of the Company. For options granted before 1st September, 2001, the exercise price of options was determined by the Board of Directors of the Company, which would not be less than 80 per cent. of the average closing price of the shares on The Stock Exchange of Hong Kong Limited on the five trading days preceding the date of offer of the option or the nominal value of the shares if higher. For options granted on or after 1st September, 2001, the exercise price of options is the highest of the nominal value of the shares, the closing price of the shares on The Stock Exchange of Hong Kong Limited on the date of grant and the average closing price of the shares on The Stock Exchange of Hong Kong Limited for the five business days immediately preceding the date of grant. The maximum number of shares in respect of which options may be granted may not exceed 10 per cent. of the issued share capital. The offer of a grant of options must be accepted within 28 days from the date of offer with a payment of nominal consideration of HK\$1.00 by the grantee. Each option gives the holder the right to subscribe for one share at the relevant exercise price. The options are exercisable for a period of up to three years commencing on the expiry of six months after the date on which the option is accepted. Full amount of the exercise price must be paid upon the exercise of options. The Scheme remains in force for a period of 10 years commencing on 25th March, 1993.

No option was granted, exercised, lapsed or cancelled during the six months ended 30th September, 2002. There were no outstanding share options at 30th September, 2002.

Save for the Scheme, at no time during the six months ended 30th September, 2002 was the Company or its subsidiaries a party to any arrangements to enable the Directors or the chief executives of the Company, or their spouses or children under the age of 18, to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

CODE OF BEST PRACTICE

None of the Directors of the Company is aware of any information that would reasonably indicate that the Company is not, or was not, in compliance with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") throughout the six months ended 30th September, 2002, except that Independent Non-Executive Directors are not appointed for a specific term as they are subject to retirement by rotation and re-election at Annual General Meetings in accordance with the Company's Bye-law.

AUDIT COMMITTEE

Under the requirements of the Listing Rules, an Audit Committee was formed in June, 1999. The audit committee comprises three Independent Non-Executive Directors and reports to the Board of Directors. The audit committee meets with the Group's senior management regularly to review the effectiveness of the internal control systems and the interim and annual reports of the Group.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

During the six months ended 30th September, 2002, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's shares.

By Order of the Board
Cheong So Ka Wai, Patsy
Secretary

Hong Kong, 13th December, 2002