



ASM PACIFIC TECHNOLOGY LIMITED

(Incorporated in the Cayman Islands with limited liability)

INTERIM REPORT

SIX MONTHS ENDED 30TH JUNE, 2003

The Directors of ASM Pacific Technology Limited are pleased to make the following announcement.

RESULTS

For the six months ended 30th June, 2003, the Group achieved a turnover of HK\$1,076,926,000, representing an increase of 30.3% as compared with HK\$826,728,000 for the same period of the previous year and 5.7% improvement over the turnover of HK\$1,019,288,000 of the preceding six-month period. The Group's consolidated profit after taxation for the six months is HK\$190,595,000, which is also 40.8% higher than the corresponding period in 2002. Basic earnings per share for the half year period amounted to HK\$0.50 (2002: HK\$0.35).

DIVIDEND

The Board of Directors has resolved to pay an interim dividend of HK\$0.36 (2002: HK\$0.36) per share. This is in line with our prudent policy decision, as stated in the 2002 year end financial result announcement, to return current excessive cash holdings to our shareholders while continuing to operate the Group with the optimum shareholders' fund. The Register of Members will be closed from 18th August, 2003 to 25th August, 2003 both days inclusive. In order to qualify for the interim dividend, all transfers, accompanied by the relevant share certificates, must be lodged with the Company's Share Registrars, Secretaries Limited at Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong, not later than 4:00 p.m. on 15th August, 2003. The interim dividend will be paid on or about 26th August, 2003.

REVIEW

Overshadowed by the world's weak economy and Iraq war uncertainty, lower prices for electronic goods have unfortunately not stimulated as much IC demand or capital investment as hoped. Although an increasing number of semiconductor companies and subcons reported unit-volume outputs surpassing their previous peaks, customers were extremely cautious in adding production capacity and waited until demands had been firmed up. Most equipment purchases for IC packaging were related to technological advancements such as fine pitch wire bonding, 300 mm wafer die bonding, stacked die packaging, flip chip and new package types like QFN. Although book-to-bill ratio exceeded parity for a number of months, visibility remained limited and order lead time compressed. For the most part, competition was keen and the market environment was still challenging.

With steady and consistent gains in market share, especially in the die and wire bonder market segments, ASM achieved a Group turnover of US\$138.1 million for the past six months, delivering a moderate profit in a slowly improving business environment. Return on capital employed and on sales were 12.2% and 19.1% respectively for the half year ended 30th June, 2003. Ending order backlog was raised to US\$45 million (from US\$35 million as of 1st January, 2003). Sales attributable to our five largest customers combined amounted to 41.9% of our total, with two customers exceeding 10%.

During the first six months of this year, turnover in both our equipment and leadframes businesses rebounded above each of their last four six-month periods, maintaining a revenue split of 80.8 : 19.2 (equipment : leadframes) consistent with the past. Reflecting our industry pre-eminence and continuing gain in market share, our assembly equipment sales during the first half of 2003 have remained ahead of all leading competitors since we surpassed them in 2002. Indicative of industry's recognition on ASM's technological leadership and innovative equipment products, we were once again selected by Advanced Packaging magazine as the Winners of the 2003 Advanced Packaging Awards, in the following three categories: Wire Bonding, Encapsulation and Package Handling.

With various IDMs and subcons putting more investments in China and the emergence of successful local companies, the China market has grown to become ASM's largest sales territory in the first six months of 2003, representing 18.8% of the Group's turnover and the highest contribution percentage in our history. It is likely that ASM will achieve another record sales turnover from this market territory during fiscal year 2003. In parallel, our new, integrated leadframes factory in Fu Yong, China has proceeded as planned and started operation during the 2nd quarter. We expect to phase out our remaining plating activity in Hong Kong by end of this year, thereby shortening our manufacturing cycle time, reducing our work-in-progress and trimming our personnel and rental expenses.

With a 35 μ m fine pitch bonding capability that is one generation ahead of our leading competitors, ASM's Eagle 60 gold wire bonder out-performed its competition in several customers' benchmarking exercises, enabling ASM to capture new major IC accounts. During the past six months, we have obtained volume production orders for our Eagle 60 wire bonders from a leading subcon based in Singapore and initial orders from an American top ten semiconductor company for their state-of-the-art BGA and TQFP packages. With the advent of 300 mm wafer and stacked die packaging, our high speed, innovative IC die bonder has been making steady inroads in enlarging its market share and installed base. As evidenced by the initial orders received, exciting new products such as our flip chip bonder and soft solder die attach have helped open up opportunities in new market segments we did not serve in the past, thereby strengthening ASM's leadership in the chip attachment process.

Although having to deal with our expanding product offerings and the increased work-in-progress of our new and existing products to meet prompt delivery demands, we still managed to keep our total inventory of HK\$563 million within limits – just 11.3% higher than 6 months' ago but lower than the closing figures of several preceding six-month periods. Days sales outstanding or accounts receivable, although higher than in previous periods, was primarily due to significantly higher sales turnover during the recent quarter.

After paying last year's final dividend of HK\$245.3 million in April and funding capital investment of HK\$56.4 million during the first half, net cash on hand as of 30th June, 2003 only decreased 37.6% to HK\$290.6 million (HK\$465.6 million as of 31st December, 2002). Our current ratio stands at 3.2, with zero long-term debt and bank borrowing, and a debt-equity ratio of only 28.1%. With no short-term needs and an on-going positive cashflow from organic growth operation, these figures permit ASM to sustain a high level of dividend and return excessive cash holdings to our shareholders.

PROSPECTS

With the uncertainties of the Iraq war and SARS in Greater China having now subsided, tax cuts and the US federal economic revival policies being implemented and low interest rates looking to continue, according to the mid-year economic survey by Business Week most U.S. economists expected higher GDP growth (3.4-3.8% p.a.) in the next few quarters starting mid-2003. Various industry analysts such as Dataquest, VLSI Research, SIA, IC Insights and WSTS currently predict a 8-13% growth for the semiconductor industry in 2003, followed by strong double-digit (17-36% in 2004) increase in the succeeding two years. IC unit volume is expected to rise 14.9% according to IC Insights. Chip scale packages like QFN have been designed into the latest generation of wireless communication and hand held products, and are thus expected to have accelerated growth.

For the assembly equipment market, although there are divergent views between Dataquest (26% growth) and VLSI Research (9% growth) in terms of year 2003's projected growth rate, both forecasting firms predict a stronger second half as compared with the first and also a much stronger double-digit growth (24-36%) in 2004. In the recent months, the stock market has turned more positive towards high tech companies. Hopefully money will become more accessible to fund the capital expenditure of our customers, resulting in an improvement in the assembly equipment market.

While most of our competitors with high gearing or weak balance sheets are curbing their losses or minimizing their cash drains with short-term measures, ASM, in contrast, is aggressively investing for the future in facilities, process and product developments. As part of our HK\$160 million capital investment planned for 2003, an etching line will be installed in the coming 4th quarter to boost our production capacity for the expanding QFN etched frames. To reinforce our strategic partnerships with key customers, we support them with different packaging solutions using ASM equipment and leadframes, such as stacked die, image sensor assembly, high brightness LED, power devices bonded with copper wires, QFN packaging, etc. Combining our process knowledge in die bonding, flip chip, wire bonding, encapsulation and leadframes design, ASM's solution selling approach markedly differentiates us from all our competitors and unlocks the doors of customers not accessible by a standalone product field evaluation.

Advanced wafer fabrication presents low k dielectric, finer line width and copper interconnect challenges. To meet these requirements, ASM has conducted extensive wire bonding process development using gold and copper wires, both in-house and jointly with customers and research institutes. We are introducing a higher productivity gold wire bonder this year to further enhance our leadership. Similarly, a fine pitch aluminum wire bonder, based on linear motor technology to be launched in mid-2003, will solidify ASM's dominant position in the chip-on-board market.

With the business foundation laid over the years by our diversified products serving different application markets, process and enabling technologies resulting in a stream of innovative new products, and vertical integration in product design and manufacturing achieving the most competitive cost structure, ASM is well-positioned to benefit from the current dynamic market environment. It is management's belief that ASM will continue to out-perform our industry peers in both revenue growth and profitability in 2003.

CONDENSED CONSOLIDATED INCOME STATEMENT

	Notes	Six months ended 30th June,	
		2003 (Unaudited) HK\$'000	2002 (Unaudited) HK\$'000
Turnover	2	1,076,926	826,728
Cost of sales		(624,781)	(487,028)
Gross profit		452,145	339,700
Other operating income		3,770	3,380
Selling expenses		(100,268)	(78,215)
General and administrative expenses		(45,744)	(39,617)
Research and development expenses, net		(102,056)	(81,345)
Profit from operations		207,847	143,903
Finance costs		(46)	(113)
Profit before taxation		207,801	143,790
Taxation	4	(17,206)	(8,380)
Net profit for the period		<u>190,595</u>	<u>135,410</u>
Dividends	5	<u>137,999</u>	<u>137,364</u>
Earnings per share	6		
– Basic		<u>HK\$0.50</u>	<u>HK\$0.35</u>
– Diluted		<u>HK\$0.50</u>	<u>HK\$0.35</u>

CONDENSED CONSOLIDATED BALANCE SHEET

		At 30th June, 2003 (Unaudited) HK\$'000	At 31st December, 2002 (Audited) HK\$'000
	<i>Notes</i>		
Non-current assets			
Property, plant and equipment	7	687,068	709,103
Current assets			
Inventories		563,081	505,803
Trade and other receivables	8	631,715	441,136
Bank balances and cash		290,563	465,569
		1,485,359	1,412,508
Current liabilities			
Trade and other payables	9	415,334	315,797
Taxation		53,749	37,725
Short-term bank loan		-	3,482
		469,083	357,004
Net current assets		1,016,276	1,055,504
		1,703,344	1,764,607
Capital and reserves			
Share capital	10	38,333	38,333
Dividend reserve		137,999	245,332
Other reserves		1,519,315	1,472,407
		1,695,647	1,756,072
Non-current liabilities			
Deferred taxation		7,697	8,535
		1,703,344	1,764,607

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30TH JUNE, 2003**

	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Capital reserve <i>HK\$'000</i>	Exchange reserve <i>HK\$'000</i>	Accumulated profits <i>HK\$'000</i>	Dividend reserve <i>HK\$'000</i>	Total <i>HK\$'000</i>
Balance at 1st January, 2002	38,157	126,528	70,944	(102,974)	1,452,189	244,203	1,829,047
Shares issued under the Employee Share Incentive Scheme	176	-	-	-	-	-	176
Currency realignment on translation of financial statements of operations outside Hong Kong not recognised in the income statement	-	-	-	23,712	-	-	23,712
Net profit for the year	-	-	-	-	284,704	-	284,704
Dividends paid	-	-	-	-	-	(381,567)	(381,567)
2002 interim and final dividends	-	-	-	-	(382,696)	382,696	-
Balance at 1st January, 2003	38,333	126,528	70,944	(79,262)	1,354,197	245,332	1,756,072
Currency realignment on translation of financial statements of operations outside Hong Kong not recognised in the income statement	-	-	-	(5,688)	-	-	(5,688)
Net profit for the period	-	-	-	-	190,595	-	190,595
2002 final dividend paid	-	-	-	-	-	(245,332)	(245,332)
2003 interim dividend	-	-	-	-	(137,999)	137,999	-
Balance at 30th June, 2003	<u>38,333</u>	<u>126,528</u>	<u>70,944</u>	<u>(84,950)</u>	<u>1,406,793</u>	<u>137,999</u>	<u>1,695,647</u>
Balance at 1st January, 2002	38,157	126,528	70,944	(102,974)	1,452,189	244,203	1,829,047
Currency realignment on translation of financial statements of operations outside Hong Kong not recognised in the income statement	-	-	-	18,936	-	-	18,936
Net profit for the period	-	-	-	-	135,410	-	135,410
2001 final dividend paid	-	-	-	-	-	(244,203)	(244,203)
2002 interim dividend	-	-	-	-	(137,364)	137,364	-
Balance at 30th June, 2002	<u>38,157</u>	<u>126,528</u>	<u>70,944</u>	<u>(84,038)</u>	<u>1,450,235</u>	<u>137,364</u>	<u>1,739,190</u>

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Six months ended 30th June, 2003 <i>(Unaudited)</i> <i>HK\$'000</i>	Six months ended 30th June, 2002 <i>(Unaudited)</i> <i>HK\$'000</i>
Net cash from operating activities	127,565	213,725
Net cash used in investing activities	(53,891)	(25,145)
Net cash used in financing activities	(248,814)	(272,671)
Net decrease in cash and cash equivalents	(175,140)	(84,091)
Cash and cash equivalents at beginning of the period	465,569	478,482
Effect of foreign exchange rate changes	134	1,239
Cash and cash equivalents at end of period	<u>290,563</u>	<u>395,630</u>

**NOTES TO THE CONDENSED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30TH JUNE, 2003**

1. ACCOUNTING POLICIES

The condensed financial statements have been prepared under the historical cost convention.

The interim financial report has been prepared in accordance with the Statement of Standard Accounting Practice No. 25 “Interim financial reporting” issued by the Hong Kong Society of Accountants (“HKSA”).

In the current period, the Company has adopted Statement of Standard Accounting Practice No. 12 (Revised) “Accounting for income taxes” (“SSAP 12 (Revised)”), for the first time, issued by the HKSA. SSAP 12 (Revised) has introduced a new basis of accounting for income taxes (including both current tax and deferred tax) and additional disclosure requirements which have been adopted in the condensed financial statements. The adoption of the above standard has had no significant effect on the results for the current or prior accounting periods.

Other than the above, the accounting policies adopted are consistent with those followed in the preparation of the Group’s annual audited financial statements for the year ended 31st December, 2002.

2. SEGMENT INFORMATION

Business segments

	Six months ended 30th June,	
	2003	2002
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue		
Equipment	869,800	623,651
Leadframe	207,126	203,077
	<u>1,076,926</u>	<u>826,728</u>
Result		
Equipment	190,834	109,763
Leadframe	14,715	30,760
	<u>205,549</u>	<u>140,523</u>
Unallocated corporate income	2,298	3,380
Profit from operations	207,847	143,903
Finance costs	(46)	(113)
Profit before taxation	207,801	143,790
Taxation	(17,206)	(8,380)
Net profit for the period	<u>190,595</u>	<u>135,410</u>

2. SEGMENT INFORMATION (CONTINUED)

Geographical segments

	Turnover	
	Six months ended 30th June, 2003 (Unaudited) HK\$'000	2002 (Unaudited) HK\$'000
Mainland China	202,642	101,214
Taiwan	185,382	186,886
Korea	169,027	91,482
Malaysia	122,499	101,043
Philippines	83,823	48,412
Singapore	82,964	68,298
Thailand	81,316	48,825
Hong Kong	53,804	65,856
Indonesia	30,296	22,077
Europe	25,549	22,919
United States	19,747	42,009
Japan	18,356	26,444
Others	1,521	1,263
	<u>1,076,926</u>	<u>826,728</u>

3. DEPRECIATION

During the period, depreciation of HK\$75.9 million (HK\$77.7 million for the six months ended 30th June, 2002) was charged in respect of the Group's property, plant and equipment.

4. TAXATION

	Six months ended 30th June,	
	2003 (Unaudited) HK\$'000	2002 (Unaudited) HK\$'000
The charge comprises:		
Hong Kong Profits Tax	16,934	8,603
Taxation in other jurisdictions	1,109	1,638
	<u>18,043</u>	<u>10,241</u>
Deferred taxation credit	(837)	(1,861)
	<u>17,206</u>	<u>8,380</u>

4. TAXATION (CONTINUED)

Hong Kong Profits Tax has been provided at 17.5% (16% for the six months ended 30th June, 2002) of the estimated assessable profit for the period.

Taxation in other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

The deferred taxation credit mainly relates to tax effect of timing difference attributable to difference of depreciation allowances for tax purposes and depreciation charged in the financial statements.

5. DIVIDENDS

The Directors have determined that an interim dividend of HK\$0.36 (HK\$0.36 for the six months ended 30th June, 2002) per share would be paid to the shareholders of the Company whose names appear in the Register of Members on 25th August, 2003.

6. EARNINGS PER SHARE

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

	Six months ended 30th June,	
	2003	2002
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Earnings for the purposes of basic and diluted earnings per share	<u>190,595</u>	<u>135,410</u>
	Number of shares	
	(in thousand)	
Weighted average number of ordinary shares for the purposes of basic earnings per share	383,332	381,568
Effect of dilutive potential ordinary shares from Employee Share Incentive Scheme	<u>1,322</u>	<u>1,422</u>
Weighted average number of ordinary shares for the purposes of diluted earnings per share	<u>384,654</u>	<u>382,990</u>

7. ADDITIONS TO PROPERTY, PLANT AND EQUIPMENT

During the period, the Group spent approximately HK\$56.4 million (2002: HK\$100.8 million) on acquisition of property, plant and equipment.

8. TRADE AND OTHER RECEIVABLES

	As at 30th June, 2003 <i>(Unaudited)</i> <i>HK\$'000</i>	As at 31st December, 2002 <i>(Audited)</i> <i>HK\$'000</i>
Trade receivables	578,381	404,356
Other receivables, deposits and prepayments	45,648	32,456
Amounts due from ASM International N.V. ("ASM International") group companies		
– trade (<i>Note</i>)	7,686	4,324
	<u>631,715</u>	<u>441,136</u>

Note: Amounts due from ASM International group companies are unsecured, non-interest bearing and repayable according to normal trade terms.

Payment terms with customers are mainly on credit together with deposits. Invoices are normally payable within 30 to 60 days of issuance, except for certain well established customers, where the terms are extended to 3 to 4 months. Each customer has a maximum credit limit.

The aged analysis of trade receivables at the reporting date is as follows:

	As at 30th June, 2003 <i>(Unaudited)</i> <i>HK\$'000</i>	As at 31st December, 2002 <i>(Audited)</i> <i>HK\$'000</i>
Not yet due	351,136	256,720
Overdue within 30 days	160,505	105,590
Overdue within 31 to 60 days	37,727	18,281
Overdue within 61 to 90 days	13,818	15,260
Overdue over 90 days	15,195	8,505
	<u>578,381</u>	<u>404,356</u>

9. TRADE AND OTHER PAYABLES

	As at 30th June, 2003 (Unaudited) HK\$'000	As at 31st December, 2002 (Audited) HK\$'000
Trade payable	258,792	141,486
Other payables and accrued charges	149,071	174,211
Amounts due to ASM International group companies – trade (<i>Note</i>)	7,471	100
	<u>415,334</u>	<u>315,797</u>

Note: Amounts due to ASM International group companies are unsecured, non-interest bearing and repayable according to normal trade terms.

The aged analysis of trade payable at the reporting date is as follows:

	As at 30th June, 2003 (Unaudited) HK\$'000	As at 31st December, 2002 (Audited) HK\$'000
Not yet due	143,205	75,136
Overdue within 30 days	76,585	43,362
Overdue within 31 to 60 days	34,724	15,473
Overdue within 61 to 90 days	3,932	3,514
Overdue over 90 days	346	4,001
	<u>258,792</u>	<u>141,486</u>

10. SHARE CAPITAL

	As at 30th June, 2003 (Unaudited) HK\$'000	As at 31st December, 2002 (Audited) HK\$'000
Issued and fully paid:		
Shares of HK\$0.10 each		
At the beginning of the period	38,333	38,157
Shares issued under the Employee Share Incentive Scheme	-	176
At the end of the period	<u>38,333</u>	<u>38,333</u>

The authorised share capital of the Company is HK\$50 million, comprising 500 million shares of HK\$0.10 each.

11. RELATED PARTY TRANSACTIONS

During the period, the Group paid management fee of HK\$750,000 (HK\$750,000 for the six months ended 30th June, 2002) to ASM International under a consultancy agreement between ASM International and the Company. Pursuant to the agreement, an annual management fee of HK\$1.5 million is payable to ASM International who acts as a consultant, introduces new business and provides assistance in business development, general management support and services, international expertise and market information to the Group. The agreement, which commenced on 5th December, 1988, was for an initial period of three years and is terminable thereafter by six months' notice in writing by either party.

The Group also trades with ASM International group of companies in its normal course of business and in the opinion of the Directors, the transactions were carried out at market price. Sales to ASM International group of companies during the period amounted to HK\$430,000 (HK\$28,970,000 for the six months ended 30th June, 2002).

12. CONTINGENT LIABILITIES

	As at 30th June, 2003 <i>(Unaudited)</i> HK\$'000	As at 31st December, 2002 <i>(Audited)</i> HK\$'000
Guarantees given	<u>974</u>	<u>1,056</u>

13. CAPITAL COMMITMENTS

	As at 30th June, 2003 <i>(Unaudited)</i> HK\$'000	As at 31st December, 2002 <i>(Audited)</i> HK\$'000
Capital expenditure in respect of acquisition of property, plant and equipment contracted for but not provided in the financial statements	29,974	21,145
Capital expenditure in respect of acquisition of property, plant and equipment authorised but not contracted for	70,099	138,673
	<u>100,073</u>	<u>159,818</u>

DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

As at 30th June, 2003, the interests of the directors and chief executive of the Company in the share capital of the Company as recorded in the register required to be kept under section 352 of the Securities and Futures Ordinance (the "SFO") or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transaction by Directors of Listed Companies were as follows:

Name	Number of shares	Nature of interest	Percentage of shareholding
Arthur H. del Prado <i>(Note 1)</i>	–	–	–
Lam See Pong, Patrick <i>(Note 2)</i>	2,970,000	Personal	0.77%
Fung Shu Kan, Alan	306,000	Personal	0.08%
Orasa Livasiri	–	–	–
Paulus Cornelis van den Hoek <i>(Note 3)</i>	1,370,000	Personal	0.36%

DIRECTORS' INTERESTS IN SHARES AND DEBENTURES (CONTINUED)

Notes:

1. As at 30th June, 2003, Arthur H. del Prado, member of his immediate family and a foundation controlled by him together held 11,454,292 shares of ASM International, representing about 23.14% of its issued share capital. A wholly owned subsidiary of ASM International, Advanced Semiconductor Materials (Netherlands Antilles) N.V. held 207,427,500 shares of the Company as at 30th June, 2003. ASM International also holds the fixed-rate participating shares of ASM Assembly Automation Limited and ASM Assembly Materials Limited, which are wholly owned subsidiaries of the Company. These shares carry no voting rights, no rights to participate in a distribution of profits, and very limited rights on a return of capital.
2. As at 30th June, 2003, Lam See Pong, Patrick personally held 445,300 shares of ASM International.
3. As at 30th June, 2003, Paulus Cornelis van den Hoek personally held 300,000 shares of ASM International.

Save as disclosed herein, as at 30th June, 2003, none of the directors or chief executive of the Company had any interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV the SFO) as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transaction by Directors of Listed Companies.

SUBSTANTIAL SHAREHOLDERS

As at 30th June, 2003, the following persons (other than a director or chief executive of the Company) had interests in the share capital of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO:

Name	Number of shares	Nature of interest	Percentage of shareholding
ASM International	207,427,500	Corporate	54.11%
Advanced Semiconductor Materials (Netherlands Antilles) N.V.	207,427,500	Beneficial owner	54.11%

Save as disclosed herein, as at 30th June, 2003, according to the register of interests required to be kept by the Company under section 336 of the SFO, there was no person who had any interest or short position in the shares or underlying shares of the Company.

PURCHASE, SALE OR REDEMPTION OF SHARES

There has been no purchase, sale or redemption of shares of the Company by the Company or any of its subsidiaries during the period.

AUDIT COMMITTEE

The Audit Committee has reviewed with 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 financial statements.

COMPLIANCE WITH THE CODE OF BEST PRACTICE

None of the Directors is aware of any information that would reasonably indicate that the Group 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 throughout the six months ended 30th June, 2003.

On behalf of the Board

Patrick Lam See Pong

Director

Hong Kong, 28th July, 2003