



KINGBOARD CHEMICAL HOLDINGS LIMITED

2002
Interim Report
For the six months ended
30 September 2002

RESULTS

The Board of Directors of Kingboard Chemical Holdings Limited (the "Company") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30 September 2002 together with the comparative figures for the corresponding period in 2001 as follows:–

Condensed Consolidated Income Statement

		Six months ended 30 September, (Unaudited)	
		2002	2001
	<i>Notes</i>	HK\$'000	<i>HK\$'000</i>
Turnover	2	1,706,118	1,206,881
Cost of sales		(1,294,090)	(891,637)
Gross profit		412,028	315,244
Other revenue	3	34,433	10,794
Distribution costs		(54,275)	(19,402)
Administrative costs		(86,304)	(61,580)
Amortisation of goodwill		(7,204)	–
Profit from operations		298,678	245,056
Finance costs		(26,165)	(19,699)
Loss on deemed disposal of partial interest in a subsidiary		(21,187)	–
Profit before taxation		251,326	225,357
Taxation	5	(16,499)	(13,503)
Profit before minority interests		234,827	211,854
Minority interests		(33,825)	(27,486)
Net profit attributable to shareholders		201,002	184,368
Interim dividend	6	21,546	16,526
Earnings per share	7		
Basic		37.4 cents	39.0 cents
Diluted		36.8 cents	38.9 cents

Condensed Consolidated Balance Sheet

		30 September 2002 HK\$'000 (Unaudited)	31 March 2002 HK\$'000 (Audited)
	Notes		
Non-current assets			
Investment properties		30,485	30,485
Other properties, plant and equipment	8	2,531,276	2,350,292
Goodwill		130,062	141,015
Investment securities		254,473	175,186
Non-current deposits		92,793	69,225
		<u>3,039,089</u>	<u>2,766,203</u>
Current assets			
Inventories		613,246	569,948
Trade and other receivables and prepayments	9	1,234,366	1,038,386
Taxation recoverable		1,584	1,545
Bank balances and cash		510,049	461,990
		<u>2,359,245</u>	<u>2,071,869</u>
Current liabilities			
Trade and other payables	10	547,226	474,127
Bills payable		179,283	107,901
Loans from minority shareholders of a subsidiary		–	58,519
Taxation payable		54,224	45,543
Obligations under finance leases and hire purchase contracts			
– amount due within one year		1,623	10,240
Bank borrowings			
– amount due within one year		682,477	686,684
		<u>1,464,833</u>	<u>1,383,014</u>
Net current assets		<u>894,412</u>	<u>688,855</u>
Total assets less current liabilities		<u><u>3,933,501</u></u>	<u><u>3,455,058</u></u>

Condensed Consolidated Balance Sheet *(continued)*

		30 September	31 March
		2002	2002
	<i>Notes</i>	HK\$'000	<i>HK\$'000</i>
		(Unaudited)	<i>(Audited)</i>
Capital and reserves			
Share capital	11	53,865	53,670
Reserves		2,403,774	2,185,984
		2,457,639	2,239,654
Minority interests		654,520	522,494
Non-current liabilities			
Deferred taxation		31,934	31,934
Bank borrowings			
– amount due after one year		789,408	660,976
		821,342	692,910
		3,933,501	3,455,058

Condensed Consolidated Statement of Changes in Equity

	Share premium	Capital redemption reserve	Goodwill reserve	Special surplus account	Translation reserve	Retained profits	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Balance at 1 April 2001	390,400	897	(791)	10,594	(1,484)	1,181,015	1,580,631
Premium arising on issue of new shares							
– from share subscription	315,000	–	–	–	–	–	315,000
– on exercise of warrants	1,026	–	–	–	–	–	1,026
– on exercise of share options	9,353	–	–	–	–	–	9,353
Expenses incurred in connection with issue of new shares	(9,391)	–	–	–	–	–	(9,391)
Profit for the year	–	–	–	–	–	338,950	338,950
Final dividend for 2001	–	–	–	–	–	(33,052)	(33,052)
Interim dividend for 2002	–	–	–	–	–	(16,533)	(16,533)
Balance at 31 March 2002	<u>706,388</u>	<u>897</u>	<u>(791)</u>	<u>10,594</u>	<u>(1,484)</u>	<u>1,470,380</u>	<u>2,185,984</u>
Balance at 1 April 2002	706,388	897	(791)	10,594	(1,484)	1,470,380	2,185,984
Premium arising on exercise of warrants	11,150	–	–	–	–	–	11,150
Exchange adjustment on translation of financial statements of overseas operations	–	–	–	–	5,638	–	5,638
Profit for the period	–	–	–	–	–	201,002	201,002
Balance at 30 September 2002	<u>717,538</u>	<u>897</u>	<u>(791)</u>	<u>10,594</u>	<u>4,154</u>	<u>1,671,382</u>	<u>2,403,774</u>

The special surplus account of the Group represents the difference between the nominal amount of the shares issued by the Company and the aggregate of the nominal amount of the issued share capital of the subsidiaries which were acquired by the Company under the group reorganisation in 1993 and the nominal amount of the deferred shares of a subsidiary, Kingboard Laminates Limited.

Condensed Consolidated Cash Flow Statement

	Six months ended 30 September, (Unaudited)	
	2002	2001
	HK\$'000	HK\$'000
Net cash inflow from operating activities	309,870	62,650
Net cash outflow from investing activities	(365,234)	(241,194)
Net cash inflow from financing	97,737	11,131
Increase/(decrease) in cash and cash equivalents	42,373	(167,413)
Cash and cash equivalents at 1 April	455,934	498,629
Cash and cash equivalents at 30 September	498,307	331,216
Analysis of the balance of cash and cash equivalents		
Bank balances and cash	510,049	392,274
Trust receipt loans	(11,742)	(61,058)
	498,307	331,216

Notes:

1. Basis of preparation and principal accounting policies

The unaudited interim results of the Group have been prepared in compliance with Statements of Standard Accounting Practice ("SSAP") No. 25 "Interim financial reporting" issued by the Hong Kong Society of Accountants ("HKSA"), and on a basis consistent with the accounting policies adopted in the report and accounts for the year ended 31 March 2002 except that the Group has changed certain of its accounting policies following its adoption of the following SSAPs issued by the HKSA which are effective for the 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 34	:	Employee benefits

The new and revised standards have introduced revised disclosure requirements which have been adopted in the condensed financial statements. Comparative amounts for prior period have been restated in order to achieve a consistent presentation. The adoption of the above standards has had no material impact on the results for the current or prior accounting periods.

2. Segmental information

For management purposes, the Group is organised into four operating divisions – laminates, printed circuit boards, chemicals and others.

	Printed circuit		Chemicals HK\$'000	Others HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
	Laminates HK\$'000	boards HK\$'000				
Six months ended						
30 September 2002						
Segment revenue						
External sales	1,031,348	433,943	215,453	25,374	-	1,706,118
Inter-segment sales	60,243	-	142,728	-	(202,971)	-
Total	<u>1,091,591</u>	<u>433,943</u>	<u>358,181</u>	<u>25,374</u>	<u>(202,971)</u>	<u>1,706,118</u>
Result						
Segment result	172,449	60,609	44,479	2,018	-	279,555
Amortisation of goodwill	-	(7,204)	-	-	-	(7,204)
Unallocated corporate income						28,346
Unallocated corporate expenses						(2,019)
Profit from operations						298,678
Finance costs						(26,165)
Loss on deemed disposal of partial interest in a subsidiary						(21,187)
Profit before taxation						251,326
Taxation						(16,499)
Profit before minority interests						234,827
Minority interests						(33,825)
Profit for the period						<u>201,002</u>

Inter-segment sales are charged by reference to market prices.

2. Segmental information (Continued)

	Laminates HK\$'000	Printed circuit boards HK\$'000	Chemicals HK\$'000	Others HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
Six months ended 30 September 2001						
Segment revenue						
External sales	968,855	54,390	155,476	28,160	-	1,206,881
Inter-segment sales	30,065	-	15,531	-	(45,596)	-
Total	<u>998,920</u>	<u>54,390</u>	<u>171,007</u>	<u>28,160</u>	<u>(45,596)</u>	<u>1,206,881</u>
Result						
Segment result	221,347	4,876	11,695	6,885	-	244,803
Unallocated corporate income						2,135
Unallocated corporate expenses						(1,882)
Profit from operations						245,056
Finance costs						(19,699)
Profit before taxation						225,357
Taxation						(13,503)
Profit before minority interests						211,854
Minority interests						(27,486)
Profit for the period						<u>184,368</u>

Inter-segment sales are charged by reference to market prices.

The analysis of the Group's turnover and profit from operations by geographical market is as follows:

	Turnover Six months ended 30 September, (Unaudited)		Profit from operations Six months ended 30 September, (Unaudited)	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
The People's Republic of China	1,292,807	1,100,766	242,501	220,633
Other Asian countries	309,829	77,922	41,689	17,934
America	32,123	16,311	4,896	3,754
Europe	71,359	11,882	9,592	2,735
	<u>1,706,118</u>	<u>1,206,881</u>	<u>298,678</u>	<u>245,056</u>

3. Other revenue

Other revenue mainly comprised gain on disposal of investment securities of HK\$25,045,000 (2001: Nil).

4. Depreciation

During the period, depreciation and amortisation of HK\$129.8 million (2001: HK\$90.2 million) was charged in respect of the Group's other properties, plant and equipment.

5. Taxation

	Six months ended 30 September, (Unaudited)	
	2002	2001
	HK\$'000	HK\$'000
The taxation charges comprise:		
Hong Kong Profits Tax	11,208	9,291
Overseas taxation	5,291	4,212
	<u>16,499</u>	<u>13,503</u>

Hong Kong Profits Tax is calculated at 16% (2001: 16%) on the estimated assessable profits of the Group for the period. Overseas taxation is calculated at the rates prevailing in the respective jurisdiction.

6. Interim dividend

The Directors have resolved to declare an interim dividend for the six months ended 30 September 2002 of HK4.0 cents (2001: HK3.5 cents) per share to the shareholders whose names appear on the register of members of the Company on 22 January 2003. The dividend warrants will be despatched on 27 January 2003.

7. Earnings per share

The calculation of basic and diluted earnings per share is based on the following data:

	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
Earnings for the purposes of calculating basic and diluted earnings per share	<u>201,002</u>	<u>184,368</u>
	Number of shares	
	2002	2001
Weighted average number of ordinary shares for the purposes of calculating basic earnings per share	537,929,719	472,177,448
Effect of dilutive potential ordinary shares relating to:		
– outstanding share options	–	1,935,545
– outstanding warrants	<u>7,646,104</u>	<u>–</u>
Weighted average number of ordinary shares for the purposes of calculating diluted earnings per share	<u>545,575,823</u>	<u>474,112,993</u>

In computing the diluted earnings per share, the effect of dilutive potential ordinary shares relating to the put options granted by the Group to certain minority shareholders of a subsidiary has been disregarded as it would not be dilutive.

8. Additions to other properties, plant and equipment

During the period, the Group spent approximately HK\$311.5 million (2001: HK\$240.3 million) on acquisition of other properties, plant and equipment.

9. Trade and other receivables and prepayments

Included in trade and other receivables and prepayments is a trade receivables balance of HK\$1,130,782,000 (31 March 2002:HK\$950,375,000). The Group allows credit periods of up to 120 days, depending on the product sold, to its trade customers. The ageing analysis of trade receivables is as follows:

	0-90 days <i>HK\$'000</i>	91-180 days <i>HK\$'000</i>	Over 180 days <i>HK\$'000</i>	Total <i>HK\$'000</i>
Balance at 30 September 2002 (Unaudited)	<u>800,287</u>	<u>282,522</u>	<u>47,973</u>	<u>1,130,782</u>
Balance at 31 March 2002 (Audited)	<u>651,436</u>	<u>252,869</u>	<u>46,070</u>	<u>950,375</u>

10. Trade and other payables

Included in trade and other payables is a trade payables balance of HK\$329,938,000 (31 March 2002: HK\$253,597,000). The ageing analysis of trade payables is as follows:

	0-90 days <i>HK\$'000</i>	91-180 days <i>HK\$'000</i>	Over 180 days <i>HK\$'000</i>	Total <i>HK\$'000</i>
Balance at 30 September 2002 (Unaudited)	<u>243,368</u>	<u>70,827</u>	<u>15,743</u>	<u>329,938</u>
Balance at 31 March 2002 (Audited)	<u>218,762</u>	<u>23,410</u>	<u>11,425</u>	<u>253,597</u>

11. Share capital

	Number of shares	Amount <i>HK\$'000</i>
<i>Authorised:</i>		
At 31 March 2002 and 30 September 2002 Ordinary shares of HK\$0.10 each	<u>800,000,000</u>	<u>80,000</u>
<i>Issued and fully paid:</i>		
Ordinary shares of HK\$0.10 each		
Balance at 1 April 2002	536,695,448	53,670
Exercise of warrants	<u>1,956,200</u>	<u>195</u>
Balance at 30 September 2002	<u>538,651,648</u>	<u>53,865</u>

12. Share options

	Granted to directors	Granted to employees	Total
Balance at 1 April 2002	–	–	–
Exercised during the period	<u>–</u>	<u>–</u>	<u>–</u>
Balance at 30 September 2002	<u>–</u>	<u>–</u>	<u>–</u>

13. Commitments

	30 September 2002 HK\$'000	31 March 2002 HK\$'000
Capital expenditure in respect of acquisition of property, plant and equipment		
Contracted for but not provided	<u>234,363</u>	<u>232,909</u>
Authorised but not contracted for	<u>660,377</u>	<u>–</u>

In connection with the Group's acquisition of a majority equity stake in Techwise Circuits Company Limited ("Techwise"), the Group has granted put options to two of the minority shareholders. Under the put options, the Group can be required to purchase all (but not part only) of the remaining 33% shareholding held by these two minority shareholders. If such options were exercised, the Group's holding in Techwise would increase from 57% to 90%. The options are exercisable at any time during a period of one year commencing on 10 January 2004. The consideration payable by the Group upon exercise of the put options will be determined with reference to the higher of the price/earning ratio of Techwise and its subsidiaries of the 12-month period immediately preceding the month in which the notice of exercising the options is served at 4.5 times, and the valuation of HK\$417,500,000 (HK\$417,500,000 being the valuation used by the Group in its acquisition of interest in Techwise during the year). The consideration may be satisfied, at the option of the Group, either by way of cash or shares in the Company, or mixture of both. If shares of the Company were to be issued in satisfaction of the consideration, the value of the Company's shares will be determined by reference to the weighted average price of the Company's shares for the 20 trading days immediately following the date of exercise of the options.

14. Contingent liabilities

During the period under review, the Group continued to take legal action against customers to recover overdue trade receivables. With regard to the three customers which were particularly referred to in previous years' financial statements, and which collectively owe approximately HK\$12 million to the Group, it is the intention of the directors that the Group will continue vigorously to pursue the recovery of the outstanding trade receivables and to defend against the counter-claims, amounting to approximately HK\$9 million, which have been lodged by the delinquent customers.

BUSINESS REVIEW

I am pleased to report to shareholders that our focus on strengthening operational efficiency and capacity expansion via both organic development and acquisition, as described in the last company's annual report, had enabled us to resume growth, albeit modest. However, this was not made possible without the hard work and commitments by our workforce, while the electronics industry conditions stayed difficult compounded by uncertainties in the international relations. Even after stripping off contributions from Techwise Circuits

Company Ltd. ("Techwise"), goodwill amortisation and other exceptional items, our results, taking into account of the last three consecutive six month periods, showed the formation of a recovery trend. In light of the Group's increased profitability and solid balance sheet, the Board decided to distribute more interim dividends to shareholders.

Financial Summary

- Revenue increased by 41% to HK\$1.7 billion
- Pre-tax profit margins were held at around 15%
- Net profit was up 9% to HK\$201 million with return on equity exceeding 17% (annualised)
- Gearing ratio in terms of interest bearing borrowings net of cash to shareholders' funds improved marginally to 39%
- Interim dividend per share jumped 14% to HK4.0 cents

Performance

In the last six months, we continued to increase our market share of laminates. Both paper and glass epoxy laminate volume sales were up more than 25% with the average monthly shipment over 3.5 million square meters, making us one of the world's largest volume laminate producers. Plant utilization rate averaged around 90%. Although laminate prices more or less stabilized in the period, they were about 20% lower than a year ago. Hence laminate sales in dollar terms (including inter-segment sales) increased by only 9%. EBIT (earnings before interest and tax) return on sales (including inter-segment sales) reached 15%, a level similar to the second half of the last financial year. This was resulted from the increased economies of production scale which were able to offset the adverse impact carried forward from last year's decline of laminate prices and the cost pressure from the premature rebound in the prices of commodities including pulp and copper since early this year. Recently the strength of these commodity prices has abated given most of the world's major economies remaining weak. Phase one of our glass yarn plant was completed in June and is now running at full capacity. The successful production of glass yarn, a key material for glass epoxy laminate, is expected to bring in significant cost savings for us going forward.

In the chemicals division, a strong price recovery of formalin plus contributions from two formalin plants acquired in January accounted for the bulk of a 38% increase in chemical external sales. The production of epoxy resin, starting from October 2001, mostly catered for internal consumption, explaining the eight-fold increase in the inter-segment sales. The formalin price recovery coupled with the introduction of epoxy resin pushed up the division's overall profitability for the period.

The results of the printed circuit board division continued to be satisfactory. Although the average unit price was down by around 15%, EBIT return on sales was held at 14%. This was accounted by better plant utilization rate exceeding 90% and improved product mix. For the last six months volume sales were up around 20%.

Capacity Developments

It is always our commitment to invest in production capability to address the growing demand from the existing as well as potential new customers. Major near term expansion includes a 25% increase in paper laminate capacity by the end of December, the establishment of a second new paper mill production line for in-house pent up demand, the development of Phase two of glass yarn plant, a 50% increase in epoxy resin capacity, a 40% increase in formalin capacity and a 20% increase in hydrogen peroxide capacity. The construction of a 50,000 tonnes petrochemical terminal is scheduled to complete next month, significantly reducing transportation costs in due course. In the meantime we are also developing production capability for other chemical products to serve our growing internal demand. Furthermore we will expand the drilling service to laminate customers by doubling drilling machines in the next six months. On the printed circuit board front, Techwise, through its joint venture with Shirai of Japan, will complete a new plant in Qing Yuan, Guangdong next month, providing an additional 30% production capacity.

Acquisition of Power Plant

In September our 59% owned subsidiary Kingboard Copper Foil Holdings Limited (KBCF) entered into a memorandum of understanding with Yinde City People's Government to acquire Bai Shi Yao Hyro-Power Plant for RMB700 million. Negotiation for the proposed acquisition is under way. We expect the transaction to finalize in the next few months. Other than RMB200 million from KBCF's existing cash pile, the rest RMB500 million consideration is expected to be financed by a long term bank loan without recourse to both KBCF and the Group. The majority of the power plant's output will be consumed internally by our production facilities after 3-5 years. Given the minimal financial risk on shareholders and the good track record of the plant's operation in the last few years, we believe the acquisition will provide a reliable source of electricity and attractive return to KBCF.

Forbes Best 200

We are delighted that for the third consecutive year the Group was named "the World's 200 Best Small Enterprises" by Forbes in October.

Human Resources

As at the end of September 2002, the Group had approximately 8,400 staff. Only around 60 staff was based in Hong Kong and the rest in our plants in China. In addition to competitive remuneration, we offer discretionary bonuses and share options to eligible staff based on individual and Group performance.

PROSPECTS

Although the visibility of order books remains limited and excess capacity in the electronics manufacturing industry is still in over hang, the market environment has been more rational than last year. In addition China continues to see its electronics manufacturing activities thriving, and hence China's printed circuit board output projection over the next few years keeps being revised upwards. As one of key participants in the industry and through our evolving competitive edges, we will be able to benefit from China's transformation into a world-class manufacturing hub in order to keep our successful growth track record going.

LIQUIDITY AND CAPITAL RESOURCES

We continued to manage a very solid balance sheet. As at 30 September 2002, net current assets and current ratio of the Group were approximately HK\$894 million (up 30%) and 1.61 (March 2002 – 1.50) respectively.

There had been an improvement in the net working capital cycle which shortened to 135 days (March 2002- 155 days) with the breakdowns as follows:

- Inventories, in terms of stock turnover days, decreased to 86 days (March 2002 – 99 days)
- Trade receivables, in terms of debtors turnover days, marginally increased to 121 days (March 2002 – 119 days)
- Trade and bills payables, in terms of creditors turnover days, increased to 72 days (March 2002 – 63 days)

The ratio of interest bearing borrowings net of cash to shareholders' funds improved slightly to 39% (March 2002 – 43%). The mix of borrowings continued to shift in favour of long-term biased funding. The balance between short term and long term bank borrowings was 46%:54% (March 2002 – 51%:49%).

APPRECIATION

On behalf of the board of directors, I would like to take this opportunity to express gratitude to our shareholders, customers, banks and hardworking workforce for their support in this challenging business environment.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 20 January 2003 to 22 January 2003 (both days inclusive) during which period no transfer of shares will be registered. In order to qualify for the interim dividend, shareholders are reminded to ensure that all share transfers, accompanied by the relevant share certificates, must be lodged with the Company's branch Share Registrars in Hong Kong, Secretaries Limited, at 5th Floor, Wing On Centre, 111 Connaught Road Central, Hong Kong for registration not later than 4:00 p.m. on 17 January 2003.

DIRECTORS AND CHIEF EXECUTIVES' INTERESTS IN LISTED SECURITIES

According to the register maintained by the Company pursuant to Section 29 of Hong Kong's Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance"), the interests of the directors, chief executives and their associates in the share capital and warrants of the Company and its associated corporations (within the meaning of the SDI Ordinance) as at 30 September 2002 were as follows:

Name of Director	Number of shares held		Number of
	Personal interest	Other interest	warrants held Personal interest
Mr. Cheung Kwok Wing	3,731,560	see note	846,900
Mr. Chan Wing Kwan	2,189,600	see note	145,200
Mr. Lum Gum Wun	2,068,400	see note	166,200
Mr. Lam Ka Po	225,020	see note	42,000
Mr. Cheung Kwok Keung	282,200	see note	40,000
Mr. Cheung Kwok Wa	2,426,400	see note	687,600
Mr. Cheung Kwong Kwan	325,120	see note	61,100
Mr. Cheung Kwok Ping	1,865,760	see note	308,400
Mr. Chang Wing Yiu	203,200	see note	75,300
Mr. Mok Cham Hung, Chadwick	400,000	–	–
Mr. Tsao Kwang Yung, Peter	–	–	–
Mr. Lau Tai Chim	50,000	–	15,000

Note: Other interest comprises shares in the Company which are registered in the name of Hallgain Management Limited as explained below under the heading "Substantial Shareholders".

Save as disclosed above and other than certain nominee shares in subsidiaries held in trust for the Group, none of the directors, chief executives, and their associates had any other interests in the securities of the Company or any other associated corporations as defined in the SDI Ordinance as at 30 September 2002.

SUBSTANTIAL SHAREHOLDERS

At 30 September 2002, the register of substantial shareholders required to be maintained under Section 16(1) of the SDI Ordinance showed that, other than the interests disclosed above in respect of the directors, the Company had been notified of the following shareholders with interest representing 10% or more in the issued ordinary share capital of the Company:

Name of shareholder	Number of shares held	Shareholding percentage
Hallgain Management Limited	215,970,000	40.1%
The Capital Group Companies, Inc.	60,874,400	11.3%

Hallgain Management Limited is owned as to 22% by Mr. Cheung Kwok Wing, 15% by Mr. Chan Wing Kwan, 10% by Mr. Lum Gum Wun, 5.5% by Mr. Lam Ka Po, 5.5% by Mr. Cheung Kwok Keung, 10% by Mr. Cheung Kwok Wa, 8% by Mr. Cheung Kwong Kwan, 9% by Mr. Cheung Kwok Ping and 5% by Mr. Chang Wing Yiu.

PURCHASE, SALE OR REDEMPTION OF COMPANY'S LISTED SECURITIES

During the six months ended 30 September 2002, there was no purchase, sale or redemption by the Company or any of its subsidiaries of the Company's listed securities on The Stock Exchange of Hong Kong Limited.

AUDIT COMMITTEE

The Audit Committee 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 unaudited interim financials.

CHANGE OF FINANCIAL YEAR END

As announced on 28 June 2002, the board of directors of the Company resolved to change its financial year end date from 31 March to 31 December with effect from the year of 2002. Accordingly, the audited results announcement which covers a nine months' period from 1 April 2002 to 31 December 2002 will be made by the Company no later than 31 March 2003.

COMPLIANCE WITH 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 for any part of the accounting period 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.

By Order of the Board
Cheung Kwok Wing
Chairman

Hong Kong, 28 November 2002