



嘉利國際控股有限公司

Karrie International Holdings Limited

(於百慕達註冊成立之有限公司)

(Incorporated in Bermuda with limited liability)

Interim Report 2002/2003

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Addicted
to Changes

CORPORATE INFORMATION

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

10th Floor
Southeast Industrial Building
611–619 Castle Peak Road
Tsuen Wan
New Territories
Hong Kong

WEB SITE

<http://www.karrie.com.hk>

BOARD OF DIRECTORS

Mr. HO Cheuk Fai (*Chairman*)
Mr. HO Cheuk Ming (*Deputy Chairman*)
Mr. KWOK Wing Kin (*Deputy Chairman*)
Mr. TAM Wing Hung
Mr. LEE Shu Ki
Mr. CHAN Sui Sum, Raymond *
Mr. LEUNG Wai Ho *
Mr. SO Wai Chun *

* *Independent non-executive director*

AUDIT COMMITTEE

Mr. SO Wai Chun (*Chairman*)
Mr. CHAN Sui Sum, Raymond
Mr. LEUNG Wai Ho

COMPANY SECRETARY

Mr. CHENG Chai Fu

AUDITORS

PricewaterhouseCoopers
22nd Floor Prince's Building
Central Hong Kong

PRINCIPAL BANKERS

The Bank of East Asia Limited
10 Des Voeux Road Central
Hong Kong

The Hongkong and Shanghai Banking
Corporation Limited
Level 10
1 Queen's Road Central
Hong Kong

Standard Chartered Bank
Standard Chartered Bank Building
4–4A Des Voeux Road Central
Hong Kong

PRINCIPAL SHARE REGISTRARS AND TRANSFER OFFICE

Butterfield Corporate Services Limited
Rosebank Centre
11 Bermudiana Road
Pembroke
Bermuda

HONG KONG BRANCH SHARE REGISTRARS AND TRANSFER OFFICE

Computershare Hong Kong Investor Services
Limited

Rooms 1712-6, 17th Floor
Hopewell Centre
183 Queen's Road East
Hong Kong

INTERIM RESULTS

The Directors of Karrie International Holdings Limited (the “Company”) are pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 30th September, 2002, together with the comparative figures for the corresponding period in 2001, the unaudited condensed consolidated balance sheet of the Group as at 30th September, 2002 together with the comparative audited figures for the immediate preceding year end, the unaudited condensed consolidated cash flow statement for the six months ended 30th September, 2002 together with the comparative figures for the corresponding period in 2001, and the unaudited condensed consolidated statement of changes in equity for the six months ended 30th September, 2002 together with the comparative figures for the corresponding period in 2001 (collectively “Unaudited Interim Financial Report”) as follows :

Condensed Consolidated Profit and Loss Account

For the six months ended 30th September, 2002

(Expressed in Hong Kong dollars)

		For the six months ended 30th September,	
	<i>Note</i>	2002 \$'000 (Unaudited)	2001 \$'000 (Unaudited)
Turnover	2	820,762	413,443
Cost of sales		(697,910)	(329,865)
Gross profit		122,852	83,578
Other revenue	3	3,126	3,426
Distribution and selling expenses	3	(11,264)	(11,608)
General and administrative expenses		(51,773)	(50,141)
Profit from operations		62,941	25,255
Interest income		1,528	2,568
Interest expense		(5,114)	(4,803)
Profit before taxation	4	59,355	23,020
Taxation	5	(4,805)	(2,500)
Profit attributable to shareholders		54,550	20,520
Dividends	6	30,790	37,483
Earnings per share			
– Basic	7	HK14.43 cents	HK5.49 cents
– Diluted	7	HK13.92 cents	HK5.46 cents

Condensed Consolidated Balance Sheet

As at 30th September, 2002

(Expressed in Hong Kong dollars)

	Note	As at 30th September, 2002 \$'000 (Unaudited)	As at 31st March, 2002 \$'000 (Audited)
NON-CURRENT ASSETS			
Fixed assets	8	236,571	236,767
CURRENT ASSETS			
Inventories		163,116	122,847
Trade receivable	9	277,642	201,179
Prepayments, deposits and other current assets		16,861	14,065
Amounts due from related companies	3	767	362
Prepaid tax		1,896	930
Cash and bank deposits		228,296	228,118
Total current assets		688,578	567,501
CURRENT LIABILITIES			
Short-term bank borrowings		(165,816)	(130,130)
Finance lease obligations, current portion		(9,396)	(12,170)
Bills payable		(9,889)	(2,487)
Trade payables	10	(259,343)	(175,993)
Accruals and other payables		(107,461)	(90,267)
Taxation payable		(6,413)	(1,753)
Amount due to a related company	3	(273)	(273)
Total current liabilities		(558,591)	(413,073)
Net current assets		129,987	154,428
Total assets less current liabilities		366,558	391,195
NON-CURRENT LIABILITIES			
Long-term bank loan		(9,500)	(11,500)
Finance lease obligations		(6,926)	(10,733)
Provision for long service payments		(11,454)	(11,094)
Deferred taxation		(5,197)	(5,197)
Total non-current liabilities		(33,077)	(38,524)
MINORITY INTERESTS			
		(424)	(424)
Net assets		333,057	352,247
Representing -			
SHARE CAPITAL	11	37,921	37,694
RESERVES		97,299	95,425
RETAINED PROFITS		167,501	143,741
PROPOSED DIVIDENDS		30,336	75,387
Shareholders' equity		333,057	352,247

Condensed Consolidated Cash Flow Statement

For the six months ended 30th September, 2002

(Expressed in Hong Kong dollars)

	For the six months ended 30th September,	
	2002	2001
	\$'000	\$'000
	(Unaudited)	(Unaudited)
Net cash inflow from operating activities	65,884	138,431
Net cash (outflow)/inflow from investing activities	(13,957)	13,321
Net cash outflow from financing	(47,749)	(52,709)
Increase in cash and cash equivalents	4,178	99,043
Cash and cash equivalents, beginning of period	223,782	90,729
Cash and cash equivalents, end of period	227,960	189,772
Analysis of cash and cash equivalents:		
	As at 30th September, 2002	As at 30th September, 2001
	\$'000	\$'000
	(Unaudited)	(Unaudited)
Cash and bank deposits	228,296	190,570
Bank overdrafts	(336)	(798)
	227,960	189,772

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30th September, 2002

(Expressed in Hong Kong dollars)

	Six months ended 30th September, 2002 (Unaudited)							Total \$'000
	Share capital \$'000	Share premium \$'000	Capital reserve \$'000	Capital		Retained earnings \$'000	Proposed dividend \$'000	
				redemption reserve \$'000	Fixed asset revaluation reserve \$'000			
At 1st April, 2002	37,694	56,843	5,900	449	32,233	143,741	75,387	352,247
Profit for the period	-	-	-	-	-	54,550	-	54,550
Final and special dividends for the year ended 31st March, 2002, paid	-	-	-	-	-	-	(75,387)	(75,387)
Prior year dividend in respect of share options exercised prior to the dividend payment date	-	-	-	-	-	(454)	-	(454)
Interim dividend for the period, proposed	-	-	-	-	-	(30,336)	30,336	-
Issue of shares upon exercise of employee share options	227	1,874	-	-	-	-	-	2,101
At 30th September, 2002	37,921	58,717	5,900	449	32,233	167,501	30,336	333,057

	Six months ended 30th September, 2001 (Unaudited)							Total \$'000
	Share capital \$'000	Share premium \$'000	Capital reserve \$'000	Capital		Retained earnings \$'000	Proposed dividend \$'000	
				redemption reserve \$'000	Fixed asset revaluation reserve \$'000			
As at 1st April, 2001	37,374	56,168	5,900	449	44,165	175,047	37,374	356,477
Profit for the period	-	-	-	-	-	20,520	-	20,520
Final and special dividends for the year ended 31st March, 2001, paid	-	-	-	-	-	-	(37,374)	(37,374)
Interim dividend for the period, proposed	-	-	-	-	-	(37,428)	37,428	-
Prior year dividend in respect of share options exercised prior to the dividend payment date	-	-	-	-	-	(55)	-	(55)
Issue of shares upon exercise of employee share options	55	110	-	-	-	-	-	165
At 30th September, 2001	37,429	56,278	5,900	449	44,165	158,084	37,428	339,733

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Amounts expressed in Hong Kong dollars unless otherwise stated)

1. Basis of Presentation and Preparation

Karrie International Holdings Limited (“the Company”) was incorporated in Bermuda on 6th December, 1996 as an exempted company under the Companies Act 1981 of Bermuda (as amended). Its shares have been listed on the The Stock Exchange of Hong Kong Limited since 16th December, 1996. The Company’s Directors consider Pearl Court Company Limited, a company incorporated in the British Virgin Islands, to be the ultimate holding company.

This interim financial report should be read in conjunction with the annual report as at and for the year ended 31st March, 2002. This interim financial report has been prepared in accordance with the principal accounting policies set out in the Company’s audited accounts as at and for the year ended 31st March, 2002 except for changes set out below, and comply with Statement of Standard Accounting Practice (“SSAP”) Number 25 issued by the Hong Kong Society of Accountants (“HKSA”) and the disclosure requirements set out in Appendix 16 of the Listing Rules of The Stock Exchange of Hong Kong Limited. The information included in the interim financial report is unaudited, other than balance sheet date as at 31st March, 2002, which have been extracted from the audited accounts at that date.

Effective 1st April, 2002, the following SSAPs issued by the HKSA were adopted by the Company and its subsidiaries (collectively “the Group”):

SSAP 1 (revised)	: Presentation of financial statements
SSAP 15 (revised)	: Cash flow statements
SSAP 25 (revised)	: Interim financial reporting
SSAP 34	: Employee benefits

The adoption of the above standards had no material effect on amounts reported in the prior period, except that certain presentational changes have been made upon the adoption of SSAP 1 (revised) “Presentation of financial statements” and SSAP 15 (revised) “Cash flow statements”.

2. *Segment information*

In accordance with the Group's internal financial reporting, the Group has determined that major product segments be presented as the primary reporting format and geographical segments as the secondary reporting format.

a. *Primary segment*

	Six months ended 30th September, 2002 (Unaudited)			
	Metal and plastic products \$'000	Electronic manufacturing services \$'000	Moulds \$'000	Total \$'000
Turnover	330,363	463,532	26,867	820,762
Segment results	34,840	22,218	5,883	62,941
Interest income				1,528
Interest expense				(5,114)
Taxation				(4,805)
Profit attributable to shareholders				54,550

	Six months ended 30th September, 2001 (Unaudited)			
	Metal and plastic products \$'000	Electronic manufacturing services \$'000	Moulds \$'000	Total \$'000
Turnover	355,574	39,278	18,591	413,443
Segment results	22,595	2,140	520	25,255
Interest income				2,568
Interest expense				(4,803)
Taxation				(2,500)
Profit attributable to shareholders				20,520

b. Secondary segment

	Six months ended 30th September, 2002 (Unaudited)				
	Asia (excluding Japan)		North America	Western Europe	Total
	Japan \$'000	Japan \$'000	\$'000	\$'000	\$'000
Turnover	90,838	302,968	114,071	312,885	820,762
Segment results	9,436	12,354	13,018	28,133	62,941

	Six months ended 30th September, 2001 (Unaudited)				
	Asia (excluding Japan)		North America	Western Europe	Total
	Japan \$'000	Japan \$'000	\$'000	\$'000	\$'000
Turnover	139,300	55,418	90,327	128,398	413,443
Segment results	7,604	4,791	5,081	7,779	25,255

Turnover and results by geographical segments are determined mainly on the basis of the location where merchandise is delivered.

3. Related party transactions

- a. The Group had the following transactions with related parties:

	For the six months ended 30th September,	
	2002 \$'000 (Unaudited)	2001 \$'000 (Unaudited)
Rental income earned from Kar-Info Company Limited *	–	190
Rental charged by Kings Lion Development Limited *	633	527

* Kar-Info Company Limited and Kings Lion Development Limited are beneficially owned and controlled by the family of Mr. Ho Cheuk Fai, a director of the Company.

- b. The outstanding balances with the related companies are unsecured, non-interest bearing and are without pre-determined repayment terms.

4. *Profit before taxation*

Profit before taxation was determined after charging and crediting the following:

	For the six months ended 30th September,	
	2002 \$'000 (Unaudited)	2001 \$'000 (Unaudited)
After charging –		
Staff costs	63,485	56,374
Depreciation of fixed assets	15,954	18,992
Loss on disposal of fixed assets	–	9,101
Interest expense on		
– bank overdrafts and loans	4,409	3,959
– finance leases	495	637
– factoring of trade receivables	164	190
– others	46	17
After crediting –		
Gain on disposal of fixed assets	273	–
Net exchange gain	508	356
Rental income	3,055	3,426
Interest income on bank deposits	1,528	2,568

5. *Taxation*

Taxation consisted of:

	For the six months ended 30th September,	
	2002 \$'000 (Unaudited)	2001 \$'000 (Unaudited)
Hong Kong profits tax		
– Current taxation	4,805	2,500

Hong Kong profits tax was provided at the rate of 16% (2001 – 16%) on the estimated assessable profit arising in or derived from Hong Kong.

There is no significant unprovided deferred taxation as at 30th September, 2002.

6. *Dividends*

Dividends consisted of:

	For the six months ended 30th September,	
	2002	2001
	\$'000	\$'000
	(Unaudited)	(Unaudited)
Proposed interim dividend		
– 8.0 cents (2001 – 5.0 cents) per share	30,336	18,714
Proposed special dividend		
– Nil (2001 – 5.0 cents) per share	–	18,714
Prior year dividend in respect of share options exercised prior to the dividend payment date	454	55
	30,790	37,483

7. *Earnings per share*

The calculation of earnings per share for the six months ended 30th September, 2002 is based on the consolidated profit attributable to shareholders of approximately \$54,550,000 (2001 – \$20,520,000) and on the weighted average number of approximately 378,017,000 shares (2001 – 373,913,000 shares) in issue during the period.

The calculation of diluted earnings per share for the six months ended 30th September, 2002 is based on the consolidated profit attributable to shareholders of approximately \$54,550,000 (2001 – \$20,520,000) and on the weighted average number of approximately 391,911,000 shares (2001 – 375,549,000 shares) in issue after adjusted for the effects of all dilutive potential shares. A reconciliation of the weighted average number of shares used in calculating the basic earnings per share and the diluted earnings per share is as follows:

	30th September, 2002	30th September, 2001
	'000	'000
	(Unaudited)	(Unaudited)
Weighted average number of shares used in calculating basic earnings per share	378,017	373,913
Adjustment for potential dilutive effect in respect of employees' share options	13,894	1,636
Weighted average number of shares used in calculating diluted earnings per share	391,911	375,549

8. *Fixed assets*

Movements of fixed assets were:

	30th September, 2002 \$'000 (Unaudited)	31st March, 2002 \$'000 (Audited)
Cost/Valuation		
Beginning of period/year	458,557	528,972
Additions	15,759	14,675
Deficit on revaluation	-	(26,949)
Disposals	(1,254)	(58,141)
End of period/year	473,062	458,557
Accumulated depreciation		
Beginning of period/year	221,790	243,340
Provision for the period/year	15,954	34,011
Deficit on revaluation	-	(15,017)
Disposals	(1,253)	(40,544)
End of period/year	236,491	221,790
Net book value		
End of period/year	236,571	236,767
Beginning of period/year	236,767	285,632

9. *Trade receivable*

The Group grants credit periods ranging from 30 to 120 days. Aging analysis of trade receivable is as follows:

	30th September, 2002 \$'000 (Unaudited)	31st March, 2002 \$'000 (Audited)
0 – 90 days	281,904	210,130
91 – 180 days	1,112	2,007
181 – 365 days	673	289
	283,689	212,426
Less: Trade receivable factored, with recourse	–	(5,200)
	283,689	207,226
Less: Provision for bad and doubtful debts	(6,047)	(6,047)
	277,642	201,179

10. *Trade payables*

An aging analysis of trade payables is as follows:

	30th September, 2002 \$'000 (Unaudited)	31st March, 2002 \$'000 (Audited)
0 – 90 days	250,953	168,361
91 – 180 days	2,605	1,610
181 – 365 days	146	503
366 – 540 days	5,639	5,519
	259,343	175,993

11. *Share capital*

	30th September, 2002		31st March, 2002	
	Number of shares '000 (Unaudited)	Nominal value \$'000 (Unaudited)	Number of shares '000 (Audited)	Nominal value \$'000 (Audited)
Authorised (Ordinary shares of \$0.1 each)	800,000	80,000	800,000	80,000
Issued and fully paid (Ordinary shares of \$0.1 each)				
Beginning of period/year	376,936	37,694	373,736	37,374
Issued upon exercise of employees' share options	2,270	227	3,200	320
End of period/ year	379,206	37,921	376,936	37,694

12. *Commitments and contingent liabilities*

a. *Capital commitments*

The Group had the following authorised and contracted capital commitments:

	30th September, 2002 \$'000 (Unaudited)	31st March, 2002 \$'000 (Audited)
Construction of factory premises in Mainland China	4,009	4,002
Purchase of machinery	6,019	1,075
	10,028	5,077

b. *Operating lease commitments*

The Group had lease commitments in respect of rented premises under various non-cancellable operating lease agreements extending to April 2043. The total commitments payable are analysed as follows:

	30th September, 2002 \$'000 (Unaudited)	31st March, 2002 \$'000 (Audited)
Amounts payable		
– within one year	2,059	3,256
– within one to two years	701	1,409
– within two to five years	1,608	1,628
– over five years	17,591	20,396
	21,959	26,689

c. *Other commitments*

Pursuant to an agreement dated 24th October, 1995, the Mainland China joint venture partner of Dongguan Yanxun Electronics Company Limited (“DYECL”) waived its entitlement to share in the profit of DYECL in return for a pre-determined annual fee from 1st November, 1996 to 24th May, 2007. As at 30th September, 2002, the Group’s commitment in respect of the annual fee payable to the Mainland China joint venture partner amounted to approximately \$1,220,000 (31st March, 2002 – \$1,334,000).

d. *Contingent liabilities*

Contingent liabilities not provided for in the unaudited interim financial report are:

	30th September, 2002 \$'000 (Unaudited)	31st March, 2002 \$'000 (Audited)
Trade receivable factored, with recourse	–	5,200
Shipping guarantees	2,937	772
	2,937	5,972

DIVIDEND

The Directors declared an interim dividend of HK8.0 cents (2001: HK5.0 cents) per share for the six months ended 30th September, 2002 payable in cash on or about 9th January, 2003 to shareholders whose names appear on the Register of Members on 3rd January, 2003. No special dividend was declared (2001: HK5.0 cents).

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Monday, 30th December, 2002 to Friday, 3rd January, 2003 (both dates inclusive) during which period no transfer of shares will be registered. In order to qualify for the interim dividend, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's Branch Registrars in Hong Kong, Computershare Hong Kong Investor Services Limited, Rooms 1712-6, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:00 p.m. on Friday, 27th December, 2002.

MANAGEMENT DISCUSSION AND ANALYSIS

Highlights

- Turnover rose 99% to HK\$820,762,000
- Profit attributable to shareholders increased 166% to HK\$54,550,000
- Earnings per share rose 163% to HK14.43 cents
- Interim dividend rose 60% to HK8.0 cents per share
- Half-yearly "return on equity ratio", calculated by dividing profit attributable to shareholders with shareholders' equity as at 30th September, 2002, reached 16% as compared to 6% for the same period last year

Twin Business Models

To truly reflect the rapidly expanding but low gross profit margin "Electronic Manufacturing Services Business" ("EMS") as compared to the stagnant but relatively high gross profit margin "Metal and Plastic Business" ("Metal and Plastic"), a new classification of presentation has been adopted since the 2001/02 annual report.

Review of Operation

For the period under review, the Group continued to deliver above average results despite the weak global economy. The Group recorded an increase in turnover to HK\$820,762,000, representing a 99% increase over the same period last year. As projected in the 2001/02 annual report, "Metal and Plastic Business" declined by 7% to HK\$330,363,000. However, this is offset by the huge increase of the "EMS Business" from HK\$39,278,000 for the same period last year to HK\$463,532,000, again proving the foresightedness of the Group's capability in preparing a solid future foundation in difficult times.

Profit attributable to shareholders rose from HK\$20,520,000 for the same period last year to HK\$54,550,000. The reasons for such outstanding performance are:

- Continuous productivity increase to alleviate partly the pricing pressure from customers.
- Full realization of the benefits of the positive leverage given the huge increase in turnover as against a generally fixed and semi-variable nature of most overhead expenses. For instance, general and administrative expenses stayed roughly at last year level even though turnover increased by 99%. While gross profit margin was reduced due to pricing pressure, gross profit generated by the expanded sales volume would be mostly reflected in the bottom line.

Metal & Plastic Business

The sales of computer casings, office automation products and video cassette housings declined by 7% from HK\$355,574,000 for the same period last year to HK\$330,363,000 due to worldwide slump in the sales of computer and peripherals. Deflationary pressure continued to put a tight squeeze on gross profit margin. Luckily, our strategy of diversification has led to sharing of overheads amongst all sectors of business in the Group, keeping the “Metal and Plastic Business” in its position as the leading profit contributor.

EMS Business

The newly developed “EMS Business”, which includes the manufacturing of products such as magnetic tape drives, laser printers and point-of-sales system, continued the momentum that had developed in the second half of the last financial year. Turnover surged ahead at HK\$463,532,000, representing a 1,080% increase over the same period last year and a 33% increase over the second half of the last financial year. Despite the very low gross profit margin as compared to the Group’s other business, the high sales volume ensures a positive reflection of operating leverage.

Geographical Distribution

True to its time-honoured principle of prudence, the Group’s shipment continued its established pattern of diversification. Thus when there was a strike in the ports along the West Coast of the United States in September 2002, the Group’s operation was only marginally affected.

With the rising dominance of the new “EMS Business”, shipment to the Japan fell drastically to 11% of the Group’s turnover from 34% for the same period last year, while shipment to Western Europe and Asia (except Japan) shot up to 38% and 37% respectively as compared to the same period last year of 31% and 13%.

Dividend, Special Dividend & Capital Structure

The Directors have decided against payment of a special dividend for the interim period and thus breaking an enviable record of three special dividends of a total of HK25.3 cents in the past two years (2000/01 final: HK6.2 cents; 2001/02 interim: HK5.0 cents; 2001/02 final: HK14.1 cents). Disappointed shareholders should look positively at the matter from the angles of:

Group's capital structure – As explained in the last annual report, under the existing business situation, the Group's optimal equity to turnover ratio is 1:6, with an expected net gearing ratio of not more than 50%. In view of the huge increase in turnover, the Directors considered that it is prudent to build up the shareholders' equity to match the corresponding increase in business activities. Thus, no special dividend is not bad but good news.

Return on Equity ("ROE") – By paying special dividend three times in the past two years, the Group has successfully solved the problem of its excess equity over operating and capital expenditure requirements. In fact, the Group had stated before that the minimum level of requirement of ROE should be 20%. Yet ROE in Year 2001/02 has attained 23%. There is no compelling reason for the Group to pay special dividend on this count alone.

Dividend Yield – Directors have taken into the account of the interest of shareholders in attaining a reasonable return in a low interest rate environment. We have decided to raise the dividend per share ("DPS") by 60% from HK5.0 cents to HK8.0 cents.

PROSPECT

From "Right Timing, Skillful Execution" to "Addicted to Changes"

"Right Timing, Skillful Execution"

In late 2000, the Group made two important strategic decisions:

- In anticipation of the slowdown of the US economy, the Group hit the "right timing" in reducing inventory and succeeded in the "skillful execution" of the task over a short period of time. Inventory was reduced by HK\$82,000,000 from HK\$214,000,000 as at 30th September, 2000 to HK\$132,000,000 as at 31st March, 2001; thus greatly increased the Group's liquidity position and reduced the risk of inventory write-off as the economy entered into recession.
- The Group also started developing the new "EMS Business" in parallel to the "Metal and Plastic Business". This strategy has alleviate the negative impact brought by the weak economy and the decline of the sales of computer and peripherals.

These examples have shown how the Group was able to administer the rule of "Right timing, skillful execution" in expanding business under difficult circumstances. In fact, we expect that for the full financial year of 2002/03, turnover from the "EMS Business" would surpass the turnover generated from traditional business.

The Rampage of Deflation

In 2001/02, the Group's turnover has broken the HK\$1 billion barrier and profit has returned to the level at the time of listing. However, the time of hosting a champagne celebration is, against expectation of colleagues and associates alike, simply not appropriate. The chief culprit is the newfound enemy of worldwide deflation.

With a very few exceptions, nobody has absolute pricing power in the market. Consumers and their cash are the kings. As strategic partners of our customers, we have no alternative but to comply. At an already razor thin margin, the only hope of survival and continued prosperity is to increase productivity. By co-operating with our strategic partners, we ensure that the competitive edge of our products can be maintained and thus guaranteeing our place in the supply chain. And the way to increase productivity is to change our existing ways of doing business.

Addicted to Changes

Change is no longer an option. It is a must. And rather than waiting for changes to impose on us, we must embrace changes. We have to indoctrinate ourselves, our colleagues and our suppliers that changes are normal. We will appeal to them changes are not to be feared and even enjoyable. As changes are against the human nature of doing things in the old ways, we would seek to infuse our staff and our suppliers to become "addicted" to changes as if they are a routine like sleeping or eating.

Effecting Changes

1. We are lucky because our customers are all leaders in their respective fields. In accommodating their requirements, our colleagues are working under powerful disciplines to stay steps ahead of our competitors.
2. As I have delegated the operational authority to the newly formed "Executive Committee" of professional managers last year, I have concentrated on maintaining and building up a strong relationship with customers, suppliers, financiers and with the local communities where our factories operate. As a workaholic, I insist on the practice of management by walking around, looking for bottlenecks, inefficiency, wastage and other areas which need improvement. I even devise a new "problem follow-up notice" system to ensure that improvement has been carried out.
3. Nothing is too sacred in leaving intact, even for my own pet project. Nor is anything too small for improvement. Substantial improvement in profitability is not a result of one or two wise decision. Those late 2000 decisions are the exception rather than norms. We are not looking for any "paradigm shift" or awards-winning re-structuring project. Rather, we want incremental and minute changes in every level of the Group by flattening the organization, granting stock options to middle management and building up team spirit. We hope to infuse our staff with the sense of necessities and the pleasure of accepting changes. We will not be perfect in the first day, or even the first year, but surely we would be able to run along with our customers to live with this deflationary world and to satisfy the insatiable consumers.

March toward Excellence

In the Year 2001/02 annual report we projected an increase in turnover of at least 20% for the current financial year. Based on strong performance of our customers, we are confident enough to raise the projected rate of increase of the 2002/03 turnover from 20% to 25%.

Until there is an uplift of the economy in general and the computer market in particular, our business model would stay as below:

- Rapidly expanding “EMS Business” to supplement the stagnant “Metal and Plastic Business”.
- With low capital expenditure requirements, the “Metal and Plastic Business” would in turn generate lot of free cash flow to support the working capital requirement of the “EMS Business” and a steady dividend.

Looking forward, the world economy still faces lots of uncertainties. However, for the sake of increasing transparency, we preliminary project a 2003/04 turnover increase of 10% as compared to 2002/03. The Directors are confident that the Group will continue to deliver good values to the shareholders.

LIQUIDITY RESOURCES

Despite our optimism of the Group’s prospect, we have carefully laid down a solid foundation in anticipation of any sudden deterioration of the operating environment:

- Maintaining high cash level. As at 30th September, 2002, Group’s cash position was HK\$228,296,000 as compared to HK\$228,118,000 as at 31st March, 2002.
- Increase of banking facilities. In September 2002, the HSBC has kindly more than doubled its banking facility to the Group to HK\$105,000,000, evidencing the good credit quality of the Group.

In June/July 2002, when the Group was debating the wisdom of paying a sizable special dividend, there had been opposing views that the Group should keep its cash for rainy days and for rapid expansion of the “EMS Business”. Fortunately, the “Executive Committee”, after careful deliberation of all factors, decided to stick to its recommendation to the Board. Its decision is vindicated as though the Group paid out HK\$76,000,000 in cash dividend (final and special) during this period, we are still able to attain a net cash position of HK\$26,769,000 as at 30th September, 2002 (31st March, 2002: HK\$61,098,000). This shows our management is able to find the right balance between shareholders’ interest and financial prudence, ensuring a healthy return to fellow shareholders while without affecting the Group’s development.

The Directors are confident that with its cash holdings of HK\$228,296,000 and banking facilities of approximately HK\$544,100,000, the Group is able to meet its current operational and capital expenditure requirements.

EXCHANGE RATE EXPOSURE

All the Group’s assets, liabilities and transactions are denominated either in Hong Kong dollar, US dollar or Reminbi. As the exchange rates of the Hong Kong dollar, US dollar and Renminbi were relatively stable during the period, the Group was not exposed to material exchange risk. As a further precaution, the Group always maintains an excess of US dollars assets over its US dollars liabilities.

CONTINGENT LIABILITIES

As at 30th September, 2002 there was a shipping guarantee of approximately HK\$2,937,000, and the Group did not have other significant contingent liabilities.

EMPLOYEES AND REMUNERATION POLICIES

During the period under review, the Group employed approximately 4,400 members of staff. The remuneration of the employees is determined in accordance with their performance, experience and prevailing industry practice. Discretionary bonuses based on the Group's audited results will be awarded to employees who demonstrated good performance under a reward evaluation policy. Other staff benefits include medical insurance and Mandatory Provident Fund. Besides, a new share option scheme was adopted in 2002 under which share options were/will be granted to certain employees as incentives and awards for their contribution to the Group.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN EQUITY OR DEBT SECURITIES

As at 30th September, 2002, the interests of the Directors and chief executives and their respective associates in the shares and options of the Company and any associated corporations (as defined in the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance")) as recorded in the register maintained by the Company under Section 29 of the SDI Ordinance or as notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies were as follows:

(a) The Company

	Number of ordinary shares of HK\$0.10 each			
	Personal interests	Family interests	Corporate/ Other interests	Number of outstanding share options
Mr. Ho Cheuk Fai	–	33,570,000 <i>(Note 1)</i>	232,200,000 <i>(Note 2)</i>	3,000,000
Mr. Ho Cheuk Ming	2,000,000	–	232,176,780 <i>(Note 3)</i>	7,000,000
Mr. Kwok Wing Kin	100,000	–	–	2,100,000
Mr. Tam Wing Hung	300,000	–	–	1,300,000
Mr. Lee Shu Ki	1,100,000	–	–	300,000
Mr. Leung Wai Ho	–	–	–	200,000
Ms. Ho Po Chu, Scandy	33,570,000	–	232,200,000 <i>(Note 2)</i>	2,500,000

Notes:

- 1 Mr. Ho Cheuk Fai (“Mr. Ho”) is deemed to be interested in these Shares by virtue of the fact that his wife, Ms. Ho Po Chu, Scandy (“Mrs. Ho”) has a personal interest in these Shares.
- 2 232,200,000 Shares are held by Pearl Court Company Limited (“Pearl Court”) as trustee for a unit trust known as the Ho Cheuk Fai Family Trust (“HCF Trust”). The interests of Mr. Ho and Mrs. Ho duplicate with each other. Mr. Ho or Mrs. Ho is deemed to be interested in these shares through Pearl Court by virtue of (i) Mrs. Ho, being the only shareholder of Pearl Court and controlling one-third or more of the voting power at general meeting of Pearl Court, and (ii) Mr. Ho and Mrs. Ho being two of the three directors of Pearl Court. Mr. Ho or Mrs. Ho is also deemed to be interested in these Shares by virtue of the fact that one of 10,000 units of the HCF Trust is held by Mrs. Ho and the beneficiaries of a discretionary trust known as the Ho Wai Leung Memorial Trust (“HWL Trust”) (see note 3 below) included Mrs. Ho and children under 18.
- 3 These Shares are held by Pearl Court as trustee for the HCF Trust. 9,999 of 10,000 units of the HCF Trust are held by HSBC International Trustee Limited (“HITL”) as trustee for the HWL Trust. Mr. Ho Cheuk Ming is deemed to be interested in these Shares by virtue of the fact that he is one of the beneficiaries of the HWL Trust.

(b) Associated Corporations

- (i) *Karrie Industrial Company Limited*

	Number of non-voting deferred shares of HK\$100 each			
	Personal interests	Family interests	Corporate/ Other interests	Total interests
Mr. Ho Cheuk Fai	43,000	–	–	43,000
Ms. Ho Po Chu, Scandy	7,000	–	–	7,000

(ii) *Karpo Technologies Limited*

	Number of non-voting deferred shares of HK\$100 each			
	Personal interests	Family interests	Corporate/ Other interests	Total interests
Mr. Ho Cheuk Fai	10,000	–	–	10,000

(iii) *Karrie Industrial Holdings Limited*

	Number of non-voting deferred shares of HK\$100 each			
	Personal interests	Family interests	Corporate/ Other interests	Total interests
Mr. Ho Cheuk Fai	1	–	–	1
Ms. Ho Po Chu, Scandy	1	–	–	1

Save as disclosed above and in the section under the heading “Rights to Acquire Share or Debenture”, none of the Directors, chief executives and their respective associates had any interest in the share capital of the Company or its associated corporations as at 30th September, 2002.

RIGHTS TO ACQUIRE SHARES OR DEBENTURE

Prior to 21st May, 2002, the Company operated an option scheme whereby the Board of Directors could, at their absolute discretion, grant options to employees and Executive Directors of the Company and any of its subsidiaries to subscribe for shares in the Company at the exercise price of the higher of the nominal value of the shares and 80% of the average closing prices of the shares of the Company quoted on the Stock Exchange for the last five trading days (the "Old Scheme"). Options granted under the Old Scheme but not exercised, cancelled or lapsed remain exercisable until the end of their respective exercise periods.

On 21st May, 2002, the Old Scheme was terminated and a new share option scheme (the "New Scheme") was adopted, whereby the Board of Directors may, at their absolute discretion, grant options to any eligible employees and non-executive directors of the Company or any of its subsidiaries or any invested entity, any suppliers of goods or services to any member of the Group or any invested entity, and any customers of the Group or any invested entity to subscribe for shares in the Company.

The exercise price of options granted under the New Scheme is the highest of the nominal value of the shares, the closing price of the shares on the Stock Exchange on the date of offer of the options and the average closing price of the shares on the Stock Exchange for the five trading days immediately preceding the date of offer of the options. The options do not have a vesting period and are exercisable for a period of ten years commencing from the date of grant.

The total number of shares which may be issued upon exercise of all options to be granted under the New Scheme and any other share option schemes of the Group may not in aggregate exceed 37,693,600, being 10% of the shares in issue of the Company as at 21st May, 2002, the date of adoption of the New Scheme.

As at 30th September, 2002, the Directors and employees of the Company had the following interests in options to subscribe for shares of the Company (market value per share was HK\$1.48 as at 30th September, 2002) granted at nominal consideration under the share option schemes operated by the Company, each option giving the holder the right to subscribe for one share:

Old Scheme

Name	Date of grant	Exercise price (HK\$)	Exercise period	Closing price before date of grant (HK\$)	Price on date of exercise of options (HK\$)	No. of outstanding options as at 1.4.2002	Number of Share Options		
							Granted during the period	Exercised during the period	No. of outstanding options as at 30.9.2002
(i) Directors/									
Chief executives/ Substantial shareholder/their respective associates									
Mr. Ho Cheuk Fai	19.6.1999	0.335	Before 30.11.2006	0.41	-	3,000,000	-	-	3,000,000
Mr. Ho Cheuk Ming	19.6.1999	0.335	Before 30.11.2006	0.41	-	7,000,000	-	-	7,000,000
Mr. Kwok Wing Kin	20.9.2000	0.300	21.9.2002-20.9.2003	0.35	-	300,000	-	-	300,000
	20.9.2000	0.300	21.9.2003-30.11.2006	0.35	-	300,000	-	-	300,000
Mr. Tam Wing Hung	20.9.2000	0.300	On or before 20.9.2001	0.35	1.76	300,000	-	300,000	-
	20.9.2000	0.300	21.9.2001-20.9.2002	0.35	-	300,000	-	-	300,000
	20.9.2000	0.300	21.9.2002-20.9.2003	0.35	-	380,000	-	-	380,000
	20.9.2000	0.300	21.9.2003-30.11.2006	0.35	-	520,000	-	-	520,000
Ms. Ho Po Chu, Scandy	19.6.1999	0.335	Before 30.11.2006	0.41	-	2,500,000	-	-	2,500,000
(ii) Employees									
	20.9.2000	0.300	On or before 20.9.2001	0.35	1.75	400,000	-	100,000	300,000
	20.9.2000	0.300	21.9.2001-20.9.2002	0.35	1.506 (AVG)	800,000	-	450,000	350,000
	20.9.2000	0.300	21.9.2002-20.9.2003	0.35	-	1,180,000	-	-	1,180,000
	20.9.2000	0.300	21.9.2003-30.11.2006	0.35	-	520,000	-	-	520,000

New Scheme

Name	Date of grant	Exercise price (HK\$)	Exercise period	Closing price before date of grant (HK\$)	Price on date of exercise of options (HK\$)	No. of outstanding options as at 1.4.2002	Number of Share Options		
							Granted during the period	Exercised during the period	No. of outstanding options as at 30.9.2002
(i) Directors/ Chief executives/ <i>Substantial shareholder/their respective associates</i>									
Mr. Kwok Wing Kin	22.5.2002	1.30	22.5.2002-21.5.2003	1.30	-	-	750,000	-	750,000
	22.5.2002	1.30	22.5.2003-21.5.2012	1.30	-	-	750,000	-	750,000
Mr. Tam Wing Hung	22.5.2002	1.30	On or before 21.5.2012	1.30	-	-	100,000	-	100,000
Mr. Lee Shu Ki	22.5.2002	1.30	22.5.2002-21.5.2003	1.30	1.69 (AVG)	-	300,000	300,000	-
	22.5.2002	1.30	22.5.2003-21.5.2012	1.30	-	-	300,000	-	300,000
Mr. Leung Wai Ho	22.5.2002	1.30	On or before 21.5.2012	1.30	-	-	200,000	-	200,000
(ii) Other Eligible Participants									
	22.5.2002	1.30	22.5.2002-21.5.2003	1.30	1.535 (AVG)	-	2,800,000	650,000	2,150,000
	22.5.2002	1.30	22.5.2003-21.5.2012	1.30	-	-	2,800,000	-	2,800,000
	22.5.2002	1.30	On or before 21.5.2012	1.30	1.802 (AVG)	-	1,000,000	470,000	530,000

On 1st November, 2002, the Board of Directors had granted 10,200,000 options to any eligible employees and non-executive directors of the Company or any of its subsidiaries or any invested entity, any suppliers of goods or services to any member of the Group or any invested entity, and any customers of the Group or any invested entity to subscribe for shares in the Company.

As at 30th November, 2002, the Directors and employees of the Company had the following interests in options to subscribe for shares of the Company (market value per share was HK\$1.87 as at 30th November, 2002) granted at nominal consideration under the share option schemes operated by the Company, each option giving the holder the right to subscribe for one share:

Old Scheme

Name	Date of grant	Exercise price (HK\$)	Exercise period	Closing price before date of grant (HK\$)	Price on date of exercise of options (HK\$)	No. of outstanding options as at 30.9.2002	Number of Share Options		
							Granted during the period	Exercised during the period	No. of outstanding options as at 30.11.2002
(i) Directors/ Chief executives/ Substantial shareholder/their respective associates									
Mr. Ho Cheuk Fai	19.6.1999	0.335	Before 30.11.2006	0.41	-	3,000,000	-	-	3,000,000
Mr. Ho Cheuk Ming	19.6.1999	0.335	Before 30.11.2006	0.41	-	7,000,000	-	-	7,000,000
Mr. Kwok Wing Kin	20.9.2000	0.300	21.9.2002-20.9.2003	0.35	1.49	300,000	-	300,000	-
	20.9.2000	0.300	21.9.2003-30.11.2006	0.35	-	300,000	-	-	300,000
Mr. Tam Wing Hung	20.9.2000	0.300	21.9.2001-20.9.2002	0.35	-	300,000	-	-	300,000
	20.9.2000	0.300	21.9.2002-20.9.2003	0.35	-	380,000	-	-	380,000
	20.9.2000	0.300	21.9.2003-20.11.2006	0.35	-	520,000	-	-	520,000
Ms. Ho Po Chu, Scandy	19.6.1999	0.335	Before 30.11.2006	0.41	-	2,500,000	-	-	2,500,000
(ii) Employees									
	20.9.2000	0.300	On or before 20.9.2001	0.35	-	300,000	-	-	300,000
	20.9.2000	0.300	21.9.2001-20.9.2002	0.35	-	350,000	-	-	350,000
	20.9.2000	0.300	21.9.2002-20.9.2003	0.35	1,433 (AVG)	1,180,000	-	980,000	200,000
	20.9.2000	0.300	21.9.2003-30.11.2006	0.35	-	520,000	-	-	520,000

New Scheme

Name	Date of grant	Exercise price (HK\$)	Exercise period	Closing price before date of grant (HK\$)	Price on date of exercise of options (HK\$)	No. of outstanding options as at 30.9.2002	Number of Share Options		
							Granted during the period	Exercised during the period	No. of outstanding options as at 30.11.2002
(i) Directors/ Chief executives/ <i>Substantial shareholder/their respective associates</i>									
Mr. Kwok Wing Kin	22.5.2002	1.30	22.5.2002-21.5.2003	1.30	-	750,000	-	-	750,000
	22.5.2002	1.30	22.5.2003-21.5.2012	1.30	-	750,000	-	-	750,000
	1.11.2002	1.65	01.01.2003-31.12.2003	1.65	-	-	750,000	-	750,000
	1.11.2002	1.65	01.01.2004-31.10.2012	1.65	-	-	750,000	-	750,000
Mr. Tam Wing Hung	22.5.2002	1.30	On or before 21.5.2012	1.30	-	100,000	-	-	100,000
Mr. Lee Shu Ki	22.5.2002	1.30	22.5.2003-21.5.2012	1.30	-	300,000	-	-	300,000
	1.11.2002	1.65	01.01.2003-31.12.2003	1.65	-	-	300,000	-	300,000
	1.11.2002	1.65	01.01.2004-31.10.2012	1.65	-	-	300,000	-	300,000
Mr. Leung Wai Ho	22.5.2002	1.30	On or before 21.5.2012	1.30	-	200,000	-	-	200,000
(ii) Other Eligible participants									
	22.5.2002	1.30	22.5.2002-21.5.2003	1.30	1.80 (AVG)	2,150,000	-	200,000	1,950,000
	22.5.2002	1.30	22.5.2003-21.5.2012	1.30	-	2,800,000	-	-	2,800,000
	22.5.2002	1.30	On or before 21.5.2012	1.30	1.91	530,000	-	50,000	480,000
	1.11.2002	1.65	01.01.2003-31.12.2003	1.65	-	-	4,150,000	-	4,150,000
	1.11.2002	1.65	01.01.2004-31.01.2012	1.65	-	-	3,950,000	-	3,950,000

In summary, the total number of outstanding unexercised options as at 30th November, 2002 was as follows:

	Date of grant	Directors/Chief executives/ Substantial shareholders and their respective associate	Other Eligible Participants	Total
Old Scheme	19.6.1999	12,500,000	–	12,500,000
Old Scheme	20.9.2000	1,500,000	1,370,000	2,870,000
New Scheme	22.5.2002	2,100,000	5,230,000	7,330,000
New Scheme	1.11.2002	2,100,000	8,100,000	10,200,000
		<u>18,200,000</u>	<u>14,700,000</u>	<u>32,900,000</u>

VALUATION OF SHARE OPTIONS

The options granted are not recognized in the financial statements until they are exercised. The Directors consider that it is not appropriate to state the value of the share options granted to the eligible participants during the period on the ground that there are serious limitations in the application of the Black & Scholes Model and the Binominal Model in the valuation of employee share options, especially there are a number of variables which are crucial for the valuation of the option value cannot be reasonably determined. Accordingly, the Directors believe that any valuation of the share options based on a great number of speculative assumptions would not be meaningful and may be misleading to the shareholders.

SUBSTANTIAL SHAREHOLDERS

So far as is known to the Directors, there were the following persons (other than a Director or chief executive of the Company) who were, directly or indirectly, interested and/or deemed to be interested in 10 per cent. or more of the nominal value of the issued share capital of the Company as at 30th September, 2002 according to the register of interests kept by the Company under Section 16(1) of the SDI Ordinance:

	Number of ordinary shares of HK\$0.10 each		
	Personal interests	Corporate/ Other interests	Shareholding percentage
Pearl Court	–	232,200,000 <i>(Note 1)</i>	61.23%
HITL	–	232,176,780 <i>(Note 2)</i>	61.23%
HSBC Holdings plc (“HHUK”)	–	232,176,780 <i>(Note 2)</i>	61.23%
HSBC Bank plc (“HBP”)	–	232,176,780 <i>(Note 2)</i>	61.23%
Midcorp Limited (“ML”)	–	232,176,780 <i>(Note 2)</i>	61.23%
Griffin International Limited (“GIL”)	–	232,176,780 <i>(Note 2)</i>	61.23%
HSBC Europe BV (“HEB”)	–	232,176,780 <i>(Note 2)</i>	61.23%
HSBC Europe (Netherlands) BV (“HEN”)	–	232,176,780 <i>(Note 2)</i>	61.23%

Notes:

- Pearl Court is a trustee of the HCF Trust.
- HITL is the trustee of the HWL Trust. HITL is a wholly-owned subsidiary of HHUK through HBP, ML, GIL, HEB & HEN which are also wholly-owned subsidiaries of HHUK. HHUK, HBP, ML, GIL, HEB & HEN are deemed to be interested in these shares by virtue of the interest of HITL. The interests of HITL, HHUK, HBP, ML, GIL, HEB & HEN duplicate each other.

PURCHASE, SALE OR REDEMPTION OF SHARES

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

AUDIT COMMITTEE

The Company has an audit committee comprising three independent non-executive directors. The Audit Committee has reviewed with management level the accounting principles and practices adopted by the Group and discussed auditing, internal controls and financial reporting matters including a review of the unaudited interim accounts for the six months ended 30th September, 2002.

COMPLIANCE WITH CODE OF BEST PRACTICE

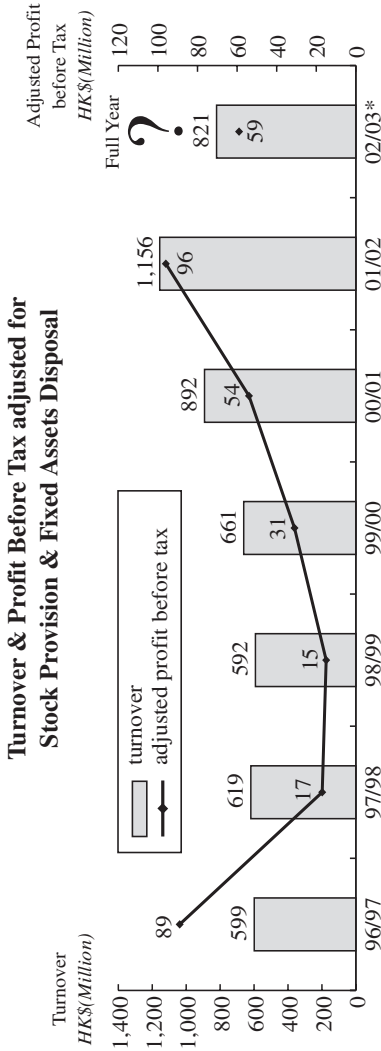
In the opinion of the Directors, the Company had complied with the Code of Best Practice as set out in Appendix 14 of the Listing Rules throughout the period from 1st April 2002 to 30th September, 2002.

On behalf of the Board of Directors,
HO CHEUK FAI
Chairman

Hong Kong, 10th December, 2002

ADDITIONAL FINANCIAL INFORMATION

(Diagram 1)



	96/97	97/98	98/99	99/00	00/01	01/02	02/03*
	HK\$(m)	HK\$(m)	HK\$(m)	HK\$(m)	HK\$(m)	HK\$(m)	HK\$(m)
Turnover	599	619	592	661	892	1,156	821
Profit before tax	95	17	21	24	30	85	59
Add back adjustment for:							
a) Stock provision/(written back)	4	0	(6)	7	9	0	0
b) (Gain)/Loss on fixed assets disposal	(10)	0	0	0	15	11	0
Adjusted profit before tax	89	17	15	31	54	96	59

Remarks: * 2002/03 interim results only

(Diagram 2)

Dividend Policy

We pay high and dependable dividends

Group's policy to distribute 50% or more of its profits attributable to shareholders' as dividend

Six Years' Trend of Dividend Payment

All dividend paid shown below is in HK cents per share

	Interim		Final		Subtotal	Interim Special	Final Special	Special Subtotal	Total	Dividend Payout Ratio	
										(Excluding)*	(Including)#
1997/98	Nil	1.00	Nil	Nil	1.00	Nil	Nil	1.00	1.00	13%	N/A
1998/99	2.00	2.00	2.00	Nil	4.00	Nil	Nil	4.00	4.00	58%	N/A
1999/00	2.20	2.20	2.20	Nil	4.40	Nil	Nil	4.40	4.40	77%	N/A
2000/01	1.10	3.80	Nil	6.20	4.90	5.00	6.20	6.20	11.10	69%	156%
2001/02	5.00	5.90	5.00	14.10	10.90	5.00	14.10	19.10	30.00	50%	138%
2002/03Δ	8.00	?	Nil	?	8.00	Nil	?	Nil	8.00	55%	N/A

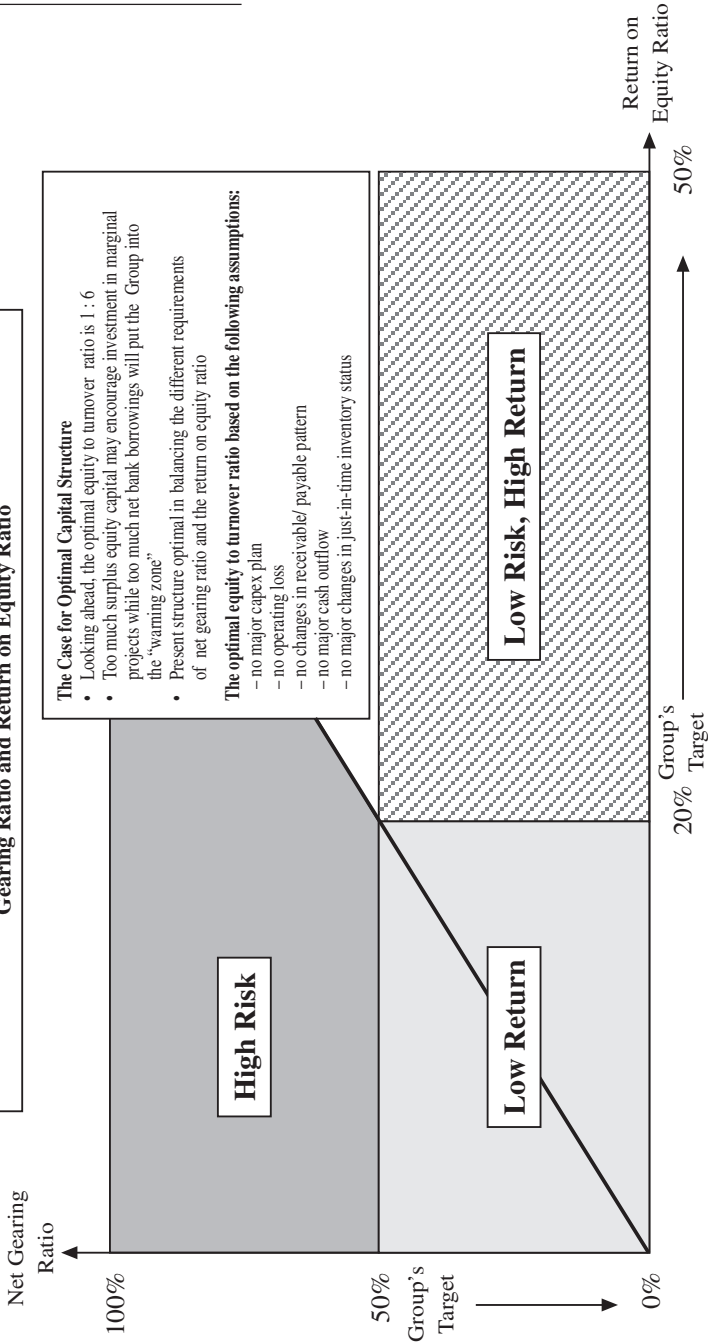
* Excluding special dividend Δ 2002/03 Interim results only

Including special dividend

(Diagram 3)

Equity to Turnover Ratio

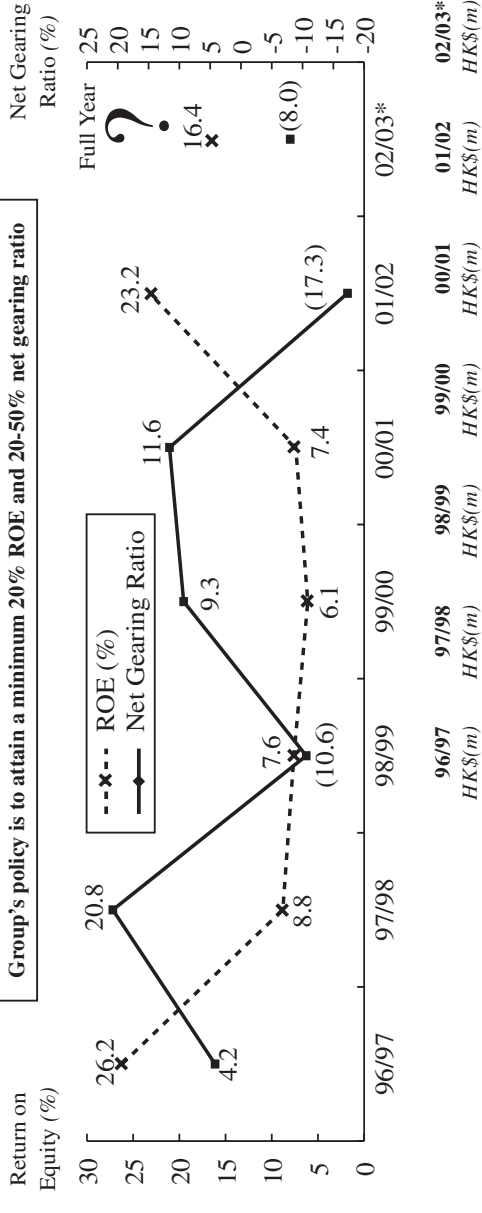
Simplified Diagram showing relationship between Group's Net Gearing Ratio and Return on Equity Ratio



Return on Equity Ratio

(Diagram 4)

Group's policy is to attain a minimum 20% ROE and 20-50% net gearing ratio



Profit after Tax

Net Bank Borrowing/(Balance)Δ

Shareholders' Equity

Return on Equity (%)

Net Gearing Ratio (%)

Remarks: * 2002/03 interim results only

Δ Net Bank Borrowing/(Balance) i.e. total bank borrowing minus cash/bank balance