

# NEW ISLAND PRINTING HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

## INTERIM REPORT 2003/2004

### INTERIM RESULTS

The Board of Directors (“the Directors”) of New Island Printing Holdings Limited (“the Company”) announces the unaudited consolidated results of the Company and its subsidiaries (“the Group”) for the six months ended 30th September, 2003 as follows:

### CONSOLIDATED INCOME STATEMENT

*For the six months ended 30th September, 2003 — Unaudited*

*(Expressed in Hong Kong dollars)*

		Six months ended 30th September,	
		2003	2002
			restated
	Note	\$'000	\$'000
<b>Turnover</b>	2	<b>240,976</b>	247,094
Cost of sales		(181,773)	(190,509)
		<b>59,203</b>	56,585
Other revenue		679	580
Other net income		363	312
Selling and distribution costs		(9,977)	(10,844)
Administrative expenses		(25,150)	(25,613)
Profit from operations	2	<b>25,118</b>	21,020
Finance costs	3	(5,799)	(5,613)
<b>Profit from ordinary activities before taxation</b>	3	<b>19,319</b>	15,407
Taxation	4	(3,889)	(2,805)
<b>Profit attributable to shareholders</b>		<b>15,430</b>	12,602
<b>Proposed interim dividend</b>	5(a)	<b>2,225</b>	2,225
<b>Earnings per share</b>	6	<b>6.93 cents</b>	5.66 cents

*The notes on pages 6 to 13 form part of this interim financial report.*

**CONSOLIDATED BALANCE SHEET**  
*At 30th September, 2003 — Unaudited*  
*(Expressed in Hong Kong dollars)*

		At 30th September, 2003		At 31st March, 2003	
	Note	\$'000	\$'000	\$'000	restated \$'000
<b>NON-CURRENT ASSETS</b>					
Fixed assets			404,279		407,710
<b>CURRENT ASSETS</b>					
Inventories		95,000		98,250	
Trade debtors, prepayments and deposits	7	120,074		103,203	
Pledged bank deposits	8	—		8,500	
Cash at bank and in hand		32,834		47,050	
			247,908		257,003
<b>CURRENT LIABILITIES</b>					
Bank loans and overdrafts					
— secured	9	82,420		91,123	
— unsecured	9	121,742		122,523	
Obligations under finance leases	10	4,111		4,111	
Trade creditors and accrued charges	11	76,145		76,031	
Bills payable	12	32,205		29,697	
Taxation		3,189		2,070	
			319,812		325,555
<b>NET CURRENT LIABILITIES</b>			(71,904)		(68,552)
<b>TOTAL ASSETS LESS</b>					
<b>CURRENT LIABILITIES</b>			332,375		339,158

**CONSOLIDATED BALANCE SHEET***At 30th September, 2003 — Unaudited (Continued)**(Expressed in Hong Kong dollars)*

		At 30th September, 2003		At 31st March, 2003	
	Note	\$'000	\$'000	\$'000	restated \$'000
<b>NON-CURRENT LIABILITIES</b>					
Bank loans					
— secured	9	30,787		40,533	
— unsecured	9	15,618		25,430	
Obligations under finance leases	10	952		3,020	
Deferred tax liabilities		23,343		21,345	
			(70,700)		(90,328)
<b>NET ASSETS</b>			<b>261,675</b>		<b>248,830</b>
<b>CAPITAL AND RESERVES</b>					
Share capital	13		22,253		22,253
Reserves	14		239,422		226,577
			<b>261,675</b>		<b>248,830</b>

*The notes on pages 6 to 13 form part of this interim financial report.*

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**For the six months ended 30th September, 2003 — Unaudited**  
*(Expressed in Hong Kong dollars)*

		<b>Six months ended</b>	
		<b>30th September,</b>	
		<b>2003</b>	<b>2002</b>
	<i>Note</i>	<b>\$'000</b>	<b>restated</b>
		<b>\$'000</b>	<b>\$'000</b>
<b>Shareholders' equity at 1st April</b>			
— as previously reported		<b>270,175</b>	259,327
— prior period adjustment arising from change in accounting policy with respect to income taxes	<i>1(b)</i>	<b>(21,345)</b>	(18,931)
— as restated		<b>248,830</b>	240,396
<b>Exchange differences arising on translation of the financial statements of subsidiaries outside Hong Kong</b>			
	<i>14</i>	<b>(360)</b>	(244)
<b>Losses not recognised in the income statement</b>			
		<b>(360)</b>	(244)
<b>Dividends approved in respect of the previous year</b>			
	<i>14</i>	<b>(2,225)</b>	—
<b>Net profit for the period</b>			
— as previously reported			12,168
— prior period adjustment arising from change in accounting policy with respect to income taxes	<i>1(b)</i>		434
Net profit for the period (2002: as restated)	<i>14</i>	<b>15,430</b>	12,602
<b>Shareholders' equity at 30th September</b>		<b>261,675</b>	252,754

*The notes on pages 6 to 13 form part of this interim financial report.*

**CONDENSED CONSOLIDATED CASH FLOW STATEMENT**  
*For the six months ended 30th September, 2003 — Unaudited*  
*(Expressed in Hong Kong dollars)*

	<b>Six months ended</b>	
	<b>30th September,</b>	
	<b>2003</b>	<b>2002</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Net cash from/(used in) operating activities</b>	<b>44,966</b>	(4,376)
<b>Net cash used in investing activities</b>	<b>(20,048)</b>	(38,150)
<b>Net cash (used in)/from financing activities</b>	<b>(33,500)</b>	15,082
<b>Net decrease in cash and cash equivalents</b>	<b>(8,582)</b>	(27,444)
<b>Cash and cash equivalents at 1st April</b>	<b>(6,649)</b>	1,621
<b>Cash and cash equivalents at 30th September</b>	<b>(15,231)</b>	(25,823)
<b>Analysis of the balances of cash and cash equivalents</b>		
Cash at bank and in hand	<b>32,834</b>	36,067
Bank overdrafts	<b>(48,065)</b>	(53,390)
	<b>(15,231)</b>	(17,323)
Cash at bank pledged	—	(8,500)
	<b>(15,231)</b>	(25,823)

Cash and cash equivalents at 30th September, 2003 include Rmb30,140,000 (30th September, 2002: Rmb23,361,000) held by subsidiaries in the People's Republic of China ("PRC"). The Renminbi is not a freely convertible currency.

*The notes on pages 6 to 13 form part of this interim financial report.*

## NOTES ON THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars)

### 1. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

#### (a) *Basis of preparation*

This interim financial report is unaudited, but has been reviewed by KPMG in accordance with Statement of Auditing Standards 700 “Engagements to review interim financial reports”, issued by the Hong Kong Society of Accountants (“HKSA”). KPMG’s independent review report to the Board of Directors is included on page 14.

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

The financial information relating to the financial year ended 31st March, 2003 included in the interim financial report does not constitute the Company’s statutory financial statements for that financial year but is derived from those financial statements. Statutory financial statements for the year ended 31st March, 2003 are available from the Company’s office in Hong Kong. The auditors have expressed an unqualified opinion on those financial statements in their report dated 18th July, 2003.

The same accounting policies adopted in the financial statements for the year ended 31st March, 2003 have been applied to the interim financial report, except as disclosed in note 1(b) below.

The notes on the interim financial report include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the annual financial statements for the year ended 31st March, 2003.

#### (b) *Income taxes*

In prior years, deferred tax liabilities were provided using the liability method in respect of the taxation effect arising from all material timing differences between the accounting and tax treatment of income and expenditure, which were expected with reasonable probability to crystallise in the foreseeable future. Deferred tax assets were not recognised unless their realisation was assured beyond reasonable doubt.

With effect from 1st April, 2003, in order to comply with SSAP 12 (revised) issued by the HKSA, deferred tax liabilities are provided using the balance sheet liability method in respect of all temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profits, using the appropriate current rates of taxation ruling in tax jurisdictions in which the Group operates. Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

As a result of the adoption of this accounting policy, the Group’s profit attributable to shareholders for the period ended 30th September, 2003 has been decreased by \$1,998,000 (2002: increased by \$434,000). Net assets as at 30th September, 2003 have been decreased by \$23,343,000 (31st March, 2003: \$21,345,000). The new accounting policy has been adopted retrospectively, with the opening balance of retained profits and the comparative information adjusted for the amounts relating to prior periods as disclosed in the unaudited consolidated statement of changes in equity.

## 2. SEGMENTAL INFORMATION

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

In prior years, the Group's business principally participated in two economic environments classified by the location of assets, i.e. Hong Kong and other areas of the PRC. During the year ended 31st March, 2003, the Group relocated its production unit in Hong Kong to the PRC. Thereafter, the Group's business participates in only one geographical location classified by the location of assets, i.e. other areas of the PRC.

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

Segment revenue and segment results of geographical locations of assets during the period are as follows:

	Hong Kong		Other areas of the PRC		Inter-segment elimination		Unallocated		Consolidated	
	Six months ended 30th September, 2003		Six months ended 30th September, 2002		Six months ended 30th September, 2003		Six months ended 30th September, 2002		Six months ended 30th September, 2003	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue from										
external customers	—	157,209	240,976	89,885	—	—	—	—	240,976	247,094
Inter-segment revenue	—	51,505	—	44,970	—	(96,475)	—	—	—	—
Other revenue										
from external customers	—	228	679	268	—	—	—	84	679	580
<b>Total</b>	<b>—</b>	<b>208,942</b>	<b>241,655</b>	<b>135,123</b>	<b>—</b>	<b>(96,475)</b>	<b>—</b>	<b>84</b>	<b>241,655</b>	<b>247,674</b>
Segment result	—	3,235	25,118	19,381	—	—	—	—	25,118	22,616
Unallocated operating income and expenses									—	(1,596)
Profit from operations									25,118	21,020
Finance costs									(5,799)	(5,613)
Taxation									(3,889)	(2,805)
Profit attributable to shareholders									15,430	12,602

### 3. PROFIT FROM ORDINARY ACTIVITIES BEFORE TAXATION

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

	Six months ended 30th September,	
	2003 \$'000	2002 \$'000
Cost of inventories	181,773	190,509
Finance charges on obligations under finance leases	85	190
Interest payable on bank loans and overdrafts	5,714	5,423
Depreciation	16,622	14,218
Provision for bad debts	1,500	2,705
Relocation costs	—	5,002
Loss/(gain) on disposal of fixed assets	86	(55)

### 4. TAXATION

	Six months ended 30th September,	
	2003 \$'000	2002 restated \$'000
<i>Current tax</i>		
Provision for Hong Kong Profits Tax at 17.5% (2002: 16%) of the estimated assessable profits for the period	1,160	—
PRC income tax	731	3,239
	1,891	3,239
<i>Deferred tax</i>		
Origination and reversal of temporary differences	1,998	(434)
Total income tax expense	3,889	2,805

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



## 5. DIVIDENDS

(a) *Dividend attributable to the interim period*

	<b>Six months ended 30th September,</b>	
	<b>2003</b>	<b>2002</b>
	<b>\$'000</b>	<b>\$'000</b>
Interim dividend declared after the interim period end of 1 cent per share (2002: 1 cent per share)	<b>2,225</b>	2,225

The interim dividend declared after the interim period end has not been recognised as a liability at 30th September, 2003.

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

	<b>Six months ended 30th September,</b>	
	<b>2003</b>	<b>2002</b>
	<b>\$'000</b>	<b>\$'000</b>
Final dividend in respect of the previous financial year, approved and paid during the interim period, of 1 cent per share (2002: Nil cent per share)	<b>2,225</b>	—

## 6. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the consolidated profit attributable to shareholders of \$15,430,000 (2002 restated: \$12,602,000) and on the weighted average of 222,529,000 shares (2002: 222,529,000 shares) in issue during the period.

## 7. TRADE DEBTORS, PREPAYMENTS AND DEPOSITS

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

	<b>At 30th September,</b>	<b>At 31st March,</b>
	<b>2003</b>	<b>2003</b>
	<b>\$'000</b>	<b>\$'000</b>
Current	<b>67,811</b>	53,901
1 to 3 months overdue	<b>34,199</b>	26,810
More than 3 months overdue	<b>7,543</b>	11,001
	<b>109,553</b>	91,712

## 8. PLEDGED BANK DEPOSITS

At 31st March, 2003, a bank deposit of \$8,500,000 was pledged as security against banking facilities extended to the Group. There were no pledged bank deposits at 30th September, 2003.

## 9. BANK LOANS AND OVERDRAFTS

At 30th September, 2003, the bank loans and overdrafts were repayable as follows:

	At 30th September, 2003 \$'000	At 31st March, 2003 \$'000
Within one year	204,162	213,646
After one but within two years	31,413	40,156
After two but within five years	14,992	25,807
	46,405	65,963
	<b>250,567</b>	<b>279,609</b>

At 30th September, 2003, the bank loans and overdrafts were secured as follows:

	At 30th September, 2003 \$'000	At 31st March, 2003 \$'000
Bank overdrafts		
- secured	8,574	10,234
- unsecured	39,491	43,465
	48,065	53,699
Bank loans		
- secured	104,633	121,422
- unsecured	97,869	104,488
	202,502	225,910
	<b>250,567</b>	<b>279,609</b>

Certain banking facilities and loans granted to the Group are secured by mortgages over the Group's land, buildings and machinery with an aggregate carrying value of \$192,404,000 (31st March, 2003: \$200,337,000) at 30th September, 2003. Such banking facilities, amounting to \$135,821,000 (31st March, 2003: \$180,534,000) were utilised to the extent of \$123,870,000 (31st March, 2003: \$143,255,000) at 30th September, 2003.

## 10. OBLIGATIONS UNDER FINANCE LEASES

At 30th September, 2003, the obligations under finance leases were payable as follows:

	At 30th September, 2003			At 31st March, 2003		
	Present value of the minimum lease payments \$'000	Interest expense relating to future periods \$'000	Total minimum lease payments \$'000	Present value of the minimum lease payments \$'000	Interest expense relating to future periods \$'000	Total minimum lease payments \$'000
Within 1 year	4,111	81	4,192	4,111	151	4,262
After 1 year but within 2 years	952	13	965	2,587	40	2,627
After 2 years but within 5 years	—	—	—	433	3	436
	952	13	965	3,020	43	3,063
	5,063	94	5,157	7,131	194	7,325

## 11. TRADE CREDITORS AND ACCRUED CHARGES

Included in trade creditors and accrued charges are trade creditors with the following ageing analysis:

	At 30th September, 2003 \$'000	At 31st March, 2003 \$'000
Current	31,704	28,296
1 to 3 months overdue	22,193	18,775
More than 3 months overdue	643	2,090
	54,540	49,161

## 12. BILLS PAYABLE

An ageing analysis of bills payable is as follows:

	At 30th September, 2003 \$'000	At 31st March, 2003 \$'000
Due within 1 month	9,935	13,457
Due after 1 month but within 2 months	10,942	6,714
Due after 2 months but within 3 months	11,328	9,526
	32,205	29,697

### 13. SHARE CAPITAL

	No. of shares '000	Amount \$'000
Issued and fully paid shares of \$0.1 each:		
At 1st April, 2003 and 30th September, 2003	222,529	22,253

### 14. RESERVES

	Share premium \$'000	Exchange reserve \$'000	Statutory surplus reserves \$'000	Other reserves \$'000	Retained profits \$'000	Total \$'000
At 1st April, 2003						
- as previously reported	37,741	(6,540)	8,919	3,556	204,246	247,922
- prior period adjustment arising from change in accounting policy with respect to income taxes	—	—	—	—	(21,345)	(21,345)
- as restated	37,741	(6,540)	8,919	3,556	182,901	226,577
Exchange differences on translation of financial statements of subsidiaries outside Hong Kong	—	(360)	—	—	—	(360)
Dividends approved in respect of the previous year	—	—	—	—	(2,225)	(2,225)
Profit for the period	—	—	—	—	15,430	15,430
At 30th September, 2003	37,741	(6,900)	8,919	3,556	196,106	239,422

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

According to the prevailing PRC laws and regulations, a wholly-owned foreign enterprise is required to transfer a certain percentage of its profit after taxation to a statutory surplus reserve until the surplus reserve balance reaches 50% of the registered capital of the enterprise. The transfer to the reserve has to be made before distribution of dividends to shareholders. The statutory surplus reserve can be used to make good previous years' losses, and are not distributable to shareholders.

Other reserves were set up by the Group's PRC subsidiaries in accordance with their articles of association. The amounts to be transferred to these reserves are determined by the respective board of directors. They can be used to convert into paid-up capital, and are not distributable to shareholders.

## **15. CONTINGENT LIABILITIES**

The Company has given guarantees to banks and leasing companies to secure facilities of \$355 million (31st March, 2003: \$375 million) granted to subsidiaries, of which \$231 million (31st March, 2003: \$252 million) were utilised at 30th September, 2003.

## **16. MATERIAL RELATED PARTY TRANSACTIONS**

During the period, the Group entered into transactions with companies which are controlled by an Independent Non-Executive Director amounting to \$6,762,000 (2002: \$7,263,000), under normal commercial terms.

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

## **17. COMMITMENTS**

- (a) At 30th September, 2003, the Group had outstanding commitments in respect of the acquisition of land, plant and machinery of \$6,295,000 (31st March, 2003: \$18,482,000).
- (b) At 30th September, 2003, the Group had commitments to contribute capital of \$31,305,000 (31st March, 2003: \$31,305,000) to certain subsidiaries in the PRC.

## **18. APPROVAL OF INTERIM FINANCIAL REPORT**

The interim financial report was approved by the Board of Directors on 12th December, 2003.

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

*(Incorporated in Bermuda with limited liability)*

We have been instructed by the Company to review the interim financial report set out on pages 1 to 13.

**Respective responsibilities of directors and auditors**

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

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

**Review conclusion**

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

**KPMG**

*Certified Public Accountants*

Hong Kong, 12th December, 2003

## **BUSINESS REVIEW AND OUTLOOK**

The Group reported a turnover of approximately HK\$241.0 million for the six months period ended 30th September, 2003 (the "Review Period") as compared to approximately HK\$247.1 million for the corresponding period in 2002/2003 (the "Corresponding Period"). Profit before taxation and profit attributable to shareholders for the Review Period amounted to approximately HK\$19.3 million and HK\$15.4 million, as compared to approximately HK\$15.4 million and HK\$12.6 million for the Corresponding Period.

Due to the severe market competition in the packaging printing industry, there was a slight decrease of approximately 2.5% in turnover during the Review Period as compared to the Corresponding Period. However, despite the drop in turnover, the gross profits increased by approximately 4.6% after the relocation of the production facilities from Hong Kong to Dongguan in 2002 and the Group was able to take advantage of the lower production costs in the PRC. The savings in operation costs were mainly due to the relocation and as a result, the gross profit margin of the Group improved from approximately 22.9% during the Corresponding Period to approximately 24.6% during the Review Period.

There was also a decrease of approximately 8% and 1.8% in the selling and distribution costs and administrative expenses respectively during the Review Period as compared to the Corresponding Period. The savings were the results of the Group's cost control and the fact that the majority of the relocation expenses of the production facilities from Hong Kong to Dongguan were reflected in the Corresponding Period.

Looking ahead, the Directors are optimistic that further savings would be achieved in the second half of the financial year after the initial set up period when the operations of the new Dongguan plant had begun to run smoothly. The Directors are also confident that the relocation would better position the Group to meet the opportunities arising from the accession of China to the World Trade Organisation.

## **FINANCIAL AND CAPITAL RESOURCES**

During the Review Period, the Group invested a total of approximately HK\$13 million on fixed assets investment. The daily operating activities of the Group were funded by profits generated from operations and banking facilities.

The Directors believe that the financial position of the Group is sound and that the Group has adequate resources to meet its financial commitments in the foreseeable future. As at 30th September, 2003, the borrowings of the Group, which were either denominated in Hong Kong dollars or Chinese Renminbi, amounted to approximately HK\$288 million (31st March, 2003: HK\$316 million). Of this amount, approximately HK\$124 million (31st March, 2003: HK\$143 million) was secured by mortgages over the Group's land, buildings and machinery with an aggregate net book value of approximately HK\$192 million (31st March, 2003: HK\$200 million). The gearing ratio (defined as total interest-bearing borrowings divided by total assets) of the Group as at 30th September, 2003 was approximately 44% (31st March, 2003: 48%). There was a decrease in the gearing ratio as there was an increase in profits generated from operations during the Review Period.

## STAFF

As at 30th September, 2003, the Group had a total staff of 2,731 (31st March, 2003: 2,950) of which 2,644 (31st March, 2003: 2,845) were employed in the PRC for the Group's manufacturing and distribution businesses.

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

## INTERIM DIVIDEND

The Directors have resolved to declare an interim dividend of HK1 cent (2002: HK1 cent) per share for the six months ended 30th September, 2003 payable on 13th January, 2004 to the shareholders whose names appear on the register of members of the Company on 9th January, 2004.

## CLOSURE OF THE REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 5th January, 2004 to Friday, 9th January, 2004 both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the interim dividend, all share certificates with completed transfer forms must be lodged with the Company's Registrars in Hong Kong, Standard Registrars Limited at G/F., Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong not later than 4:30 p.m. on Friday, 2nd January, 2004.

## DIRECTORS' INTERESTS IN SHARES

As at 30th September, 2003, the interests of the Directors, chief executive and their associates in the shares of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register maintained by the Company pursuant to Section 352 of the SFO were as follows:

### (a) Long positions in shares of the Company

Name of Directors	Number of ordinary shares			Percentage of total issued capital
	Personal (Note 1)	Corporate (Note 2)	Total	
Madam So Chau Yim Ping, JP	19,800,000	132,000,000	151,800,000	68.22%
Mrs. Cheong So Ka Wai, Patsy	3,300,000	—	3,300,000	1.48%
Mrs. Fung So Ka Wah, Karen	3,300,000	—	3,300,000	1.48%
Mr. So Wah Sum, Conrad	3,300,000	—	3,300,000	1.48%
Madam Shea Chau Hung Ping	3,300,000	—	3,300,000	1.48%
The Hon. Ting Woo Shou, Kenneth, JP	105,000	—	105,000	0.05%

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



## DIRECTORS' INTERESTS IN SHARES (Continued)

### (a) Long positions in shares of the Company (Continued)

Notes:

1. All these shares are held by the respective Directors personally as beneficial owners.
2. Ka Chau Enterprises (B.V.I.) Limited ("Ka Chau") beneficially owned 132,000,000 shares as at 30th September, 2003. Madam So Chau Yim Ping, JP has a 60 per cent. interest in Ka Chau, and each of Mrs. Cheong So Ka Wai, Patsy and Mrs. Fung So Ka Wah, Karen has a 20 per cent. interest in Ka Chau. Accordingly, Madam So Chau Yim Ping, JP is deemed to be interested in the 132,000,000 shares owned by Ka Chau.

### (b) Long positions in the shares of subsidiaries

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

Note: All the above non-voting deferred shares are held by the respective Directors personally as beneficial owners.

Save as disclosed herein, as at 30th September, 2003, none of the Directors, chief executive and their associates, had any interest in long or short positions in the shares or underlying shares of the Company and its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company under Section 352 of the SFO.

### SUBSTANTIAL SHAREHOLDERS

Save for those shares referred to in the Directors' interests in shares above, no person or corporation had any interest in the issued share capital of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register kept by the Company pursuant to Section 336 of the SFO.

## **ARRANGEMENT TO PURCHASE SHARES**

No share options were outstanding during the period. The share option scheme of the Company was expired on 25th March, 2003.

At no time during the six months ended 30th September, 2003 was the Company or its subsidiaries a party to any arrangements to enable the Directors or the chief executives of the Company, or their spouses or children under the age of 18, to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

## **CODE OF BEST PRACTICE**

None of the Directors of the Company is aware of any information that would reasonably indicate that the Company is not, or was not, in compliance with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited throughout the six months ended 30th September, 2003, except that Independent Non-Executive Directors are not appointed for a specific term as they are subject to retirement by rotation and re-election at Annual General Meetings in accordance with the Company's Bye-law.

## **AUDIT COMMITTEE**

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

## **PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES**

During the six months ended 30th September, 2003, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's shares.

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

Hong Kong, 12th December, 2003