

The board of directors (the “Board”) of Samson Paper Holdings Limited (the “Company”) is pleased to present the interim financial report and condensed accounts of the Company and its subsidiaries (the “Group”) for the six months ended 30 September 2003. The consolidated results, consolidated cash flow statement and consolidated statement of changes in equity for the Group for the six months ended 30 September 2003, and the consolidated balance sheet as at 30 September 2003 of the Group, all of which are unaudited and condensed, along with comparative figures for the corresponding period and selected explanatory notes are as follows:-

## CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the period ended 30 September 2003

	Notes	Unaudited	
		Six months ended 30 September	
		2003	2002
		HK\$'000	HK\$'000
Turnover	2	<b>1,394,255</b>	1,342,078
Cost of sales		<b>(1,254,160)</b>	(1,200,839)
Gross profit		<b>140,095</b>	141,239
Other revenues		<b>4,077</b>	2,585
Selling expenses		<b>(47,980)</b>	(47,423)
Administrative expenses		<b>(38,301)</b>	(36,595)
Other operating expenses		<b>(9,556)</b>	(5,273)
Operating profit	3	<b>48,335</b>	54,533
Finance costs		<b>(18,797)</b>	(22,453)
Share of profit less loss of associated companies		<b>(542)</b>	(34)
Profit before taxation		<b>28,996</b>	32,046
Taxation	4	<b>(7,822)</b>	(5,705)
Profit attributable to shareholders		<b>21,174</b>	26,341
Dividends	5	<b>4,293</b>	4,293
Earnings per share	6	<b>4.9 cents</b>	6.1 cents
Interim dividend per share		<b>1.0 cent</b>	1.0 cent

## CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 September 2003

		<b>Unaudited</b>	Audited
		<b>30 September 2003</b>	31 March 2003
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Fixed assets		<b>149,032</b>	151,013
Interests in associated companies		<b>65,664</b>	67,708
Current assets			
Inventories		<b>231,541</b>	250,482
Accounts receivable, deposits and prepayments	7	<b>1,088,144</b>	850,444
Other investments		<b>24,112</b>	8,582
Cash and bank balances		<b>254,186</b>	241,847
		<b>1,597,983</b>	1,351,355
Current liabilities			
Accounts payable and accrued charges	8	<b>335,757</b>	240,864
Trust receipt loans	9	<b>537,990</b>	546,050
Taxation		<b>13,005</b>	6,222
Bank loans	9	<b>185,598</b>	179,837
		<b>1,072,350</b>	972,973
Net current assets		<b>525,633</b>	378,382
Total assets less current liabilities		<b>740,329</b>	597,103
Financed by:			
Share capital	10	<b>42,926</b>	42,926
Reserves		<b>499,078</b>	481,560
Proposed dividend		<b>4,293</b>	8,585
		<b>503,371</b>	490,145
Shareholders' funds		<b>546,297</b>	533,071
Bank loans	9	<b>182,737</b>	52,737
Deferred taxation		<b>11,295</b>	11,295
		<b>740,329</b>	597,103
Net asset value per share		<b>127 cents</b>	124 cents

## CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Unaudited	
	Six months ended 30 September	
	2003	2002
	HK\$'000	HK\$'000
Net cash (used in) / inflow from operating activities	(80,115)	94,397
Net cash (used in) / inflow from investing activities	(15,925)	7,040
Net cash inflow from / (used in) financing activities	108,379	(66)
Net increase in cash and cash equivalents	12,339	101,371
Cash and cash equivalents at 1 April	241,847	92,668
Cash and cash equivalents at 30 September	254,186	194,039
Analysis of balances of cash and cash equivalents		
Cash and bank balances	254,186	194,039

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Unaudited						
	Share capital	Share premium	Assets revaluation	Capital reserve	Exchange fluctuation reserve	Retained earnings	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April 2003, as previously reported	42,926	96,293	61,142	33,311	(892)	309,749	542,529
Changes in accounting policy – provision for net deferred tax liabilities	-	-	(9,458)	-	-	-	(9,458)
At 1 April 2003, as restated	42,926	96,293	51,684	33,311	(892)	309,749	533,071
Exchange differences					637	-	637
Net gains not recognised in the profit and loss account					(255)	309,749	533,708
Profit for the period	-	-	-	-	-	21,174	21,174
2002-2003 final dividend paid	-	-	-	-	-	(8,585)	(8,585)
	42,926	96,293	51,684	33,311	(255)	318,045	542,004
Proposed interim dividend	-	-	-	-	-	4,293	4,293
At 30 September 2003	42,926	96,293	51,684	33,311	(255)	322,338	546,297
At 1 April 2002, as previously reported	42,926	96,293	62,742	33,311	(126)	279,212	514,358
Changes in accounting policy – provision for net deferred tax liabilities	-	-	(9,458)	-	-	-	(9,458)
At 1 April 2002, as restated	42,926	96,293	53,284	33,311	(126)	279,212	504,900
Profit for the period	-	-	-	-	-	26,341	26,341
2001-2002 final dividend paid	-	-	-	-	-	(4,293)	(4,293)
	42,926	96,293	53,284	33,311	(126)	296,967	522,655
Proposed interim dividend	-	-	-	-	-	4,293	4,293
At 30 September 2002	42,926	96,293	53,284	33,311	(126)	301,260	526,948

## 1. Basis of preparation and accounting policies

The unaudited interim financial report has been reviewed by the Company's audit committee, and reviewed by the Company's auditors, PricewaterhouseCoopers, in accordance with Statement of Auditing Standard 700 "Engagements to review interim financial reports" issued by the Hong Kong Society of Accountants.

These unaudited consolidated condensed interim accounts are prepared in accordance with Hong Kong Statement of Standard Accounting Practice ("SSAP") No.25 "Interim Financial Reporting", issued by the Hong Kong Society of Accountants.

These condensed interim accounts should be read in conjunction with the 2003 annual financial statements.

The accounting policies and methods of computation used in the preparation of these condensed interim accounts are consistent with those used in the annual accounts for the year ended 31 March 2003 except that the Group has changed its accounting policies following its adoption of the revised SSAP No.12 "Income Taxes" issued by the Hong Kong Society of Accountants which is effective for accounting period commencing on or after 1 January 2003.

In prior years, deferred taxation was accounted for at the current taxation rate in respect of timing difference between profit as computed for taxation purposes and profit as stated in the accounts to the extent that a liability or an asset was expected to be payable or recoverable in the foreseeable future.

Under the revised SSAP 12, deferred taxation is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the accounts. Taxation rates enacted or substantively enacted by the balance sheet date are used to determine deferred taxation.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred taxation is provided on temporary differences arising on investments in subsidiaries, associates and joint ventures, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

The change in accounting policy has been applied retrospectively, and comparatives presented have been restated to conform the accounting policy. As a result, the Group's assets revaluation reserve as at 1 April 2002 and 2003 decreased by the same amount of HK\$9,458,000, which represent the amount of deferred tax liabilities in respect of the assets revaluation reserve previously recognised.

## 2. Segment information

The Group is engaged in trading and marketing of paper products. In accordance with the Group's internal financial reporting, the Group has determined that business segments, which comprises only trading and marketing of paper products, be presented as the primary reporting format. Accordingly, an analysis of the Group's revenue and results for the period by business segments has not been presented.

The Group operates in two main geographical areas, Hong Kong and Mainland China. An analysis of the Group's turnover for the period by geographical segment is as follows:-

	<b>Six months ended 30 September</b>	
	<b>2003</b>	<b>2002</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Hong Kong	<b>851,156</b>	958,001
Mainland China	<b>543,099</b>	384,077
	<b><u>1,394,255</u></b>	<b><u>1,342,078</u></b>

No contribution to operating profit from any of the above geographical segment is substantially out of line with the normal ratio of profit to turnover.

### 3. Operating profit

Operating profit is stated after crediting and charging the following:

	Six months ended 30 September	
	2003	2002
	HK\$'000	HK\$'000
Crediting:		
Interest income	<u>3,147</u>	<u>2,006</u>
Charging:		
Depreciation of fixed assets	<u>5,427</u>	<u>5,416</u>

### 4. Taxation

Hong Kong profits tax has been provided at the rate of 17.5%(2002:16%) on the estimated assessable profit for the period. Taxation on profits assessable elsewhere has been calculated at the applicable rates of taxation prevailing in the countries in which the Group and the associated companies operate, based on existing legislation, interpretation and practices in respect thereof.

	Six months ended 30 September	
	2003	2002
	HK\$'000	HK\$'000
Hong Kong profits tax	6,910	5,520
Mainland China taxation	175	185
Share of taxation attributable to:		
Associated companies		
Taxation	210	–
Deferred taxation	<u>527</u>	<u>–</u>
Total taxation charge	<u>7,822</u>	<u>5,705</u>

### 5. Dividends

	Six months ended 30 September	
	2003	2002
	HK\$'000	HK\$'000
Proposed interim – HK\$0.01 (2002: HK\$0.01) per share	<u>4,293</u>	<u>4,293</u>

Note: This proposed dividend is not reflected as a dividend payable in these condensed accounts, but will be reflected as an appropriation of retained earnings for the year ending 31 March 2004.

### 6. Earnings per share

The calculation of earnings per share is based on the Group's unaudited consolidated profit attributable to shareholders of HK\$21,174,000 (2002:HK\$26,341,000) for the period and on the weighted average number of 429,258,039 (2002:429,258,039) shares of the Company in issue during the period.

### 7. Accounts receivable, deposits and prepayments

Included in accounts receivable, deposits and prepayments are trade debtors of HK\$990,982,000 (net of provision) (31 March 2003: HK\$787,979,000) and their ageing analysis is as follows:

	30 September	31 March
	2003	2003
	HK\$'000	HK\$'000
Current to 60 days	640,507	553,753
61 to 90 days	186,018	136,215
Over 90 days	<u>164,457</u>	<u>98,011</u>
	<u>990,982</u>	<u>787,979</u>

The Group has a defined credit policy with general credit terms ranging from 30 days to 90 days.

## 8. Accounts payable and accrued charges

Included in accounts payable and accrued charges are trade payable of HK\$323,899,000 (31 March 2003: HK\$208,078,000) and their ageing analysis is as follows:

	30 September 2003 HK\$'000	31 March 2003 HK\$'000
Current to 60 days	252,332	156,775
61 to 90 days	37,477	35,735
Over 90 days	34,090	15,568
	<u>323,899</u>	<u>208,078</u>

## 9. Bank loans

	30 September 2003 HK\$'000	31 March 2003 HK\$'000
Bank loans		
Secured	50,813	62,890
Unsecured	317,522	169,684
	<u>368,335</u>	<u>232,574</u>
Less: Amount repayable within one year classified under current liabilities	<u>(185,598)</u>	<u>(179,837)</u>
	<u>182,737</u>	<u>52,737</u>

At 30 September 2003, the Group's bank loans were repayable as follows:

	30 September 2003 HK\$'000	31 March 2003 HK\$'000
Within one year	185,598	179,837
In the second year	95,931	38,153
In the third to fifth years inclusive	86,806	14,584
	<u>368,335</u>	<u>232,574</u>

At 30 September 2003, trust receipt loans amounted to HK\$537,990,000 (31 March 2003: HK\$546,050,000) were repayable within one year from the balance sheet date.

## 10. Share Capital

	Number of share of HK\$0.10 each		Share capital	
	30 September 2003	31 March 2003	30 September 2003 HK\$'000	31 March 2003 HK\$'000
Authorised:	<u>800,000,000</u>	<u>800,000,000</u>	<u>80,000</u>	<u>80,000</u>
Issued and fully paid:	<u>429,258,039</u>	<u>429,258,039</u>	<u>42,926</u>	<u>42,926</u>

## 11. Contingent liabilities

The Company provided corporate guarantees on the banking facilities granted to four subsidiaries. The amount of such facilities utilized by the subsidiaries as at 30 September 2003 amounted to HK\$906,325,000 (31 March 2003: HK\$778,624,000).

## 12. Commitments

### (a) Forward exchange contracts

At 30 September 2003, the Group had outstanding forward exchange contracts to purchase American Dollars amounted to an aggregate of HK\$196,387,460 (31 March 2003: Nil).

### (b) Operating lease commitments

At 30 September 2003, the Group had total future aggregate minimum lease payments under non-cancellable operating leases in respect of land and buildings as follows:

	<b>30 September 2003 HK\$'000</b>	31 March 2003 HK\$'000
Within one year	<b>10,750</b>	9,434
In the second to fifth years inclusive	<b>8,515</b>	12,538
	<b><u>19,265</u></b>	<u>21,972</u>

## 13. Charge of assets

At 30 September 2003, trust receipt loans of HK\$205,477,000 (31 March 2003: HK\$175,289,000) and bank loans of HK\$50,813,000 (31 March 2003: HK\$62,890,000) were secured by legal charge on certain properties of the Group in Hong Kong.

14. Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current period.

## INTERIM DIVIDEND

The Board has resolved to declare the payment of an interim dividend of HK 1 cent (2002: HK 1 cent) per share for the six months ended 30 September 2003. The interim dividend will be payable to all shareholders of the Company whose names appear on the register of members of the Company on Friday, 9 January 2004. The interim dividend will be paid on or about Friday, 16 January 2004.

## CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Thursday, 8 January 2004 to Friday, 9 January 2004 both days inclusive, during which period no transfers of shares of the Company will be registered. In order to qualify for the interim dividend, all transfers of shares accompanied by the relevant share certificates must be lodged with the Company's branch registrars, Computershare Hong Kong Investor Services Limited at Suite 1901-5, 19th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:00 pm on Wednesday, 7 January 2004.

## MANAGEMENT DISCUSSION AND ANALYSIS

### The Economy

The economy was over-shadowed by the outbreak of Severe Acute Respiratory Syndrome ("SARS") for much of the period under review, which inevitably created an impact on the economy. Locally, export growth slowed down, especially between July and September due to the aftermath of SARS. Many business activities were postponed or even cancelled. The printing and publishing industries were also affected, as reflected by the lower level of orders on hand in the third quarter. As for the Mainland China market, strong economic growth helped to ease the SARS impact whilst lending support to the Hong Kong economy.

## **The Paper Industry**

The period saw an 18% fall in volume in the total amount of paper products imported into Hong Kong. As a result of SARS, the value of orders on hand in the Hong Kong printing and publishing industry experienced a mild drop of between 2% to 3% in the latter half of the review period.

During the period, there were ample supplies in the paper market, with prices showing a slight downward adjustment. By the end of the review period, prices of book printing papers and packaging boards were 4% and 9% lower than the level in March 2003.

## **Operations Review**

The Group's performance for the period was affected by the SARS epidemic. Despite the difficult business conditions, the Group recorded a modest growth of 4% in turnover to HK\$1,394,255,000. In volume terms, sales grew 5%. Gross profit was recorded at HK\$140,095,000. Profit attributable to shareholders was reported at HK\$21,174,000. The gross margin was 10.05% as compared to 10.50% in the corresponding period of last year. Earnings per share were HK4.9 cents.

The Board of Directors has resolved to pay an interim dividend of HK1.0 cent per share.

The reduction in net profit compared to the corresponding period of last year was attributable to reduced orders in the third quarter as a result of the SARS impact. In line with its prudent provision policy, the Group made a provision of HK\$2,300,000 for slow moving stock during the period. This partly explains the Group's lower profit for the period under review.

The Group continued to pursue its established strategy in expanding the Mainland China market. With 61% of turnover derived locally, Hong Kong remained the Group's major market, and the Group maintained its lead as the largest paper trader in the local paper market.

Over the years, the Group has established itself as a leader in the paper trading business. In addition, the acquisition of a paper manufacturing arm, the Singapore listed United Pulp & Paper ("UPP"), has enhanced the Group's strengths, enabling it to seize suitable opportunities.

To facilitate its business growth, UPP instituted a restructuring program during the period. The Directors remain positive in improving performance of this business arm.

During the period, contribution to turnover from the Mainland China market reached a new high of 39%, up from 28.6% in the corresponding period of last year. In value terms, sales in Mainland China rose 41% whilst in volume terms, it rose 36%. Having been active in the market for over nine years, the Group's extensive Mainland China presence now covers major cities including Beijing, Shanghai, Chongqing, Foshan and Shenzhen.

During the review period, sales contribution by product was maintained at stable levels, with book printing papers accounting for 41% and packaging boards accounting for 52%.

Sales and administration expenses were maintained at 6.19%, which is roughly the same level as in the previous six-months period. The Group is also pleased to see a further reduction in finance costs from 1.67% to 1.35%.

Faced with the challenging market environment, the Group's strategy was to step up its sales efforts to stimulate stock turnover. At the same time, the Group exercised a more prudent inventory policy in view of slackening demand. During the period, stock turnover decreased from 38 days to 36 days.



In view of the prevailing market conditions, the Group adopted a more prudent credit policy to manage its exposure to doubtful debts. As a result, the provision level was maintained at the same level as the previous six-months period. This includes a general provision of 0.1% of total sales.

Despite the disruptions from external factors, the Group's business fundamentals remained strong. In April, the Group successfully obtained a three-year HK\$260,000,000 revolving credit and term loan facility with a syndicate of twelve banks. The facility was over-subscribed by almost 50% for the original HK\$200,000,000. This reflects the Group's intrinsic financial strengths and its high credibility which is shared amongst the financial institution community. The loan proceeds were used to refinance debt and as new working capital for the Group.

### **Prospects**

Despite the SARS outbreak which created temporary disruptions, long term prospects for the Hong Kong economy remain sound with the Mainland China economy lending much support. In addition, Hong Kong's position as a centre for global printing and publishing activities holds a long history. As printers and publishers strive to raise their competitiveness, this advantage is expected to remain. More importantly, the Mainland China economy is expected to expand further, creating many business opportunities for the Group's future progression.

The price of paper should continue to reflect global supply and demand conditions, which are expected to remain steady.

The Group's business in Mainland China is expected to be a major growth driver. In this respect, the Group is committed to leveraging its early mover advantage to broaden the customer base even further.

The Group will continue to value a prudent financial management policy and customer orientation as important elements for accelerated growth. Given the thriving Chinese economy, the management is cautiously optimistic for its performances in the second half of the year.

### **EMPLOYEES AND REMUNERATION POLICIES**

As at 30 September 2003, the total number of the Group's employees was 380. The Group's remuneration policies are primarily based on prevailing market salary levels and the performance of the Group and the individual concerned. In addition to salary payment, other staff benefits including performance bonus, education subsidies, provident fund, medical insurance and share option are offered to reward our high-calibre staff. Training encompassing strategic, implementation, sales and marketing disciplines are offered to various levels of management on a regular basis.

### **LIQUIDITY AND FINANCIAL RESOURCES**

The Group's short term deposits and bank balances as at 30 September 2003 amounted to approximately HK\$254 million. To meet the demand of the Group, additional bank borrowings were drawn and their aggregate balance increased by HK\$128 million to HK\$906 million in the financial period ended 30 September 2003. At 30 September 2003, its gearing ratio, measured on the basis of the Group's total bank loans net of cash balances over the Group's shareholders' funds was 1.19 times (31 March 2003: 1.01 times). With bank balances and other current assets of HK\$1,598 million as well as available bank and trade facilities, the Directors believe that the Group has sufficient working capital to meet its present requirement.

The Group's foreign currency purchases were mainly denominated in United States dollars. Foreign exchange contracts and options were used, if necessary, to hedge the Group's foreign currency exposure.

## DIRECTORS' INTERESTS

As at 30 September 2003, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept by the Company under Section 352 of the SFO or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies ("Model Code") were as follows:–

### (a) Ordinary shares of HK\$0.10 each in the Company

	Number of ordinary shares beneficially held				Total
	Personal interest	Corporate interest	Family interest	Other interest	
Mr. LEE Seng Jin	11,624,000	–	–	268,340,000 (Note 1)	279,964,000
Ms. SHAM Yee Lan, Peggy	572,556	–	–	284,480,000 (Note 1 and 2)	285,052,556
Mr. CHOW Wing Yuen	540,000	–	–	–	540,000

#### Notes:

- (1) The 268,340,000 shares were held by Caewern Holdings Limited, the entire issued share capital of which is owned by Quinselle Holdings Limited, acting in its capacity as trustee of a private unit trust. HSBC International Trustee Limited, acting in its capacity as trustee of a family trust holds the majority units in the private unit trust. The objects of the family trust include Mr Lee Seng Jin and Ms Sham Yee Lan, Peggy.
- (2) Of the 284,480,000 shares, 16,140,000 shares were held by Morpeth Investments Limited, the entire issued share capital of which is owned by Cashstar Investments Limited, acting in its capacity as trustee of another private unit trust. HSBC International Trustee Limited, acting in its capacity as trustee of another family trust holds the majority units in the private unit trust. The object of the family trust includes Ms Sham Yee Lan, Peggy.

Other than as disclosed above, as at 30 September 2003, none of the Directors had any interests or short positions in the shares or underlying shares or debentures of the Company or any of its associated corporations which had been recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code.

### (b) Share Option Scheme

Pursuant to a share option scheme ("the Scheme") approved at a special general meeting of the Company held on 8 November 1995, the Directors may, at their discretion, invite employees and Directors of the Group to take up options to subscribe for shares in the Company subject to the terms and conditions stipulated therein. A summary of the Scheme is as follows:

#### (1) Purpose

The purpose of the Scheme is to provide an employee incentive compensation plan that is based on corporate performance and is tied to the Company's share value with the goal of increasing shareholders' wealth.

(2) *Eligible persons*

Any employee, including any executive director, of the Company and any of its subsidiaries.

(3) *Maximum number of shares*

The maximum number of shares available for issue is 42,925,803, representing approximately 10 percent of the issued share capital of the Company as at the date of this report.

(4) *Maximum entitlement of each eligible person*

No option shall be granted to an eligible person which if exercised in full would result in the total number of shares already issued and issuable to that eligible person under the Scheme exceeding 25% of the aggregate number of shares for the time being issued and issuable under the Scheme.

(5) *Time of exercise of option*

An option may be exercised in accordance with the terms of the Scheme at any time during the period to be notified by the Board to each grantee of the option at the date of grant provided that such period shall not exceed the period of ten years from 8 November 1995 but subject to the provisions for early termination of the option as contained in the rules of the Scheme.

(6) *Exercise price*

The option price per share payable on the exercise of an option is determined by the Directors as being not less than 80% of the average of the closing prices of the shares on the Stock Exchange as stated in the Stock Exchange's daily quotation sheets for the five trading days immediately preceding the date of offer of the option or the nominal value of the shares, whichever is the higher.

(7) *Remaining life of the Scheme*

The Scheme will remain in force until 8 November 2005.

As at 30 September 2003, no option has been granted under this Scheme.

Apart from the above, at no time during the period was the Company, its holding company or its subsidiaries a party to any arrangement to enable the Directors or chief executive of the Company (including their spouse or children under 18 years of age) to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate.

## **SUBSTANTIAL SHAREHOLDERS**

As at 30 September 2003, the interests and short positions (other than the Directors) in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO were as follows:–

<b>Name of shareholder</b>	<b>Number of ordinary shares</b>
Caewern Holdings Limited	268,340,000
HSBC International Trustee Limited ( <i>Note</i> )	284,480,000

Note:

Of the 284,480,000 shares, 268,340,000 shares were held by Caewern Holdings Limited and 16,140,000 shares were held by Morpeth Investments Limited. The entire issued share capital of Caewern Holdings Limited is owned by Quinselle Holdings Limited, acting in its capacity as trustee of a private unit trust. HSBC International Trustee Limited, acting in its capacity as trustee of a family trust holds the majority units in the private unit trust. The entire issued share capital of Morpeth Investments Limited is owned by Cashstar Investments Limited, acting in its capacity as trustee of another private unit trust. HSBC International Trustee Limited, acting in its capacity as trustee of another family trust holds the majority units in the private unit trust.

Save as mentioned above, as at 30 September 2003, the Company had not been notified of any interests and short positions in the shares and underlying shares of the Company which had been recorded in the register required to be kept under Section 336 of the SFO.

## **AUDIT COMMITTEE**

The principal activities of the Audit Committee (the “Committee”) include the review and supervision of the Group’s financial reporting process and internal controls. The Committee has reviewed the Group’s unaudited interim report for the six months ended 30 September 2003 before it was tabled for the Board’s approval. The review of the unaudited interim financial statements was conducted in conjunction with the Group’s external auditors.

## **PURCHASE, SALE OR REDEMPTION OF SHARES**

During the six months ended 30 September 2003 neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed securities.

## **COMPLIANCE WITH THE CODE OF BEST PRACTICE**

None of the Directors is aware of any information which would reasonably indicate that the Company is not, or was not during the six months ended 30 September 2003 in compliance with the Code of Best Practice as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) except that the non-executive Directors of the Company are not appointed for a specific term as they are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the Company’s Bye-laws.

## **PUBLICATION OF DETAILED RESULTS ANNOUNCEMENT ON THE STOCK EXCHANGE’S WEBSITE**

A detailed results announcement containing all the information in respect of the Company required by paragraphs 46(1) to 46(6) of Appendix 16 to the Listing Rules will be published on The Stock Exchange of Hong Kong Limited’s website in due course.

By order of the Board  
**SHAM Kit Ying**  
Chairman

Hong Kong, 15 December 2003