



MASCOTTE
HOLDINGS
LIMITED

*(Incorporated in Bermuda with
limited liability)*



Interim Report

2002

INTERIM RESULTS

The Board of Directors (the “Directors”) of Mascotte Holdings Limited (the “Company”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 30th September, 2002.

CONDENSED CONSOLIDATED INCOME STATEMENT

		For the six months period ended 30th September,	
	<i>Notes</i>	2002 (Unaudited) HK\$'000	2001 (Unaudited) HK\$'000
Turnover	3	98,797	89,591
Cost of sales		(68,522)	(60,668)
Gross profit		30,275	28,923
Other revenue		1,719	581
Selling and distribution costs		(4,150)	(4,734)
Administrative expenses		(17,770)	(15,391)
Profit from operations		10,074	9,379
Finance costs		(230)	(303)
Profit before taxation	4	9,844	9,076
Taxation	5	(368)	(235)
Profit before minority interests		9,476	8,841
Minority interests		(105)	(919)
Net profit for the period		9,371	7,922
Interim dividend	6	—	—
Earnings per share	7		
Basic		2.2 cents	1.9 cents
Diluted		N/A	1.9 cents

CONDENSED CONSOLIDATED BALANCE SHEET

	<i>Notes</i>	30th September, 2002 (Unaudited) HK\$'000	31st March, 2002 (Audited) HK\$'000
Non-current assets			
Investment properties		53,810	53,810
Property, plant and equipment		37,965	38,618
Goodwill		9,750	10,292
Deposits paid		5,927	5,927
		<u>107,452</u>	<u>108,647</u>
Current assets			
Inventories		8,261	9,390
Trade receivables	8	33,906	20,744
Loans receivable	9	17,550	1,500
Deposits, prepayments and other receivables		18,673	26,778
Tax recoverable		117	171
Bank balances and cash		19,792	23,129
		<u>98,299</u>	<u>81,712</u>
Current liabilities			
Trade Creditors	10	10,629	7,642
Other creditors and accrued charges		10,311	10,108
Taxation		10,973	10,689
Bank borrowings – due within one year		12,843	5,879
		<u>44,756</u>	<u>34,318</u>
Net current assets		<u>53,543</u>	<u>47,394</u>
Total assets less current liabilities		160,995	156,041
Non-current liabilities			
Bank borrowings – due after one year		(205)	(487)
Minority interests		<u>(2,293)</u>	<u>(2,188)</u>
		<u>158,497</u>	<u>153,366</u>
Capital and reserves			
Share capital	11	42,400	42,400
Reserves		116,097	110,966
		<u>158,497</u>	<u>153,366</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY*For the six months ended 30th September, 2002*

	Share premium	Special reserve	Goodwill reserve	Negative goodwill reserve	Translation reserve	Reserve fund	Enterprise expansion reserve	Retained profits	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1st April, 2001	66,672	14,901	(10,638)	2,080	(1,150)	1,083	1,083	31,970	106,001
Net profit for the period	-	-	-	-	-	-	-	7,922	7,922
Exchange adjustment	-	-	-	-	(56)	-	-	-	(56)
2001 final dividend paid	-	-	-	-	-	-	-	(8,480)	(8,480)
At 30th September, 2001	<u>66,672</u>	<u>14,901</u>	<u>(10,638)</u>	<u>2,080</u>	<u>(1,206)</u>	<u>1,083</u>	<u>1,083</u>	<u>31,412</u>	<u>105,387</u>
At 1st April, 2002	66,672	14,901	(10,638)	2,080	(1,150)	1,083	1,083	36,935	110,966
Net profit for the period	-	-	-	-	-	-	-	9,371	9,371
2002 final dividend paid	-	-	-	-	-	-	-	(4,240)	(4,240)
At 30th September, 2002	<u>66,672</u>	<u>14,901</u>	<u>(10,638)</u>	<u>2,080</u>	<u>(1,150)</u>	<u>1,083</u>	<u>1,083</u>	<u>42,066</u>	<u>116,097</u>

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months
period ended
30th September,

	2002 (Unaudited) HK\$'000	2001 (Unaudited) HK\$'000
Net cash inflow from operating activities	11,645	19,776
Net cash used in investing activities	(17,435)	(11,695)
Net cash (used in) from financing activities	2,784	(8,723)
Net decrease in cash and cash equivalents	(3,006)	(642)
Cash and cash equivalents at beginning of the period	22,798	35,897
Effect of foreign exchange rate changes	-	1,153
Cash and cash equivalents at the end of the period	19,792	36,408

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30th September, 2002

1. BASIS OF PREPARATION

The interim financial report has been prepared in accordance 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 "Listing Rules") and Statement of Standard Accounting Practice ("SSAP") 25 "Interim financial reporting" issued by the Hong Kong Society of Accountants.

2. PRINCIPAL ACCOUNTING POLICIES

The interim financial report has been prepared under the historical cost convention.

The accounting policies adopted for the preparation of the interim financial report are consistent with those adopted by the Group in its annual financial statements for the year ended 31st March, 2002 except as described below.

In the current period, the Group has adopted, for the first time, the following new and revised SSAPs issued by the HKSA:

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 SSAPs has resulted in the introduction of the statement of changes in equity and a change in the format of presentation of the cash flow statement but has had no significant effect on the results for the current or prior accounting periods. Accordingly, no prior period adjustment has been required.

3. SEGMENTS INFORMATION

Analysis of the Group's turnover and contribution to operating profit by business segments and geographical segments is as follows:

Business Segments

	For the six months period ended 30th September, 2002		
	Manufacture and sales of goods HK\$'000	Property Investments HK\$'000	Consolidated HK\$'000
TURNOVER			
Total revenue	<u>96,640</u>	<u>2,157</u>	<u>98,797</u>
RESULT			
Segment profit	<u>9,791</u>	<u>1,116</u>	10,907
Unallocated other revenue			1,178
Unallocated corporate expenses			<u>(2,011)</u>
Profit from operations			<u>10,074</u>

	For the six months period ended 30th September, 2001		
	Manufacture and sales of goods HK\$'000	Property Investments HK\$'000	Consolidated HK\$'000
TURNOVER			
Total revenue	<u>87,584</u>	<u>2,007</u>	<u>89,591</u>
RESULT			
Segment profit	<u>8,881</u>	<u>1,189</u>	10,070
Unallocated other revenue			468
Unallocated corporate expenses			<u>(1,159)</u>
Profit from operations			<u>9,379</u>

Geographical segments

	For the six months period ended 30th September,			
	Revenue by geographical market		Contribution to profit from operations	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Europe	52,738	53,551	5,343	5,430
United States of America	17,264	10,826	1,749	1,040
Hong Kong	14,496	12,342	1,604	1,533
Other regions in the PRC	2,804	3,015	1,046	1,068
Others	11,495	9,857	1,165	999
	<u>98,797</u>	<u>89,591</u>	<u>10,907</u>	10,070
Unallocated other revenue			1,178	468
Unallocated corporate expenses			(2,011)	(1,159)
Profit from operations			<u>10,074</u>	<u>9,379</u>

4. PROFIT BEFORE TAXATION

Profit before taxation has been arrived at after charging:

	For the six months period ended 30th September,	
	2002 HK\$'000	2001 HK\$'000
Amortisation of goodwill included in administrative expenses	542	–
Depreciation and amortisation	2,169	2,477
Interest on bank borrowings	<u>230</u>	<u>303</u>

5. TAXATION

	For the six months period ended 30th September,	
	2002 HK\$'000	2001 HK\$'000
Hong Kong Profits Tax	349	146
Other jurisdictions	19	89
	368	235
	368	235

Hong Kong Profits Tax has been calculated at the rate of 16.0% (2001: 16.0%) on the estimated assessable profits for the period.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

On 16th February, 2001, the Inland Revenue Department ("IRD") commenced a review on the accounting records of certain subsidiaries of the Company. As at the date of this interim financial report, the review by IRD is still in progress.

6. INTERIM DIVIDEND

At the meeting held on 26th July, 2002, the directors proposed a final dividend of HK\$1 cent per ordinary share totalling HK\$4,240,001 for the year ended 31st March, 2002, which was paid on 5th September, 2002 and has been reflected as an appropriation of retained earnings for the six months period ended 30th September, 2002.

The Directors do not recommend the payment of any interim dividend for the six months ended 30th September, 2002 (2001: Nil).

7. EARNINGS PER SHARE

The calculation of basic and diluted earnings per share is based on the following data:

	For the six months period ended 30th September,	
	2002 HK\$'000	2001 HK\$'000
Earnings for the purposes of basic and diluted earnings per share	<u>9,371</u>	<u>7,922</u>
Number of ordinary shares:		
Weighted average number of ordinary shares for the purpose of basic earnings per share	<u>424,000,100</u>	424,000,100
Effect of dilutive share options	N/A	<u>1,582,973</u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u>N/A</u>	<u>425,583,073</u>

No diluted earnings per share has been presented for the six months period ended 30th September, 2002 as there was no dilutive potential ordinary shares in existence during the period.

8. TRADE RECEIVABLES

The Group allowed an average credit period of 45 days to its trade customers.

The following is an aged analysis:

	As at 30th September, 2002 HK\$'000	As at 31st March, 2002 HK\$'000
Within 60 days	<u>22,186</u>	12,116
61–180 days	<u>7,633</u>	5,167
More than 180 days	<u>4,087</u>	3,461
	<u><u>33,906</u></u>	<u><u>20,744</u></u>

9. LOANS RECEIVABLE

Included in loans receivable is an amount of HK\$1,550,000 (as at 31st March, 2002: HK\$1,500,000) which is secured by the borrower's land and buildings, carries interest at 10% per annum and is repayable within one year.

The other loan advance of HK\$16,000,000 (as at 31st March, 2002: HK\$Nil) is made pursuant to various agreements signed between the Group and various companies in the PRC on 15th June, 2002 (the date of first advance) and subsequent dates for property development purpose. The loan is secured on land use rights in the PRC and is wholly repayable within 12 months from the date of first advance. The Group is entitled to a return of HK\$6,800,000 or properties equivalent to the amount, subject to the Group's decision, upon repayment of the advance.

10. TRADE CREDITORS

The following is an aged analysis:

	As at 30th September, 2002 HK\$'000	As at 31st March, 2002 HK\$'000
Within 60 days	10,103	7,543
61-180 days	526	76
More than 180 days	-	23
	<u>10,629</u>	<u>7,642</u>

11. SHARE CAPITAL

	As at 30th September, 2002 HK\$'000	As at 31st March, 2002 HK\$'000
<i>Authorised:</i>		
1,000,000,000 ordinary shares of HK\$0.10 each	<u>100,000</u>	<u>100,000</u>
<i>Issued and fully paid:</i>		
424,000,100 ordinary shares of HK\$0.10 each	<u>42,400</u>	<u>42,400</u>

12. CAPITAL COMMITMENTS

	As at 30th September, 2002 HK\$'000	As at 31st March, 2002 HK\$'000
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the condensed financial statements	<u>13,830</u>	<u>14,187</u>

13. CONTINGENT LIABILITIES

The Company provided corporate guarantees of approximately HK\$43.8 million (as at 31st March, 2002: approximately HK\$43.8 million) to banks to secure general banking facilities granted to subsidiaries. The total amount of facilities utilised by the subsidiaries at 30th September, 2002 is amounted to approximately HK\$13.0 million (as at 31st March, 2002: HK\$6.4 million).

14. LITIGATION

As disclosed in the 2002 annual report that an interpleader proceeding between Mee Lee Shing Plastic Factory Limited and Mascotte Industrial Associates (Hong Kong) Limited, a wholly owned subsidiary of the Company, as trustee of Mr. Cheang for proving their respective claims to the disputed sum of HK\$2,000,000, there is no material progress on this litigation up to the announcement date.

15. POST BALANCE SHEET EVENT

Pursuant to an agreement signed between the Group and an individual party in PRC on 15th November, 2002, the Group agreed to inject HK\$12.0 million as consideration for a new property development project undertaken by a company, which is incorporated in PRC, of this individual party.

Upon 31st December, 2003, the Group is entitled to choose either of the following:

- a) 40% of the beneficial interests in the project; or
- b) repayment of all consideration injected on the same date of 31st December, 2003 and a return of HK\$4.8 million or properties equivalent to the amount, subject to the Group's decision, upon repayment of the consideration principal.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Performance

For the six months period ended 30th September, 2002, the Group recorded a turnover of approximately of HK\$98.8 million, an increase of 10.3% when compared with the previous corresponding period.

Net profit for the period ended 30th September, 2002 was amounted to approximately HK\$9.4 million, which was increased by 18.3% over HK\$7.9 million as recorded last corresponding period. Such increase in attributable profit was mainly the result of the increase in turnover and the gain on Euro Dollar acceleration during the period.

For the financial period under review, the Group's core activity of sale of accessories of photographic, multimedia and electrical products was still impacted by the continuing global economic slowdown. Price and production order competition became increasingly fiercer in the marketplace. In the face of this challenging environment, the management strengthened its marketing efforts to secure new businesses mainly in US and Hong Kong market segments. As a result, the management was managed to achieve a growth in sale to US segment by 59% and to Hong Kong segment by 17%, respectively.

While the management expects the property market in Hong Kong will remain sluggish for quite a considerable period of time, the management is confident of the booming property market in PRC. During the period under review, the Group advanced HK\$16.0 million for a commercial and residential complex development project in Guangzhou, PRC. The finance principal is repayable around mid 2003. The Group is entitled to a cash return of HK\$6.8 million or properties equivalent to the amount, subject to the Group's decision, upon repayment of the advance.

Liquidity and gearing ratio

As at 30th September, 2002, the Group recorded a total of cash and bank balances of HK\$19.8 million (as at 31st March, 2002 of HK\$23.1 million). Moreover, the Group had a net current assets of HK\$98.3 million (as at 31st March, 2002 of HK\$81.7 million). The shareholder's funds was of HK\$158.5 million (as at 31st March, 2002 of HK\$153.4 million) and the total bank borrowings was of HK\$13.0 million (as at 31st March, 2002 of HK\$6.4 million); and accordingly, the gearing ratio was of 8.2% (as at 31st March, 2002 of 4.2%). The gearing ratio represented a 4% increase when compared with the last financial year end date.

It has always been the company objective to maximize the shareholders' returns in the long run. When there good investment opportunity arises, the Group would consider to further adjust the existing high cash and low gearing ratio policy so as to fight against the almost close-to-zero bank deposit interest rate and to take advantage of this very low borrowing rate environment.

Prospects

Despite the challenges facing ahead, the Group expects that the core activity of sale of accessories photographic, multimedia and electrical products will remain stable in the remaining half of this financial year. Reacted by the management's working in a down-to-the-earth manner, striving proactively and providing the best services and products to the customers, the Group is confident to maintain its leading position in the industry.

Taking advantage of the present low bank borrowing rate, the Group will continue to diversify more financial resources in adding into the property portfolio in PRC. Subsequent to this interim report balance sheet date, the Group has agreed to invest HK\$12.0 million in a commercial property development project in Guangzhou, PRC. The project is now in the land acquisition phase and the details are set out in Post Balance Sheet Event Note to the condensed financial statements. The management wishes that the continual refinement of the cross-border property portfolio will maximize the returns to the shareholders in the long run.

Number of Employees and Remuneration Policy

As at 30th September, 2002, the Group had more than 1,000 employees and with around 95% of them were employed in the PRC for the manufacturing business. The Group remunerates its employees based on their work performance and with reference to prevailing conditions of labor markets.

DIRECTORS' INTERESTS IN SECURITIES

(i) Shares

At 30th September, 2002, the interests of the directors and their associates in the shares of the Company as recorded in the register maintained by the Company pursuant to Section 29 of the Hong Kong's Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance") were as follows:

Name of director	Number of shares held	
	Personal interest	Corporate interest (Note)
Ms. Chan Oi Ling, Maria Olimpia	–	193,340,000
Mr. Lam Yu Ho, Daniel	24,300,000	–
Mr. Cheng Lok Hing	8,000,000	–
Mr. Cheng Chun Kit	8,200,000	–

Note: These shares are held by Honeyard Corporation. The entire issued share capital of Honeyard Corporation is held by The Honeyard Trust, a discretionary trust of which the family members of Ms. Chan Oi Ling, Maria Olimpia are discretionary beneficiaries.

In addition to the above, each of Ms. Chan Oi Ling, Maria Olimpia and Mr. Lam Yu Ho, Daniel holds 500,000 non-voting deferred shares in Mascotte Investments Limited, a subsidiary of the Company. Honeyard Corporation holds one non-voting deferred share in Newland Kingdom Limited, a subsidiary of the Company.

(ii) Share Option Scheme

The Company has a share option scheme to enable the directors of the Company to grant options to eligible employees, including executive directors, of the Company and its subsidiaries to subscribe for shares in the Company.

On 15th August, 2001, all 20,000,000 share options which enabled the directors to subscribe for ordinary share of HK\$0.10 each in the share capital of the Company at an initial subscription price of HK\$0.241 per share, exercisable from 16th August, 1998 to 15th August, 2001, were lapsed.

No share options were granted during the period and there is no share options outstanding as at 30th September, 2002.

SUBSTANTIAL SHAREHOLDERS

Other than the interests of director disclosed under the heading "Directors' Interests in Securities" as shown above, the register of substantial shareholders maintained by the Company pursuant to Section 16(1) of the SDI Ordinance discloses no other person as having an interest representing 10 per cent. or more of the issued share capital of the Company as at 30th September, 2002.

AUDIT COMMITTEE

The audit committee has reviewed the unaudited financial statements of the Group for the six months ended 30th September, 2002.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

CORPORATE GOVERNANCE

The Company has complied throughout the period ended 30th September, 2002 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.

By Order of the Board
Chan Oi Ling, Maria Olimpia
Chairman

Hong Kong, 27th December, 2002