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## CORPORATE INFORMATION

### DIRECTORS

James Sai-Wing Wong  
Madeline May-Lung Wong  
William Chung-Yue Fan\*  
Herman Man-Hei Fung  
Roderick Sue-Cheun Wong  
Frankie Yick-Cheung Lee  
Clement Kwok-Hung Young\*

\* *Independent non-executive director*

### AUDIT COMMITTEE

William Chung-Yue Fan  
Clement Kwok-Hung Young

### SECRETARY

Wendy Yuk-Ying Chan

### PRINCIPAL BANKERS

Chekiang First Bank Limited  
CITIC Ka Wah Bank Limited  
Dao Heng Bank Limited  
The Hongkong and Shanghai Banking  
Corporation Limited  
Standard Chartered Bank

### SOLICITORS

Fan & Fan

### AUDITORS

Deloitte Touche Tohmatsu

### REGISTRARS

Tengis Limited  
4th Floor  
Hutchison House  
10 Harcourt Road  
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Hong Kong

### REGISTERED OFFICE

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### STOCK CODE

SEHK 216

# CHAIRMAN'S STATEMENT

## CONSOLIDATED RESULTS

The Group recorded a net profit of approximately HK\$16.6 million (2001: net loss of HK\$10.8 million). Turnover decreased to approximately HK\$701.9 million (2001: HK\$871.5 million).

The decrease in turnover was mainly due to:

- Decrease in turnover of the Garment Division by approximately HK\$63.9 million.
- Decrease in turnover of the Construction Division by approximately HK\$48 million.
- Jackson Mercantile Trading Company Limited (“Jackson Mercantile”), which was sold to Chinney Alliance Group Limited (“Chinney Alliance”) in September 2001, accounted for a turnover of approximately HK\$57.8 million in the prior period.

The turnaround of the Group's profit was mainly due to:

- Hon Kwok Land Investment Company, Limited (“Hon Kwok”), a 47% owned associate, returned to a net profit of approximately HK\$4.5 million (2001: net loss of HK\$29.7 million).
- Chinney Alliance, a 29% owned associate, reduced its net loss to approximately HK\$9.9 million (2001: HK\$57.1 million) for the six months ended 30th June, 2002.

## DIVIDEND

The directors do not recommend the payment of an interim dividend for the six months ended 30th September, 2002 (2001: nil).

## REVIEW OF OPERATIONS

### Construction

The turnover and net profit after taxation of the Construction Division for the period were approximately HK\$437.9 million (2001: HK\$529.7 million) and approximately HK\$11.8 million (2001: HK\$1.1 million) respectively. The reduction in turnover was the direct result of the downturn in the local building industry. This trend is expected to continue.

### Garment

The Garment Division contributed a turnover of approximately HK\$264 million (2001: HK\$327.8 million) with net profit decreased to approximately HK\$7.1 million (2001: HK\$11.8 million). The net profit included 50% share of the results of SGA Group, which contributed a net profit after taxation of approximately HK\$3.6 million (2001: HK\$3.1 million). The reduction in turnover and net profit was due to the after-effects of September 11 incident. Higher turnover and greater net profit can be expected in the coming six months period.

## CHAIRMAN'S STATEMENT *(Continued)*

### **Hon Kwok**

The turnover of Hon Kwok decreased slightly to approximately HK\$309.2 million (2001: HK\$316.5 million) with a net profit of approximately HK\$4.5 million (2001: net loss of HK\$29.7 million). Hon Kwok's return to profitability was mainly due to successful sale of Millennium Oasis, a project in Shenzhen.

### **Chinney Alliance**

Chinney Alliance reported a turnover of approximately HK\$396.3 million for the six months ended 30th June, 2002 (2001: HK\$301.1 million). The net loss for the period reduced significantly to approximately HK\$9.9 million (2001: HK\$57.1 million). The reduction in net loss was mainly due to lesser provision for diminution in value of hi-tech related investments and improved performance of its trading subsidiaries.

## **FINANCIAL REVIEW**

### **Liquidity and financial resources**

As at 30th September, 2002, the total interest-bearing debts of the Group amounted to approximately HK\$294 million (as at 31st March, 2002: HK\$303 million). Approximately 95% of the debts were repayable within one year. After deducting the unpledged bank balances and cash of approximately HK\$162 million (as at 31st March, 2002: HK\$96 million), the net interest-bearing debts of the Group was approximately HK\$132 million (as at 31st March, 2002: HK\$207 million). The decrease in net interest-bearing debts of the Group was mainly due to the cash flows generated from operations. The Group had a total of HK\$268 million committed but undrawn banking facilities as at 30th September, 2002 available for its working capital purpose.

The gearing ratio, as measured by the net interest-bearing debts over the shareholders' funds, was 11.5% as at 30th September, 2002 (as at 31st March, 2002: 18.1%).

### **Funding and treasury policy**

The Group adopts a prudent funding and treasury policy. Surplus funds are maintained in the form of cash deposits with leading banks. Borrowings are mainly denominated in Hong Kong dollars and United States dollars and bear interest at floating rates.

### **Pledge of assets**

Certain inventories, trade debts, intercompany trade debts due from associates, bank balances and properties having an aggregate book value of approximately HK\$240 million as at 30th September, 2002 and shares in certain associates were pledged to secure banking facilities of the Group.

## CHAIRMAN'S STATEMENT *(Continued)*

### **Contingent liabilities**

As at 30th September, 2002, the Group was contingently liable for approximately HK\$108.5 million in respect of guarantees provided for banking facilities utilised by jointly-controlled entities and approximately HK\$2.5 million in respect of bills discounted with recourse.

The Group, including its associates, has been involved in certain legal proceedings or claims as part of its normal trade as disclosed in the annual report of the Company for the year ended 31st March, 2002. Having regard to legal advices, the Group considers that the proceedings and claims were made without valid ground and, accordingly, no provision has been made in the financial statements. There has been no further progress of such proceedings and claims since the date of publication of our last annual report.

### **Employees and remuneration policies**

The Group, not including its associates and jointly-controlled entities, employs approximately 3,500 people in Hong Kong, in other parts of the People's Republic of China and overseas. There are no significant changes in the remuneration policies and benefits to the employees of the Group.

### **BUSINESS OUTLOOK**

There was no significant change in the world economy during the period under review. This was reflected by the relevant stock market indices here, the United States, and elsewhere in the world. On the international scene, war against terrorism continues under the shadow of Middle East conflict which has now been spread to other parts of the world. Uncertainties breed anxieties and increased security surveillance hampers world trade, both of which are negatively affecting economic recovery.

The local economy has shown signs of improvement in the export sector. As a result, the Government has revised its estimate of GDP growth upwards to 2%. However, continued deflation, now 48 consecutive months, has seriously undermined consumer confidence and severely affected retail trade in all sectors. Much attention has been focused recently on the huge government deficit, now exceeding HK\$70 billion during the first seven months of this fiscal year. The Government has recently taken decisive steps in revising housing and land supply policy to prevent the property prices from further decline. The real effects of such measures are still too early to assess at this time.

Your directors are pleased to report that all member companies of the Group had traded profitably during the past six months under review. Despite continued economic recession in the territory, your directors remain confident of the satisfactory performance of the Group.

I have received constant support and guidance from my fellow directors and senior managers within the Group and wish to express my sincere appreciation to them and also to all other colleagues for their valuable effort and contribution during the past period.

**James Sai-Wing Wong**  
*Chairman*

Hong Kong, 12th December, 2002

## GENERAL INFORMATION

### DIRECTORS' INTERESTS IN SECURITIES

As at 30th September, 2002, the interests of the directors in the securities of the Company and its associated corporations as recorded in the register maintained by the Company under Section 29 of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance") were as follows:

#### The Company

| Name of director       | Note | Nature of interests | Number of shares held |
|------------------------|------|---------------------|-----------------------|
| James Sai-Wing Wong    | 1    | Corporate           | 296,919,324           |
| Madeline May-Lung Wong | 1    | Corporate           | 296,919,324           |
| William Chung-Yue Fan  |      | Personal            | 3,918,285             |
| Herman Man-Hei Fung    |      | Personal            | 10,040,000            |

#### Associated corporations

| Name of director       | Notes | Name of associated corporations   | Nature of interests | Number/face value of securities held | Type of securities               |
|------------------------|-------|-----------------------------------|---------------------|--------------------------------------|----------------------------------|
| James Sai-Wing Wong    | 2     | Hon Kwok                          | Corporate           | 632,284,758                          | Ordinary shares                  |
|                        | 2     | Chinney Alliance                  | Corporate           | 961,957,982                          | Ordinary shares                  |
|                        | 2     | Hon Kwok Land Treasury II Limited | Corporate           | HK\$141,000,000                      | 10% convertible guaranteed bonds |
| Madeline May-Lung Wong | 2     | Hon Kwok                          | Corporate           | 632,284,758                          | Ordinary shares                  |
|                        | 2     | Chinney Alliance                  | Corporate           | 961,957,982                          | Ordinary shares                  |
|                        | 2     | Hon Kwok Land Treasury II Limited | Corporate           | HK\$141,000,000                      | 10% convertible guaranteed bonds |
| William Chung-Yue Fan  |       | Hon Kwok                          | Personal            | 7,085                                | Ordinary shares                  |
|                        |       | Hon Kwok Land Treasury II Limited | Personal            | HK\$2,000,000                        | 10% convertible guaranteed bonds |
|                        |       |                                   |                     |                                      |                                  |
| Herman Man-Hei Fung    |       | Hon Kwok                          | Family              | 14,171                               | Ordinary shares                  |
|                        | 3     | Hon Kwok                          | Personal            | 12,000,000                           | Share options                    |
|                        | 4     | Chinney Alliance                  | Personal            | 8,000,000                            | Share options                    |

GENERAL INFORMATION *(Continued)***DIRECTORS' INTERESTS IN SECURITIES** *(Continued)**Notes:*

1. *These shares are beneficially held by Chinney Holdings Limited ("Chinney Holdings"). More than one-third of the equity capital of Chinney Holdings is owned by Lucky Year Finance Limited ("Lucky Year"), of which James Sai-Wing Wong and Madeline May-Lung Wong are directors and shareholders.*
2. *James Sai-Wing Wong and Madeline May-Lung Wong are deemed to have beneficial interests in these shares and bonds held by the Company or its wholly-owned subsidiary by virtue of their respective interest in the equity capital of Lucky Year as described in note 1.*
3. *These share options can be exercised up to 15th March, 2003 at an exercise price of HK\$0.70 per share, subject to adjustment. During the period, no share options were exercised.*
4. *These share options can be exercised up to 12th July, 2009 at an exercise price of HK\$0.07 per share, subject to adjustment. During the period, no share options were exercised.*

Save as disclosed above, at no time during the period was the Company, its holding companies or any of its subsidiaries or fellow subsidiaries a party to any arrangement to enable the Company's directors or their spouse or children under 18 years of age to acquire benefits by means of the acquisition of shares in or debt securities (including debentures) of the Company or any other body corporate.

Save as disclosed above and other than certain nominee shares in subsidiaries held by James Sai-Wing Wong in trust for the Group, none of the directors or their associates had any beneficial interests in the securities of the Company or any of its associated corporations as defined in the SDI Ordinance as at 30th September, 2002.

**SUBSTANTIAL SHAREHOLDERS**

As at 30th September, 2002, the following shareholders had an interest of 10% or more in the share capital of the Company, as recorded in the register of interests required to be kept by the Company pursuant to Section 16(1) of the SDI Ordinance:

| <b>Name</b>            | <b>Number of shares held</b> |
|------------------------|------------------------------|
| Chinney Holdings       | 296,919,324                  |
| Lucky Year             | 296,919,324                  |
| Madeline May-Lung Wong | 296,919,324                  |
| James Sai-Wing Wong    | 296,919,324                  |

James Sai-Wing Wong, Madeline May-Lung Wong, Lucky Year and Chinney Holdings are deemed to be interested in the same parcel of shares by virtue of Section 8(2) of the SDI Ordinance.

## GENERAL INFORMATION *(Continued)*

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

There were no purchases, sales or redemptions by the Company or any of its subsidiaries of the Company's shares during the six months ended 30th September, 2002.

### **COMPLIANCE WITH 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 30th September, 2002, in compliance with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), except that the non-executive directors are not appointed for a specific term but are subject to retirement by rotation and re-election at the annual general meeting of the Company.

### **AUDIT COMMITTEE**

The Company's audit committee has reviewed with the Company's management the accounting principles and practices adopted by the Group and financial reporting matters including the review of the unaudited consolidated financial statements for the six months ended 30th September, 2002.



## CONDENSED CONSOLIDATED INCOME STATEMENT

|   |              | Six months ended<br>30th September, |                            |
|---|--------------|-------------------------------------|----------------------------|
|   |              | 2002                                | 2001                       |
|   |              | (Unaudited)                         | (Unaudited)                |
|   |              | <i>HK\$'000</i>                     | <i>HK\$'000</i>            |
|   | <i>Notes</i> |                                     |                            |
| Turnover  |              | 701,877                             | 871,511                    |
| Cost of sales                                   |              | <u>(593,919)</u>                    | <u>(748,743)</u>           |
| Gross profit                                    |              | 107,958                             | 122,768                    |
| Other operating income                          |              | 14,710                              | 16,608                     |
| Selling and distribution costs                  |              | (22,573)                            | (24,171)                   |
| Administrative expenses                         |              | <u>(69,956)</u>                     | <u>(79,133)</u>            |
| Profit from operations                          | 3            | 30,139                              | 36,072                     |
| Finance costs                                   | 4            | (7,323)                             | (11,817)                   |
| Gain on disposals of subsidiaries               |              | –                                   | 605                        |
| Share of results of associates                  |              | 2,488                               | (33,186)                   |
| Share of results of jointly-controlled entities |              | <u>3,607</u>                        | <u>3,089</u>               |
| Profit/(loss) before taxation                   |              | 28,911                              | (5,237)                    |
| Taxation charge                                 | 5            | <u>(10,193)</u>                     | <u>(4,611)</u>             |
| Profit/(loss) before minority interests         |              | 18,718                              | (9,848)                    |
| Minority interests                              |              | <u>(2,166)</u>                      | <u>(949)</u>               |
| Net profit/(loss) attributable to shareholders  |              | <u><u>16,552</u></u>                | <u><u>(10,797)</u></u>     |
| Earnings/(loss) per share                       | 6            |                                     |                            |
| Basic   |              | <u><u>3.00 cents</u></u>            | <u><u>(1.96 cents)</u></u> |
| Diluted   |              | <u><u>2.89 cents</u></u>            | <u><u>N/A</u></u>          |

## CONDENSED CONSOLIDATED BALANCE SHEET

|  |              | As at<br>30th September,<br>2002<br>(Unaudited)<br><i>HK\$'000</i> | As at<br>31st March,<br>2002<br>(Audited)<br><i>HK\$'000</i> |
|--|--------------|--|--|
|  | <i>Notes</i> |  |  |
| <b>ASSETS AND LIABILITIES</b>                |              |  |  |
| <b>Non-current assets</b>                    |              |  |  |
| Property, plant and equipment                | 7            | 333,684  | 353,375  |
| Investment properties                        |              | 1,600  | 1,600  |
| Interests in associates                      | 8            | 813,605  | 814,260  |
| Interests in jointly-controlled entities     |              | 8,090  | 4,533  |
| Permanent export quota entitlements          |              | 1,283  | 2,185  |
| Investments in securities                    |              | 3,510  | 3,510  |
| Retention monies receivable after one year   |              | 15,846   | 16,125   |
|  |              | <u>1,177,618</u>   | <u>1,195,588</u>   |
| <b>Current assets</b>                        |              |  |  |
| Inventories                                  |              | 100,987  | 99,444   |
| Amounts due from customers for contract work |              | 60,508   | 50,800   |
| Retention monies receivable within one year  |              | 43,924   | 54,213   |
| Debtors and prepayments                      | 9            | 204,346  | 242,599  |
| Amounts due from associates                  |              | 9,609  | 8,964  |
| Amounts due from jointly-controlled entities |              | 16,214   | 22,003   |
| Taxation recoverable                         |              | 35   | 54   |
| Investments in securities                    |              | 806  | 1,470  |
| Pledged bank balances                        |              | 2,814  | 2,000  |
| Bank balances and cash                       |              | 162,145  | 95,818   |
|  |              | <u>601,388</u>   | <u>577,365</u>   |

## CONDENSED CONSOLIDATED BALANCE SHEET (Continued)

|   |              | As at<br>30th September,<br>2002<br>(Unaudited)<br>HK\$'000 | As at<br>31st March,<br>2002<br>(Audited)<br>HK\$'000 |
|---|--------------|---|---|
|   | <i>Notes</i> |   |   |
| <b>Current liabilities</b>                              |              |   |   |
| Creditors and accrued charges                           | 10           | 143,750   | 185,715   |
| Amounts due to customers for contract work              |              | 128,610   | 86,907  |
| Amounts due to associates                               |              | –   | 1   |
| Amounts due to jointly-controlled entities              |              | –   | 5   |
| Taxation payable  |              | 8,328   | 2,440   |
| Dividend payable  |              | 88  | –   |
| Obligations under hire purchase contracts               |              |   |   |
| – due within one year                                   |              | 5,601   | 7,250   |
| Bank borrowings – due within one year                   |              | 274,148   | 255,868   |
|   |              | <u>560,525</u>  | <u>538,186</u>  |
| <b>Net current assets</b>                               |              | <u>40,863</u>   | <u>39,179</u>   |
| <b>Total assets less current liabilities</b>            |              | <u>1,218,481</u>  | <u>1,234,767</u>                                      |
| <b>Non-current liabilities</b>                          |              |   |   |
| Obligations under hire purchase contracts               |              |   |   |
| – due after one year                                    |              | 2,037   | 4,459   |
| Bank borrowings – due after one year                    |              | 12,287  | 35,461  |
| Deferred taxation                                       |              | 17,280  | 16,855  |
| Amounts due to minority shareholders<br>of a subsidiary |              | 32,390  | 32,390  |
|   |              | <u>63,994</u>   | <u>89,165</u>   |
| <b>Minority interests</b>                               |              | <u>5,248</u>  | <u>3,082</u>  |
|   |              | <u>1,149,239</u>  | <u>1,142,520</u>                                      |
| <b>CAPITAL AND RESERVES</b>                             |              |   |   |
| Share capital   | 11           | 137,842   | 137,842   |
| Reserves  | 12           | 1,011,397   | 1,004,678   |
|   |              | <u>1,149,239</u>  | <u>1,142,520</u>                                      |

## CONDENSED CONSOLIDATED CASH FLOW STATEMENT

|  | Six months ended |               |
|--|------------------|---------------|
|  | 30th September,  |               |
|  | 2002             | 2001          |
|  | (Unaudited)      | (Unaudited)   |
|  | HK\$'000         | HK\$'000      |
| Net cash inflow from operating activities                | 86,131           | 48,865        |
| Net cash inflow/(outflow) from investing activities      | 10,080           | (196,650)     |
| Net cash (outflow)/inflow from financing activities      | (26,935)         | 141,023       |
|  | <hr/>            | <hr/>         |
| Increase/(decrease) in cash and cash equivalents         | 69,276           | (6,762)       |
| Cash and cash equivalents at the beginning of the period | 62,355           | 85,422        |
|  | <hr/>            | <hr/>         |
| Cash and cash equivalents at the end of the period       | <b>131,631</b>   | <b>78,660</b> |
|  | <hr/>            | <hr/>         |
| Analysis of the balances of cash and cash equivalents    |                  |               |
| Bank balances and cash                                   | 162,145          | 120,963       |
| Bank overdrafts  | (30,514)         | (42,303)      |
|  | <hr/>            | <hr/>         |
|  | <b>131,631</b>   | <b>78,660</b> |
|  | <hr/>            | <hr/>         |

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

|   | Six months ended |                  |
|---|------------------|------------------|
|   | 30th September,  |                  |
|   | 2002             | 2001             |
|   | (Unaudited)      | (Unaudited)      |
|   | HK\$'000         | HK\$'000         |
| Total shareholders' equity as at 1st April  | 1,142,520        | 1,126,831        |
| Exchange differences arising on translation of financial statements denominated in foreign currencies | 1,027            | 1,504            |
| Share of exchange reserve of associates attributable to the Group                                     | 167              | (47)             |
| Net gains not recognised in the consolidated income statement   | 1,194            | 1,457            |
| Net profit/(loss) for the period  | 16,552           | (10,797)         |
| Release of negative goodwill previously eliminated against reserves upon disposals of subsidiaries    | –                | (488)            |
| Share of capital reserve of associates attributable to the Group                                      | –                | 2,662            |
| Final dividend in respect of previous financial year  | (11,027)         | –                |
| Total shareholders' equity as at 30th September   | <u>1,149,239</u> | <u>1,119,665</u> |

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 1. Basis of preparation and accounting policies

The unaudited condensed consolidated interim financial statements are prepared in accordance with the requirements of Appendix 16 of the Listing Rules and the Hong Kong Statement of Standard Accounting Practice (“SSAP”) No. 25 “Interim Financial Reporting”.

The condensed consolidated interim financial statements should be read in conjunction with the 2001/2002 annual financial statements.

The accounting policies and basis of preparation used in the preparation of the interim financial statements are consistent with those used in the annual financial statements for the year ended 31st March, 2002, except that the Group has adopted the following SSAPs issued by the Hong Kong Society of Accountants which are effective for accounting periods commencing on or after 1st January, 2002:

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

The adoption of these new or revised SSAPs has no significant effect on the results of the Group for the current or prior accounting period, other than a change in the format of presentation of the cash flow statement and the requirement to present a statement of changes in equity.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

**2. Segment information**

An analysis of the Group's turnover and results by business and geographical segments is as follows:

**Business segments**

|   | Construction activities |                | Garment activities |                | Trading activities |               | Other activities |             | Consolidated     |                |
|---|-------------------------|----------------|--------------------|----------------|--------------------|---------------|------------------|-------------|------------------|----------------|
|   | Six months ended        |                | Six months ended   |                | Six months ended   |               | Six months ended |             | Six months ended |                |
|   | 30th September,         |                | 30th September,    |                | 30th September,    |               | 30th September,  |             | 30th September,  |                |
|   | 2002                    | 2001           | 2002               | 2001           | 2002               | 2001          | 2002             | 2001        | 2002             | 2001           |
|   | (Unaudited)             | (Unaudited)    | (Unaudited)        | (Unaudited)    | (Unaudited)        | (Unaudited)   | (Unaudited)      | (Unaudited) | (Unaudited)      | (Unaudited)    |
|   | HK\$'000                | HK\$'000       | HK\$'000           | HK\$'000       | HK\$'000           | HK\$'000      | HK\$'000         | HK\$'000    | HK\$'000         | HK\$'000       |
| Turnover  | <u>437,917</u>          | <u>485,890</u> | <u>263,960</u>     | <u>327,844</u> | <u>-</u>           | <u>57,777</u> | <u>-</u>         | <u>-</u>    | <u>701,877</u>   | <u>871,511</u> |
| Segment results                                 | <u>16,874</u>           | <u>13,610</u>  | <u>9,128</u>       | <u>13,565</u>  | <u>-</u>           | <u>975</u>    | <u>-</u>         | <u>298</u>  | <u>26,002</u>    | <u>28,448</u>  |
| Net income from investments                     |                         |                |                    |                |                    |               |                  |             | 8,162            | 10,763         |
| Unallocated corporate expenses                  |                         |                |                    |                |                    |               |                  |             | (4,025)          | (3,139)        |
| Profit from operations                          |                         |                |                    |                |                    |               |                  |             | 30,139           | 36,072         |
| Finance costs                                   |                         |                |                    |                |                    |               |                  |             | (7,323)          | (11,817)       |
| Gain on disposals of subsidiaries               |                         |                |                    |                |                    |               |                  |             | -                | 605            |
| Share of results of associates                  | -                       | (3,338)        | (296)              | -              | -                  | -             | 2,784            | (29,848)    | 2,488            | (33,186)       |
| Share of results of jointly-controlled entities | -                       | -              | 3,607              | 3,089          | -                  | -             | -                | -           | 3,607            | 3,089          |
| Profit/(loss) before taxation                   |                         |                |                    |                |                    |               |                  |             | 28,911           | (5,237)        |
| Taxation charge                                 |                         |                |                    |                |                    |               |                  |             | (10,193)         | (4,611)        |
| Profit/(loss) before minority interests         |                         |                |                    |                |                    |               |                  |             | <u>18,718</u>    | <u>(9,848)</u> |

**Geographical segments**

|               | Turnover         |                | Contribution to profit from operations |               |
|---------------|------------------|----------------|--|---------------|
|               | Six months ended |                | Six months ended                       |               |
|               | 30th September,  |                | 30th September,                        |               |
|               | 2002             | 2001           | 2002                                   | 2001          |
|               | (Unaudited)      | (Unaudited)    | (Unaudited)                            | (Unaudited)   |
|               | HK\$'000         | HK\$'000       | HK\$'000                               | HK\$'000      |
| Hong Kong     | <u>442,967</u>   | <u>555,153</u> | <u>21,337</u>                          | <u>21,777</u> |
| North America | <u>153,006</u>   | <u>161,588</u> | <u>1,328</u>                           | <u>7,591</u>  |
| Europe        | <u>103,262</u>   | <u>141,403</u> | <u>7,149</u>                           | <u>5,790</u>  |
| Others        | <u>2,642</u>     | <u>13,367</u>  | <u>325</u>                             | <u>914</u>    |
|               | <u>701,877</u>   | <u>871,511</u> | <u>30,139</u>                          | <u>36,072</u> |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)***3. Profit from operations**

Profit from operations is arrived at after charging/(crediting):

|   | <b>Six months ended</b> |             |
|---|-------------------------|-------------|
|   | <b>30th September,</b>  |             |
|   | <b>2002</b>             | 2001        |
|   | <b>(Unaudited)</b>      | (Unaudited) |
|   | <b>HK\$'000</b>         | HK\$'000    |
| Depreciation of property, plant and equipment:      |                         |             |
| Owned assets  | <b>22,050</b>           | 17,880      |
| Assets held under hire purchase contracts           | <b>1,487</b>            | 2,405       |
|   | <b>23,537</b>           | 20,285      |
| Less: Amount capitalised in contract costs          | <b>1,860</b>            | 2,303       |
|   | <b>21,677</b>           | 17,982      |
| Staff costs (including directors' emoluments)       | <b>85,554</b>           | 86,837      |
| Less: Amount capitalised in contract costs          | <b>27,825</b>           | 26,198      |
|   | <b>57,729</b>           | 60,639      |
| Amortisation of permanent export quota entitlements | <b>902</b>              | 1,329       |
| Loss on disposal of investments in securities       | <b>–</b>                | 98          |
| Unrealised loss on investments in securities        | <b>664</b>              | 839         |
| Interest income from debt securities                | <b>(7,050)</b>          | (6,494)     |
| Bank interest income                                | <b>(869)</b>            | (1,289)     |
| Other interest income                               | <b>(471)</b>            | (1,096)     |
| Dividend income from investment in securities       | <b>(436)</b>            | –           |



## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

## 4. Finance costs

|  | Six months ended<br>30th September, |                                 |
|--|-------------------------------------|---------------------------------|
|  | 2002<br>(Unaudited)<br>HK\$'000     | 2001<br>(Unaudited)<br>HK\$'000 |
| Interest on:                                       |                                     |                                 |
| Bank borrowings wholly repayable within five years | 7,140                               | 10,980                          |
| Hire purchase contracts                            | 183                                 | 837                             |
|  | <u>7,323</u>                        | <u>11,817</u>                   |

## 5. Taxation charge

|  | Six months ended<br>30th September, |                                 |
|--|-------------------------------------|---------------------------------|
|  | 2002<br>(Unaudited)<br>HK\$'000     | 2001<br>(Unaudited)<br>HK\$'000 |
| Hong Kong  | 6,201                               | 3,064                           |
| Overseas   | -                                   | 4                               |
| Deferred taxation                                | 424                                 | 800                             |
|  | <u>6,625</u>                        | <u>3,868</u>                    |
| Share of taxation of associates                  | 3,517                               | 743                             |
| Share of taxation of jointly-controlled entities | 51                                  | -                               |
|  | <u>10,193</u>                       | <u>4,611</u>                    |

Hong Kong profits tax is calculated at 16% (2001: 16%) on the estimated assessable profits of the period. Overseas taxation is provided on the profits of overseas subsidiaries in accordance with the tax laws of the countries in which the subsidiaries operate.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)***6. Earnings/(loss) per share**

The calculation of basic earnings/(loss) per share is based on the net profit for the period of approximately HK\$16,552,000 (2001: net loss of HK\$10,797,000) and on 551,368,153 (2001: 551,368,153) shares in issue during the period.

The calculation of diluted earnings per share for the six months ended 30th September, 2002 is based on the following data:

|  | (Unaudited)<br>HK\$'000 |
|--|-------------------------|
| <i>Earnings</i>  |                         |
| Earnings for the purpose of calculating the basic earnings per share   | 16,552                  |
| Adjustment to earnings based on dilution effect of the earnings per share of associates  | (632)                   |
|  | <u>15,920</u>           |
| <i>Number of shares</i>  |                         |
| Number of shares in issue during the six months ended 30th September, 2002 for the purpose of calculating the diluted earnings per share | <u>551,368,153</u>      |

No diluted loss per share for the six months ended 30th September, 2001 is presented as the exercise of the outstanding options and convertible guaranteed bonds of the associates of the Group would only serve to reduce the loss per share from the continuing ordinary activities.

**7. Property, plant and equipment**

During the current interim period, the Group acquired property, plant and equipment at a cost of approximately HK\$3,723,000. The Group disposed property, plant and equipment with a net book value of approximately HK\$60,000.

**8. Interests in associates**

Included in interests in associates are held-to-maturity debt securities of HK\$141,000,000 (as at 31st March, 2002: HK\$141,000,000) of the 10% convertible guaranteed bonds due April 2003 issued by a wholly-owned subsidiary of Hon Kwok. Holders of the bonds have the right to convert the bonds into equity shares of Hon Kwok at a conversion price, subject to adjustment in certain events, of HK\$0.40 per share.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)***9. Debtors and prepayments**

Included in debtors and prepayments are trade debtors of HK\$137,426,000 (as at 31st March, 2002: HK\$197,531,000). The ageing analysis of trade debtors is as follows:

|                    | <b>As at<br/>30th September,<br/>2002<br/>(Unaudited)<br/>HK\$'000</b> | <b>As at<br/>31st March,<br/>2002<br/>(Audited)<br/>HK\$'000</b> |
|--------------------|--|--|
| Current to 30 days | <b>104,824</b>   | 147,732  |
| 31 to 60 days      | <b>13,048</b>  | 29,448   |
| 61 to 90 days      | <b>2,723</b>   | 4,621  |
| Over 90 days       | <b>16,831</b>  | 15,730   |
|                    | <hr/>  | <hr/>  |
| Total              | <b><u>137,426</u></b>  | <b><u>197,531</u></b>  |

The Group allows an average credit period of 30 days to its trade customers.

**10. Creditors and accrued charges**

Included in creditors and accrued charges are trade creditors of HK\$74,282,000 (as at 31st March, 2002: HK\$90,192,000). The ageing analysis of trade creditors is as follows:

|                    | <b>As at<br/>30th September,<br/>2002<br/>(Unaudited)<br/>HK\$'000</b> | <b>As at<br/>31st March,<br/>2002<br/>(Audited)<br/>HK\$'000</b> |
|--------------------|--|--|
| Current to 30 days | <b>49,652</b>  | 59,127   |
| 31 to 60 days      | <b>12,990</b>  | 23,573   |
| 61 to 90 days      | <b>5,524</b>   | 3,016  |
| Over 90 days       | <b>6,116</b>   | 4,476  |
|                    | <hr/>  | <hr/>  |
| Total              | <b><u>74,282</u></b>   | <b><u>90,192</u></b>   |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)***11. Share capital**

There were no movements in the authorised, issued and fully paid share capital of the Company in both interim periods.

**12. Reserves**

|   | <b>Share<br/>premium</b> | <b>Exchange<br/>reserve</b> | <b>Capital/<br/>(goodwill)<br/>reserve</b> | <b>Dividend<br/>reserve</b> | <b>Retained<br/>profits</b> | <b>Total</b>     |
|---|--------------------------|-----------------------------|--|-----------------------------|-----------------------------|------------------|
|   | (Unaudited)              | (Unaudited)                 | (Unaudited)                                | (Unaudited)                 | (Unaudited)                 | (Unaudited)      |
|   | <i>HK\$'000</i>          | <i>HK\$'000</i>             | <i>HK\$'000</i>                            | <i>HK\$'000</i>             | <i>HK\$'000</i>             | <i>HK\$'000</i>  |
| At 1st April, 2001  | 267,569                  | (45,545)                    | (14,668)                                   | -                           | 781,633                     | 988,989          |
| Released on disposals of subsidiaries   | -                        | -                           | (488)                                      | -                           | -                           | (488)            |
| Share of reserves of associates<br>attributable to the Group  | -                        | (47)                        | 2,662                                      | -                           | -                           | 2,615            |
| Exchange differences arising on<br>translation of financial statements<br>denominated in foreign currencies | -                        | 1,504                       | -  | -                           | -                           | 1,504            |
| Net loss for the period   | -                        | -                           | -  | -                           | (10,797)                    | (10,797)         |
| At 30th September, 2001   | <u>267,569</u>           | <u>(44,088)</u>             | <u>(12,494)</u>                            | <u>-</u>                    | <u>770,836</u>              | <u>981,823</u>   |
| At 1st April, 2002  | 267,569                  | (44,605)                    | (10,214)                                   | 11,027                      | 780,901                     | 1,004,678        |
| Share of reserve of associates<br>attributable to the Group   | -                        | 167                         | -  | -                           | -                           | 167              |
| Exchange differences arising on<br>translation of financial statements<br>denominated in foreign currencies | -                        | 1,027                       | -  | -                           | -                           | 1,027            |
| Net profit for the period   | -                        | -                           | -  | -                           | 16,552                      | 16,552           |
| Final dividend in respect of<br>previous financial year   | -                        | -                           | -  | (11,027)                    | -                           | (11,027)         |
| At 30th September, 2002   | <u>267,569</u>           | <u>(43,411)</u>             | <u>(10,214)</u>                            | <u>-</u>                    | <u>797,453</u>              | <u>1,011,397</u> |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)***13. Acquisitions and disposals of subsidiaries**

## (a) Acquisitions of subsidiaries

The subsidiaries acquired during the prior interim period have the following effect on the Group's net assets:

|                         | (Unaudited)<br>HK\$'000 |
|-------------------------|-------------------------|
| Net assets acquired     | <u>176,677</u>          |
| Satisfied by:           |                         |
| Cash consideration      | 88,000                  |
| Interests in associates | <u>88,677</u>           |
|                         | <u>176,677</u>          |

Analysis of net outflow of cash and cash equivalent in respect of the acquisitions:

|  |                |
|--|----------------|
| Cash consideration                                       | 88,000         |
| Bank overdrafts (net of bank balances and cash) acquired | <u>41,802</u>  |
|  | <u>129,802</u> |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)***13. Acquisitions and disposals of subsidiaries** *(Continued)*

## (b) Disposals of subsidiaries

The effect on the Group's net assets on the disposals of subsidiaries during the prior interim period is as follows:

|  | (Unaudited)<br>HK\$'000 |
|--|-------------------------|
| Net assets disposed of   | 10,759                  |
| Minority interests   | (1,007)                 |
| Reserves attributable to the Group and released upon disposal                    | <u>(488)</u>            |
|  | 9,264                   |
| Gain on disposals of subsidiaries  | <u>605</u>              |
| Cash consideration   | <u><u>9,869</u></u>     |
| Analysis of net inflow of cash and cash equivalents in respect of the disposals: |                         |
| Cash consideration   | 9,869                   |
| Bank overdrafts (net of bank balances and cash) disposed of                      | <u>8,000</u>            |
|  | <u><u>17,869</u></u>    |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)***14. Operating lease commitments**

As at 30th September, 2002, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of land and buildings falling due:

|                                       | <b>As at<br/>30th September,<br/>2002<br/>(Unaudited)<br/>HK\$'000</b> | As at<br>31st March,<br>2002<br>(Audited)<br>HK\$'000 |
|---------------------------------------|--|---|
| Within one year                       | <b>765</b>   | 1,143   |
| In the second to fifth year inclusive | <b>286</b>   | 355   |
|                                       | <b><u>1,051</u></b>  | <b><u>1,498</u></b>                                   |

As at 30th September, 2002, a jointly-controlled entity had commitments payable under non-cancellable operating leases for land and buildings falling due within one year and in the second to fifth year inclusive amounting to approximately HK\$487,000 (as at 31st March, 2002: HK\$697,000) and HK\$965,000 (as at 31st March, 2002: HK\$1,103,000), respectively. The Group's share of these operating lease commitments amounted to approximately HK\$244,000 (as at 31st March, 2002: HK\$349,000) and HK\$483,000 (as at 31st March, 2002: HK\$552,000), respectively.

Operating lease payments represent rental payable by the Group for certain land and buildings. Leases are negotiated for an average term of not more than two years.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)***15. Related party transactions**

- (a) Set out below are the significant transactions between the Group and other related parties during the period:

|  | <b>Six months ended</b> |              |
|--|-------------------------|--------------|
|  | <b>30th September,</b>  |              |
|  | <b>2002</b>             | 2001         |
|  | <b>(Unaudited)</b>      | (Unaudited)  |
|  | <b>HK\$'000</b>         | HK\$'000     |
| Construction work carried out for an associate         | <b>9,684</b>            | 27,284       |
| Net interest received from jointly-controlled entities | <b>422</b>              | 672          |
| Interest received from an associate                    | <b><u>7,050</u></b>     | <u>6,384</u> |

In the opinion of the directors, the construction work for the associate was carried out at prices determined on the cost plus a percentage mark-up basis, and the interest received from jointly-controlled entities was charged at market rates. The interest received from an associate represented interest income on convertible guaranteed bonds with a fixed coupon rate of 10% per annum.

- (b) The Company was allotted a principal sum of HK\$141 million of the 10% convertible guaranteed bonds issued by a wholly-owned subsidiary of Hon Kwok on 18th April, 2001. The subscription monies were satisfied by Hon Kwok repurchasing the Company's holding of the 5.3% convertible guaranteed bonds issued by a wholly-owned subsidiary of Hon Kwok valued at approximately HK\$51 million and cash payment of approximately HK\$90 million.
- (c) On 3rd September, 2001, the Company disposed of its entire interest in Jackson Mercantile, a then wholly-owned subsidiary of the Company, to Chinney Alliance at a cash consideration of approximately HK\$9,869,000. The consideration was arrived at after arm's length negotiation and determined by reference to the unaudited pro-forma consolidated net tangible assets of Jackson Mercantile and its subsidiaries of HK\$9,869,000 as at 30th June, 2001.
- (d) The amounts due from/to associates are unsecured, non-interest bearing and are repayable on demand in both interim periods.

The amounts due from/to jointly-controlled entities are unsecured, bear interest at the prevailing market rates and are repayable on demand in both interim periods.

**16. Approval of the interim financial statements**

These condensed interim financial statements were approved and authorised for issue by the board of directors on 12th December, 2002.