

COSMOPOLITAN INTERNATIONAL HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

INTERIM RESULT

GROUP RESULTS

The board of directors of Cosmopolitan International Holdings Limited announces the unaudited consolidated results of the Company and its subsidiaries ("the Group") for the six months ended 30 September 2002 with comparative figures for the six months ended 30 September 2001 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 September 2002

	<i>Note</i>	Unaudited Six months ended 30 September 2002 <i>HK\$ '000</i>	Unaudited Six months ended 30 September 2001 <i>HK\$ '000</i>
TURNOVER			
Results from securities trading	2	–	(30,545)
Gross rental income from investment properties	2	3,771	3,367
		<hr/>	<hr/>
		3,771	(27,178)
Interest expenses for securities trading		–	(3,094)
Rental costs		(390)	(519)
		<hr/>	<hr/>
Gross profit/ (loss)		3,381	(30,791)
Other revenue		387	1,090
Gain on disposal of investment properties		16,577	–
Administrative and operating expenses		(6,177)	(5,115)
Unrealised holding losses on listed investments		(205)	(4,018)
		<hr/>	<hr/>
PROFIT/(LOSS) FROM OPERATING ACTIVITIES		13,963	(38,834)
Finance costs		(1,140)	(182)
		<hr/>	<hr/>
PROFIT/(LOSS) BEFORE TAX		12,823	(39,016)
Tax	3	–	–
		<hr/>	<hr/>
NET PROFIT/(LOSS) FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS		12,823	(39,016)
		<hr/>	<hr/>
Dividend		–	–
		<hr/>	<hr/>
EARNINGS/(LOSS) PER SHARE – Basic	4	10.98 cents	(35.91 cents)
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CONDENSED CONSOLIDATED BALANCE SHEET
At 30 September 2002

	<i>Notes</i>	Unaudited 30 September 2002 <i>HK\$'000</i>	Audited 31 March 2002 <i>HK\$'000</i>
NON-CURRENT ASSETS			
Investment properties		170,500	195,808
Furniture, equipment and fixtures		331	1,040
		<u>170,831</u>	<u>196,848</u>
CURRENT ASSETS			
Short term investments		1,821	2,026
Accounts receivable	6	497	293
Other receivables and deposits		2,391	2,026
Cash and cash equivalents		25,523	22,744
		<u>30,232</u>	<u>27,089</u>
CURRENT LIABILITIES			
Accruals and other liabilities		5,794	2,346
Bank and other borrowings	7	3,260	59,809
		<u>9,054</u>	<u>62,155</u>
NET CURRENT ASSETS/(LIABILITIES)		<u>21,178</u>	<u>(35,066)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>192,009</u>	<u>161,782</u>
NON-CURRENT LIABILITIES			
Bank borrowings – due after one year	8	57,090	3,909
Other non-current liabilities	9	58,678	86,763
		<u>115,768</u>	<u>90,672</u>
		<u>76,241</u>	<u>71,110</u>
CAPITAL AND RESERVES			
Share capital	10	11,766	10,866
Reserves		64,475	60,244
		<u>76,241</u>	<u>71,110</u>

CONDENSED CONSOLIDATED CASH FLOW STATEMENT*For the six months ended 30 September 2002*

	Unaudited Six months ended 30 September 2002 <i>HK\$'000</i>	Unaudited Six months ended 30 September 2001 <i>HK\$'000</i>
Net cash (outflow)/inflow from operating activities	(899)	112,650
Net cash inflow from investing activities	27,925	206
Net cash inflow/(outflow) from financing activities	3,750	(219)
Net increase in cash and cash equivalents	30,776	112,637
Effect of foreign exchange rate changes	1,463	112
Cash and cash equivalents at beginning of period	(6,716)	(90,174)
Cash and cash equivalents at end of period	<u>25,523</u>	<u>22,575</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGE IN EQUITY*For the six months ended 30 September 2002*

	Unaudited								
	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Capital redemption reserve <i>HK\$'000</i>	Capital reserve <i>HK\$'000</i>	Exchange fluctuation reserve <i>HK\$'000</i>	Investment property revaluation reserve <i>HK\$'000</i>	Contributed surplus <i>HK\$'000</i>	Accumulated loss <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 April 2002	10,866	–	209	28,309	(4,493)	140,963	26,801	(131,545)	71,110
Exchange realignments	–	–	–	–	2,970	–	–	–	2,970
Realization of revaluation reserve on disposal of investment properties	–	–	–	–	–	(15,715)	–	–	(15,715)
Profit for the period	–	–	–	–	–	–	–	12,823	12,823
Issue of share	900	4,153	–	–	–	–	–	–	5,053
At 30 September 2002	<u>11,766</u>	<u>4,153</u>	<u>209</u>	<u>28,309</u>	<u>(1,523)</u>	<u>125,248</u>	<u>26,801</u>	<u>(118,722)</u>	<u>76,241</u>
At 1 April 2001	10,866	–	209	28,309	(4,591)	165,217	26,801	(86,444)	140,367
Exchange realignments	–	–	–	–	693	–	–	–	693
Deficit on revaluation of investment properties	–	–	–	–	–	(16,000)	–	–	(16,000)
Loss for the period	–	–	–	–	–	–	–	(39,016)	(39,016)
At 30 September 2001	<u>10,866</u>	<u>–</u>	<u>209</u>	<u>28,309</u>	<u>(3,898)</u>	<u>149,217</u>	<u>26,801</u>	<u>(125,460)</u>	<u>86,044</u>

NOTES OF THE CONDENSED FINANCIAL STATEMENTS:

1. Basis of Preparation

The unaudited condensed financial statements have been prepared in accordance with Statement of Standard of Accounting Practice (“SSAP”) 25 “Interim Financial Reporting”, issued by the Hong Kong Society of Accountants (“HKSA”) and Appendix 16 of the Listing Rules of The Stock Exchange of Hong Kong Limited.

These interim financial statements should be read in conjunction with the audited annual financial statements for the year ended 31 March 2002.

The accounting policies and methods of computation used in the preparation of these interim financial statements are consistent with those used in the annual financial statements for the year ended 31 March 2002 except for those changes resulting from the adoption of the following new or revised SSAPs issued by HKSA which are effective for accounting periods commencing on or after 1 January 2002:

SSAP 1 (revised)	:	Presentation of financial statements
SSAP 11 (revised)	:	Foreign currency translation
SSAP 15 (revised)	:	Cash flow statements
SSAP 25 (revised)	:	Interim financial statements
SSAP 34	:	Employee benefits

The adoption of the revised SSAPs 1, 11, 15, 25 has had no impact on the preparation of the interim accounts.

The change to the Group’s accounting policy as a result of adopting the revised SSAP 34 and the effect of adopting this change is set out below:

SSAP 34: Employee benefits

Employees’ entitlements to annual leave are recognized when they accrue to employees. Provisions have to be made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

In prior periods, no provision was made for employee annual leave entitlements. The adoption of SSAP 34 has meant that adjustments have to be made on provision for employee annual leave entitlements and would have retrospective effect on the financial statements. However, as the effect of this change is not material to the results for prior and current periods, the results for prior period have not been restated and no provision for the employee benefits has been made in the financial statements for current period.

2. Segment Information

Analysis of the Group’s turnover and operating profit/(loss) by principal activities for the six months ended 30 September 2002 is as follows:

	Turnover Unaudited		Results Unaudited	
	Six months ended 30 September 2002 HK\$’000	Six months ended 30 September 2001 HK\$’000	Six months ended 30 September 2002 HK\$’000	Six months ended 30 September 2001 HK\$’000
By Business Segments				
Securities trading	–	(30,545)	(225)	(38,138)
Property rental	3,771	3,367	3,131	2,196
	<u>3,771</u>	<u>(27,178)</u>	2,906	(35,942)
Other revenue			387	1,090
Gain on disposal of investment properties			16,577	–
General and administrative expenses			(5,907)	(3,982)
Profit/(Loss)from operating activities			<u>13,963</u>	<u>(38,834)</u>

All principal activities are carried out in Hong Kong. There were no significant changes in the nature of the principal activities during the period.

3. Tax

Hong Kong profits tax has not been provided as the Group had no assessable profits arising in Hong Kong for both periods.

No overseas profits tax has been provided in the financial statements since the subsidiaries operating in overseas countries have no profits subjected to tax for both periods.

4. Earnings/(Loss) Per Share

The calculation of basic earnings per share is based on the net profit attributable to shareholders for the period of HK\$12,823,000 (6 months ended 30 September 2001: – Loss of HK\$39,016,000) and the weighted average of 116,774,000 ordinary shares (6 months ended 30 September 2001: 108,659,000 shares) in issue during the six months ended 30 September 2002. Diluted earnings per share for the both periods have not been calculated as no diluting events existed during these periods.

5. Depreciation

During the period, depreciation of HK\$115,000 (6 months ended 30 September 2001: HK\$219,000) was charged in respect of the Group's furniture, equipment and fixtures.

6. Accounts Receivable

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

	Unaudited 30 September 2002 HK\$'000	Audited 31 March 2002 HK\$'000
0 – 60 days	404	254
61 – 90 days	60	6
Above 90 days	33	33
	<u>497</u>	<u>293</u>

Rental income from investment properties is normally receivable each month in advance during the term of tenancy.

7. Bank and Other Borrowings

	<i>Note</i>	Unaudited 30 September 2002 HK\$'000	Audited 31 March 2002 HK\$'000
Bank overdrafts – secured	8	–	29,460
Bank loan – secured	8	3,260	349
Loan from a director		–	30,000
		<u>3,260</u>	<u>59,809</u>

8. Bank Borrowings and Overdrafts

	Unaudited 30 September 2002 HK\$'000	Audited 31 March 2002 HK\$'000
Bank overdrafts – secured, repayable within one year - note 7	–	29,460
Bank loans – secured, repayable:		
Within one year	3,260	349
In the second year	4,482	371
In the third to fifth years, inclusive	17,398	1,259
Beyond five years	35,210	2,279
	<u>60,350</u>	<u>4,258</u>
Total bank borrowings	60,350	33,718
Portion classified as current liabilities – note 7	(3,260)	(29,809)
Non-current portion	<u>57,090</u>	<u>3,909</u>

Certain of the Group's bank loans and overdrafts are secured by the legal charges over the Group's investment properties situated in Hong Kong which had an aggregate carrying value of HK\$156,500,000 (31 March 2002: HK\$54,700,000) at 30 September 2002.

9. Other Non-Current Liabilities

	Unaudited 30 September 2002 <i>HK\$'000</i>	Audited 31 March 2002 <i>HK\$'000</i>
Loans from a director	58,178	85,572
Government lease regrant premium	37	37
Tenant deposits due after one year	463	1,154
	<u>58,678</u>	<u>86,763</u>

The loans from a director, Mr. Eric Edward Hotung, are unsecured, interest-free and not repayable within one year.

10. Share capital

	Unaudited 30 September 2002 <i>HK\$'000</i>	Audited 31 March 2002 <i>HK\$'000</i>
Authorised: 200,000,000 ordinary shares of HK\$0.10 each	<u>20,000</u>	<u>20,000</u>
Issued and fully paid: 117,659,267 ordinary shares of HK\$0.10 each (31 March 2002: 108,659,267 shares)	<u>11,766</u>	<u>10,866</u>

During the period, 9,000,000 new ordinary shares were issued on 7 May 2002 at HK\$0.58 each through entering into a placing agreement with a placing agent to an independent party. The net cash proceeds on the issuance were approximately HK\$5,052,507 and were used to provide additional general working capital of the Group.

11. Contingent Liabilities

	Unaudited 30 September 2002 <i>HK\$'000</i>	Audited 31 March 2002 <i>HK\$'000</i>
Guarantees given by the Company to banks for facilities granted to subsidiaries	<u>11,963</u>	<u>61,963</u>

As at 30 September 2002, the guarantees given to banks in connection with facilities granted to subsidiaries by the Company were utilized to the extent of approximately HK\$4,086,000 (31 March 2002: HK\$33,700,000)

12. Related Party Transactions

During the period, rental income of HK\$110,400 (6 months ended 30 September 2001: HK\$236,000) was received from a director. The rental was calculated by reference to open market value. In addition, management fee expense in a total sum of HK\$60,000 (6 months ended 30 September 2001: HK\$60,000) was paid to a related company for providing management services for the Group's investment properties.

13. Comparative Figures

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

OVERVIEW

The Group's unaudited consolidated net profit for the six months ended 30 September 2002 amounted to HK\$12,823,000. The profit was mainly contributed by the gain on disposal of investment properties of HK\$16,577,000. The earnings per share for the period stood at HK10.98 cents comparing with a loss per share of (HK35.91) cents for the last corresponding period.

INTERIM DIVIDEND

The Board of Directors did not recommend any payment of interim dividend (6 months ended 30 September 2001: NIL per share) for the period ended 30 September 2002.

BUSINESS REVIEW

Securities Trading

Due to the adverse condition and uncertain outlook of the stock markets, the Group did not have any trading on securities during the period ended 30 September 2002.

Property Investment

Investment properties with carrying value of HK\$25,308,000 was disposed during the period resulting a gain on disposal of investment properties of HK\$16,577,000.

Despite the continuous decline of the Hong Kong economy, the Group's investment properties continue to provide a steady gross rental income and have slight improvement of 12% increase on the gross rental income comparing with the last corresponding period.

LIQUIDITY AND FINANCING

Due to the Group did not have any cash flow from securities trading during the period, the net cash flow from the Group's operating activities were resulted to net outflow of HK\$899,000 (6 months ended 30 September 2001: inflow HK\$112,650,000). The major Group's cash inflow during the period were resulting from the net cash inflow from investing activities of HK\$27,925,000 which mainly derived from the proceeds on disposal of investment properties.

As a result of replacing the bank overdraft by a new secured bank loan of HK\$60,000,000, the Group was able to avoid the reliance on short term financing. The interest on bank overdrafts and borrowings paid during the period was HK\$1,064,000. On the other hand, the Group did not incur any interest expenses on securities trading during the period which HK\$3,094,000 was incurred in the last corresponding period.

The Group continued to rely on its internally generated funds, bank borrowings, banking facilities and loan from director to finance its business during the period.

PROSPECTS

As the economic outlook is still uncertain, the Group will adopt a very prudent approach in the evaluation of any short-term or long-term investment opportunities that they may arise. Also the Group will maintain its investment properties that provide a steady source of income.

By the expectation to pick-up on the world economy, the Group will closely observe the change in economic conditions and adjust its business strategy on the same pace.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARE CAPITAL

As 30 September 2002, the interests of the directors and chief executives of the Company in the share capital of the Company and its associated corporations (within the meaning of the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance")) as recorded in the register required to be kept under Section 29(1) of the SDI Ordinance were as follows:

	Number of share held
Eric Edward Hotung	29,952,608 (personal interests)

Save as disclosed above, at 30 September 2002, none of the directors or their associates had any interest in the share capital of the Company or any of its associated corporations which were required to be notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to Section 28 of the SDI Ordinance (including interests which they are deemed or taken to have under Section 31 or Part 1 of the Schedule to the SDI Ordinance) or which are required, pursuant to Section 29 of the SDI Ordinance, to be entered in the register referred to therein.

DIRECTORS' RIGHTS TO ACQUIRE SHARES

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 or any of its subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

SUBSTANTIAL SHAREHOLDERS

At 30 September 2002, the following shareholders of the Company had an interest in ten per cent or more of the issued capital of the Company as recorded in the register required to be kept under Section 16(1) of the SDI Ordinance:

	Number of shares held
Genesee Company Ltd.	15,161,000
Hotung Investment (China) Ltd.	16,171,000

Except as referred to above, no person, other than Eric Edward Hotung whose interests are set out above, had registered an interest in the share capital of the Company that was required to be recorded in the register maintained under Section 16(1) of the SDI Ordinance:

PERSONNEL

It is the policy of the Group to contract out to professionals certain technical aspects of property management, thus obviating the need for a large workforce of permanent employees. During the period, the Group continues this policy by keeping 7 employees, excluding external consultants. The total remuneration paid during the period under review reduced to HK\$892,000 (6 months ended 30 September 2001: HK\$1,452,000).

PURCHASE, SALE OR REDEMPTION OF SHARES

The Company has not redeemed any of its shares during the period. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the year.

AUDIT COMMITTEE

The unaudited results of the Group for the six months ended 30 September 2002 have been reviewed by the Audit Committee.

CODE OF BEST PRACTICE

None of the Directors is aware of any information that would reasonably indicate that the Company is not, or was not for any part of the accounting period for the six months ended 30 September 2002, in compliance with the Code of Best Practice as set out in Appendix 14 of the Listing Rules.

Finally, on behalf of the Board of Directors, I wish to thank our shareholders for their strong support and all the staff of the Group for their dedicated hard work.

By Order of the Board
Eric Edward Hotung
Chairman

Hong Kong, 9 December 2002