

Interim Report

For the six months ended
30th September, 2001



恒盛東方控股有限公司

HANSOM EASTERN (HOLDINGS) LIMITED

(Incorporated in the Cayman Islands with limited liability)

INTERIM FINANCIAL REPORT

The board of directors (the “Directors”) of Hansom Eastern (Holdings) Limited (the “Company”) presents the unaudited condensed consolidated financial statements of the Company and its subsidiaries (the “Group”) for the six months ended 30th September, 2001 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30th September, 2001

		For the six months ended 30th September,	
		2001	2000
		HK\$'000	HK\$'000
	Notes	(Unaudited)	(Unaudited)
Turnover		160,264	136,742
Cost of sales		(98,919)	(82,549)
Gross profit		61,345	54,193
Other income	5	1,093	10,696
Distribution costs		(51,955)	(60,570)
Administrative expenses		(21,010)	(25,900)
Other operating expenses	6	(11,250)	316
Loss from operations	7	(21,777)	(21,265)
Finance costs	8	(2,013)	(1,792)
Investment income	9	2,445	3,864
Share of results of jointly controlled entities		–	(144)
Loss before taxation		(21,345)	(19,337)
Taxation	10	(36)	(20)
Loss before minority interests		(21,381)	(19,357)
Minority interests		(6,347)	4
Net loss for the period		<u>(15,034)</u>	<u>(19,361)</u>
Loss per share	12		
Basic and diluted		<u>HK\$(0.01)</u>	<u>HK\$(0.03)</u>

CONDENSED CONSOLIDATED BALANCE SHEET

At 30th September, 2001

	Notes	30.9.2001 HK\$'000 (Unaudited)	31.3.2001 HK\$'000 (Audited and restated)
Non-current assets			
Investment properties		7,680	7,680
Property, plant and equipment	13	41,915	23,564
Interest in an associate		1,768	1,763
Investments in securities		50,000	–
Notes receivable		2,000	2,000
		<u>103,363</u>	<u>35,007</u>
Current assets			
Properties held for resale		40,000	49,600
Inventories		52,769	57,084
Trade and other receivables	14	48,172	36,005
Short-term loans	15	110,351	4,014
Deposit made on investments		110,484	160,258
Notes receivable		53,000	53,000
Investments in securities		54,436	13,466
Taxation recoverable		149	149
Bank balances and cash		118,800	37,306
		<u>588,161</u>	<u>410,882</u>
Current liabilities			
Trade and other payables	16	51,010	43,580
Obligations under finance leases – due within one year		7	31
Bank and other borrowings	17	74,535	36,765
		<u>125,552</u>	<u>80,376</u>
Net current assets		<u>462,609</u>	<u>330,506</u>
Total assets less current liabilities		<u>565,972</u>	<u>365,513</u>
Non-current liabilities			
Deferred taxation		102	102
Obligations under finance leases – due after one year		141	146
		<u>243</u>	<u>248</u>
Minority interests		<u>25,109</u>	<u>31,465</u>
		<u>540,620</u>	<u>333,800</u>
Capital and reserves			
Share capital	18	31,161	86,559
Reserves	19	509,459	247,241
		<u>540,620</u>	<u>333,800</u>

CONDENSED CONSOLIDATED STATEMENT OF RECOGNISED GAINS AND LOSSES

For the six months ended 30th September, 2001

	For the six months ended 30th September, 2001	2000
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Exchange differences arising on translation of overseas operations not recognised in the consolidated income statement	(10)	1,252
Net loss for the period	(15,034)	(19,361)
Total recognised losses	<u>(15,044)</u>	<u>(18,109)</u>

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30th September, 2001

	For the six months ended 30th September, 2001	2000
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Net cash outflow from operating activities	(156,023)	(88,786)
Net cash inflow from returns on investments and servicing of finance	432	2,072
Taxation (paid) refunded	(36)	750
Net cash (outflow) inflow from investing activities	<u>(22,609)</u>	<u>105,178</u>
Net cash (outflow) inflow before financing	(178,236)	19,214
Net cash inflow (outflow) from financing	<u>262,272</u>	<u>(70,663)</u>
Increase (decrease) in cash and cash equivalents	84,036	(51,449)
Cash and cash equivalents at beginning of the period	13,541	127,567
Effect of foreign exchange rate changes	<u>125</u>	<u>895</u>
Cash and cash equivalents at end of the period	<u>97,702</u>	<u>77,013</u>

NOTES TO THE CONDENSED FINANCIAL STATEMENTS*For the six months ended 30th September, 2001***1. Basis of preparation**

The condensed financial statements have been prepared in accordance with Statement of Standard Accounting Practice 25 "Interim financial reporting" issued by the Hong Kong Society of Accountants ("HKSA") and with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

2. Principal accounting policies

The condensed financial statements have been prepared under the historical cost convention, as modified for the revaluation of investment properties and certain investments in securities.

The accounting policies adopted are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31st March, 2001, except as described below.

In the current period, the Group has adopted, for the first time, a number of new and revised Statements of Standard Accounting Practice ("SSAP(s)") issued by the HKSA. The SSAPs that have an impact on the condensed financial statements are:

SSAP 26	Segment reporting
SSAP 30	Business combinations
SSAP 31	Impairment of assets

In the current period, the Group has changed the basis of identification of reportable segments to that required by SSAP 26. Segment disclosures for the six months ended 30th September, 2000 have been amended so that they are presented on a consistent basis.

The new SSAP 30 prescribes the treatment of goodwill and negative goodwill on acquisition of a subsidiary, an associate or a jointly controlled entity. Pursuant to the transitional provisions set out in SSAP 30, the Group has elected not to restate goodwill or negative goodwill previously eliminated against or credited to reserves, respectively. Therefore, goodwill arising on acquisitions prior to 1st April, 2001 continues to be held in reserves and will be charged to the income statement at the time of disposal of the relevant subsidiary, associate or jointly controlled entity, or at such time as impairment losses are identified. Negative goodwill arising on acquisitions prior to 1st April, 2001 continues to be held in reserves and will be credited to the income statement at the time of disposal of the relevant subsidiary, associate or jointly controlled entity.

Goodwill arising on acquisitions after 1st April, 2001 is capitalised and amortised over its estimated useful life. Negative goodwill arising on acquisitions after 1st April, 2001 is presented as a deduction from assets and will be released to the income statement based on an analysis of the circumstances from which the balance resulted.

3. Prior period adjustment

During the period, the Group had reviewed the carrying amount of goodwill that had previously been eliminated to reserves. In accordance with Interpretation 13 "Goodwill – continuing requirements for goodwill and negative goodwill previously eliminated against/ credited to reserves", the Group has restated its previously reported net loss for the six months ended 31st March, 2001 and accumulated losses as at 31st March, 2001 by HK\$48,674,000 for the impairment of goodwill arising from the acquisition of an associate during the six months ended 31st March, 2001.

4. Business and geographical segment information

For management purposes, the Group is currently organised into four main operating segments, manufacture and sale of Western and Chinese pharmaceutical and health products and foodstuffs, provision of finance, trading and investment in securities and property letting.

Segmental information for the six months ended 30th September, 2001 and 2000 about these businesses is presented below:

Business segments

For the six months ended 30th September, 2001

	Manufacture and sale of Western and Chinese pharmaceutical and health products and foodstuffs HK\$'000	Provision of finance HK\$'000	Trading and investment in securities HK\$'000	Property letting HK\$'000	Others HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
Segment Revenue							
External revenue	<u>129,321</u>	<u>1,530</u>	<u>18,856</u>	<u>957</u>	<u>9,600</u>	<u>-</u>	<u>160,264</u>
Segment Results	<u>(16,042)</u>	<u>1,437</u>	<u>471</u>	<u>401</u>	<u>(225)</u>	<u>-</u>	<u>(13,958)</u>
Unallocated corporate expenses							(8,166)
Unallocated other income							347
Loss from operations							<u>(21,777)</u>

For the six months ended 30th September, 2000

	Manufacture and sale of Western and Chinese pharmaceutical and health products and foodstuffs HK\$'000	Provision of finance HK\$'000	Trading and investment in securities HK\$'000	Property letting HK\$'000	Others HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
Segment Revenue							
External revenue	<u>127,171</u>	<u>4,035</u>	<u>1,621</u>	<u>1,455</u>	<u>2,460</u>	<u>-</u>	<u>136,742</u>
Segment Results	<u>(21,396)</u>	<u>19,734</u>	<u>(19,847)</u>	<u>315</u>	<u>(6,486)</u>	<u>-</u>	<u>(27,680)</u>
Unallocated corporate expenses							(8,502)
Unallocated other income							14,917
Loss from operations							<u>(21,265)</u>

Geographical segments

	For the six months ended 30th September, 2001					
	Hong Kong	Other regions in The People's Republic of China	Canada	Others	Eliminations	Consolidated
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment Revenue						
External revenue	129,662	17,143	8,744	4,715	-	160,264
Inter-segment revenue	2,118	-	-	-	(2,118)	-
Total revenue	<u>131,780</u>	<u>17,143</u>	<u>8,744</u>	<u>4,715</u>	<u>(2,118)</u>	<u>160,264</u>
Segment Results	<u>(11,067)</u>	<u>(1,399)</u>	<u>(317)</u>	<u>(1,175)</u>	<u>-</u>	<u>(13,958)</u>
Unallocated corporate expenses						(8,166)
Unallocated other income						347
Loss from operations						<u>(21,777)</u>

	For the six months ended 30th September, 2000					
	Hong Kong	Other regions in The People's Republic of China	Canada	Others	Eliminations	Consolidated
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment Revenue						
External revenue	105,160	17,753	8,933	4,896	-	136,742
Inter-segment revenue	6,336	-	-	-	(6,336)	-
Total revenue	<u>111,496</u>	<u>17,753</u>	<u>8,933</u>	<u>4,896</u>	<u>(6,336)</u>	<u>136,742</u>
Segment Results	<u>(26,283)</u>	<u>(1,189)</u>	<u>613</u>	<u>(821)</u>	<u>-</u>	<u>(27,680)</u>
Unallocated corporate expenses						(8,502)
Unallocated other income						14,917
Loss from operations						<u>(21,265)</u>

5. Other income

**For the six months
ended 30th September,
2001** 2000
HK\$'000 HK\$'000

Other income comprises:

Unrealised gain on investments in securities	746	–
Gain on transfer of certain property interests to a jointly controlled entity	–	10,696
Others	347	–
	<u>1,093</u>	<u>10,696</u>

6. Other operating expenses

**For the six months
ended 30th September,
2001** 2000
HK\$'000 HK\$'000

Other operating expenses comprise:

Cost for closure of retail outlets	(5,590)	–
Loss on assignment of a loan	(4,711)	–
Write back of provision for loan debtors	–	16,000
Write back of provision for amount due from an associate	–	2,162
Write back of provision for guarantees given in connection with a disposed subsidiary	–	2,059
Impairment loss recognised in respect of investments in securities	–	(19,729)
Provision for bad and doubtful debts	–	(176)
Others	(949)	–
	<u>(11,250)</u>	<u>316</u>

7. Loss from operations

**For the six months
ended 30th September,**

2001	2000
HK\$'000	HK\$'000

Loss from operations has been arrived at after charging:

Depreciation and amortisation	3,822	4,728
Loss on disposal of property held for resale	114	-
	<u>3,936</u>	<u>4,728</u>

8. Finance costs

**For the six months
ended 30th September,**

2001	2000
HK\$'000	HK\$'000

Finance costs comprise:

Interest on:

Bank and other borrowings wholly repayable within five years	1,861	656
Bank and other borrowings not wholly repayable within five years	139	461
Obligations under finance leases	13	13
Convertible notes	-	1,299
	<u>2,013</u>	<u>2,429</u>

Total borrowing costs	2,013	2,429
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Less: Amount capitalised in respect of properties under development	-	(637)
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	<u>2,013</u>	<u>1,792</u>
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9. Investment income

	For the six months ended 30th September, 2001	
	HK\$'000	2000 HK\$'000
Interest income from:		
Banks	395	3,020
Convertible notes receivable	2,043	–
Notes receivable	–	844
Others	7	–
	<u>2,445</u>	<u>3,864</u>

10. Taxation

	For the six months ended 30th September, 2001	
	HK\$'000	2000 HK\$'000
The charge comprises:		
Taxation of the Company and its subsidiaries		
Hong Kong Profits Tax		
– Current period	–	–
– Underprovision in prior period	–	20
Overseas taxation	36	–
	<u>36</u>	<u>20</u>

No provision for Hong Kong Profits Tax has been made in the financial statements as the Group had no assessable profit for both periods.

Overseas taxation is calculated at the rates prevailing in the respective jurisdictions.

11. Dividend

No dividend was paid during both periods.

12. Loss per share

The calculation of the loss per share is based on the net loss for the period of HK\$15,034,000 (six months ended 30th September, 2000: HK\$19,361,000) and on the weighted average number of 1,229,383,779 (six months ended 30th September, 2000: 750,280,244) ordinary shares in issue adjusted for the effect of the Company's rights issue as described in note 18(c).

The computation of diluted loss per share has not assumed the exercise and conversion of the share options and warrants as their exercise and conversion would result in a decrease in the loss per share for both periods.

13. Addition to property, plant and equipment

During the period, the Group spent HK\$22,916,000 (six months ended 30th September, 2000: HK\$7,947,000) on the acquisition of property, plant and equipment.

14. Trade and other receivables

The Group allows an average credit period of 60 days to its trade customers.

Included in trade and other receivables of the Group are trade receivables with the following aged analysis:

	30.9.2001	31.3.2001
	HK\$'000	HK\$'000
Trade receivables:		
0-30 days	17,951	12,537
31-60 days	718	1,002
61-90 days	118	303
More than 90 days	408	12
	19,195	13,854
Other receivables	28,977	22,151
	48,172	36,005

15. Short-term loans

The Group negotiates credit period to loan borrower according to credit of individual borrower.

The short-term loans are unsecured, bear interest at prevailing market rate and are due for repayment within one year.

16. Trade and other payables

Included in trade and other payables of the Group are trade payables with the following aged analysis:

	30.9.2001	31.3.2001
	HK\$'000	HK\$'000
Trade payables:		
0-30 days	17,943	4,964
31-60 days	1,754	6,641
61-90 days	533	3,162
More than 90 days	928	2,270
	21,158	17,037
Other payables	29,852	26,543
	51,010	43,580

17. Bank and other borrowings

	30.9.2001	31.3.2001
	HK\$'000	HK\$'000
The bank and other borrowings comprise:		
Trust receipts and import loans	16,011	10,205
Short-term bank loans	–	8,536
Other loan	53,437	13,000
Bank overdrafts	5,087	5,024
	<u>74,535</u>	<u>36,765</u>

All bank and other borrowings are due within one year or on demand.

18. Share capital

	Number of shares	Amount HK\$'000
Authorised:		
Balance at 31st March, 2001, ordinary shares of HK\$0.10 each	20,000,000,000	2,000,000
Capital reduction and sub-division	180,000,000,000	–
	<u>200,000,000,000</u>	<u>2,000,000</u>
Balance at 30th September, 2001, ordinary shares of HK\$0.01 each	<u>200,000,000,000</u>	<u>2,000,000</u>
Issued and fully paid:		
Balance at 31st March, 2001, ordinary shares of HK\$0.10 each	865,590,015	86,559
Capital reduction	–	(77,903)
Issue of new shares	173,118,000	1,731
Rights issue	2,077,416,030	20,774
	<u>3,116,124,045</u>	<u>31,161</u>
Balance at 30th September, 2001, ordinary shares of HK\$0.01 each	<u>3,116,124,045</u>	<u>31,161</u>

During the six months ended 30th September, 2001, the following changes in the share capital of the Company took place:

- (a) Pursuant to a special resolution at an extraordinary general meeting of the Company held on 27th February, 2001, the shareholders approved the following:
 - i. The issued share capital of the Company was reduced from an amount of HK\$86,559,000 to HK\$8,656,000 by cancelling paid up capital of the Company to the extent of HK\$0.09 on each of the ordinary shares in issue so that each issued ordinary share of HK\$0.10 in the capital of the Company shall be treated as one fully paid up ordinary share of HK\$0.01 in the capital of the Company (the "Capital Reduction");
 - ii. The Company applied the credit arising from the Capital Reduction to a distributable reserve of the Company; and
 - iii. Every ordinary share of HK\$0.10 in the unissued share capital of the Company were sub-divided into ordinary shares of HK\$0.01 each of the Company.

The issued and unissued ordinary shares resulting from the above changes rank *pari passu* in all respects in accordance with the clauses of the Company's Articles of Association.

On 17th April 2001, the Grand Court of the Cayman Islands confirmed the above alteration of the issued capital of the Company and the changes of the issued capital of the Company were completed and registered by the Cayman Islands' Registrar of Companies on 19th April, 2001.

- (b) Pursuant to a placing agreement entered into on 28th May, 2001, the Company issued 173,118,000 ordinary shares of HK\$0.01 each at a price of HK\$0.12 per share. The price of HK\$0.12 per share represents a discount of approximately 20% to the closing price of the Company's shares on 28th May, 2001 as quoted on the Stock Exchange. The net proceeds of the placement of HK\$20,000,000 was used for additional working capital of the Group.

These new ordinary shares were issued under the general mandate granted to the Directors at the Company's extraordinary general meeting on 27th February, 2001.

These new ordinary shares issued rank *pari passu* with the then existing ordinary shares of the Company in all respects.

- (c) On 24th August, 2001, the shareholders of the Company approved to issue, by way of rights issue (the "Rights Issue"), of 2,077,416,030 rights shares (the "Rights Shares") to the holders of the then existing ordinary shares of HK\$0.01 each in the Company at a price of HK\$0.10 for one Rights Share whose name appeared on the register of members of the Company on the same date on the basis of two Rights Shares for every one then existing ordinary share of the Company. The net proceeds of the Rights Issue of approximately HK\$201,000,000 would be used towards future investment opportunities of the Company.

These new ordinary shares issued rank *pari passu* with the then existing ordinary shares of the Company in all respects.

19. Reserves

	Share premium	Translation reserve	Goodwill reserve	Capital redemption reserve	Special reserve	Warrant reserve	Distributable reserve	Accumulated losses	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1st April, 2000	82,374	(2,181)	2,461	311	35,131	26,754	517,288	(340,240)	321,898
Premium arising on issue of shares	6,783	-	-	-	-	-	-	-	6,783
Expenses incurred in connection with the issue of shares	(520)	-	-	-	-	-	-	-	(520)
Shares repurchased and cancelled:									
Premium on shares repurchased	(365)	-	-	-	-	-	-	-	(365)
Transfer	(174)	-	-	174	-	-	-	-	-
Goodwill reserve realised upon the partial disposal of a subsidiary to minority shareholders	-	-	1,770	-	-	-	-	-	1,770
Goodwill arising on acquisition of an associate	-	-	(48,674)	-	-	-	-	-	(48,674)
Impairment loss of goodwill arising from the acquisition of an associate (note (a) below)	-	-	48,674	-	-	-	-	-	48,674
Exchange differences arising on translation of overseas operations	-	1,822	-	-	-	-	-	-	1,822
Net loss for the year, restated (see notes 2 and 3)	-	-	-	-	-	-	-	(84,147)	(84,147)
At 31st March, 2001	88,098	(359)	4,231	485	35,131	26,754	517,288	(424,387)	247,241
Premium arising on issue of shares	206,010	-	-	-	-	-	-	-	206,010
Expenses incurred in connection with the issue of shares	(6,651)	-	-	-	-	-	-	-	(6,651)
Capital Reduction (note 18 (a))	-	-	-	-	-	-	77,903	-	77,903
Transfer (note (b) below)	-	-	-	-	-	(26,754)	-	26,754	-
Exchange differences arising on translation of overseas operations	-	(10)	-	-	-	-	-	-	(10)
Net loss for the period	-	-	-	-	-	-	-	(15,034)	(15,034)
At 30th September, 2001	287,457	(369)	4,231	485	35,131	-	595,191	(412,667)	509,459

Notes:

- (a) The amount represented a prior period adjustment in respect of the impairment loss of goodwill arising from the acquisition of an associate during the six months ended 31st March, 2001 (see notes 2 and 3).
- (b) The rights attached to the warrants of the Company to subscribe for ordinary shares of the Company expired on 3rd May, 2001 and the balance of the warrant reserve has been transferred to accumulated losses accordingly.

20. Commitments

30.9.2001	31.3.2001
HK\$'000	HK\$'000

Capital expenditure contracted for but not provided in the financial statements in respect of acquisition of property, plant and equipment

-	24,351
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At 30th September, 2001, the Group had an outstanding commitment of HK\$49,515,000 (at 31st March, 2001: HK\$49,515,000) in respect of the acquisition of a subsidiary in The People's Republic of China.

21. Contingent liabilities

At 30th September, 2001 and 31st March, 2001, the Group is a party to various legal claims and counterclaims in its ordinary course of business. In the opinion of the Directors, ultimate resolution of these claims, counterclaims and threatened litigations would not have a material effect on the financial position of the Group.

22. Pledge of assets

As mentioned in the Company's circular dated 26th July, 2001, the Group entered into a loan agreement (the "Loan Agreement") with a third party (the "Lender") pursuant to which the Lender agreed to grant a revolving loan facility of HK\$30 million to the Group and the Group transferred the title of the Group's properties held for resale with a carrying amount of HK\$40 million to a nominee of the Lender as securities for the obligations of the Group under the Loan Agreement. All the proceeds received from the properties belong to the Group. Upon repayment in full by the Group of all sum due under the Loan Agreement, the Lender shall procure the transfer of the properties back to the Group. There was no drawn down of the loan at 30th September, 2001.

23. Post balance sheet event

On 17th September, 2001, the Company had served a notice of exercise of an option granted by See Ying Limited, a company previously beneficially owned 49% of Tung Fong Hung Investment Limited ("TFHI", a former subsidiary of the Company), to the Company to require See Ying Limited to purchase the remaining 51% equity interest in TFHI for a consideration of HK\$45,900,000. The transaction was approved by the shareholders of the Company on 30th October, 2001 and completed on 2nd November, 2001.

INDEPENDENT REVIEW REPORT

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Certified Public Accountants
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**Deloitte
Touche
Tohmatsu**

TO THE BOARD OF DIRECTORS OF HANSOM EASTERN (HOLDINGS) LIMITED

Introduction

We have been instructed by the Company to review the interim financial report set out on pages 1 to 14.

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

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 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, 2001.

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong, 18th December, 2001

INTERIM DIVIDEND

The Directors have resolved not to declare an interim dividend for the six months ended 30th September, 2001 (2000: nil).

INTERIM RESULTS

For the six months ended 30th September, 2001, net loss of the Group was HK\$15 million which compared favorably to the net loss of HK\$19.4 million recorded in the prior period. Loss per share was reduced down to HK1 cent, representing a decrease of about 67% as against the corresponding prior period amount. The improvement in results was largely due to the Group's reduced interest in Tung Fong Hung Investment Limited ("TFHI"), a loss-making subsidiary which was 100% owned by the Group in the prior period.

BUSINESS REVIEW AND PROSPECTS

For the period under review, the Group's operations in pharmaceutical and health products and foodstuffs, conducted through TFHI, incurred an overall loss of HK\$16 million (before minority interests). In view of the fact that such businesses had been loss-making for many years, in September 2001, the Company announced its proposal to dispose the remaining 51% interest in TFHI for a consideration of HK\$45.9 million pursuant to a put option arrangement previously entered. The proposed transaction was approved by the Company's shareholders in October 2001 and completed in November 2001. The Directors consider that the disposal of the remaining interest in TFHI is in the best interest of the Company and would help to alleviate the adverse pressure on the Group's future financial performance.

The Group's business segments of financing, securities and property all recorded profitable results during the review period. In view of these encouraging results, additional financial resources had been allocated to the financing and securities operations which led to the increases in the Group's short-term loans and current investments in securities to HK\$110.4 million and HK\$54.4 million respectively by the end of September 2001. The financing and securities operations have together become a more significant part of the Group's businesses.

Looking ahead, the Group will continue with its policy of enhancing profitability of the existing operations and its business expansion programme into Mainland China. Sharing the general consensus that new business opportunities will emerge both in Mainland and Hong Kong following China's entry into the WTO, the Group will stay focus on these economies, and will undertake new investments when attractive opportunities arise.

FINANCIAL REVIEW

Liquidity and Financial Resources

At 30th September, 2001, the Group was in a net cash position of HK\$97.7 million comprising cash in bank of HK\$118.8 million and short-term bank borrowings of HK\$21.1 million. The bank borrowings were mainly used by TFHI as trade finance and were unsecured, denominated in Hong Kong dollars and bore floating commercial interest rate. TFHI also had other borrowing of HK\$53.4 million which was a loan advanced by its other shareholder.

The Group's properties held for resale with carrying value of HK\$40 million were pledged as securities for a loan facility of HK\$30 million as mentioned in the Company's circular dated 26th July, 2001. The loan facility was unutilized as at 30th September, 2001.

Foreign Currency Management

The Group's Mainland operations do not constitute a significant part of the Group's business at present and material exchange rate risk is not expected. The Group will deploy appropriate measures to meet circumstantial changes.

Commitments

The Group has an outstanding commitment of HK\$49.5 million in relation to the acquisition of Henan Xingbang Pharmacy Limited in Mainland, the commitment will be met predominantly by the Group's internal financial resources.

Shareholders' Funds

The Group successfully raised over HK\$221 million following a share placement in May 2001 and the completion of a rights issue in September 2001. The capital base of the Group has been substantially strengthened as a result and stood at HK\$540.6 million as at 30th September, 2001. That equates to a net asset value per share of approximately HK17 cents.

EMPLOYEES AND REMUNERATION POLICIES

The Group has about 30 employees, including directors, following the completion of the disposal of the remaining interest in TFHI. The Group remunerates its employees based on their work performance and with reference to general market conditions.

DIRECTORS' INTERESTS IN SHARES

As at 30th September, 2001, the interests of the directors of the Company and their associates in the securities of the Company and its associated corporations, within the meaning of the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance"), as recorded in the register maintained by the Company pursuant to section 29 of the SDI Ordinance or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") were as follows :

Name of director	Nature of interests	Number of ordinary shares held
Yau Shum Tek, Cindy	Corporate	726,918,000 (Note below)

Note: As at 30th September, 2001, Multiple Wealth International Limited and Pacific Rim Investment Management Enterprises Limited held 192,318,000 and 534,600,000 ordinary shares of the Company respectively and are wholly-owned subsidiaries of Hastings Gold Limited, which in turn, is a wholly-owned subsidiary of Mainland Talent Developments Limited. Ms. Yau Shum Tek, Cindy wholly owns and controls Red China Holdings Limited and Red China Holdings Limited is entitled to exercise more than one-third of the voting power in Mainland Talent Developments Limited. Ms. Yau Shum Tek, Cindy is deemed to be interested in 726,918,000 ordinary shares of the Company held by Multiple Wealth International Limited and Pacific Rim Investment Management Enterprises Limited.

Save as disclosed above, as at 30th September, 2001, none of the directors or their associates had any interests in the securities of the Company or any of its associated corporations within the meaning of the SDI Ordinance.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the six months ended 30th September, 2001 was the Company or any of its subsidiaries a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debt securities (including debentures) of, the Company or any other body corporate, and none of the directors, or their spouses or children under the age of eighteen, had any right to subscribe for the securities of the Company, or had exercised any such rights during the period.

SUBSTANTIAL SHAREHOLDERS

As at 30th September, 2001, the register of substantial shareholders maintained by the Company pursuant to section 16(1) of the SDI Ordinance disclosed the following entities as having an interest of 10% or more of the issued share capital of the Company:

Name of shareholder	Nature of interests	Number of ordinary shares held		Notes
		Direct Interest	Deemed interest	
Multiple Wealth International Limited	Corporate	192,318,000	–	1
Pacific Rim Investment Management Enterprises Limited	Corporate	534,600,000	–	1
Hastings Gold Limited	Corporate	–	726,918,000	1
Mainland Talent Developments Limited	Corporate	–	726,918,000	1,2 and 3
Rymer Group Limited	Corporate	–	726,918,000	1 and 2
Red China Holdings Limited	Corporate	–	726,918,000	1 and 3
Lo Ki Yan, Karen	Corporate	–	726,918,000	1 and 2
Yau Shum Tek, Cindy	Corporate	–	726,918,000	1 and 3

Notes :

- As at 30th September, 2001, Multiple Wealth International Limited and Pacific Rim Investment Management Enterprises Limited held 192,318,000 and 534,600,000 ordinary shares of the Company respectively and are wholly-owned subsidiaries of Hastings Gold Limited, which in turn, is a wholly-owned subsidiary of Mainland Talent Developments Limited.
- Ms. Lo Ki Yan, Karen wholly owns and controls Rymer Group Limited and Rymer Group Limited is entitled to exercise more than one-third of the voting power in Mainland Talent Developments Limited. Ms. Lo Ki Yan, Karen is deemed to be interested in 726,918,000 ordinary shares of the Company held by Multiple Wealth International Limited and Pacific Rim Investment Management Enterprises Limited.
- Ms. Yau Shum Tek, Cindy wholly owns and controls Red China Holdings Limited and Red China Holdings Limited is entitled to exercise more than one-third of the voting power in Mainland Talent Developments Limited. Ms. Yau Shum Tek, Cindy is deemed to be interested in 726,918,000 ordinary shares of the Company held by Multiple Wealth International Limited and Pacific Rim Investment Management Enterprises Limited.

Save as disclosed above, the Company has not been notified of any other interests representing 10% or more of the issued share capital of the Company as at 30th September, 2001.

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

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

AUDIT COMMITTEE

The audit committee has reviewed with the management the accounting policies and practices adopted by the Group, and discussed internal controls and financial reporting matters including a review of the unaudited interim financial report for the six months ended 30th September, 2001. In carrying out the review the audit committee has relied on the review of the Group's external auditors as well as obtaining explanations from the management.

CORPORATE GOVERNANCE

None of the Directors is aware of any information that would reasonably indicate that the Company is not, or was not, during the six months ended 30th September, 2001 in compliance with the Code of Best Practice, as set out in Appendix 14 of the Listing Rules.

By Order of the Board
Hansom Eastern (Holdings) Limited
Kwong Wai Tim, William
Managing Director

Hong Kong, 18th December, 2001