INTERIM REPORT FOR THE SIX MONTHS ENDED 30 JUNE 2003

Highlights

For the six months ended 30 June 2003,

- turnover amounted to approximately RMB170.5 million, representing an increase of approximately 86.7% over that of the last corresponding period;

- net profit for the period was approximately RMB42.4 million, representing an increase of approximately 77.2% over that of the last corresponding period;

- basic earnings per share was approximately RMB0.139 for the period ended 30 June 2003, representing an increase of approximately 73.8% over that of the last corresponding period; and

- successfully listed on The Stock Exchange of Hong Kong Limited on 2 July 2003.

CONTENTS

INDEPENDENT REVIEW REPORT

德勤•關黃陳方會計師行

Certified Public Accountants
26/F, Wing On Centre
111 Connaught Road Central
Hong Kong

香港中環干諾道中111號
永安中心26樓

Deloitte Touche Tohmatsu

TO THE BOARD OF DIRECTORS OF SPREAD PROSPECTS HOLDINGS LIMITED
展鴻控股有限公司
(incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have been instructed by Spread Prospects Holdings Limited (the "Company") to review the interim financial report set out on pages 5 to 17.

DIRECTORS' RESPONSIBILITIES

The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the Statement of Standard Accounting Practice No. 25 "Interim financial reporting" issued by the Hong Kong Society of Accountants and the relevant provisions thereof. The interim financial report is the responsibility of, and has been approved by, the directors.

It is our responsibility to form an independent conclusion, based on our review, on the interim financial report and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

REVIEW WORK PERFORMED

We conducted our review in accordance with the Statement of Auditing Standards No. 700 "Engagements to review interim financial reports" ("SAS 700") issued by the Hong Kong Society of Accountants. A review consists principally of making enquiries of group management and applying analytical procedures to the interim financial report and based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the interim financial report.

REVIEW CONCLUSION

On the basis of our review which does not constitute an audit, we are not aware of any material modifications that should be made to the interim financial report for the six months ended 30 June 2003.

Without modifying our review conclusion, we draw to your attention that the comparative condensed consolidated income statement, condensed consolidated cash flow statement and condensed consolidated statement of changes in equity for the six months ended 30 June 2002 disclosed in the interim financial report have not been reviewed in accordance with SAS 700.

Deloitte Touche Tohmatsu

Hong Kong, 16 September 2003

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2003

		Six months ended 30 June	
		2003	2002
		(Unaudited)	(Unaudited)
	Notes	**RMB'000**	RMB'000
Turnover	3	**170,478**	91,319
Cost of sales		**(108,030)**	(58,749)
Gross profit		**62,448**	32,570
Other operating income		**730**	390
Selling expenses		**(5,481)**	(2,433)
Administrative expenses		**(2,723)**	(1,568)
Profit from operations		**54,974**	28,959
Finance costs		**(1,479)**	(1,646)
Profit before taxation		**53,495**	27,313
Taxation	5	**(11,049)**	(3,361)
Net profit for the period		**42,446**	23,952
Dividends proposed	6	**—**	—
Earnings per share	7		
- Basic		**RMB0.139**	RMB0.080

CONDENSED CONSOLIDATED BALANCE SHEET

At 30 June 2003

	Notes	30 June 2003 (Unaudited) RMB'000	31 December 2002 (Audited) RMB'000
Non-current assets			
Property, plant and equipment	8	**35,795**	37,965
Deposits paid for acquisition of property, plant and equipment		**3,257**	3,122
		39,052	41,087
Current assets			
Inventories		**8,402**	6,306
Trade receivables	9	**68,064**	67,111
Subscription money in stakeholder's account	10	**107,955**	—
Other receivables, deposits and prepayments		**5,188**	4,931
Pledged bank deposits		**345**	765
Bank balances and cash		**81,464**	79,895
		271,418	159,008
Current liabilities			
Trade payables	11	**5,122**	15,704
Bills payable		**2,055**	2,305
Receipt in advance, other payables and accrued charges		**25,252**	12,782
Amount due to a director		**3,286**	2,202
Taxation payable		**6,764**	5,123
Bank loans - amount due within one year		**41,500**	41,500
Unsecured borrowings		**1,242**	1,420
		85,221	81,036
Net current assets		**186,197**	77,972
		225,249	119,059

	Notes	**30 June 2003 (Unaudited) RMB'000**	31 December 2002 (Audited) RMB'000
Capital and reserves			
Share capital	12	**40,577**	8
Reserves		**177,672**	112,051
		218,249	112,059
Non-current liabilities			
Bank loans - amount due after one year		**7,000**	7,000
		225,249	119,059

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2003

	Share capital RMB'000	Share premium RMB'000	Contributed surplus RMB'000	Special reserve RMB'000	Surplus reserve fund RMB'000	Enterprise expansion fund RMB'000	Accumulated profits RMB'000	Total RMB'000
At 1 January 2002	24,921	—	—	—	7,586	7,586	21,971	62,064
Issue of shares by a subsidiary	8	30,172	9,920	—	—	—	—	40,100
Elimination on Reorganisation	(24,921)	—	(9,920)	(5,259)	—	—	—	(40,100)
Dividend for 2001 paid by a subsidiary	—	—	—	—	—	—	(25,965)	(25,965)
Net profit for the year	—	—	—	—	—	—	75,960	75,960
Appropriations	—	—	—	—	7,842	—	(7,842)	—
At 31 December 2002	8	30,172	—	(5,259)	15,428	7,586	64,124	112,059
Issue of shares by the Company at nil-paid and credited as fully paid on Reorganisation	212	—	117,935	—	—	—	—	118,147
Elimination on Reorganisation	(8)	(30,172)	(117,935)	29,968	—	—	—	(118,147)
New issue and placing of shares by the Company	8,777	99,178	—	—	—	—	—	107,955
Expenses incurred in connection with the issue of new shares by the Company	—	(14,211)	—	—	—	—	—	(14,211)
Capitalisation issue	31,588	(31,588)	—	—	—	—	—	—
Dividend for 2002 paid by a subsidiary	—	—	—	—	—	—	(30,000)	(30,000)
Net profit for the period	—	—	—	—	—	—	42,446	42,446
At 30 June 2003	40,577	53,379	—	24,709	15,428	7,586	76,570	218,249
At 1 January 2002	24,921	—	—	—	7,586	7,586	21,971	62,064
Issue of shares by a subsidiary	8	30,172	9,920	—	—	—	—	40,100
Elimination on Reorganisation	(24,921)	—	(9,920)	(5,259)	—	—	—	(40,100)
Dividend for 2001 paid by a subsidiary	—	—	—	—	—	—	(25,965)	(25,965)
Net profit for the period	—	—	—	—	—	—	23,952	23,952
At 30 June 2002	8	30,172	—	(5,259)	7,586	7,586	19,958	60,051

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2003

	Six months ended 30 June	
	2003	2002
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Net cash from operating activities	**34,482**	24,914
Net cash from (used in) investing activities	**254**	(140)
Net cash used in financing activities	**(33,167)**	(26,105)
Net increase (decrease) in cash and cash equivalents	**1,569**	(1,331)
Cash and cash equivalents at beginning of the period	**79,895**	52,975
Cash and cash equivalents at end of the period, representing bank balances and cash	**81,464**	51,644

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30 June 2003

1. BASIS OF PREPARATION

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 21 October 2002 under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. Pursuant to a series of group reorganisation steps (the "Reorganisation"), the Company has since 2 June 2003 become the holding company of the subsidiaries now comprising the Group. This was accomplished by the Company acquiring the entire issued share capital of Bloxworth Enterprises Limited ("Bloxworth"), the intermediate holding company of the Group which holds the entire equity interest in Fujian Fuwang Metal Products Co., Ltd. ("Fuwang"). Details of the Reorganisation are set out in the prospectus dated 10 June 2003 issued by the Company (the "Prospectus").

The group resulting from the Reorganisation is regarded as a continuing entity. Accordingly, the condensed financial statements of the Group have been prepared using the merger basis of accounting as if the Company had always been the holding company of the subsidiaries now comprising the Group in accordance with the Statement of Standard Accounting Practice No. 27 "Accounting for group reconstructions" issued by the Hong Kong Society of Accountants (the "HKSA").

The Company's ultimate holding company is Fu Teng Global Limited ("Fu Teng"), a company incorporated in the British Virgin Islands.

The shares of the Company are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") with effect from 2 July 2003.

The condensed financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange and with the Statement of Standard Accounting Practice No. 25 "Interim financial reporting" issued by the HKSA.

2. PRINCIPAL ACCOUNTING POLICIES

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

The accounting policies adopted are consistent with those followed in the preparation of the Group's financial statements for the year ended 31 December 2002 as set out in the Prospectus, except as described below.

In the current period, the Group has adopted, for the first time, the Statement of Standard Accounting Practice No. 12 (Revised) "Income taxes" ("SSAP 12 (Revised)") issued by the HKSA. SSAP 12 (Revised) has introduced a new basis of accounting for income taxes (including both current tax and deferred tax). The adoption of SSAP 12 (Revised) has had no significant effect on the results for the current or prior accounting periods. Accordingly, no prior year adjustment has been made.

3. SEGMENT INFORMATION

	Six months ended 30 June	
	2003	2002
	RMB'000	RMB'000
Business segments		
Turnover		
Manufacture and sale of tinplate cans	**146,459**	73,075
Tinplate lacquering and printing services	**24,019**	18,244
	170,478	91,319
Segment result		
Manufacture and sale of tinplate cans	**44,985**	21,212
Tinplate lacquering and printing services	**11,334**	8,525
	56,319	29,737
Unallocated corporate expenses	**(1,345)**	(778)
Profit from operations	**54,974**	28,959
Finance costs	**(1,479)**	(1,646)
Profit before taxation	**53,495**	27,313
Taxation	**(11,049)**	(3,361)
Net profit for the period	**42,446**	23,952

No geographical segment analysis is shown as the Group's operating businesses are solely carried out in the People's Republic of China (the "PRC").

4. DEPRECIATION AND AMORTISATION

During the current period, depreciation and amortisation of RMB2,542,000 (2002: RMB2,310,000) was charged in respect of the Group's property, plant and equipment.

5. TAXATION

	Six months ended 30 June	
	2003	2002
	RMB'000	RMB'000
The charge comprises:		
Income tax calculated at the rates prevailing in the PRC		
- current period	**11,049**	3,361

No provision for Hong Kong Profits Tax has been made as the Group's income neither arises in, nor is derived from Hong Kong.

Pursuant to the relevant income tax laws and regulations in the PRC, Fuwang's operations are eligible for exemption from PRC Enterprise Income Tax for two years starting with the first profit-making year and a 50% tax relief in the following three years. The first profit-making year of Fuwang's operations in the Fujian province is the year ended 31 December 1998. The applicable income tax rate is 24% with the local enterprise tax rate of 3%. The local enterprise tax of 3% is exempted according to local tax preferential policy. Fuwang's operations in the Shanxi province started to generate profit in the year ended 31 December 2002. In 2003, Fuwang submitted an application in respect of the deferral of its entitlement of the privileged tax policy to 1 January 2003 to the State Tax Bureau of Fenyang, Shanxi province (the "Tax Bureau"). The application was successfully approved by the Tax Bureau on 16 May 2003 and the Tax Bureau agreed to defer the tax holiday and concessions. Fuwang's operations in the Shanxi province is exempted from PRC Enterprise Income Tax commencing in 2003 for two years and thereafter a 50% tax relief for the next three years. Upon the approval of the deferral of tax holiday and concessions, Fuwang was required to pay back the income tax of its operations in the Shanxi province for the period from the date of its registration in the Shanxi province on 18 October 2002 to 31 December 2002 at the income tax rate of 24%. The local enterprise tax of 3% is exempted according to local tax preferential policy. The income tax rate of Fuwang is summarised as follows:

	Operations in the Fujian province	Operations in the Shanxi province
Year ended 31 December 2002	12%	24%
Year ending 31 December 2003	24%	Nil

6. DIVIDENDS

No dividend has been paid or declared by the Company since its incorporation. The Directors do not recommend the payment of an interim dividend.

The following dividends were paid by the subsidiaries to their then shareholders prior to the Reorganisation:

	Six months ended 30 June	
	2003	2002
	RMB'000	RMB'000
Dividend for 2001 paid by Fuwang	**—**	25,965
Dividend for 2002 paid by Bloxworth	**30,000**	—
	30,000	25,965

7. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the net profit for the period of RMB42,446,000 (2002: RMB23,952,000) and the weighted average of 306,404,420 shares (2002: 300,000,000 shares) that would have been in issue throughout the period. The 300,000,000 shares were issued prior to the listing of the Company's shares on the Stock Exchange and pursuant to the Reorganisation are treated as if they had been in issue throughout both periods.

There were no potential dilutive ordinary shares during both periods.

8. ADDITIONS TO PROPERTY, PLANT AND EQUIPMENT

During the current period, the Group spent RMB372,000 (2002: RMB28,000) on acquisition of property, plant and equipment.

9. TRADE RECEIVABLES

The Group currently requires certain of its customers to settle in cash on delivery and allows an average credit period of two to three months to other trade customers.

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

	30 June 2003	31 December 2002
	RMB'000	RMB'000
Within 3 months	**68,060**	67,105
Over 3 months but not more than 6 months	**3**	4
Over 6 months but not more than 1 year	**—**	2
Over 1 year but not more than 2 years	**1**	—
	68,064	67,111

10. SUBSCRIPTION MONEY IN STAKEHOLDER'S ACCOUNT

The amount at 30 June 2003 represents the subscription money in stakeholder's account in connection with the new issue and placing of the Company's shares during the period.

11. TRADE PAYABLES

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

	30 June 2003	31 December 2002
	RMB'000	RMB'000
Within 3 months	**5,071**	15,685
Over 3 months but not more than 6 months	**47**	16
Over 6 months but not more than 1 year	**4**	3
	5,122	15,704

12. SHARE CAPITAL

	Notes	Number of shares	Amount HK$'000
Ordinary shares of HK$0.10 each			
Authorised:			
Upon incorporation on 21 October 2002	(a)	**1,000,000**	100
Increase in authorised share capital	(b)	**1,999,000,000**	199,900
At 30 June 2003		**2,000,000,000**	200,000
Issued and fully paid:			
Issue of shares at nil-paid on 30 October 2002 and credited as fully paid in accordance with the Reorganisation	(a) & (c)	**1,000,000**	100
Issue of shares to the shareholders in accordance with the Reorganisation	(c)	**1,000,000**	100
Issue of shares by way of capitalisation of share premium account	(d)	**298,000,000**	29,800
Placing of shares to professional and institutional investors	(e)	**72,820,000**	7,282
Issue of shares to the public	(e)	**9,980,000**	998
At 30 June 2003		**382,800,000**	38,280
			RMB'000
Shown in the condensed financial statements at 30 June 2003			40,577

The movements in the Company's authorised and issued share capital during the period from 21 October 2002 (date of incorporation) to 30 June 2003 are as follows:

(a) Upon incorporation, the authorised share capital of the Company was HK$100,000 divided into 1,000,000 ordinary shares of HK$0.10 each, all of which were allotted and issued at nil-paid on 30 October 2002.

(b) On 2 June 2003, the authorised share capital of the Company was increased from HK$100,000 to HK$200,000,000 by the creation of an additional 1,999,000,000 ordinary shares of HK$0.10 each.

(c) On 2 June 2003, as part of the Reorganisation, the Company (i) issued to Fu Teng and certain private investors an aggregate of 1,000,000 new ordinary shares of HK$0.10 each credited as fully paid at par, and (ii) credited as fully paid at par for the then existing 1,000,000 ordinary shares issued at nil-paid on 30 October 2002 held by Fu Teng as set out in (a) above, in consideration of and in exchange for the acquisition of the entire issued share capital of Bloxworth.

(d) On 17 June 2003, 298,000,000 new ordinary shares of HK$0.10 each were allotted and issued as fully paid at par to the holders of the shares on the register of members of the Company in proportion to their then respective shareholdings at the close of business on 2 June 2003, by way of capitalisation of the sum of HK$29,800,000 (equivalent to RMB31,588,000) standing to the credit of the share premium account of the Company, conditional on the share premium account being credited as a result of the new issue and placing of shares as set out in (e) below. For the purpose of preparing the condensed financial statements, these shares were deemed to have been in issue throughout both periods.

(e) On 17 June 2003, 82,800,000 new ordinary shares of HK$0.10 each were issued by way of placing to professional and institutional investors and public offer to the public at a price of HK$1.23 per share, subject to certain conditions which were fulfilled before 30 June 2003.

All the shares which were issued by the Company during the period rank pari passu with each other in all respects.

The amount of share capital of RMB8,000 at 31 December 2002 represented the paid-in capital of Bloxworth as at that date.

13. RELATED PARTY TRANSACTIONS

During both periods, a director provided certain office premises and motor vehicles for the Group's use at nil consideration. The running costs of these premises and motor vehicles were borne by the Group.

On 16 September 2002, the Group entered into a tenancy agreement with a director for the lease of an office unit and a carparking space from him for a term of three years commencing 1 January 2003 to 31 December 2005 at a quarterly rental of RMB27,300. A firm of independent property valuers has reviewed the terms of the tenancy agreement and has confirmed that the rental payable under the agreement is on normal commercial terms and fair and reasonable. Rental paid by the Group under the tenancy agreement during the six months ended 30 June 2003 amounted to RMB55,000. On 1 July 2003, the Group and the director entered into an agreement to terminate the tenancy agreement with immediate effect.

The amount due to a director represents principally receipts and payments made on behalf of the Group. It is unsecured, interest-free and repayable on demand.

14. CAPITAL COMMITMENTS

	30 June 2003	31 December 2002
	RMB'000	RMB'000
Capital expenditure in respect of acquisition of property, plant and equipment contracted for but not provided in the financial statements	**3,834**	1,634

In July and August 2003, the Group entered into agreements with its suppliers to acquire certain plant and machinery for its new production line and leasehold improvement for its existing factory premises in the PRC. The aggregate contract sum is approximately RMB27,000,000.

MANAGEMENT DISCUSSION AND ANALYSIS

The Company was successfully listed on the Stock Exchange on 2 July 2003 and net proceeds of approximately HK$88.4 million (approximately RMB93.7 million) were raised.

For the six months ended 30 June 2003 prior to the listing of the Company's shares on the Stock Exchange, the unaudited turnover of the Group was approximately RMB170.5 million, representing a growth of approximately 86.7% as compared to that of the last corresponding period.

The operating profit and net profit of the Group for the six months ended 30 June 2003 increased by approximately 89.8% and approximately 77.2% to approximately RMB55.0 million and approximately RMB42.4 million respectively, as compared to that of the last corresponding period. The net profit margin for the six months ended 30 June 2003 slightly decreased by approximately 1.3% to approximately 24.9% as compared to that of the last corresponding period.

MANUFACTURE AND SALE OF TINPLATE CANS

During the period under review, the Group's turnover derived from the manufacture and sale of tinplate cans increased by approximately 100.4% to approximately RMB146.5 million as compared to that of the last corresponding period. The increase in turnover was mainly attributable to the following reasons:

(i) ***Continuous enhancement in production capacity***

The Group has taken advantage of the opportunities brought by the economic development in the western region of the PRC by setting up a sub-plant in Fenyang, Shanxi Province, which substantially increased the production capacity of the Group's tinplate cans by approximately 50%. To further explore the market in the western region of the PRC, the Group recruited a number of professional local sales and marketing personnel to join the team. The Group entered into 1-year agreements with a number of new customers for the purchase of tinplate can products and established favourable working relationships with several well-known beverage and food producers in the Shanxi Province during the first half of the year.

On the other hand, the production plant in Fuqing, Fujian Province, has strengthened its effort in marketing to the major customers in the Fujian Province and its peripheral area to explore new markets, which resulted in the sustained increase in the number of orders for tinplate can. Counting on the well established relation with major customers and with the increase in the number of orders from new customers, the Group has maintained solid business results.

(ii) ***Increasing demand for canned food***

Under the threat of SARS, many consumers began to purchase plenty of food at one time so as to minimize their frequency of shopping. Due to limited space in the refrigerator, consumers prefer canned food that can be kept under room temperature. This has created high seasons of the sales of handy canned food in many cities in the PRC. The Group successfully grasped such opportunity and increased its sales of tinplate cans for food. The Group also entered into 1-year agreements with customers for its newly-developed tinplate cans for food.

TINPLATE LACQUERING AND PRINTING SERVICES

During the period under review, the Group's turnover for the tinplate lacquering and printing services increased by approximately 31.7% to approximately RMB24.0 million as compared to that of the last corresponding period. The increase was mainly attributable to the fact that metal container producers became more conscious of the importance of quality artwork in marketing their products, which in turn led to the increase in demand for the Group's lacquering and printing services. Furthermore, the hard work and effort of the sales and marketing team of the Group successfully solicited new customers during the period under review.

PROSPECTS

The packaging industry in the PRC is experiencing rapid growth and being recognized as a rising industry. The rapid growth in the metal packaging industry is expected to act as a driving force for the overall results of the Group, thereby contributing to sustain expeditious development of the Group in the coming years. The Group will continue to improve its competitive edge through the following strategies:

(i) Diversification of products and services to enhance profitability

Nowadays, as people are becoming more health conscious, food safety is given ever-increasing attention. Two-piece tinplate cans processing technology not only solves the problems of the rust that easily occurs on traditional food cans, but also possesses better appearance. At present, owing to the requirements of technology and funds, there are only a few can manufacturers equipped with the production line of two-piece tinplate cans. The Group's management believes the two-piece tinplate can will soon dominate the food can industry. Accordingly, the Group began to develop the two-piece tinplate cans business in 2003. In July 2003, the Group entered into a sale and purchase agreement with a machinery provider to purchase a processing production line for two-piece tinplate cans, which are generally used for packaging meat and fish products.

The newly acquired parcel of land located adjacent to the production plant in Fuqing, Fujian Province had received approval from the People's Government of the Fujian Province in August 2003. The Group is planning to construct a new plant to facilitate the installation of a new production line. The new production line is scheduled to be installed by the end of the year. This production line is expected to commence operation in the first half of next year. The Group's management plans to provide a wider range of products to its customers in order to enhance the Group's profitability and enlarge its market share.

(ii) ***Continuous upgrade in technical expertise and increase in research are the prerequisites to strengthen the Group's competitive edge***

The Group intends to upgrade its technical expertise for production processing and to collaborate with domestic scientific research institutes to jointly develop distorted screen-printing technology. Such technology mainly applies to colour printing of two-piece tinplate food cans. With its exquisite graphics and colourful printing, it is becoming popular among its customers. Due to the expertise of such technology, there are not many domestic can manufacturers who are able to master the technique. The Group's management believes that the mastery of such technology will effectively add value to the products of customers and bring economic benefits to the Group.

The Group will enhance and improve its production technology standard to produce quality and popular packaging products for consumers from time to time in a number of ways:

Firstly, to encourage the Group's research and development personnel to engage in continuous innovation of existing technology, the Group plans to acquire advanced expertise from its counterparts, introduce ways to promote new technology and thus enhance the effectiveness of production; secondly, the Group will strictly enforce its technological quality control standards, procedures and requirements starting from the fundamentals; thirdly, the Group will maintain friendly working relation with professional scientific research associations and institutes to fully utilize their expertise, technology and information. In the long run, the Group aims at conducting in-depth technological collaboration with those associations and institutes, introducing advanced expertise, consistently developing new products and upgrading its technology standard.

(iii) Acquisition of new equipment to improve production capacity of the Group's existing production bases

To accomplish the Group's overall objective and strategy to manufacture its products using more advanced technology, the Group intends to acquire more equipment to improve the production capacity of the Group:

Fuqing plant

The Group intends to acquire a new colour printing production line to complement the Group's expansion plan and customers' growing demand for colour printing processing in the second half of the year. The new production line is expected to be installed and will commence operations in the first half of 2004.

Shanxi plant

The Group plans to restructure the original production site so as to expand the total production surface area.

(iv) Improve and expand the Group's sales network and after-sales service

In order to improve and enlarge the Group's sales network and after-sales services so as to enhance the Group's brand reputation in the PRC, the Group intends to adopt a series of marketing campaigns, such campaigns include:

Firstly, the Group plans to increase competitive edge by providing higher quality and better service; secondly, the Group plans to actively participate in various large-scale trade fairs in the PRC and product accreditation activities organized by packaging professional associations so as to improve the Group's market recognition and image.

LIQUIDITY AND FINANCIAL RESOURCES

During the period, the Group's operations were financed by internal resources and bank loans. As at 30 June 2003, the Group had aggregate bank loans of approximately RMB48.5 million (31 December 2002: RMB48.5 million) comprising short-term bank loans of approximately RMB41.5 million which will be repayable within one year and a long-term bank loan of approximately RMB7.0 million which will be repayable in November 2005. The short-term bank loans were at variable interest rates ranging from 5.841% to 6.435% per annum. The long-term bank loan was at fixed rate of 5.841% per annum.

The Group's current ratio, as a ratio of current assets to current liabilities, was approximately 3.2 (31 December 2002: 2.0) and the Group's gearing ratio, as a ratio of total interest-bearing borrowings to total assets, was approximately 15.6% (31 December 2002: 24.3%).

Since the Group's transactions are mostly settled by Hong Kong dollars and Renminbi, the exposure to foreign exchange fluctuations is minimal, therefore no use of financial instruments for hedging purpose is considered necessary.

PLEDGE OF ASSETS

As at 30 June 2003, bank deposit of approximately RMB345,000 (2002: RMB765,000) was pledged to a bank to secure banking facilities granted to the Group.

CONTINGENT LIABILITIES

As at 30 June 2003, the Group did not have any material contingent liabilities.

USE OF PROCEEDS

The Group raised approximately HKD88.4 million (approximately RMB93.7 million) net of related expenses from the issue of 82,800,000 new shares in connection with the listing of the Company's shares on the Stock Exchange on 2 July 2003. Subsequent to the balance sheet date and upon the listing of the Company's shares on the Stock Exchange, the net proceeds had been applied as follow:

- approximately RMB12.6 million to acquire additional machinery and equipment for the expansion of the manufacturing capacity of the production plant located in Fuqing.

The remaining proceeds are placed on fixed deposits with licensed banks in both Hong Kong and the PRC.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2003, the Group had 341 employees mainly in the PRC and Hong Kong. The Group remunerates its employees largely based on industry practice. Remuneration packages comprise salary, commission and bonuses based on individual performance.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2003, the interests and short positions of the Directors and chief executives in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which are required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO); or (b) to be recorded in the register required to be kept pursuant to section 352 of the SFO; or (c) pursuant to the Model Code for Securities Transactions by Directors of Listed Companies to be notified to the Company and the Stock Exchange were as follows:

Long positions in the shares of the Company

Name	Nature of Interests	Number of shares held	Approximate percentage of shareholding
Mr. Yang Zongwang ("Mr. Yang")	Corporate	191,500,000 *(Note)*	50.03%

Note:

These shares are registered in the name of and beneficially owned by Fu Teng Global Limited, a company incorporated in the British Virgin Islands, and whose entire issued share capital is owned by Mr. Yang.

At no time during the six months ended 30 June 2003 were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Directors or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was Company or any of its subsidiaries a party to any arrangement to enable the Directors to acquire such rights in or any other body corporate.

Save as disclosed above, as at 30 June 2003, none of the Directors and chief executives had interests in any securities of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which are required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have such provisions of the SFO); or (b) to be recorded in the register required to be kept pursuant to section 352 of the SFO; or (c) pursuant to the Model Code for Securities Transactions by Directors of the Listed Companies relating to securities transactions by directors to be notified to the Company and the Stock Exchange.

SUBSTANTIAL SHAREHOLDERS

So far as was known to the Directors or chief executive of the Company, as at 30 June 2003 other than the interests and short positions of the Directors or chief executives of the Company as disclosed above, the following persons or companies who had interests or short positions in the share of underlying shares which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under section 336 of the SFO were as follows:

Long positions in shares

Name of shareholder	Type of interests	Capacity	Number of shares	Shareholder's interests
Fu Teng Global Limited	Corporate	Beneficial owner	191,500,000 *(Note 1)*	50.03%
Ms. Yang Yunxian	Corporate	Interest of spouse	191,500,000 *(Note 1)*	50.03%
China Plaza Tradings Limited	Corporate	Beneficial owner	24,000,000 *(Note 2)*	6.27%
Mr. Lam Tun Kam	Corporate	Interest of a controlled corporation	24,000,000 *(Note 2)*	6.27%
Ms. Wong Wai Yan	Corporate	Interest of spouse	24,000,000 *(Note 2)*	6.27%
Luskin Star Enterprises Ltd.	Corporate	Beneficial owner	24,000,000 *(Note 3)*	6.27%
Ms. Chan Chau Wan	Corporate	Interest of a controlled corporation	24,000,000 *(Note 3)*	6.27%
Mr. Lam Ping Tung	Corporate	Interest of spouse	24,000,000 *(Note 3)*	6.27%
Dynamic Bright International Limited	Corporate	Beneficial owner	22,500,000 *(Note 4)*	5.88%
Mr. Chen Hong Liang	Corporate	Interest of a controlled corporation	22,500,000 *(Note 4)*	5.88%
Equity Eye International Limited	Corporate	Beneficial owner	21,000,000 *(Note 5)*	5.48%
Mr. Tong Yiu On	Corporate	Interest of a controlled corporation	21,000,000 *(Note 5)*	5.48%
Ms. Chen Zen Zen, Karen	Corporate	Interest of spouse	21,000,000 *(Note 5)*	5.48%

Notes:

1. Mr. Yang is the owner of the entire issued share capital of Fu Teng Global Limited. Mr. Yang and his spouse, Ms. Yang Yunxian, are taken to be interested in these 191,500,000 shares held by Fu Teng Global Limited by virtue of the SFO.

2. Mr. Lam Tun Kam is the owner of the entire issued share capital of China Plaza Tradings Limited. Mr. Lam Tun Kam and his spouse, Ms. Wong Wai Yan, are taken to be interested in these 24,000,000 shares held by China Plaza Tradings Limited by virtue of the SFO.

3. Ms. Chan Chau Wan is the owner of the entire issued share capital of Luskin Star Enterprises Ltd.. Ms. Chan Chau Wan and her spouse, Mr. Lam Ping Tung, are taken to be interested in these 24,000,000 shares held by Luskin Star Enterprises Ltd. by virtue of the SFO.

4. Mr. Chen Hong Liang is the owner of the entire issued share capital of Dynamic Bright International Limited. Mr. Chen Hong Liang is taken to be interested in these 22,500,000 shares held by Dynamic Bright International Limited by virtue of the SFO.

5. Mr. Tong Yiu On is the owner of the entire issued share capital of Equity Eye International Limited. Mr. Tong Yiu On and his spouse, Ms. Chen Zen Zen, Karen, are taken to be interested in these 21,000,000 shares held by Equity Eye International Limited by virtue of the SFO.

Save as disclosed above, as at 30 June 2003, the Directors were not aware of any other person who had an interest or short position in the shares or underlying shares which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under section 336 of the SFO.

SHARE OPTION SCHEME

Pursuant to the written resolutions passed by all of the shareholders of the Company on 2 June 2003, the Company had adopted a share option scheme (the "Scheme"). Under the Scheme, the Directors of the Company may, at their absolute discretion, invite any employee (whether full-time or part time, including any executive director), any non-executive directors (including independent non-executive directors), any supplier of goods or services, any customer, any person or entity that provides research, development or other technological support, any shareholder, any advisor (professional or otherwise) or consultant to any area of business or business development of the Group to take up options to subscribe for shares in the Company representing up to a maximum 10% of the shares in issue as at the date of commencement of listing of shares of the Company on the Stock Exchange and subject to renewal with shareholders' approval.

Up to the date hereof, no share options were granted pursuant to the Scheme.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

The Company's shares had been listed on the Stock Exchange since 2 July 2003. For the period up to the date of this report, neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities.

CODE OF BEST PRACTICE

The Company has complied with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") since the date of listing of the Company's shares, except that the independent non-executive Directors of the Company are not appointed for a specific term but are subject to retirement by rotation and re-election at the Company's annual general meeting in accordance with the Company's articles of association.

AUDIT COMMITTEE

The Company established an audit committee pursuant to a resolution of the Directors passed on 2 June 2003 in compliance with the Code of Best Practice as set out in Appendix 14 to the Listing Rules.

The audit committee consists of two independent non-executive Directors, namely, Mr. Tong Hing Wah and Mr. Chong Hoi Fung. 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 results for the period ended 30 June 2003.

By order of the Board
Yang Zongwang
Chairman

Hong Kong, 16 September 2003