



KIN DON HOLDINGS LIMITED

(Incorporated in the Cayman Islands with Limited Liability)

2003

The Board of Directors (the "Directors") of Kin Don Holdings Limited (the "Company") announces the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 31 May 2003.

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

	Notes	For the six months ended 31 May	
		2003 HK\$'000 (Unaudited)	2002 HK\$'000 (Unaudited)
TURNOVER	2	13,488	19,060
Cost of sales		<u>(13,074)</u>	<u>(18,084)</u>
Gross profit		414	976
Other revenue		1,676	455
Selling and distribution costs		(48)	(190)
Administrative expenses		(5,336)	(3,465)
Other operating expenses		<u>(342)</u>	<u>(91)</u>
LOSS FROM OPERATING ACTIVITIES		(3,636)	(2,315)
Finance costs		(892)	(962)
Gain on disposal of subsidiaries		<u>–</u>	<u>31,909</u>
PROFIT/(LOSS) BEFORE TAX	3	(4,528)	28,632
Tax	4	<u>–</u>	<u>–</u>
PROFIT/(LOSS) BEFORE MINORITY INTERESTS		(4,528)	28,632
Minority interests		<u>–</u>	<u>348</u>
NET PROFIT/(LOSS) FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS		<u>(4,528)</u>	<u>28,980</u>
EARNINGS/(LOSS) PER SHARE	5		
– Basic		<u>HK(0.08) cent</u>	<u>HK0.49 cent</u>
– Diluted		<u>N/A</u>	<u>HK0.38 cent</u>

CONDENSED CONSOLIDATED BALANCE SHEET

	Note	31 May 2003 <i>HK\$'000</i> <i>(Unaudited)</i>	30 November 2002 <i>HK\$'000</i> <i>(Audited)</i>
NON-CURRENT ASSETS			
Fixed assets		9,690	9,868
Interests in jointly-controlled entities		3,083	2,540
Rental and other deposits		–	191
		<u>12,773</u>	<u>12,599</u>
CURRENT ASSETS			
Prepayments, deposits and other receivables		1,456	1,195
Equity-linked notes		50,250	3,978
Short term investments		4,171	2,460
Cash and cash equivalents		10,019	42,686
		<u>65,896</u>	<u>50,319</u>
CURRENT LIABILITIES			
Accounts payable	7	1,392	1,392
Accrued liabilities and other payables		15,939	14,592
Interest-bearing bank and other borrowings		30,121	11,121
Finance lease payables		–	68
		<u>47,452</u>	<u>27,173</u>
NET CURRENT ASSETS		<u>18,444</u>	<u>23,146</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		31,217	35,745
NON-CURRENT LIABILITIES			
Deferred tax		1,160	1,160
		<u>30,057</u>	<u>34,585</u>
CAPITAL AND RESERVES			
Issued capital		63,504	63,504
Reserves		(33,447)	(28,919)
		<u>30,057</u>	<u>34,585</u>

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	For the six months ended 31 May	
	2003	2002
	HK\$'000	<i>HK\$'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
NET CASH OUTFLOW FROM OPERATING ACTIVITIES	(51,599)	(11,424)
NET CASH OUTFLOW FROM INVESTING ACTIVITIES	–	(1,954)
NET CASH INFLOW/(OUTFLOW) FROM FINANCING ACTIVITIES	18,932	(183)
DECREASE IN CASH AND CASH EQUIVALENTS	(32,667)	(13,561)
Cash and cash equivalents at beginning of period	42,686	67,043
CASH AND CASH EQUIVALENTS AT END OF PERIOD	10,019	53,482
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	10,019	53,482

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	For the six months ended 31 May	
	2003	2002
	HK\$'000	<i>HK\$'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Opening balance – Total equity	34,585	14,960
Net gain not recognized in the profit and loss account		
– Reversal of deferred tax effect on the valuation surplus of the Group's properties situated in the PRC, net of minority interests	–	638
Net profit/(loss) from ordinary activities attributable to shareholders	<u>(4,528)</u>	<u>28,980</u>
Closing balance – Total equity	<u><u>30,057</u></u>	<u><u>44,578</u></u>

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

1. Accounting policies

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

The accounting policies used in these unaudited interim financial statements are consistent with those used in the annual financial statements of the Group for the year ended 30 November 2002, except as described below.

The following new and revised SSAPs and related Interpretation issued by the HKSA are effective for the first time for the current period’s financial statements:

SSAP 1 (Revised)	:	Presentation of financial statements
SSAP 11 (Revised)	:	Foreign currency translation
SSAP 15 (Revised)	:	Cash flow statements
SSAP 33 (Revised)	:	Discontinuing operations
SSAP 34	:	Employee benefits
SSAP 35	:	Accounting for government grants and disclosure of government assistance
Interpretation 18	:	Consolidation and equity method – potential voting rights and allocation of ownership interests

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

2. Segment information

Business segments

	Turnover for the six months ended 31 May		Result for the six months ended 31 May	
	2003 HK\$’000	2002 HK\$’000	2003 HK\$’000	2002 HK\$’000
Garment	475	679	(130)	(522)
Securities trading	13,013	18,381	1,385	706
	<u>13,488</u>	<u>19,060</u>	<u>1,255</u>	<u>184</u>
Unallocated expenses			<u>(4,891)</u>	<u>(2,499)</u>
Loss from operating activities			<u>(3,636)</u>	<u>(2,315)</u>

Geographical segment information has not been presented as majority of the Group’s turnover is principally derived in the People’s Republic of China, including Hong Kong.

3. Profit/(loss) before tax

Profit/(loss) before tax is arrived at after charging:

	For the six months ended 31 May	
	2003	2002
	HK\$'000	HK\$'000
Depreciation	<u>180</u>	<u>568</u>

4. Tax

No tax has been provided for the six months ended 31 May 2003 (2002: Nil) as the Group did not derive any assessable profits during the period.

Deferred tax has not been provided for the six months ended 31 May 2003 (2002: Nil), as the Group has no material timing difference in the recognition of revenue and expenses for tax and for financial reporting purposes.

5. Earnings/(loss) per share

The calculation of basic loss per share for the six months ended 31 May 2003 is based on the net loss from ordinary activities attributable to shareholders for the period of HK\$4,528,000 (2002: profit of HK\$28,980,000) and 5,950,372,434 (2002: 5,950,372,434) ordinary shares in issue during the period.

There were no potential diluted ordinary shares during the six months ended 31 May 2003 and, therefore, no diluted loss per share is presented for that period.

The calculation of diluted earnings per share for the six months ended 31 May 2002 is based on the net profit from ordinary activities attributable to shareholders for the period of HK\$28,980,000 and the weighted average of 7,664,658,148 ordinary shares after adjusting for the effects of dilutive potential ordinary shares in respect of convertible preference shares.

6. Interim dividends

The Directors do not recommend the payment of an interim dividend in respect of the six months ended 31 May 2003 (2002: Nil).

7. Accounts payable

The age of accounts payable is analysed as follows:

	31 May 2003	30 November 2002
	HK\$'000	HK\$'000
Outstanding balances with ages over 365 days	<u>1,392</u>	<u>1,392</u>

8. Comparative amounts

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

MANAGEMENT DISCUSSION AND ANALYSIS

Business review and segment analysis

For the six months ended 31 May 2003, the Group reported a net loss of approximately HK\$4,528,000 due to the inadequate profit contribution from business turnover to cover its operating expenses and the absence of an exceptional gain on disposal of subsidiaries as recorded in the previous period.

Following our development strategies stated in the 2002 annual report, the Group has continued to evaluate its core business and new business and investment opportunities in China during the period under review. However, the evaluation of new business and investment opportunities in China has been temporarily disrupted by the recent outbreak of atypical pneumonia in China. At present, the Group is in the process of analysing and evaluating the impact of atypical pneumonia on various industries and business sectors in China and will consider to make appropriate adjustments to our future development focus, including consideration and review of new business and investment opportunities in other countries.

Garment

Turnover for the period from garment sale amounted to approximately HK\$475,000 with a negative contribution of approximately HK\$130,000. The low level of garment activities reflects the fact that the Group has still experienced very keen competition in its garment business and that the management has adopted a careful and prudent approach in evaluating and activating the garment business and has placed more emphasis in business diversification.

Securities trading

Turnover for the period from securities trading segment amounted to approximately HK\$13,013,000 with a total profit of approximately HK\$1,385,000. Securities purchased are mainly blue-chip shares in Hong Kong and are held for capital appreciation and dividend income. In addition, the Group has increased its holding of equity-linked notes with short maturity period of less than four months but of a potential return higher than that of normal bank deposits under our treasury policies in utilising any un-invested bank balances as necessary.

Liquidity, financial resources and capital structure

In the period under review, the Group's liquidity and financial resources positions remained sound. As at 31 May 2003, the Group had cash and bank balances of approximately HK\$10,019,000 and other liquid assets of approximately HK\$54,421,000 comprising equity-linked notes and marketable securities of approximately HK\$50,250,000 and HK\$4,171,000, respectively.

As at 31 May 2003, the Group's gearing ratio, expressed as a percentage of its total borrowings of approximately HK\$30,121,000 over total equity of approximately HK\$30,057,000, was increased to 100% due to the obtaining of additional short-term borrowings to finance partially the purchase of equity-linked notes. The short-term borrowings are denominated in Hong Kong dollars and bear fixed interest rates at the prevailing market. The due dates of the short-term borrowings were fixed to match with the maturity dates of the equity-linked notes. The management considers that these borrowings are only temporary and will be repaid when the equity-linked notes mature so that the Group's gearing ratio shall return to its normal low level again.

Pledge of assets

As at 31 May 2003, certain assets of the Group with an aggregate net book value of approximately HK\$59,397,000 were pledged to secure credit facilities granted to the Group.

Employees

As at 31 May 2003, the total number of employees of the Group was about 20. The Group remunerates its employees by means of salary and bonus based on their performance, working experience, degree of hardship and prevailing market practice.

Prospects

Despite the recent outbreak of atypical pneumonia in China which has temporarily disrupted our initial development plans and strategies, the management is still confident that our objective of activating and diversifying the Group's business in various different areas of high growth potential and return will be materialized in the not distant future.

Contingent liabilities

The Group has executed a corporate guarantee up to an extent of HK\$4,800,000 to secure banking facilities granted to a jointly-controlled entity of the Group. As at 31 May 2003, none of these banking facilities were utilised.

INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

Directors and chief executives

As at 31 May 2003, the interests and short positions of the directors and chief executives in the shares, underlying shares and debentures of the Company and its associated corporations as recorded in the register required to be kept under section 352 of the Securities and Futures Ordinance (the "SFO") or notified to the Company pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") were as follows:

Long positions in ordinary shares of the Company

<u>Name</u>	<u>Number of shares</u>	<u>Type of interests</u>
Yeung Kwok Kwong	6,000,000	Personal
Zhou Ge	5,000,000	Personal

In addition to the above, Mr. Yeung Kwok Kwong is holding shares in certain subsidiaries of the Company in a non-beneficial capacity which is solely for the purpose of complying with the minimum company membership requirements.

At no time during the six months ended 31 May 2003 were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any directors or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was Company, its holding company or any of its subsidiaries a party to any arrangement to enable the directors to acquire such rights in or any other body corporate.

Save as disclosed above, none of the directors and chief executives had any interest or short position in the shares, underlying shares and debentures of the Company or its associated corporations which were recorded in the register required to be kept under section 352 of the SFO or notified to the Company pursuant to the Model Code.

Other persons

As at 31 May 2003, the interests and short positions of the persons, other than the directors and chief executives, in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO were as follows:

Long positions in the ordinary shares

<u>Name</u>	<u>Number of shares held</u>	<u>Percentage of holding</u>
Marble King International Limited	3,338,460,250	56.1%

In addition, Marble King International Limited held the entire 4,000,000,000 convertible preference shares in the Company issued partly paid as to 10% of the subscription price of HK\$0.02 per share as at 31 May 2003.

Marble King International Limited, a company incorporated in the British Virgin Islands, is beneficially owned by Mr. Or Wai Sheun.

Save as disclosed above, no other person had registered an interest or short position in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the six months ended 31 May 2003.

AUDIT COMMITTEE

The audit committee has reviewed the unaudited interim financial statements of the Group for the six months ended 31 May 2003 and discussed with the Directors the internal control and financial reporting matters of the Group.

COMPLIANCE WITH THE CODE OF BEST PRACTICE

In the opinion of the Directors, the Company has complied with the Code of Best Practice as set out in Appendix 14 of the Listing Rules throughout the accounting period covered by the interim report, except that independent non-executive directors are not appointed for any specific term of office but are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the articles of association of the Company.

FINANCIAL ASSISTANCE TO AN AFFILIATED COMPANY

Pursuant to a shareholders' agreement dated 20 December 1999 entered into among the Company, City Power Services Limited ("City Power") (a subsidiary of the Company) and Li Yang Advertising Public Relations (HK) Limited ("LY Advertising") (an unrelated party), the Group advanced an interest-free shareholder's loan to Li Yang Broadcasting & Advertising (HK) Limited ("Li Yang") (a jointly control entity of the Group). The shareholder's loan of HK\$25,750,000 as at 31 May 2003 was not repayable by Li Yang without the approval of both City Power and LY Advertising. Full provision has been made against the shareholder's loan by the Group during the year ended 30 November 2000.

By order of the Board
Yeung Kwok Kwong
Chairman

Hong Kong, 7 July 2003