



INTERIM REPORT *2001*

**HH** 德信控股(亞太)有限公司  
HUDSON HOLDINGS LIMITED  
(Incorporated in Bermuda with limited liability)



## INTERIM RESULTS

The Board of Directors (the "Board") of Hudson Holdings Limited (the "Company") presents the unaudited condensed consolidated financial statements of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2001 together with the comparative figures.

### CONSOLIDATED PROFIT AND LOSS ACCOUNT

	Notes	Six months ended 30 June 2001 (Unaudited) HK\$'000	Six months ended 30 June 2000 (Unaudited) HK\$'000
TURNOVER	(3)	<b>63,298</b>	78,105
Other revenue	(4)	<b>11,893</b>	8,729
Contract costs		<b>(30,589)</b>	(30,425)
Cost of properties sold		<b>(376)</b>	(10,371)
Cost of inventories sold		<b>(18,115)</b>	—
Staff costs		<b>(9,214)</b>	(8,362)
Depreciation		<b>(1,046)</b>	(1,208)
Other operating expenses		<b>(13,284)</b>	(11,733)
PROFIT FROM OPERATING ACTIVITIES	(3), (5)	<b>2,567</b>	24,735
Finance costs	(6)	<b>(12,261)</b>	(12,454)
Share of profits and losses of:			
A jointly-controlled entity		<b>27,620</b>	22,713
Associates		<b>(444)</b>	—
PROFIT BEFORE TAX		<b>17,482</b>	34,994
Tax	(7)	<b>(8,687)</b>	(10,387)
PROFIT BEFORE MINORITY INTERESTS		<b>8,795</b>	24,607
Minority interests		<b>4,320</b>	4,082
NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS		<b>13,115</b>	28,689
EARNINGS PER SHARE (HK CENTS)	(8)		
Basic		<b>4.37</b>	9.56
Diluted		<b>N/A</b>	N/A
DIVIDEND PER SHARE (HK CENTS)	(9)	<b>1.00</b>	—



## CONDENSED CONSOLIDATED BALANCE SHEET

	Notes	30 June 2001 (Unaudited) HK\$'000	31 December 2000 (Audited) HK\$'000
NON-CURRENT ASSETS			
Fixed assets		29,237	29,098
Investment property		330,898	330,000
Properties under development		5,184	5,184
Interest in a jointly-controlled entity		(59,847)	(73,945)
Interests in associates		4,005	2,412
Investment securities		11,945	9,580
		<b>321,422</b>	<b>302,329</b>
CURRENT ASSETS	(10)	274,985	320,164
CURRENT LIABILITIES	(11)	(136,193)	(177,723)
NET CURRENT ASSETS		<b>138,792</b>	<b>142,441</b>
TOTAL ASSETS LESS CURRENT LIABILITIES		<b>460,214</b>	<b>444,770</b>
NON-CURRENT LIABILITIES			
Due to a joint venturer		(220,313)	(213,147)
MINORITY INTERESTS		(46,887)	(51,724)
		<b>193,014</b>	<b>179,899</b>
CAPITAL AND RESERVES			
Issued capital	(12)	30,000	30,000
Reserves	(13)	160,014	149,899
Proposed Dividend	(9)	3,000	—
		<b>193,014</b>	<b>179,899</b>



## CONDENSED CONSOLIDATED STATEMENT OF RECOGNISED GAINS AND LOSSES

	Six months ended	
	30 June 2001 (Unaudited) HK\$'000	30 June 2000 (Unaudited) HK\$'000
Net profit from ordinary activities attributable to shareholders	<u>13,115</u>	<u>28,689</u>
Total recognised gains	13,115	28,689
Discount on acquisition of a subsidiary	<u>—</u>	<u>2,045</u>
	<u>13,115</u>	<u>30,734</u>



## CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Six months ended 30 June 2001 (Unaudited) HK\$'000
Net cash outflow from operating activities	(31,691)
Net cash inflow from returns on investments and servicing of finance	3,173
Tax paid	(336)
Net cash inflow from investing activities	<u>6,175</u>
Net cash outflow before financing activities	(22,679)
Net cash inflow from financing activities	<u>8,763</u>
Decrease in cash and cash equivalents	(13,916)
Cash and cash equivalents at beginning of the period	<u>(6,080)</u>
Cash and cash equivalents at end of the period	<u><u>(19,996)</u></u>
Analysis of the balances of cash and cash equivalents	
Cash and bank balances	9,412
Pledged bank deposits	10,673
Bank overdrafts	(1,980)
Bank loans	(32,628)
Trust receipt loans	<u>(5,473)</u>
	<u><u>(19,996)</u></u>



## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 1. Accounting Policies

The unaudited condensed consolidated interim financial statements are prepared in accordance with Hong Kong Statement of Standard Accounting Practice (“SSAP”) 25 “Interim Financial Reporting”. These condensed interim accounts should be read in conjunction with the 2000 annual financial statements. The accounting policies and basis of preparation used in the preparation of these interim financial statements are the same as those used in the audited financial statements for the year ended 31 December 2000, except in relation to SSAP 14 (revised) “Leases”.

The Group has complied with SSAP 14 (revised) for the first time in this interim reporting period. As a result, aggregate future minimum operating lease commitments, instead of annual operating lease commitments, under non-cancellable operating leases are disclosed.

### 2. Comparative Cash Flow Statement

The comparative cash flow statement for the six months ended 30 June 2000 has not been prepared as permitted by the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (“Listing Rules”).



### 3. Segment Information

An analysis of the Group's turnover and contribution to profit from operating activities by principal activity and geographical area of operations is as follows:

	Turnover		Profit from operating activities	
	Six months ended		Six months ended	
	30 June		30 June	
	2001	2000	2001	2000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
By activity:				
General construction	33,912	63,097	(2,949)	23,244
Property development	241	8,279	(3,707)	3,076
Property investment	3,816	3,646	(83)	(1,449)
Property management and agency services	4,617	3,083	1,761	(136)
General trading	20,712	—	7,545	—
	<b>63,298</b>	78,105	<b>2,567</b>	24,735

By geographical area:

The People's Republic of China (the "PRC")	48,391	2,132	(523)	(8,529)
Hong Kong	14,907	75,973	3,090	33,264
Elsewhere				
	<b>63,298</b>	78,105	<b>2,567</b>	24,735

### 4. Other Revenue

	Six months ended 30 June	
	2001	2000
	HK\$'000	HK\$'000
Gain on disposal of subsidiaries	10,415	—
Interest income	388	913
Others	1,090	7,816
	<b>11,893</b>	8,729



## 5. Profit from Operating Activities

The Group's profit from operating activities is arrived at after charging:

	Six months ended 30 June	
	2001	2000
	HK\$'000	HK\$'000
Depreciation	1,046	1,208
Exchange loss, net	86	21

## 6. Finance Costs

	Six months ended 30 June	
	2001	2000
	HK\$'000	HK\$'000
Interest on:		
Bank loans, overdrafts and other loans wholly repayable within five years	2,703	2,316
Other Loans	9,558	10,138
	12,261	12,454

## 7. Tax

	Six months ended 30 June	
	2001	2000
	HK\$'000	HK\$'000
Group		
Hong Kong	—	967
Elsewhere	655	2,486
	655	3,453
Jointly-controlled entity		
Elsewhere	8,032	6,934
Tax charge for the period	8,687	10,387





Hong Kong profits tax has been provided at the rate of 16% (2000: 16%) on the estimated assessable profits arising in Hong Kong during the period. Taxes on profits assessable elsewhere have been calculated at the rate of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

## 8. Earnings per Share

The calculation of basic earnings per share is based on the net profit attributable to shareholders for the period of HK\$13.12 million (2000: HK\$28.69 million) and the weighted average number of 300,000,200 shares (2000: 300,000,000 shares) in issue during the period.

Diluted earnings per share for the six months ended 30 June 2001 and 2000 have not been calculated as no diluting events existed during these periods.

## 9. Interim Dividend

The Directors have resolved to declare an interim dividend of HK 1 cent (2000: Nil) per share for the six months ended 30 June 2001. The interim dividend will be paid to the shareholders whose names appear on the Register of Members of the Company at the close of business on 12 October 2001. The interim dividend will be paid on or around 29 October 2001.

## 10. Current Assets

	<b>30 June 2001 HK\$'000</b>	31 December 2000 HK\$'000
Cash and cash equivalents	<b>9,412</b>	36,368
Pledged bank deposits	<b>10,673</b>	27,752
Due from joint venturers	<b>7,793</b>	7,560
Prepayments, deposits and other receivables	<b>38,116</b>	3,300
Accounts receivable	<b>46,659</b>	93,154
Due from contract customers	<b>44,473</b>	32,901
Properties contracted for sale	<b>117,859</b>	119,129
Total	<b>274,985</b>	320,164



The ageing analysis of the Group's accounts receivable is as follows:

	<b>30 June 2001 HK\$'000</b>	31 December 2000 HK\$'000
Current	<b>3,047</b>	7,835
One month	<b>1,086</b>	3,558
Two to three months	<b>3,307</b>	6,745
Three months and more	<b>39,219</b>	75,016
	<b>46,659</b>	93,154

Receivables from construction contracts and the sale of properties are predetermined in accordance with the provisions of relevant agreements and are contractually payable to the Group within a specified period.

Trading with customers is largely on credit, except for new customers where payment in advance is normally required. Invoices are normally payable within one month of issuance, where the terms are extended to six months. Each customer has a maximum credit limit, which is granted and approved by senior management. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are regularly reviewed by senior management.

## 11. Current Liabilities

	<b>30 June 2001 HK\$'000</b>	31 December 2000 HK\$'000
Bank overdrafts, secured	<b>1,980</b>	6,326
Bank loans, unsecured	<b>32,628</b>	24,486
Trust receipt loans, secured	<b>5,473</b>	39,388
Due to a joint venturer	<b>7,376</b>	7,537
Customer deposits received	<b>16,787</b>	16,928
Accruals and other payables	<b>47,950</b>	48,682
Accounts payable	<b>4,331</b>	17,179
Due to contract customers	<b>4,016</b>	1,864
Tax payable	<b>15,652</b>	15,333
Total	<b>136,193</b>	177,723



The ageing analysis of the Group's accounts payable is as follows:

	<b>30 June 2001 HK\$'000</b>	31 December 2000 HK\$'000
Current	<b>1,664</b>	628
One month	<b>1,129</b>	5,930
Two to three months	<b>605</b>	2,636
Three months and more	<b>933</b>	7,985
	<b>4,331</b>	17,179

## 12. Share Capital

	<b>Company</b>	
	<b>30 June 2001 HK\$'000</b>	31 December 2000 HK\$'000
Authorised:		
1,000,000,000 (2000: 1,000,000,000) shares of HK\$0.10 each	<b>100,000</b>	100,000
Issued and fully paid:		
300,000,200 (2000: 300,000,200) shares of HK\$0.10 each	<b>30,000</b>	30,000

### 13. Reserves

	Share premium HK\$'000	Contributed surplus HK\$'000	Capital reserve HK\$'000	Investment property revaluation reserve HK\$'000	Property revaluation reserve HK\$'000	Exchange fluctuation reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1 January 2001	25,942	230	29,179	15,844	1,972	4,786	71,946	149,899
Net profit for the period	—	—	—	—	—	—	13,115	13,115
Proposed interim dividend	—	—	—	—	—	—	(3,000)	(3,000)
At 30 June 2001	25,942	230	29,179	15,844	1,972	4,786	82,061	160,014

### 14. Banking Facilities

At 30 June 2001, the Group's banking facilities were secured by the following:

- (1) legal charge on the Group's leasehold land and buildings situated in Hong Kong with net book value of HK\$6.39 million;
- (2) bank deposits of HK\$10.67 million of the Group;
- (3) a corporate guarantee executed by the Company; and
- (4) guarantees executed by a jointly-controlled entity.

### 15. Contingent Liabilities

As at 30 June 2001, guarantees to the extent of approximately HK\$36.08 million were given by the Group to certain banks in respect of mortgage loan facilities granted by the banks to the buyers of the properties developed by the Group.



## 16. Commitments

	30 June 2001 HK\$'000	31 December 2000 HK\$'000
Aggregate future minimum lease payments under non-cancellable operating leases in respect of land and buildings payable:		
Within one year	1,238	1,761
In the second to fifth years, inclusive	131	433
	<u>1,369</u>	<u>2,194</u>

## 17. Connected and Related Party Transactions

The Group had the following transactions with related parties during the period:

		Six months ended 30 June	
	Notes	2001 HK\$'000	2000 HK\$'000
Rental income from a joint venturer	(1)	624	624
Interest expense paid to a joint venturer	(2)	7,185	7,825
Interest expense paid to a jointly-controlled entity	(2)	<u>2,373</u>	<u>2,313</u>

Notes:

- (1) The rental income related to an investment property which was let to Wuhan Department Store Group Company Limited ("WDSG"), a joint venturer of the Group, as office premises pursuant to a rental agreement entered into between WDSG and Wuhan Huaxin Real Estate Development Co., Ltd. ("WHRED"), a 51% owned subsidiary of the Company, on 31 August 1998. The monthly rental of HK\$104,000 (2000: HK\$104,000) was determined with reference to the then open market rentals.
- (2) Interest was paid to Wuhan Plaza Management Co., Ltd. ("WPM"), a jointly-controlled entity of the Group, and WDSG, a joint venturer of the Group, pursuant to certain agreements dated 6 July 1999 entered into between WHRED and WPM; and WHRED and WDSG, respectively.

The related party transactions set out above, together with the transactions set out below, also constituted connected transactions as defined by the Listing Rules.



- (1) Pursuant to a rental agreement dated 31 August 1998 for the lease of office premises entered into between WHRED and Hudson-China Electronic Real Estate Development (Wuhan) Co., Ltd. ("Hudson-China"), a wholly owned subsidiary of the Company, WHRED received rental income of HK\$203,000 (2000: HK\$203,000) from Hudson-China.
  
- (2) Pursuant to a rental agreement dated 31 August 1998 for the lease of office premises entered into between WHRED and Wuhan Huaxin Management Limited ("WHML"), a 51% owned subsidiary of the Company, WHRED received rental of HK\$203,000 (2000: HK\$203,000) from WHML.

The above intra group rental income and expenses have been eliminated on consolidation.

The independent non-executive directors of the Company have reviewed and confirmed that all the above connected transactions were in the ordinary and usual course of the Group's business and were in accordance with the terms of the agreements governing the transactions and were fair and reasonable so far as the shareholders of the Company are concerned.

## **18. Comparative Figures**

Certain comparative figures have been reclassified to conform with current period's presentation.

## **19. Approval of the Interim Financial Statements**

These condensed interim financial statements were approved by the Board on 24 September 2001.



## MANAGEMENT DISCUSSION AND ANALYSIS

### Financial review

For the period ended 30 June 2001, the turnover of the Group recorded a decrease from HK\$78.1 million to HK\$63.3 million as compared with the same period last year. Net profit for the period amounted to HK\$13.12 million, a 54% decrease as compared with the same period last year but has a turn around effect from net loss of HK\$46 million for last year as a whole to net profit of HK\$13.12 million for half year.

As at 30 June 2001, cash and cash equivalents plus pledged bank deposits which were mainly denominated in Hong Kong dollars and Renminbi amounted to HK\$20 million. Bank overdrafts, bank loans and trust receipt loans which were mainly denominated in Hong Kong dollars and Renminbi amounted to HK\$40.1 million which represented a 43% reduction as compared with HK\$70.2 million as of 31 December 2000.

The gearing ratio of the Group calculated by total long term debts divided by total assets as at 30 June 2001 was 0.46. There was neither currency hedging activity nor financial instrument for hedging purposes during the period.

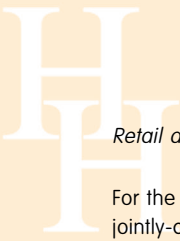
### Review of operation

#### *Construction and property development business*

The business environment for the first half of 2001 was difficult for construction companies. The volatility of US economy combined with the slow down of global business activities had a significant unfavorable impact on business prospects in Asia Pacific region. The sluggish property market in Hong Kong including over supply of residential properties further injected harmful effect to the construction industry. The Group continued its strategy in maintaining selective construction projects with stable revenue stream and strong liquidity background in Hong Kong. On the other hand, PRC market was relatively immune to the demise of the global economy slow-down as the development in PRC experienced strong growth. Satisfactory progress on existing PRC projects were recorded in the first half of 2001. Moreover, considerable effort had been put in the negotiation and tendering of construction projects. Part of these jobs were/will be commenced gradually throughout this year.

#### *Property investment business*

Revenue in property investment mainly came from the rental receipts of office buildings and residential units of Wuhan Plaza. The return was relatively stable due to the continuous demand and growth in the PRC property market.



### *Retail and management business*

For the six months ended 30 June 2001, Wuhan Plaza Management Co., Ltd. ("WPM"), a jointly-controlled entity, being the principal income stream in retail and management business of the Group, recorded a 9.4% increase in turnover over the same period last year. Share of profit also experienced a 24% growth due to the increasing consumption power in the PRC.

### **Future prospects**

In view of the unfavorable market situation, the Group will only maintain its existing exposure in the Hong Kong market. However, a team specialised in repair and maintenance will be developed to cater for increasing demand in related projects of government and railway corporations. Moreover, new management skill and technology will also be adopted to improve the profit margin.

On the other hand, the Group will take a proactive strategy in further developing our strength in "one-stop services" of design, build and management in the PRC. It is expected that more related projects will be awarded in the second half of this year in order to generate a more stable revenue for the Group in the years to come.

### **Employees and remuneration policy**

As at 30 June 2001, the Group employed approximately 382 staff in the PRC and Hong Kong.

Employees are remunerated based on their work performance, professional experiences and prevailing industry practices. The remuneration policy and package of the Group's employees are periodically reviewed by the management. Apart from pension funds and in-house training programs, discretionary bonuses and share options are granted to certain employees according to the assessment of individual performance.



## DIRECTORS' INTERESTS IN SHARES AND WARRANTS

At 30 June 2001, the interests of the directors in the share capital of the Company or its associated corporations, as recorded in the register maintained by the Company pursuant to Section 29 of the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance"), were as follows:

<b>Name of director</b>	<b>Notes</b>	<b>Number of shares held as corporate interest</b>	<b>Number of warrants held as corporate interest</b>
Mr. Choi Wai Him	(a)	177,000,000	19,493,750
Mr. Wong Chi Kwong	(b)	14,062,500	1,406,250

Notes:

- (a) 177,000,000 shares and 19,493,750 warrants are held by Perfect Land Limited of which the entire issued share capital is held by GMA Limited which is, in turn, wholly owned by Mr. Choi Wai Him. These 177,000,000 shares represented an aggregate of 59.0% of the issued share capital of the Company as at 30 June 2001.
- (b) 14,062,500 shares and 1,406,250 warrants are held by Capetown International Limited of which the entire issued share capital is held by Mr. Wong Chi Kwong. These 14,062,500 shares represented an aggregate of 4.69% of the issued share capital of the Company as at 30 June 2001.

Saved as disclosed above, none of the directors or their associates had any personal, family, corporate or other interest in the equity securities of the Company or any of its associated corporations, as defined in the SDI Ordinance.

## DIRECTORS' RIGHTS TO ACQUIRE SHARES

No option was granted under the Company's share option scheme to any director or their respective spouse or children under 18 years of age during the period.

Apart from the foregoing, at no time during the period were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company, its holding company or any of its subsidiaries and fellow subsidiaries a party to any arrangement to enable the Company's directors or their associates to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.



## **SUBSTANTIAL SHAREHOLDERS**

Other than the directors of the Company, whose interests are set out in the section "Directors' interests in shares and warrants" above, no person had registered an interest in the issued share capital of the Company that was required to be recorded pursuant to Section 16(1) of the SDI Ordinance.

## **PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY**

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the period.

## **AUDIT COMMITTEE**

The members of the audit committee of the Company comprise of Mdm. Chen Po Sum and Mr. Au Son Yiu, both being independent non-executive directors of the Company.

The audit committee has reviewed with the 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 consolidated interim financial statements for the six months ended 30 June 2001.

## **CLOSURE OF REGISTER OF MEMBERS**

The Register of Members of the Company will be closed from 15 October 2001 (Monday) to 19 October 2001 (Friday), both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the interim dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Registrar, Tengis Limited, at 4/F., Hutchison House, 10 Harcourt Road, Central, Hong Kong not later than 4:00 p.m. on 12 October 2001 (Friday). Warrant holders who wish to convert their warrants into shares in order to qualify for the interim dividend must lodge the duly completed subscription form together with the relevant warrant certificates accompanied by the subscription monies with the Company's Registrar not later than 4:00 p.m. on 12 October 2001.



## CODE OF BEST PRACTICE

In the opinion of the directors, the Company has complied with the Code of Best Practice as set out in Appendix 14 of the Listing Rules throughout the accounting period covered by this interim report, except that the independent non-executive directors of the Company are not appointed for specific terms as they are subject to retirement by rotation at the annual general meeting in accordance with bye-laws 87(1) and (2) of the Company.

By Order of the Board  
**Hudson Holdings Limited**  
**Choi Wai Him**  
*Chairman*