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KIM ENG HOLDINGS (HONG KONG) LIMITED

INTERIM REPORT

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A Chinese translation of this Interim Report is available from the Company, on request.

可向本公司索取本中期報告的中文譯本。

CHAIRPERSON'S STATEMENT

I am pleased to announce the unaudited interim financial results of the Company and its subsidiaries (the "Group") for the six months ended 30 September 2001. These results have been reviewed by the Company's auditors Grant Thornton in accordance with Statements of Auditing Standards applicable to review engagements and by the Audit Committee of the Board of Directors. The review report of the auditors is included in this interim report.

Suffered from poor market conditions in the region, the past six months were a very difficult period for us. Group turnover for the period fell by nearly 31% to HK\$50.9 million (2000: HK\$74.0 million) and a profit attributable to shareholders was HK\$22.5 million compared with HK\$74.0 million for the same period in 2000. The 69% drop in profit was mainly attributable to lower income brought about by the sluggish stock market activities in the region and non-repetition of hefty profit from sale of shares in Hong Kong Exchanges and Clearing Limited ("HKEx") this year.

The Directors have declared an interim dividend of HK10 cents per share for the six months ended 30 September 2001 to shareholders whose names appear on the Register of Members at the close of business on 28 December 2001.

BUSINESS REVIEW

Revenue

Securities and futures broking

Deeply hit by the global recession, we saw a sharp drop in stock market activities in the region in the period. Investor sentiment was flattened by the perceptions of an increasingly gloomy economic outlook. Revenue from securities and futures broking activities decreased by 35% in the first six months period compared to that last year amid the dismal state of the stock market, of which 91% was generated from Hong Kong market.

Interest income

Interest income fell sharply, nearly 42% to HK\$10.4 million (2000: HK\$17.9 million), principally attributable to a significant reduction in interest rates in both Hong Kong and US this year, and on account of the decline in bank balances of the Group. Bank balances fell by HK\$113.3 million during the period principally on account of the distribution of the final dividend and the payment of a cash bonus to shareholders for 2000/2001 totaling HK\$91.4 million.

Placements/underwriting/sub-underwriting and corporate finance advisory

On the account of poor market sentiment, total earnings from our corporate finance operations dropped by over 64% to HK\$4.7 million this year, of which HK\$1.5 million was derived from placements and underwriting and HK\$3.2 million from corporate finance advisory, respectively. During the period, the corporate finance team completed three IPOs and four financial advisory assignments including two for general offers.

Income from investment and trading of securities

Despite the deteriorating global economic outlook and poor market climate, the Group increased its investment and trading in securities during the period and thereby bolstered the amount of investment in securities to HK\$52 million at 30 September 2001. Net profit from securities investment and trading, included within the Group's turnover, rose exponentially to HK\$8.8 million (2000: HK\$1.6 million).

The Group sold its remaining 304,500 shares in the HKEx, which were received in exchange for 1 share in Hong Kong Futures Exchange Limited (“HKFE”) when it was demutualized in March 2000. This disposal realized HK\$4.2 million in profits.

Given its exceptional nature, the gains realized from the disposal of the HKEx shares have been excluded from the Group turnover as reported in the income statement. The profits are incorporated in the separate line item “Other Revenue” in the income statement.

Costs

Corresponding to the drop in Group revenue in the first six months, we saw a 25% decrease in other operating expenses. During the period, the Group increased the level of commission sharing ratios to salespeople pursuant to the prevailing market conditions. This combined with high staff turnover and expansion of the corporate finance team led to only a marginal drop in staff costs.

Liquidity and Financial Conditions

The Group had cash reserves of HK\$311.6 million, which excludes HK\$163.3 million of client funds that were kept in separate designated bank accounts, as at 30 September 2001. Most of cash reserves were placed in HK\$ and US\$ short-term deposits with major banks in Hong Kong.

Gearing ratio is measured on the basis of the Group’s total interest bearing debts net of own cash reserves over the Company’s shareholders’ funds as of the reporting date. Net of debt balances, the Group had net surplus cash of HK\$289.4 million and HK\$400.1 million at the close of 30 September 2001 and 31 March 2001, respectively. As such, a gearing ratio, as required under paragraph 40(2) of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”), at these two days did not exist.

GRANTING OF SIX MONTHS’ GRACE PERIOD

Kim Eng Holdings Limited (“KES”), the controlling shareholder of the Company made a voluntary conditional cash offer (“Offer”) in Singapore for the issued shares in Ong Asia Limited (“Ong Asia”) in September. One of the wholly-owned subsidiaries of Ong Asia, namely, Ong Asia Securities (HK) Limited (“OASHK”), is a dealer registered with the Securities and Futures Commission and a corporate exchange participant of The Stock Exchange of Hong Kong Limited (“SEHK”) and carries on the business of securities brokerage and dealing in Hong Kong. OASHK became a subsidiary of KES upon the Offer becoming unconditional on 3 September 2001 and KES was thus in breach of a deed of non-competition entered into between KES and the Company on 5 January 1998 (the “Deed”). Details of the Deed were disclosed in the Company’s prospectus dated 3 January 1998.

Subject to a review and assessment of KES of the business of OASHK after completion of the Offer, KES intended to carry on the respective businesses and operations of OASHK and the Group in Hong Kong separately as their operations focus on different market segments. The Company agreed to provide a grace period to KES of six months for evaluation of the position regarding the competition and conflict of interests between the respective businesses of OASHK and of the Group in Hong Kong. Details of six months’ grace period granted to KES could be found in our announcement dated 3 September 2001.

The review of the above situation is in progress at the date of this announcement. A further announcement will be made on this matter as and when appropriate.

PROSPECTS

The main source of the Group's income is derived from the securities and futures broking business, which is heavily dependent on external factors including, particularly, the domestic and regional economic outlook, market sentiment and movements in interest rates. Hong Kong and other countries in the Asia-Pacific region are particularly exposed to the U.S. economic cycle. The bursting of the U.S. technology bubble and the slowdown in the U.S. economy has severely impacted the region, impeding activity in stock markets in the first half. The 11 September attack tipped the U.S. economy into outright recession, hammering this region, with trading volume evaporating, investment flows drying up and investor sentiments shattered. As a result, the Group's operating performance is likely to remain depressed. Income is prone to further erosion in the second half of this year.

Whilst China's accession to the World Trade Organization is likely to benefit Hong Kong, the Group remains cautious on this and this alone will not haul the capital markets out of the trough in the short term.

Meanwhile, revolutionary changes advocated by local exchanges and regulators will further fuel the deterioration in the operating environment for securities practitioners in Hong Kong. These radical changes, particularly the imminent liberalization of commissions next April, and the proposed extension of trading hours, will intensify competition in the industry, squeeze profitability and exert hefty pressure on costs. Stockbrokers are also badly threatened by increasing direct participation by most licensed banks in the stockbroking business in Hong Kong. These changes are detrimental to our long-term competitiveness.

Looking ahead, the Group will exercise stringent control over costs amid the deteriorating trading and operating environment. The Group will continue to monitor developments in the industry and adopt appropriate strategies to explore potential business opportunity, which ensure survival in the new environment and which diversify businesses and revenue streams. To this end, a new corporate finance team has been hired recently in an effort to expand our corporate finance advisory operation. We hope that we can leverage the enlarged resources to grasp more income opportunities and broaden our fee-based revenue in the years ahead.

In the midst of these events, I take this opportunity to express thanks on behalf of the Board to all our customers for their support and to our fellow directors and staff for their dedication and contribution during the period.

By Order of the Board
Lee Woo Sau Yin, Gloria
Chairperson

Hong Kong, 10 December 2001

OTHER INFORMATION

DIRECTORS' INTERESTS IN EQUITY OR DEBT SECURITIES

As at 30 September 2001, the interests of the directors of the Company and their associates in the equity or debt securities of the Company or any of its associated corporations (within the meaning of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance")) as recorded in the register required to be kept under section 29 of the SDI Ordinance were as follows:-

	Number of shares held	Nature of interest
The Company (Ordinary shares)		
Fok Kwong Hang, Terry	13,120,000	Personal
Chan Yick Hung	400,000	Personal
Lau Kin Yeung, Eddie	600,000	Personal
Wong Chun Wai	380,000	Personal
KES (Ordinary shares)		
Lee Woo Sau Yin, Gloria	45,941,770	Personal
Fok Kwong Hang, Terry	3,050,000	Personal
Ooi Thean Yat, Ronald Anthony	85,544,928	Personal

Save as disclosed above, as at 30 September 2001, none of the Company's directors or any of their associates had or deemed to have interests in the equity or debt securities of the Company or any of its associated corporations as defined in the SDI Ordinance.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Under the Employees' Share Option Scheme of the Company adopted on 29 December 1997, the following share options to subscribe for shares in the Company were granted to directors of the Company:-

Name of director	Number of share options outstanding at 30 September 2001 with exercise price of HK\$8 per share
Chan Yick Hung	720,000 (Note 1)
Wong Chun Wai	720,000 (Note 2)

Notes:

1. These share options are exercisable from 27 April 1999 to 26 April 2002.
2. These share options are exercisable from 4 May 1999 to 3 May 2002.

No share options were exercised during the period.

Save as disclosed above, at no time during the period was the Company, its holding company or any of its subsidiaries a party to any arrangements to enable the Company's directors or any of their associates to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

OTHER INFORMATION (Cont'd)

SUBSTANTIAL SHAREHOLDERS

As at 30 September 2001, the only other party, other than the directors of the Company, directly or indirectly, interested in 10% or more of the issued share capital of the Company as recorded in the register required to be kept under section 16(1) of the SDI Ordinance:–

Name	Number of shares
KES	39,500,000

Save as disclosed above, no person other than the directors of the Company has any interest in the share capital of the Company which is required to be recorded in the register kept under section 16(1) of the SDI Ordinance as at 30 September 2001.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 September 2001 other than as an agent for clients of the Company or its subsidiaries.

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 for any part of the six months ended 30 September 2001 in compliance with the Code of Best Practice as set out in Appendix 14 of the Listing Rules, except that the non-executive directors of the Company are not appointed for a specific term but are subject to retirement by rotation in accordance with the Company's Articles of Association.

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 September 2001

	Notes	Six months ended 30 September	
		2001 (Unaudited) HK\$'000	2000 (Unaudited) HK\$'000
Turnover	2	50,875	74,031
Other revenue	2	6,033	42,414
Staff costs		(17,152)	(17,761)
Other operating expenses		(14,805)	(19,784)
Profit from operations		24,951	78,900
Finance costs		(1,176)	(947)
Share of profits/(losses) of associates		54	(25)
Profit from ordinary activities before taxation	3	23,829	77,928
Taxation	4	(1,306)	(3,908)
Profit attributable to shareholders	10	22,523	74,020
Dividends	5, 10	7,200	43,200
Earnings per share – Basic	6	0.31	1.03

CONDENSED CONSOLIDATED STATEMENT OF RECOGNISED GAINS AND LOSSES

For the six months ended 30 September 2001

		Six months ended 30 September	
		2001	2000
		(Unaudited)	(Unaudited)
	<i>Notes</i>	HK\$'000	HK\$'000
Revaluation surplus on investment securities	<i>10</i>	1,079	3,543
Net gain not recognised in the income statement		1,079	3,543
Net profit for the period attributable to shareholders	<i>10</i>	22,523	74,020
Revaluation reserve realised upon disposal of investment securities	<i>3, 10</i>	(3,735)	(11,592)
Total recognised gains		19,867	65,971

CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 September 2001

		At 30 September 2001 (Unaudited) HK\$'000	At 31 March 2001 (Audited) HK\$'000
	<i>Notes</i>		
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		2,247	2,658
Interest in associates		2,339	2,463
Other investments	7	34,013	11,808
Other assets		2,450	2,450
		41,049	19,379
Current assets			
Trading securities		18,223	8,143
Trade and other receivables	8	118,166	160,295
Short term deposits placed with banks		215,501	305,506
Cash at banks and in hand		259,452	299,475
		611,342	773,419
Current liabilities			
Bank overdrafts		–	420
Trade and other payables	9	254,536	315,115
Amounts due to ultimate holding company		22,165	24,301
Provision for tax		14,316	13,010
Other provisions		3,152	10,157
		294,169	363,003
Net current assets		317,173	410,416
Net assets		358,222	429,795
CAPITAL AND RESERVES			
Share capital		14,400	14,400
Reserves	10	336,622	323,955
Proposed dividends	1(a), 5	7,200	91,440
Shareholders' funds		358,222	429,795

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 September 2001

	Six months ended 30 September	
	2001	2000
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Net cash outflow from operating activities	(21,117)	(94,321)
Net cash outflow from returns on investments and servicing of finance	(81,633)	(30,578)
Tax refund	–	46
Net cash (outflow)/inflow from investing activities	(24,722)	49,167
Net cash outflow before financing	(127,472)	(75,686)
Net cash (outflow)/inflow from financing	(2,136)	560
Decrease in cash and cash equivalents	(129,608)	(75,126)
Cash and cash equivalents at 1 April 2001	604,561	660,190
Cash and cash equivalents at 30 September 2001	474,953	585,064
Analysis of the balances of cash and cash equivalents		
Short term deposits placed with banks	215,501	286,746
Cash at banks and in hand	259,452	298,318
	474,953	585,064

NOTES TO THE INTERIM FINANCIAL REPORT

For the six months ended 30 September 2001

1. BASIS OF PREPARATION

This interim financial report has been reviewed by Grant Thornton in accordance with Statement of Auditing Standards 700 “Engagements to review interim financial reports”, issued by the Hong Kong Society of Accountants (“HKSA”) but has not been audited. Grant Thornton’s independent review report to the board of directors is included on page 16.

The unaudited interim financial statements of the Group have been prepared in accordance with Statement of Standard Accounting Practice (“SSAP”) No. 25 “Interim financial reporting” issued by the HKSA and the disclosure requirements set out in Appendix 16 of the Listing Rules. The accounting policies adopted in the preparation of the interim financial statements are consistent with those adopted in the annual financial statements for the year ended 31 March 2001 except as described below:

In the current period, the Group has adopted for the first time, the following revised or new SSAPs issued by the HKSA, which are effective for the accounting period commencing on or after 1 January 2001:

(a) SSAP 9 (revised): Events after the balance sheet date

In accordance with the revised SSAP 9, dividends proposed or declared after the balance sheet date are not recognised as a liability at the balance sheet date but are disclosed as a separate component of equity in the balance sheet. In previous years, the declaration of dividends after the balance sheet date was treated as an adjusting post balance sheet event. This change in accounting policy has been applied retrospectively resulting in a prior year adjustment which increases the shareholders’ funds as at 31 March 2001 by HK\$91,440,000.

(b) SSAP 17 (revised): Property, plant and equipment

In order to achieve consistency with SSAP 28, SSAP 30 and SSAP 31 on such issues as impairment and provisions, SSAP 17 has been revised. The revised SSAP 17 also elaborates on the requirements in respect of transfers between different types of assets. Adoption of this revised accounting policy has not had any significant effect on the results for the current or prior accounting periods.

(c) SSAP 26: Segment reporting

In Note 2 to these condensed interim financial statements, the Group has disclosed segment revenue and results as defined under SSAP 26. In accordance with the Group’s internal financial reporting, the Group has determined that business segments be presented as the primary reporting format. Comparative information has been provided accordingly.

(d) SSAP 28: Provision, contingent liabilities and contingent assets

In accordance with SSAP 28 “Provisions, contingent liabilities and contingent assets”, provisions are recognised when the Group has a present obligation as a result of a past event which it is probable will result in an outflow of economic benefits that can be reasonably estimated. Adoption of this accounting policy has not had any significant effect on the results for the current or prior accounting periods.

(e) SSAP 30: Business combinations

Any goodwill arising on acquisitions after 1 January 2001 will be capitalised and amortised over its estimated useful life. Any negative goodwill arising on acquisitions after 1 January 2001 will be presented as a deduction from assets and will be released to income based on an analysis of the circumstances from which the balance resulted.

Goodwill on acquisition that occurred prior to 1 January 2001 was offset against reserves. The Group has adopted the transitional provisions in SSAP 30 and such goodwill has not been retrospectively capitalised and amortised. Accordingly, negative goodwill arising on acquisitions prior to 1 January 2001 will be credited to income at the time of disposal of the relevant subsidiary or associate.

NOTES TO THE INTERIM FINANCIAL REPORT (Cont'd)

For the six months ended 30 September 2001

1. BASIS OF PREPARATION (Cont'd)**(f) SSAP 31: Impairment of assets**

SSAP 31 "Impairment of assets" has introduced a formal framework for the recognition of impairment losses in respect of the Group's assets other than financial assets. Adoption of this SSAP has not had any significant effect on the results for the current or prior accounting periods.

2. SEGMENTAL INFORMATION

An analysis of the Group's turnover and contribution to operating profit for the period ended 30 September 2001 is as follows:

	Group turnover		Contribution to operating profit	
	2001 (Unaudited) HK\$'000	2000 (Unaudited) HK\$'000	2001 (Unaudited) HK\$'000	2000 (Unaudited) HK\$'000
By Principal Activities				
Commission and brokerage from securities and futures dealing	26,642	40,852	3,391	11,370
Custodian and handling service fees	252	323	76	185
Interest income	10,424	17,989	7,259	15,441
Net income from securities investment and trading	8,810	1,644	6,791	1,255
Placement/underwriting/sub-underwriting and financial advisory fees	4,747	13,223	225	7,288
	50,875	74,031	17,742	35,539
Other revenue *			6,033	42,414
			23,775	77,953

The Group's turnover and contribution to profit from operating activities were principally derived from operations in Hong Kong.

The Group's operations outside Hong Kong contributed less than 10% of turnover and less than 10% of contribution to profit from operating activities, and accordingly an analysis of such activities has not been presented.

* Other revenue includes a profit of HK\$4,217,000 (2000: HK\$39,459,000) realised from the disposal of the remaining shares in HKEx, which the Group received in connection with the demutualization of SEHK and HKFE.

NOTES TO THE INTERIM FINANCIAL REPORT (Cont'd)

For the six months ended 30 September 2001

3. PROFIT FROM ORDINARY ACTIVITIES BEFORE TAXATION

	Six months ended 30 September	
	2001 (Unaudited) HK\$'000	2000 (Unaudited) HK\$'000
Profit from ordinary activities before taxation is arrived at after charging :	683	548
Depreciation and amortisation expenses		
and crediting :		
Realised gain on disposal of shares in HKEx *	4,217	39,459

* includes HK\$3,735,000 (2000: HK\$11,592,000) transferred from investment revaluation reserve to income statement as a result of the disposal of the shares in HKEx previously revalued and carried at fair value.

4. TAXATION

	Six months ended 30 September	
	2001 (Unaudited) HK\$'000	2000 (Unaudited) HK\$'000
Taxation	1,306	3,908
Share of associates' taxation	-	-
	1,306	3,908

Hong Kong profits tax has been provided at the rate of 16% (2000: 16%) on the estimated assessable profit for the six months ended 30 September 2001.

5. DIVIDENDS

	Six months ended 30 September	
	2001 (Unaudited) HK\$'000	2000 (Unaudited) HK\$'000
Interim dividend of HK 10 cents (2000 : HK 10 cents) per share	7,200	7,200
Special interim bonus of Nil (2000 : HK 50 cents) per share	-	36,000
	7,200	43,200

NOTES TO THE INTERIM FINANCIAL REPORT (Cont'd)

For the six months ended 30 September 2001

6. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to shareholders of HK\$22,523,000 (2000: HK\$74,020,000) and the weighted average of 72,000,000 (2000: 72,000,000) ordinary shares in issue during the period.

Diluted earnings per share for the periods ended 30 September 2001 and 30 September 2000 have not been presented as the options outstanding had no dilutive effect on the basic earnings for the periods then ended.

7. OTHER INVESTMENTS

		At 30 September 2001 (Unaudited) HK\$'000	At 31 March 2001 (Audited) HK\$'000
	<i>Notes</i>		
Investment securities			
Listed equity securities in			
Hong Kong, at fair value	<i>(a)</i>	909	10,656
Unlisted equity securities, at fair value	<i>(b)</i>	12,153	–
Unlisted debt securities in			
Hong Kong at directors' valuation		50	50
Participating interest in mutual fund, at fair value	<i>(c)</i>	19,799	–
Club debentures		1,102	1,102
		<u>34,013</u>	<u>11,808</u>
Market value of listed securities		<u>909</u>	<u>10,656</u>

- (a) During the period, the Group disposed of its 304,500 listed equity securities in HKEx. These securities had a carrying value of HK\$3,821,000 as at 31 March 2001, and were sold for a consideration of HK\$4,303,000.
- (b) During the period, the Group accepted a general offer in respect of a listed equity security, which was acquired for investment purpose. Under such general offer, the Group was either offered HK\$60.01 in cash (the "cash alternative") or a combination of HK\$43.13 in cash and one new unlisted equity security (the "cash and stock alternative") for each share tendered to the offeror. Thus, the Group received HK\$31,054,000 in cash and 720,000 new unlisted equity securities in exchange for its holding of the offeree shares. The fair value of the unlisted equity securities represents the difference in cash received by the Group under these two alternatives.
- (c) During the period, the Group has invested into an open-ended mutual fund which is principally engaged in investment in quoted securities in Asia excluding Japan.

NOTES TO THE INTERIM FINANCIAL REPORT (Cont'd)

For the six months ended 30 September 2001

8. TRADE AND OTHER RECEIVABLES

Included in trade and other receivables are debtors with the following ageing analysis:

	At 30 September 2001 (Unaudited) HK\$'000	At 31 March 2001 (Audited) HK\$'000
Debtors due within one month	44,711	91,312
Custodian and margin accounts receivable#	52,209	43,115
Other and sundry receivables	21,246	25,868
	<u>118,166</u>	<u>160,295</u>

For trade receivables, the Group allows a credit period up to the settlement dates of the respective securities and commodities transactions or a credit period mutually agreed with the contracting parties. Included in trade receivables are amounts due from a director of HK\$326,000 (31 March 2001: HK\$1,623,000) and amounts due from a fellow subsidiary of HK\$918,000 (31 March 2001: HK\$9,255,000) which represent trades pending settlement as of the balance sheet date. Other and sundry receivables include a current account balance due from a fellow subsidiary of HK\$13,000 (31 March 2001: HK\$12,000).

it is not practicable to prepare an ageing analysis for custodian and margin accounts and accordingly no such information has been presented.

9. TRADE AND OTHER PAYABLES

Included in trade and other payables are creditors with the following ageing analysis:

	At 30 September 2001 (Unaudited) HK\$'000	At 31 March 2001 (Audited) HK\$'000
Creditors due within one month	46,665	107,574
Custodian and margin accounts payable#	162,378	157,222
Other payables and accrued expenses	45,493	50,319
	<u>254,536</u>	<u>315,115</u>

Included in trade payables are amounts due to a fellow subsidiary of HK\$1,534,000 (31 March 2001: HK\$3,983,000) and amounts due to a director of HK\$882,000 (31 March 2001: Nil) which represent trades pending settlement as of the balance sheet date. Other and sundry payables include amounts due to ultimate holding company of HK\$30,457,000 (31 March 2001: HK\$28,815,000) and current account balances due to fellow subsidiaries of HK\$42,000 (31 March 2001: HK\$72,000) which are unsecured, interest free and have no fixed terms of repayment.

it is not practicable to prepare ageing analysis for the custodian and margin accounts and no such information has therefore been shown.

NOTES TO THE INTERIM FINANCIAL REPORT (Cont'd)

For the six months ended 30 September 2001

10. RESERVES

	Share premium <i>HK\$'000</i>	Investment revaluation reserve <i>HK\$'000</i>	Capital reserve <i>HK\$'000</i>	Retained profits <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 April 2001	116,612	3,591	179,722	24,030	323,955
Revaluation surplus on investment securities	–	1,079	–	–	1,079
Reserve realised upon disposal of investment securities	–	(3,735)	–	–	(3,735)
Net profit for the period attributable to shareholders	–	–	–	22,523	22,523
Dividends (Note 5)	–	–	–	(7,200)	(7,200)
At 30 September 2001	<u>116,612</u>	<u>935</u>	<u>179,722</u>	<u>39,353</u>	<u>336,622</u>

11. RELATED PARTY TRANSACTIONS

At 30 September 2001 KES, a company incorporated and listed in the Republic of Singapore had a 54.86% equity interest in the Company and is the largest single shareholder of the Company.

A summary of the transactions which took place between the Group and the KES Group for the six months ended 30 September 2001 is set out below:

	Six months ended 30 September	
	2001 (Unaudited) <i>HK\$'000</i>	2000 (Unaudited) <i>HK\$'000</i>
Commission and brokerage income	472	830
Commission and brokerage charges	401	4,342
Interest charges on short term advances	920	916
Referral fees paid and payable	2,299	3,927
	<u>4,092</u>	<u>10,015</u>

During the period, certain directors used the Group's services, on a periodic basis, to undertake trading of securities. The brokerage and commission income earned by the Group on such trades for the six months ended 30 September 2001 amounted to HK\$247,000 (2000: HK\$93,000).

INDEPENDENT REVIEW REPORT TO THE BOARD OF DIRECTORS OF KIM ENG HOLDINGS (HONG KONG) LIMITED

Certified Public Accountants
Hong Kong Member Firm of
Grant Thornton International

Grant Thornton 
均富會計師行

INTRODUCTION

We have been instructed by the Company to review the interim financial report set out on pages 6 to 15.

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 relevant provisions thereof and Statement of Standard Accounting Practice 25 "Interim financial reporting" issued by the Hong Kong Society of Accountants ("HKSA"). The interim financial report is the responsibility of, and has been approved by, the directors.

REVIEW WORK PERFORMED

We conducted our review in accordance with Statement of Auditing Standards 700 "Engagements to review interim financial reports" issued by the HKSA. 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 September 2001.

Grant Thornton
Certified Public Accountants
Hong Kong

10 December 2001