

The board of directors (the "Directors") of Deson Development International 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 30 September 2002 as follows:–

## CONDENSED CONSOLIDATED INCOME STATEMENT

*For the six months ended 30 September 2002*

		<b>2002</b>	2001
		<b>(Unaudited)</b>	(Unaudited)
	<i>Notes</i>	<b>HK\$'000</b>	HK\$'000
<b>TURNOVER</b>	3	<b>204,394</b>	180,732
Other revenue and gains	3	<b>4,734</b>	15,431
Cost of construction contracts and direct expenses		<b>(154,585)</b>	(121,843)
Cost of property interests sold		<b>(26,195)</b>	(40,416)
Staff costs		<b>(12,964)</b>	(15,572)
Depreciation expense		<b>(1,324)</b>	(1,759)
Other operating expenses		<b>(9,831)</b>	(10,295)
<b>PROFIT FROM OPERATING ACTIVITIES</b>		<b>4,229</b>	6,278
Finance costs	4	<b>(2,734)</b>	(3,300)
Share of profits and losses of associates		<b>1,525</b>	220
<b>PROFIT BEFORE TAX</b>		<b>3,020</b>	3,198
Tax	5	<b>(513)</b>	(266)
<b>PROFIT BEFORE MINORITY INTERESTS</b>		<b>2,507</b>	2,932
Minority interests		<b>1,325</b>	1,135
<b>NET PROFIT ATTRIBUTABLE TO SHAREHOLDERS</b>		<b>3,832</b>	4,067
<b>EARNINGS PER SHARE</b>	6		
Basic		<b>HK0.08 cent</b>	HK0.08 cent
Diluted		<b>HK0.08 cent</b>	HK0.08 cent

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

	<b>2002</b> <b>(Unaudited)</b> <b>HK\$'000</b>	2001 (Unaudited) HK\$'000 (Restated)
Balance as at 1 April	<b>271,253</b>	262,145
Exchange realignments on translation of the financial statements of foreign subsidiaries and associates, net	-	(144)
Goodwill released from reserves	-	2,291
Net gains not recognised in the condensed Consolidated profit and loss account	-	2,147
Net profit for the period attributable to shareholders	<b>3,832</b>	4,067
Exchange fluctuation reserve release upon disposal of an associate	-	320
Issue of share capital on exercise of share options	-	710
Repurchase of shares	-	(614)
Balance as at 30 September	<b><u>275,085</u></b>	<b><u>268,775</u></b>

**CONDENSED CONSOLIDATED BALANCE SHEET**

30 September 2002

		<b>30 September 2002 (Unaudited) HK\$'000</b>	31 March 2002 (Audited) HK\$'000
	Notes		
<b>NON-CURRENT ASSETS</b>			
Fixed assets		63,876	64,023
Deferred development costs		3,762	3,706
Interests in associates		17,461	18,768
Long term investments		6,153	6,153
Pledged time deposits		5,000	5,100
		<u>96,252</u>	<u>97,750</u>
<b>CURRENT ASSETS</b>			
Properties held for sale		298,199	265,538
Gross amount due from contract customers		22,159	27,557
Inventories		1,101	516
Accounts receivable	7	61,549	58,465
Other receivables		26,640	14,984
Pledged time deposits		30,763	27,954
Cash and cash equivalents		39,290	59,469
		<u>479,701</u>	<u>454,483</u>
<b>CURRENT LIABILITIES</b>			
Gross amount due to contract customers		58,069	64,967
Accounts payable	8	19,840	29,484
Other payables and accruals		38,843	13,223
Tax payable		2,108	2,329
Provision for scheme debts		1,047	1,047
Interest-bearing bank and other borrowings		106,960	89,430
Convertible notes	9	7,285	-
		<u>234,152</u>	<u>200,480</u>
<b>NET CURRENT ASSETS</b>		<u>245,549</u>	<u>254,003</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>341,801</u>	<u>351,753</u>
<b>NON-CURRENT LIABILITIES</b>			
Interest-bearing bank and other borrowings		(55,132)	(57,208)
Convertible notes	9	-	(8,065)
		<u>(55,132)</u>	<u>(65,273)</u>
<b>MINORITY INTERESTS</b>		<u>(11,584)</u>	<u>(15,227)</u>
		<u>275,085</u>	<u>271,253</u>
<b>CAPITAL AND RESERVES</b>			
Issued capital	10	47,916	47,916
Reserves	11	227,169	223,337
		<u>275,085</u>	<u>271,253</u>

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

	<b>For the six months ended 30 September</b>	
	<b>2002</b>	2001
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	HK\$'000
		(Restated)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>(35,690)</b>	(34,525)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	<b>(167)</b>	5,632
<b>CASH FLOWS FROM FINANCING</b>	<b>14,371</b>	5,383
<b>DECREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(21,486)</b>	(23,510)
Cash and cash equivalents at beginning of period	<b>41,368</b>	49,668
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>19,882</b>	26,158
<b>ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS</b>		
Cash and bank balances	<b>36,642</b>	22,786
Non-pledged time deposits with original maturity of less than three months when acquired	<b>2,648</b>	10,574
Time deposits with original maturity of less than three months when acquired, pledged as security for bank overdraft facilities	<b>17,077</b>	27,458
Bank overdrafts, secured	<b>(36,485)</b>	(34,660)
	<b>19,882</b>	26,158

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### 1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The unaudited condensed financial statements for the period ended 30 September 2002 have been prepared in accordance with Statement of Standard Accounting Practice (“HKSSAP”) 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 (the “Stock Exchange”). The accounting policies and basis of preparation 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 the following new HKSSAPs issued by HKSA during the period:

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

The adoption of the above HKSSAPs had no material effect on amounts reported in the current and prior periods, except that certain changes on presentation have been made upon the adoption of HKSSAP 1 (revised) “Presentation of financial statements”, HKSSAP 15 (revised) “Cash flow statements”, and HKSSAP 25 (revised) “Interim financial reporting”.

The changes to the Group’s accounting policies and the effect of adopting these new policies are set out below:

(a) *HKSSAP11 (revised): Foreign currency translation*

The balance sheets of subsidiaries expressed in foreign currencies are translated at the rates of exchange ruling at the balance sheet date whilst the profit and loss is translated at an average rate. Exchange differences are dealt with as a movement in reserves.

In prior periods, the profit and loss of foreign enterprises was translated at closing rate. This is a change in accounting policy but the translation of the profit and loss of foreign enterprises in prior periods has not been restated as the effect of this change is not material to the current and prior periods.

(b) *HKSSAP 34: Employee benefits*

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date. Employee entitlements to sick leave and maternity or paternity leave are not recognised until the time of leave. In prior periods, no provision was made for employee annual leave entitlements. This is a change in accounting policy but the effect on such adjustments on provision for employee annual leave entitlements are not material to the current and prior periods.

## 2. SEGMENT INFORMATION

Segment information is presented by way of two segment formats: (i) on a primary segment reporting basis, by business segment; and (ii) on a secondary segment reporting basis, by geographical segment.

### (a) Business segments

	For the six months ended 30 September					
	Construction contracting		Property development and investment		Consolidated	
	2002	2001	2002	2001	2002	2001
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue:						
Sales to external customers	174,362	129,891	30,032	50,841	204,394	180,732
Other revenue	1,991	6,976	1,473	6,202	3,464	13,178
<b>Total</b>	<b>176,353</b>	<b>136,867</b>	<b>31,505</b>	<b>57,043</b>	<b>207,858</b>	<b>193,910</b>
Segment results	5,244	(1,123)	520	8,504	5,764	7,381
Interest income					1,270	1,925
Unallocated expenses					(2,805)	(3,356)
Gain on deemed disposal of interest in a subsidiary					-	84
Gain on disposal of an associate					-	244
Profit from operating activities					4,229	6,278
Finance costs					(2,734)	(3,300)
Share of profits and losses of associates	1,525	289	-	(69)	1,525	220
Profit before tax					3,020	3,198
Tax					(513)	(266)
Profit before minority interests					2,507	2,932
Minority interests					1,325	1,135
Net profit from ordinary activities attributable to shareholders					3,832	4,067

### (b) Geographical segments

	Hong Kong		Elsewhere in the PRC		Consolidated	
	2002	2001	2002	2001	2002	2001
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue:						
Sales to external customers	79,209	79,029	125,185	101,703	204,394	180,732
Segment results	2,522	996	3,242	6,385	5,764	7,381

### 3. TURNOVER, REVENUE AND GAINS

Turnover represents the aggregate of gross revenue earned from construction work and the net amount of maintenance work invoiced and income from property development and investment.

An analysis of turnover, other revenue and gains is as follows:

	<b>For the six months ended 30 September</b>	
	<b>2002</b>	2001
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	HK\$'000
<b>Turnover</b>		
Construction contracting and related businesses	<b>174,362</b>	129,891
Income from property development and investment	<b>30,032</b>	50,841
	<b><u>204,394</u></b>	<u>180,732</u>
<b>Other revenue and gains</b>		
Interest income	<b>1,270</b>	1,925
Gross rental income	<b>1,379</b>	993
Goodwill arising from acquisition of subsidiaries	–	6,033
Others	<b>2,085</b>	6,480
	<b><u>4,734</u></b>	<u>15,431</u>

### 4. FINANCE COSTS

	<b>For the six months ended 30 September</b>	
	<b>2002</b>	2001
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	HK\$'000
Interest expense on bank loans, overdrafts and other borrowings wholly repayable within five years	<b>3,545</b>	3,440
Interest on convertible notes	<b>80</b>	71
Total finance costs	<b>3,625</b>	3,511
Interest capitalised	<b>(891)</b>	(211)
	<b><u>2,734</u></b>	<u>3,300</u>

## 5. TAX

Hong Kong profits tax has been provided at a rate of 16% (2001: 16%) on the estimated assessable profits arising in Hong Kong during the period. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

	<b>For the six months ended 30 September</b>	
	<b>2002 (Unaudited) HK\$'000</b>	<b>2001 (Unaudited) HK\$'000</b>
Provision for tax:		
Hong Kong	–	52
Elsewhere	<b>195</b>	135
	<b>195</b>	187
Share of tax attributable to associates	<b>318</b>	79
Tax charge for the period	<b><u>513</u></b>	<b><u>266</u></b>

No provision for deferred tax has been made as the effect of all timing differences is immaterial.

## 6. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the net profit attributable to shareholders of HK\$3,832,000 (2001: HK\$4,067,000) and the weighted average of 4,791,613,000 (2001: 4,789,159,000) shares in issue during the period.

The calculation of diluted earnings per share for the period is based on the net profit attributable to the shareholders for the period of HK\$3,832,000 (2001: HK\$4,067,000) used in the basic earnings per share calculation. The weighted average number of shares used in the calculation is 4,802,892,000 (2001: 4,800,644,000) shares, which includes the weighted average of 11,279,000 (2001: 11,485,000) shares assumed to have been issued at no consideration on the deemed exercise of the options expiring on 21 February 2004 and 28 February 2004. The deemed exercise of full conversion right of the convertible notes in KEL Holdings Limited ("KEL"), a listed subsidiary of the Company, the warrants that were outstanding during the period, together with the options expiring on 22 April 2003, 2 May 2003 and 22 January 2004 had an anti-dilutive effect on the basic earnings per share and so has not been included in the diluted earnings per share calculation.



## 7. ACCOUNTS RECEIVABLE

An aged analysis of accounts receivable is as follows:

	30 September 2002			31 March 2002		
	Balance	Provisions	Net	Balance	Provisions	Net
	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)	(Audited)	(Audited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Current to 90 days	44,807	(75)	44,732	42,850	-	42,850
91 - 180 days	5,317	(13)	5,304	6,908	(1)	6,907
181 - 360 days	7,341	(34)	7,307	4,929	(119)	4,810
Over 360 days	45,974	(45,450)	524	49,478	(48,640)	838
	<u>103,439</u>	<u>(45,572)</u>	<u>57,867</u>	<u>104,165</u>	<u>(48,760)</u>	<u>55,405</u>
Retention money receivable	30,921	(27,239)	3,682	31,824	(28,764)	3,060
Total	<u>134,360</u>	<u>(72,811)</u>	<u>61,549</u>	<u>135,989</u>	<u>(77,524)</u>	<u>58,465</u>

The Group's trading terms with its customers are mainly on credit. The credit period is generally for a period of 60 days. For retention receivables in respect of construction work carried out by the Group, the due dates are usually one year after the completion of the construction work. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management.

## 8. ACCOUNTS PAYABLE

An aged analysis of accounts payable is as follows:

	30 September 2002 (Unaudited) HK\$'000	31 March 2002 (Audited) HK\$'000
Current to 90 days	8,985	19,086
91 - 180 days	6,211	1,197
181 - 360 days	1,097	1,597
Over 360 days	3,547	7,604
	<u>19,840</u>	<u>29,484</u>

## 9. CONVERTIBLE NOTES

	<b>30 September 2002 (Unaudited) HK\$'000</b>
At 1 April 2002	<b>8,065</b>
Repurchase during the period	<b>(780)</b>
	<hr/>
At 30 September 2002	<b><u>7,285</u></b>

The convertible notes, bear interest at a rate of 2% per annum, are convertible into new shares of KEL at a conversion price of HK\$0.10 per share (the "Conversion Price") at any time up to 1 September 2003, being the third anniversary of the date of the issue. The Conversion Price is subject to certain adjustments as defined in the note instrument.

## 10. SHARE CAPITAL

	Number of ordinary shares (Unaudited)	Amount (Unaudited) HK\$'000
Authorised:		
At 1 April 2001 and 30 September 2002	<u>15,000,000,000</u>	<u>150,000</u>
Issued and fully paid:		
At 1 April 2001	4,797,248,500	47,972
Arising on exercise of share options	18,500,000	185
Arising on exercise of warrants	4,250	-
Arising on repurchase of shares	<u>(24,140,000)</u>	<u>(241)</u>
At 31 March 2002 and 30 September 2002	<u>4,791,612,750</u>	<u>47,916</u>

## 11. RESERVES

	Share premium account (Unaudited) HK\$'000	Contributed surplus (Unaudited) HK\$'000	Fixed asset revaluation reserve (Unaudited) HK\$'000	Capital reserve (Unaudited) HK\$'000	Capital redemption reserve (Unaudited) HK\$'000	Exchange fluctuation reserve (Unaudited) HK\$'000	Retained profits (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
At 1 April 2002	104,015	15,262	22,792	5,753	786	173	74,556	223,337
Net profit for the period	-	-	-	-	-	-	3,832	3,832
At 30 September 2002	<u>104,015</u>	<u>15,262</u>	<u>22,792</u>	<u>5,753</u>	<u>786</u>	<u>173</u>	<u>78,388</u>	<u>227,169</u>
Reserves retained by:								
Company and subsidiaries	104,015	15,262	22,792	5,753	786	173	64,105	212,886
Associates	-	-	-	-	-	-	14,283	14,283
	<u>104,015</u>	<u>15,262</u>	<u>22,792</u>	<u>5,753</u>	<u>786</u>	<u>173</u>	<u>78,388</u>	<u>227,169</u>

## 12. RELATED PARTY TRANSACTIONS

Listed below are the material related party transactions that occurred during the period:

		For the six months ended 30 September	
		2002	2001
		(Unaudited)	(Unaudited)
	Notes	HK\$'000	HK\$'000
Subcontracting income received from a minority shareholder of a subsidiary	(1)	1,024	1,533
Management fee income received from an associate	(2)	408	3,230
Interest income from an associate	(3)	233	–
Rental income from an associate	(4)	273	273
		<u>2,938</u>	<u>5,036</u>

Notes:

- (1) The subcontracting income received from the minority shareholder of a subsidiary was determined in accordance with the architect's certificate after the deduction of a margin to cover expenses incurred by the minority shareholder. The balance owing from the minority shareholder at 30 September 2002, in respect of this subcontracting income, amounted to HK\$2,461,000 (30 September 2001: Nil).
- (2) The management fee was charged by reference to costs incurred for services provided by the Group.
- (3) The interest income relate to advances to the associate, which bears interest at prevailing market rates.
- (4) The rental income was calculated by reference to open market rentals.

## 13. COMPARATIVE AMOUNTS

As further explained in note 1 to the financial statements, due to the adoption of certain new and revised HKSSAPs during the period, the accounting treatment and presentation of certain items and balances in the financial statements have been revised to comply with the new requirements. Accordingly, certain comparative amounts have been reclassified to conform with the current period's presentation.

## INTERIM DIVIDENDS

The Directors do not recommend the payment of an interim dividend in respect of the six months ended 30 September 2002 (2001: Nil).

## BUSINESS REVIEW

The Group's turnover for the period stood at HK\$204,394,000 which represented an increase of 13.1% as compared with the corresponding period of last year. The net profit attributable to shareholders amounted to approximately HK\$3,832,000 and decreased by 5.8% to that of last period. Earnings per share is approximately HK0.08 cent.

The Group's major business segment comprises construction contracting, property development and investment. During this period, the Group completed projects such as the main contractor for construction of a 24-storey high composite building at No. 412 - 418 Ma Tau Wai Road, Kowloon, the renovation works in ground floor, first floor, twentieth floor, basement one and the New Face of Sogo Department Store, renovation works of the office area and the gymnasium spaces at first and third floors of YWCA, 1 Macdonnell Road and design and built contractor for a house at 18 Fei Ngo Shan Road, Sai Kung, Hong Kong.

More to note, during this period, the Group continued the disposal of units in Phase II, Asian Villas, Haikou, Hainan Province, together with the disposal of 9th floor of Shartex Plaza, Shanghai, which contributed a meaningful turnover and profit to the Group.

## PROSPECTS

### Construction business

The Group will uphold an on-going parallel development of its construction business in both the People's Republic of China ("PRC") and Hong Kong. With its proven track records and expertise in the main contracting business, the Group is now included in the List of Approved Contractors for Public Works under Group C (on probation) of the Building Category under Works Bureau of the Government of the Hong Kong Special Administrative Region (the "HKSAR"). Together with the 11 licenses held under the List of Approved Contractors for Public Works under Works Bureau of The Government of the HKSAR by KEL and its subsidiaries ("KEL Group"), the Group can take an active part in the construction business development, together with KEL Group, to achieve a synergistic effect.

It is pleased to note that during this period, new projects such as the main contractor for the construction of a 5-storey mixed building for Saint Joseph Home for the Aged, Sheung Shui, New Territories, the main contractor for construction of a 14-storey residential block in 8A - 8F Shiu Fai Terrace, Stubbs Road, Hong Kong, the main contractor for all construction works of Gateway Plaza, Phase III, Shanghai and a 2-year term contract for Design and Construction of fitting out works: Kowloon and New Territories - Eastern Region were awarded. Since the date of this report, the Group has secured contracts on hand with a total contractual sum of over HK\$750 million. The Directors fully believe that Beijing, PRC having won the right to host the 2008 Olympic Games, the joining of World Trade Organisation in PRC and the recovery of the Hong Kong economy will have a double-functioning positive impact and business opportunity on the Group's construction business in time to come.

### **Property development and investments**

The high-class residential property development project, Park View, near the largest garden in PRC with a gross floor area of over 800,000 square ft., the Botanical Gardens, in Shanghai is under construction by the Group with gross floor areas of approximately 50,000 sq. metres. The development of the Park View project will be completed by the end of 2003. Certain units of the Park View project were pre-sold with a total contractual sum of over RMB50 million. Shanghai is vigorously developing into a metropolis serving as an international financial, information and transportation center, this project will have great market potential and bright prospects by virtue of its unique Botanical Gardens surroundings. In addition, Phase III of Asian Villas, Haikou, Hainan Province is under construction and will be completed by early 2003. The Directors are confident that these two projects will have a significant contribution to the turnover and profit of the Group in these two years.

Apparently, together with the rental out of all units in 24, 27 and 28 floors of Zhong Da Square, Shanghai, PRC, the Directors are convinced that the property investment segment will provide a stable recurring income to the Group.

Noteworthy is the fact that the Directors believe the opening of the Universal Studios in 2006 and the hosting of the World Expo in 2010 in Shanghai will have a positive impact on the PRC property market. The property development and investment segment will continue to provide a sizable

contribution to the Group's operating results in the coming years.

### **The development of intelligent buildings systems**

The Group has favourably expanded its construction related business into the development of intelligent buildings system which provides a turnkey solution from system design in particular to maintenance services in general. Last year, the Group already formed alliances with intelligent building systems companies in Japan, Israel and Taiwan to enhance its development in intelligent buildings system in that products were launched to market recently with favourable feedback and inquiry. The Directors believe that the alliances will provide a variety of solutions and related products to the intelligent buildings system, and the development of the intelligent buildings system is of great marketing potential in both Hong Kong and PRC which will subsequently become one of the principal operations of the Group.

### **Development of Fitness Centres**

Subsequent to the opening of Shanghai Megafit in October 2000, Fitness Concept Limited ("Fitness Concept"), an associate of the Group, had opened a Sensations Spa and Fitness Centre in Crowne Plaza, Shenzhen in December 2001. In June 2002, another Megafit was opened in Truroll Plaza, Wusheng Road, Wuhan. More than 6,000 members were admitted in the Fitness and Spa & Fitness Centres operated by Fitness Concept up to the date of this report. Fitness Concept plans to open more Fitness and Spa and Fitness Centres in major cities in the PRC in the coming year by adopting the management and operation lease business models to cope with the effect of 2008 Olympic Games.

### **LIQUIDITY AND CAPITAL RESOURCES**

As at 30 September 2002, the Group had total assets of HK\$575,953,000 and current liabilities, long term liabilities, shareholders' equity and minority interests of HK\$234,152,000, HK\$55,132,000, HK\$275,085,000 and HK\$11,584,000, respectively.

The Group continued to maintain a low gearing ratio, at 16.1% (31 March 2002: 18.6%). It was calculated based on the long term borrowings of HK\$55,132,000 (31 March 2002: HK\$65,273,000) and long term capital of HK\$341,801,000 (31 March 2002: HK\$351,753,000).

The Group's bank borrowings has increased slightly to finance a property development project in Shanghai, PRC. Most bank borrowings are prime rate based and the Group expects a favourable effect on the downtrend of the interest rate. The bank borrowings and cash and bank balances were principally denominated in Hong Kong dollars and Renminbi. Hence, there is no significant exposure to foreign exchange rate fluctuations.

## CAPITAL STRUCTURE

The Group's long-term capital mainly comprised of shareholders' equity which is confirmed with the low gearing ratio as discussed in the section "Liquidity and capital resources" above.

## RISK OF CURRENCY FLUCTUATION

The Group's receivables and payables were denominated mainly in US dollar, Hong Kong dollar and Renminbi. Since Hong Kong dollar is pledged to US dollar, and Renminbi is relatively stable, we consider the exchange risk is not significant.

## CONTINGENT LIABILITIES

	<b>30 September 2002 (Unaudited) HK\$'000</b>	31 March 2002 (Audited) HK\$'000
Guarantees of banking facilities granted to:		
Associates	<b>31,300</b>	31,300
A third party	<b>1,045</b>	1,045
	<b><u>32,345</u></b>	<u>32,345</u>

**OPERATING LEASE ARRANGEMENTS**

Certain office properties leased by the Group are under operating lease arrangements, with leases negotiated for terms ranging from one to nine years.

At 30 September 2002, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	<b>30 September 2002 (Unaudited) HK\$'000</b>	31 March 2002 (Audited) HK\$'000
Within one year	785	806
In the second to fifth years, inclusive	1,892	2,310
After five years	89	321
	<u>2,766</u>	<u>3,437</u>

**COMMITMENTS**

	<b>30 September 2002 (Unaudited) HK\$'000</b>	31 March 2002 (Audited) HK\$'000
Capital commitments contracted for	<u>2,072</u>	<u>2,326</u>

**CHARGES ON GROUP ASSETS**

The bank loans and the Group's banking facilities are secured by:

- (i) certain of the Group's completed properties held for sale situated in the PRC, which had an aggregate carrying value at the balance sheet date of HK\$40,386,000 (31 March 2002: HK\$40,386,000);
- (ii) certain of the Group's properties under development situated in the PRC, which had an aggregate carrying value at the balance sheet date of HK\$107,444,000 (31 March 2002: HK\$73,911,000);



- (iii) certain of the Group's land and buildings situated in Hong Kong, which had an aggregate net book value at the balance sheet date of approximately HK\$50,211,000 (31 March 2002: HK\$50,846,000); and
- (iv) the pledge of certain of the Group's time deposits amounting to HK\$35,763,000 (31 March 2002: HK\$33,054,000).

The Group's other loan is secured by the shares of a subsidiary, which held properties under development for sale with an aggregate carrying value at the balance sheet date of approximately HK\$60,079,000 (31 March 2002: HK\$59,026,000), and bears interest at 4% per annum and is repayable by instalments commencing on 31 March 2003 and will be fully settled by 31 December 2003.

### **EMPLOYEE SCHEMES**

As at 30 September 2002, the Group had 135 employees, 13 of whom were based in the PRC.

The remuneration policy and package of the Group's employees are reviewed and approved by the Directors. Apart from pension funds, discretionary bonuses and share options are linked to individual performance as recognition of and reward for value creation.

The Company operates a share option scheme (the "Option Scheme") for the purpose of providing incentives and rewards to eligible participants for their contribution or potential contribution to the Group. Eligible participants of the Option Scheme include any director, employee, or individuals for the time being seconded to work for the Group. The Option Scheme became effective on 14 August 2002 and, unless otherwise amended or altered, will remain in force for 10 years from that date.

There is no movements in the Company's share options during the period. The following share options were granted under share option scheme approved on 10 June 1997 and were outstanding during the period:

Name or category of participant	Number of share options at 1 April 2002 and 30 September 2002	Date of grant of share options*	Exercise period of share options	Exercise price of share options** HK\$
<b>Directors</b>				
Wang Ke Duan	2,000,000	23 Oct 00	23 Apr 01 to 22 Apr 03	0.03840
	3,000,000	23 Jul 01	23 Jan 02 to 22 Jan 04	0.03088
	<u>5,000,000</u>			
Tjia Boen Sien	26,000,000	23 Jul 01	23 Jan 02 to 22 Jan 04	0.03088
	35,000,000	29 Aug 01	28 Feb 02 to 28 Feb 04	0.02864
	<u>61,000,000</u>			
Wang Jing Ning	3,000,000	23 Oct 00	23 Apr 01 to 22 Apr 03	0.03840
	5,000,000	23 Jul 01	23 Jan 02 to 22 Jan 04	0.03088
	<u>8,000,000</u>			
Keung Kwok Cheung	<u>5,000,000</u>	23 Jul 01	23 Jan 02 to 22 Jan 04	0.03088
Kong Kwok Fai	5,000,000	23 Oct 00	23 Apr 01 to 22 Apr 03	0.03840
	4,000,000	23 Jul 01	23 Jan 02 to 22 Jan 04	0.03088
	<u>9,000,000</u>			
<b>Other employees</b>				
<b>In aggregate</b>	11,500,000	23 Oct 00	23 Apr 01 to 22 Apr 03	0.03840
	3,000,000	3 Nov 00	3 May 01 to 2 May 03	0.04032
	67,000,000	23 Jul 01	23 Jan 02 to 22 Jan 04	0.03088
	35,000,000	22 Aug 01	22 Feb 02 to 21 Feb 04	0.02880
	95,000,000	29 Aug 01	28 Feb 02 to 28 Feb 04	0.02864
	<u>211,500,000</u>			
	<u>299,500,000</u>			

\* The vesting period of the share options is from the date of the grant until the commencement of the exercise period.

\*\* The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital.

**DIRECTORS' INTERESTS IN SHARES AND WARRANTS**

At 30 September 2002, the interests of the Company's directors and their respective associates in the issued share capital and warrants of the Company and its associated corporations as recorded in the register maintained by the Company pursuant to Section 29 of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance") were as follows:

<b>Name of director</b>	<b>Nature of interests</b>	<b>Number of shares held</b>	<b>Number of warrants held</b>
Tjia Boen Sien	Corporate (Note)	1,968,750,000	393,750,000
	Personal	203,030,000	24,894,000
Wang Jing Ning	Corporate (Note)	1,968,750,000	393,750,000
	Personal	15,330,000	3,066,000
Wang Ke Duan	Personal	5,600,000	1,120,000
Keung Kwok Cheung	Personal	7,000,000	1,400,000
Kong Kwok Fai	Personal	5,000,000	1,000,000
Siu Man Po	Personal	1,500,000	300,000

*Note:* Sparta Assets Limited, a company incorporated in the British Virgin Islands, was beneficially interested in 1,968,750,000 shares of the Company. Mr. Tjia Boen Sien and Mr. Wang Jing Ning own 80% and 10% of the issued share capital of Sparta Assets Limited, respectively.

Save as disclosed above, none of the directors or their associates had any personal, family, corporate or other interests in the equity or debt securities of the Company or any of its associated corporations as defined in the SDI Ordinance.

**DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES**

Apart from as disclosed under the headings "Directors' interests in shares and warrants" and "Employee schemes" above, 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**

Save as disclosed under the section headed "Directors' interests in shares and warrants", at 30 September 2002, no person had registered as having an interest of 10% or more in the issued share capital of the Company that was required to be recorded under Section 16(1) of the SDI Ordinance.

## **PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES**

There was no purchase, sale or redemption by the Company or any of its subsidiaries of the Company's listed securities during the period.

## **REVIEW BY AUDIT COMMITTEE**

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, internal controls and financial reporting matters including a review of the unaudited interim accounts for the six months ended 30 September 2002.

## **COMPLIANCE WITH THE CODE OF BEST PRACTICE**

The Directors are not aware of any information that would reasonably indicate that the Company is not, or was not in compliance with the Code of Best Practice (the "Code"), as set out in Appendix 14 of the Listing Rules of the Stock Exchange, for any part of the accounting period covered by the interim report, except that the independent non-executive directors of the Company are not appointed for specific terms as required by paragraph 7 of the Code, but are subject to retirement by rotation and re-election at the annual general meetings of the Company in accordance with the Company's bye-laws.

By Order of the Board  
**Tjia Boen Sien**  
*Managing Director and  
Deputy Chairman*

Hong Kong, 18 December 2002.