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ARNHOLD HOLDINGS LIMITED

安利控股有限公司

INTERIM REPORT 2003 年中期業績報告

## REPORT OF THE DIRECTORS

The directors have pleasure in submitting their interim report together with the unaudited interim financial information for the six months ended 30 June 2003.

### MANAGEMENT DISCUSSION AND ANALYSIS

#### Review of Operations

During the reporting period, the Group achieved a turnover of HK\$174 million and gross profit of HK\$27.5 million (2002: HK\$254 million and HK\$39.1 million respectively). The decline in turnover was mainly caused by our decision to scale down the contracting operations. On the positive side, the gross profit margin improved slightly from 15.4% to 15.8% because of the higher contribution from trading activities and the limited write back of cost provisions. The Group's efforts in cost control and process flow improvement also resulted in a reduction of 22.7% in operating costs. Accordingly, the Group loss attributable to shareholders for the period was reduced to HK\$4.1 million (2002: HK\$5.8 million) of which HK\$1.5 million related to the impact of further revaluation of the Group's property.

Despite the scaling down of contracting operations, the Group's outstanding orders on hand at the period end amounted to HK\$295 million, representing an increase of 2.4% over the end of last year (At December 2002: HK\$288 million). This was the result of the Group's efforts to expand its market coverage in trading operations.

#### Segmental Information

Revenues from the building products business was HK\$144.8 million, a decrease of 21.3% compared with HK\$183.9 million in the last corresponding period. This was mainly due to the scaling down of marble and kitchen contracting operations. However, operating results were reduced by only 11.5% to HK\$24.4 million because of the limited write back of provisions held against contracting projects. Turnover of the engineering equipment business was reduced by 59.0% to HK\$28.9 million because a substantial amount of income was recognised in 2002 with the completion of several large infrastructure projects. The Group also continued with its conservative policy and made additional cost provisions to cover the risks associated with engineering equipment contracts. As a result, operating results from the sale of engineering equipment was decreased from HK\$8.6 million to HK\$3.1 million.

#### Liquidity and Financial Resources

The Group maintained a healthy balance sheet with no bank borrowing and zero gearing as at period end (At 31 December 2002: Nil). The Group successfully strengthened its cash reserves during the last six months with positive cash flow of HK\$11.8 million from operating activities. As at end of June 2003, cash balances amounted to HK\$66 million with most placed in time deposits with reputable financial institutions. In view of the challenging market conditions, the Group will continue its conservative cash flow management policy and expects to meet its future financial requirements through internal resources and bank credit facilities. The Group adopts hedging policies for managing its risk exposure to foreign currency fluctuations and forward exchange contracts have been arranged with the Group's principal bankers to mitigate exchange risks.

#### Contingent Liabilities

Certain subsidiaries have given undertakings to the banks that they will perform certain contractual non-financial obligations to third parties. In return, the banks have provided performance bonds and letters of guarantee to third parties on behalf of these subsidiaries. As at 30 June 2003, the amount of guarantees outstanding was HK\$25.5 million (At 31 December 2002: HK\$28.7 million).

# REPORT OF THE DIRECTORS

## MANAGEMENT DISCUSSION AND ANALYSIS (continued)

### **Bank facilities with assets pledged**

A property with net book value of HK\$50 million at period ended 30 June 2003 held by a subsidiary of the Group has been pledged to a bank to obtain banking facilities.

### **Employees**

At the end of the period, the Group had approximately 260 and 120 employees in the Mainland and Hong Kong respectively. The Group continues to provide remuneration packages and training programmes to employees with reference to prevailing market practices. The Group adopted a new share option scheme on 11 July 2002 under which the directors of the Company, subject to the compliance of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, are authorised to grant share options to eligible persons as incentive. As at 30 June 2003, no share options have been granted under the new share option scheme.

### **Outlook**

The Hong Kong economy has shown no improvement over the past six months and there remain further uncertainties to prospects for recovery. The Group expects that the difficult market conditions in Hong Kong will continue in the short term. To improve growth opportunities, the Group will further widen its product range, consolidate its market share in Hong Kong and cautiously expand its coverage in Mainland China. With the solid foundation built through its conservative treasury policy, the Group remains confident and committed to its future.

## DIRECTORS

The directors of the Company during the period and up to the date of this report are:

### **Executive directors:**

Michael John Green  
Leung Tak Tong, Eric  
Woo Chun Yu, Adolf  
Lai Ka Tak, Patrick

### **Non-executive directors:**

Simon Murray  
Augustus Ralph Marshall

### **Independent non-executive directors:**

Christopher John David Clarke  
V-Nee Yeh

# REPORT OF THE DIRECTORS

## SHARE OPTION SCHEME

A Share Option Scheme (“the Scheme”) was approved and adopted by the shareholders at a special general meeting of the Company on 11 July 2002. The following information relating to the Scheme are made pursuant to the requirements as contained in Chapter 17 of the Listing Rules (reference is made to the circular of the Company dated 24 June 2002 (the “Circular”). Terms defined in the Circular have the same meanings when used in the following summary unless the context requires otherwise):

**(i) Purpose of the Scheme**

The purpose of the Scheme is to recognise and acknowledge the contribution that Eligible Persons have made or may make to the Company and to attract, retain and motivate talented staff.

**(ii) Participants of the Scheme**

The participants of the Scheme shall be such Eligible Persons as the Board in its absolute discretion determines.

**(iii) Maximum number of Shares available for issue under the Scheme**

The maximum number of the Shares which may be issued upon exercise of all outstanding Options to subscribe for Shares granted and yet to be exercised under the Scheme and any other share option scheme shall not exceed 10% of the total number of Shares in issue of the Company from time to time. No share option was granted during the six months period ended 30 June 2003. Accordingly, there was no Share available for issue under the Scheme as at 30 June 2003 and of the date of this interim report.

**(iv) Maximum entitlement to any one participant**

Under the Scheme, the maximum entitlement to Options of each Eligible Person shall be such that the total number of Shares issued and to be issued upon exercise of Options granted and to be granted to him in any 12 months period up to each Commencement Date must not exceed 1% of the issued share capital of the Company at the relevant Commencement Date.

**(v) Period and payment on acceptance of Options**

Under the Scheme, an Offer may be accepted by an Eligible Person in whole or in part in respect of all Shares for which it is offered to such Eligible Person when the duplicate letter comprising acceptance of the Offer duly signed by the Eligible Person together with a remittance in favour of the Company of HK\$1.00 by way of consideration for the grant thereof is received by the Company within forty days from the Offer Date.

**(vi) The basis of determining the exercise price**

The Subscription Price in respect of any Option shall be not less than the highest of (i) the closing price of a Share as stated in the Stock Exchange’s daily quotations sheet on the relevant Commencement Date in respect of such Option, which must be a Business Day; (ii) an amount equivalent to the mean closing price of a Share as stated in the Stock Exchange’s daily quotations sheets for the five Business Days immediately preceding the relevant Commencement Date in respect of such Option, which must be a Business Day, and (iii) the nominal value of a Share.

**(vii) Remaining life of the Scheme**

The Scheme is valid and effective for a period of 10 years commencing on the Adoption Date unless otherwise terminated under the terms of the Scheme.

## REPORT OF THE DIRECTORS

### DIRECTORS' INTERESTS IN EQUITY

At 30 June 2003, the interests of the directors in the shares of the Company as recorded in the register maintained by the Company under Section 352 of the Securities and Futures Ordinance ("SFO") or as notified to the Company were as follows:

Ordinary shares of HK\$0.10 each

	Number of shares held	
	Personal interest	Corporate interest
<b>Executive director:</b>		
Michael John Green	1,272,000	166,093,617*
<b>Non-executive director:</b>		
Simon Murray	343,487	–
<b>Independent non-executive directors:</b>		
Christopher John David Clarke	50,000	–
V-Nee Yeh	74,444	–

\* Such shares were held through corporations on behalf of the Michael Green Family Trust.

The following directors beneficially owned the non-voting deferred shares of HK\$0.01 each in Arnhold Investments Limited, a subsidiary of the Company, as at 30 June 2003:

Name of beneficial owner	Number of non-voting deferred shares
Michael Green Family Trust	81,500,000
Leung Tak Tong, Eric	1,000,000
Woo Chun Yu, Adolf	1,000,000
Simon Murray	500,000

Save as aforesaid, no other directors of the Company or their associates had any beneficial or non-beneficial interests in the share capital of the Company or its subsidiaries.

Apart from the Scheme mentioned above, at no time during the period was the Company or its subsidiaries a party to any arrangements to enable the directors of the Company to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate. None of the directors (including their spouse and children under 18 years of age) have been granted, or have exercised, any rights to subscribe for shares of the Company.

## REPORT OF THE DIRECTORS

### SUBSTANTIAL SHAREHOLDERS

The register of substantial shareholders maintained under Section 336 of the SFO shows that as at 30 June 2003, the Company had been notified of the following substantial shareholder's interests, being 5% or more of the Company's issued ordinary share capital. These interests are in addition to those disclosed above in respect of the directors and chief executive.

<b>Name of shareholder</b>	<b>Ordinary shares held</b>	<b>Percentage of total issued shares</b>
Pacific Investments (BVI) Limited	16,957,431	7.55%

Pacific Investments (BVI) Limited is a wholly owned subsidiary of Usaha Tegas Sdn. Bhd.

### INTERIM DIVIDEND

The Board has resolved to recommend that no interim dividend be paid for the six months ended 30 June 2003 (2002: Nil).

### PURCHASE, SALE OR REDEMPTION OF SHARES

The Company has not redeemed any of its shares during the six months ended 30 June 2003. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the period.

### CODE OF BEST PRACTICE

None of the directors of the Company is aware of any information which would indicate that the Company is not, or during the six months ended 30 June 2003 was not, in compliance with the Code of Best Practice as set out in Appendix 14 to Listing Rules of The Stock Exchange of Hong Kong Limited, save that non-executive directors have not been appointed for a specific term as they are subject to retirement by rotation and re-election at annual general meetings in accordance with the Company's bye-law 87(1).

### AUDIT COMMITTEE

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including a review of the unaudited condensed accounts for the six months ended 30 June 2003 with the directors.

On behalf of the Board  
**Michael John Green**  
*Chairman*

Hong Kong, 4 September 2003

**CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT  
FOR THE PERIOD ENDED 30 JUNE 2003**

**(Unaudited)  
Six months ended  
30 June**

	<i>Note</i>	<b>2003 HK\$'000</b>	<b>2002 HK\$'000</b>	<i>% change</i>
Turnover	2	<b>173,628</b>	254,154	-31.7%
Cost of sales	3	<b>(146,118)</b>	(215,011)	-32.0%
Gross profit		<b>27,510</b>	39,143	-29.7%
Other revenues	2	<b>5,468</b>	2,670	104.8%
Operating expenses	4	<b>(35,260)</b>	(45,617)	-22.7%
Unrealised loss on revaluation of other properties		<b>(1,500)</b>	–	
Realised loss on disposal of non-trading securities		–	(1,614)	
Operating loss		<b>(3,782)</b>	(5,418)	-30.2%
Finance costs	5	<b>(13)</b>	(77)	-83.1%
Share of loss of an associate		<b>(144)</b>	(178)	-19.1%
Loss from ordinary activities before taxation		<b>(3,939)</b>	(5,673)	-30.6%
Taxation	6			
Company and subsidiaries		<b>(162)</b>	(87)	86.2%
The associate		–	–	
Loss attributable to shareholders		<b>(4,101)</b>	(5,760)	-28.8%
Basic loss per share (cents)	7(a)	<b>(1.83)</b>	(2.02)	
Diluted loss per share (cents)	7(b)	<b>(1.83)</b>	(2.02)	
Dividend		–	–	
Dividend per share		–	–	

## CONDENSED CONSOLIDATED BALANCE SHEET AS AT 30 JUNE 2003

		(Unaudited) At 30 June 2003 HK\$'000	At 31 December 2002 HK\$'000
Non-current assets			
Fixed assets	9		
– Investment properties		17,501	17,501
– Other properties, plant and equipment		76,164	80,690
Interest in an associate		9,579	9,669
Non-trading securities	10	–	–
Other investments		2,288	2,288
		105,532	110,148
Current assets			
Inventories		13,737	14,649
Construction contracts		2,264	5,198
Trade and other receivables	11	128,959	154,752
Cash and cash equivalents	12	66,012	54,617
		210,972	229,216
Current liabilities			
Trade and other payables	13	110,584	128,447
Provisions	14	2,371	2,452
Taxation payable		102	142
		113,057	131,041
Net current assets		97,915	98,175
Total assets less current liabilities		203,447	208,323
Non-current liabilities			
Deferred taxation		754	644
Net assets		202,693	207,679
Capital and reserves			
Share capital	15	22,450	22,450
Reserves		180,243	185,229
Shareholders' funds		202,693	207,679

Approved by the board of directors on 4 September 2003

**Michael John Green**  
Chairman

**Lai Ka Tak, Patrick**  
Finance Director



# CONDENSED CONSOLIDATED CASH FLOW STATEMENT FOR THE PERIOD ENDED 30 JUNE 2003

	(Unaudited)	
	Six months ended	
	30 June	
	2003	2002
	HK\$'000	HK\$'000
<b>Operating activities</b>		
Loss from ordinary activities before taxation	(3,939)	(5,673)
Adjustment for:		
Depreciation	2,497	2,939
Amortisation of goodwill	45	45
Interest income	(230)	(676)
Interest expenses	13	77
Share of loss of an associate	144	178
Loss/(gain) on disposal of fixed assets	2	(1)
Unrealised loss on revaluation of other properties	1,500	–
Realised loss on disposal of non-trading securities	–	1,614
	32	(1,497)
<b>Operating profit/(loss) before changes in working capital</b>		
Increase in amount due from an associate	(99)	(7)
Decrease/(increase) in inventories	912	(7,024)
Decrease in construction contracts	2,934	1,330
Decrease in trade and other receivables	25,793	38,592
Decrease in trade and other payables	(17,863)	(8,658)
(Decrease)/increase in provisions	(81)	262
	11,628	22,998
<b>Cash generated from operations</b>		
Interest received	230	676
Interest paid	(13)	(77)
Hong Kong profits tax (paid)/refund	(47)	225
Overseas tax paid	(45)	(42)
	11,753	23,780
<b>Net cash from operating activities</b>	11,753	23,780
<b>Investing activities</b>		
Payment for purchase of fixed assets	(356)	(1,368)
Proceeds from disposal of fixed assets	3	3
	(353)	(1,365)
<b>Net cash used in investing activities</b>	(353)	(1,365)
<b>Financing activities</b>		
Repurchase of ordinary shares	–	(387,100)
Exercise of share options	–	2,131
Ordinary shares repurchase/issue expenses	(5)	(4,103)
	(5)	(389,072)
<b>Net cash used in financing activities</b>	(5)	(389,072)
<b>Net increase/(decrease) in cash and cash equivalents</b>	11,395	(366,657)
Cash and cash equivalents at the beginning of the period	54,617	413,808
	66,012	47,151
Cash and cash equivalents at the end of the period	66,012	47,151
<b>Analysis of the balances of cash and cash equivalents</b>		
Bank balances and cash	66,012	47,151

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 30 JUNE 2003

	(Unaudited)						
	Share capital	Share premium	Other properties revaluation reserve	Investment revaluation reserve	Retained earnings	Contributed surplus	Total
	<i>HK\$'000</i>	<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 1 January 2003, as previously reported	22,450	92,389	1,772	–	90,537	808	207,956
Changes in accounting policy – provision for net deferred tax liabilities ( <i>Note 1</i> )	–	–	(283)	–	6	–	(277)
At 1 January 2003, as restated	22,450	92,389	1,489	–	90,543	808	207,679
Loss attributable to shareholders	–	–	–	–	(4,101)	–	(4,101)
Deficit on revaluation	–	–	(880)	–	–	–	(880)
Share repurchase expenses	–	–	–	–	(5)	–	(5)
At 30 June 2003	<u>22,450</u>	<u>92,389</u>	<u>609</u>	<u>–</u>	<u>86,437</u>	<u>808</u>	<u>202,693</u>

	(Unaudited)						
	Share capital	Share premium	Other properties revaluation reserve	Investment revaluation reserve	Retained earnings	Contributed surplus	Total
	<i>HK\$'000</i>	<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 1 January 2002, as previously reported	61,590	438,218	1,772	(7,800)	137,004	808	631,592
Changes in accounting policy – provision for net deferred tax liabilities ( <i>Note 1</i> )	–	–	(283)	–	159	–	(124)
At 1 January 2002, as restated	61,590	438,218	1,489	(7,800)	137,163	808	631,468
Loss attributable to shareholders	–	–	–	–	(5,760)	–	(5,760)
Repurchase of ordinary shares	(39,500)	(347,600)	–	–	(4,103)	–	(391,203)
Exercise of share options	360	1,771	–	–	–	–	2,131
At 30 June 2002	<u>22,450</u>	<u>92,389</u>	<u>1,489</u>	<u>(7,800)</u>	<u>127,300</u>	<u>808</u>	<u>236,636</u>

# NOTES TO THE INTERIM FINANCIAL INFORMATION

## 1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

These unaudited consolidated condensed interim accounts are prepared in accordance with Hong Kong Statement of Standard Accounting Practice (“SSAP”) 25, Interim Financial Reporting, issued by the Hong Kong Society of Accountants (“HKSA”).

These condensed interim accounts should be read in conjunction with the 2002 annual financial statements.

The accounting policies and methods of computation used in the preparation of these condensed interim accounts are consistent with those used in the annual accounts for the year ended 31 December 2002 except that the Group has changed certain of its accounting policies following its adoption of SSAP 12 “Income Taxes” issued by the HKSA which are effective for accounting periods commencing on or after 1 January 2003:

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

### **Deferred taxation**

Deferred taxation is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the accounts. Taxation rates enacted or substantively enacted by the balance sheet date are used to determine deferred taxation.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

In prior year, deferred taxation was accounted for at the current taxation rate in respect of timing differences between profit as computed for taxation purposes and profit as stated in the accounts to the extent that a liability or an asset was expected to be payable or recoverable in the foreseeable future. The adoption of the new SSAP 12 represents a change in accounting policy, which has been applied retrospectively so that the comparatives presented have been restated to conform to the changed policy.

As detailed in the condensed consolidated statement of changes in equity, opening retained earnings at 1 January 2002 and 2003 have been increased by HK\$159,000 and HK\$6,000 respectively and other properties revaluation reserve has decreased by HK\$283,000, which represent the unprovided net deferred tax liabilities. This change has resulted in an increase in deferred tax liabilities at 31 December 2002 by HK\$277,000. The loss for the six months ended 30 June 2002 has been increased by HK\$45,000.

## NOTES TO THE INTERIM FINANCIAL INFORMATION

### 2. TURNOVER AND OTHER REVENUES

The principal activities of the Group are trading in, and the supply and installation of, building products and engineering equipment and a distributorship agency business. Revenues recognised during the period are as follows:

	(Unaudited) Six months ended 30 June	
	2003 HK\$'000	2002 HK\$'000
Turnover		
Sales of inventories	158,168	202,964
Revenue from construction contracts	11,217	46,695
Commission income	4,243	4,495
	<u>173,628</u>	<u>254,154</u>
Other revenues		
Interest income from bank deposits	230	676
Administration fee received from the associate (note 17(a))	474	465
Write back of provision for doubtful debts	3,748	538
Write back of provision for stock obsolescence	221	416
Gross rental income from investment properties	333	214
Gain on disposal of fixed assets	–	1
Sundry income	462	360
	<u>5,468</u>	<u>2,670</u>
Total revenue	<u>179,096</u>	<u>256,824</u>

An analysis of the Group's turnover and contribution to operating loss by principal activities and by principal markets is as follows:

	(Unaudited) Six months ended			
	30 June 2003		30 June 2002	
	Turnover HK\$'000	Operating results HK\$'000	Turnover HK\$'000	Operating results HK\$'000
<b>Principal activities:</b>				
Building products	144,778	24,414	183,869	27,602
Engineering equipment	28,850	3,096	70,285	8,594
	<u>173,628</u>	<u>27,510</u>	<u>254,154</u>	36,196
Administrative and other expenses		(31,292) <sup>#</sup>		(41,614) <sup>#</sup>
Operating loss		<u>(3,782)</u>		<u>(5,418)</u>

## NOTES TO THE INTERIM FINANCIAL INFORMATION

### 2. TURNOVER AND OTHER REVENUES (continued)

	(Unaudited)			
	30 June 2003		30 June 2002	
	Turnover	Operating	Turnover	Operating
	HK\$'000	results	HK\$'000	results
		HK\$'000		HK\$'000
<i>Principal markets:</i>				
Hong Kong and Macau	168,991	26,801	249,267	35,442
Mainland China	4,637	709	4,887	754
	<u>173,628</u>	<u>27,510</u>	<u>254,154</u>	<u>36,196</u>
Administrative and other expenses		<u>(31,292)<sup>#</sup></u>		<u>(41,614)<sup>#</sup></u>
Operating loss		<u>(3,782)</u>		<u>(5,418)</u>

# Included in administrative and other expenses is an unrealised loss on revaluation of other properties of HK\$1,500,000 for the period ended 30 June 2003 (2002: realised loss on disposal of non-trading securities of HK\$1,614,000).

### 3. COST OF SALES

	(Unaudited)	
	Six months ended	
	30 June	
	2003	2002
	HK\$'000	HK\$'000
Cost of inventories sold	136,870	169,998
Cost of construction contracts	7,692	42,667
Cost of consumable stocks	1,499	1,792
Sub-contracting fee on construction contracts	57	554
	<u>146,118</u>	<u>215,011</u>

## NOTES TO THE INTERIM FINANCIAL INFORMATION

### 4. OPERATING EXPENSES

	(Unaudited)	
	Six months ended	
	30 June	
	2003	2002
	<i>HK\$'000</i>	<i>HK\$'000</i>
Administrative expenses:		
Staff costs	23,244	28,391
Depreciation	2,497	2,939
Operating lease rentals on properties paid to third parties	1,835	3,188
Travelling expenses	693	880
Entertainment expenses	367	534
Stamps, postage and telephone	601	621
Management fee	390	–
Advertising expenses	265	400
Legal and professional fees	317	507
Auditors' remuneration	644	654
Amortisation of goodwill	45	45
	<u>30,898</u>	<u>38,159</u>
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Other operating expenses:		
Provision for doubtful debts	832	1,546
Provision for stock obsolescence	246	601
Provision for employee leave entitlements	44	401
Provision for long service payments	612	285
Loss on disposal of fixed assets	2	–
Sundry expenses	2,626	4,625
	<u>4,362</u>	<u>7,458</u>
	-----	-----
	<u>35,260</u>	<u>45,617</u>
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### 5. FINANCE COSTS

	(Unaudited)	
	Six months ended	
	30 June	
	2003	2002
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest expenses		
Short-term bank loans and overdrafts	<u>13</u>	<u>77</u>
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## NOTES TO THE INTERIM FINANCIAL INFORMATION

### 6. TAXATION

Hong Kong profits tax has not been provided as there is no estimated assessable profit for the period (2002: Nil). Taxation on overseas profits has been calculated on the estimated assessable profit for the period at the rates of taxation prevailing in the countries in which the Group operates.

The amount of taxation charged to the condensed consolidated profit and loss account represents:

	<b>(Unaudited)</b> <b>Six months ended</b> <b>30 June</b>	
	<b>2003</b> <b>HK\$'000</b>	<b>2002</b> <b>HK\$'000</b>
Company and subsidiaries		
Hong Kong profits tax	–	–
Overseas taxation	<b>52</b>	42
Deferred taxation	<b>110</b>	45
	<hr/>	<hr/>
	<b>162</b>	87
The associate		
Hong Kong profits tax	–	–
	<hr/>	<hr/>
	<b>162</b>	87
	<hr/> <b>162</b>	<hr/> <b>87</b>

### 7. LOSS PER SHARE

#### (a) Basic loss per share

The calculation of basic loss per share is based on the Group's loss attributable to ordinary shareholders of HK\$4,101,000 (2002: Group's loss attributable to ordinary shareholders of HK\$5,760,000) and the weighted average of 224,496,000 (2002: 285,342,000) ordinary shares in issue during the period.

#### (b) Diluted loss per share

The calculation of diluted loss per share is based on the Group's loss attributable to ordinary shareholders of HK\$4,101,000 (2002: Group's loss attributable to ordinary shareholders of HK\$5,760,000) and the weighted average of 224,496,000 (2002: 285,342,000) ordinary shares after adjusting for the effects of all dilutive potential ordinary shares.

### 8. RETIREMENT BENEFIT COSTS

The Group's contributions to the ORSO scheme are reduced by contributions forfeited by those employees who leave the ORSO scheme prior to vesting fully in the contributions. Forfeited contributions totalling HK\$280,000 (2002: HK\$303,000) were fully utilised during the period.

Contributions of HK\$306,000 (2002: HK\$345,000) were payable to the Retirement Schemes at the period end.

## NOTES TO THE INTERIM FINANCIAL INFORMATION

### 9. FIXED ASSETS

	<b>(Unaudited)</b> <b>At 30 June</b> <b>2003</b> <i>HK\$'000</i>
Net book value at 1 January 2003	98,191
Additions	356
Disposals	(5)
Revaluation	(2,380)
Depreciation	(2,497)
	<hr/>
Net book value at 30 June 2003	<b>93,665</b>

### 10. NON-TRADING SECURITIES

	<b>(Unaudited)</b> <b>At 30 June</b> <b>2003</b> <i>HK\$'000</i>	At 31 December 2002 <i>HK\$'000</i>
Unlisted equity securities, at cost	–	7,800
Less: impairment loss	–	(7,800)
	<hr/>	<hr/>
	<b>–</b>	<b>–</b>

### 11. TRADE AND OTHER RECEIVABLES

	<b>(Unaudited)</b> <b>At 30 June</b> <b>2003</b> <i>HK\$'000</i>	At 31 December 2002 <i>HK\$'000</i>
Trade receivables	<b>101,042</b>	123,620
Retention receivables	<b>20,875</b>	24,355
Prepayments and other receivables	<b>7,042</b>	6,777
	<hr/>	<hr/>
	<b>128,959</b>	<b>154,752</b>

Included in trade and other receivables are trade receivables and retention receivables (net of provisions for doubtful debts) with the following aging analysis:

	<b>(Unaudited)</b> <b>At 30 June</b> <b>2003</b> <i>HK\$'000</i>	At 31 December 2002 <i>HK\$'000</i>
Current	<b>36,872</b>	60,911
One to three months overdue	<b>41,632</b>	38,347
More than three months overdue but less than twelve months overdue	<b>21,406</b>	27,150
Overdue more than twelve months	<b>22,007</b>	21,567
	<hr/>	<hr/>
Total trade and retention receivables	<b>121,917</b>	147,975
Prepayments and other receivables	<b>7,042</b>	6,777
	<hr/>	<hr/>
	<b>128,959</b>	<b>154,752</b>



## NOTES TO THE INTERIM FINANCIAL INFORMATION

### 11. TRADE AND OTHER RECEIVABLES (continued)

Debts from construction contracts are due when architect certificates are issued and other debts are due normally from the date of billing. Debtors with balances that are long overdue are normally requested to settle all outstanding balances before any further credit is granted.

### 12. CASH AND CASH EQUIVALENTS

	(Unaudited) At 30 June 2003 <i>HK\$'000</i>	At 31 December 2002 <i>HK\$'000</i>
Bank deposits with original maturity of three months or less	49,121	40,058
Cash at bank and in hand	16,891	14,559
	<u>66,012</u>	<u>54,617</u>

### 13. TRADE AND OTHER PAYABLES

	(Unaudited) At 30 June 2003 <i>HK\$'000</i>	At 31 December 2002 <i>HK\$'000</i>
Trade and bills payables	43,919	55,238
Accruals and other accounts payables	64,332	72,118
Advances received from customers	2,333	1,091
	<u>110,584</u>	<u>128,447</u>

Included in the trade and other payables are trade and bills payables with the following aging analysis:

	(Unaudited) At 30 June 2003 <i>HK\$'000</i>	At 31 December 2002 <i>HK\$'000</i>
Due within one month or on demand	32,171	44,444
Due after one month but within three months	10,880	9,692
Due after three months	868	1,102
	<u>43,919</u>	<u>55,238</u>
Total trade and bills payables	43,919	55,238
Accruals and other accounts payables	64,332	72,118
Advances received from customers	2,333	1,091
	<u>110,584</u>	<u>128,447</u>

## NOTES TO THE INTERIM FINANCIAL INFORMATION

### 14. PROVISIONS

	Long service payments <i>HK\$'000</i>	Employee leave entitlements <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>At 1 January 2003</b>	<b>1,291</b>	<b>1,161</b>	<b>2,452</b>
Additional provisions	612	1,270	1,882
Less: Amounts utilised	–	(1,226)	(1,226)
Charge to condensed consolidated profit and loss account	612	44	656
Less: Amounts settled	(590)	(147)	(737)
Net effect on provisions	22	(103)	(81)
<b>At 30 June 2003</b>	<b>1,313</b>	<b>1,058</b>	<b>2,371</b>

### 15. SHARE CAPITAL

Ordinary shares of HK\$0.10 each	Number of shares	Authorised <i>HK\$'000</i>
At 1 January 2003 and at 30 June 2003	800,000,000	80,000
Ordinary shares of HK\$0.10 each	Number of shares	Issued and fully paid <i>HK\$'000</i>
At 1 January 2003 and at 30 June 2003	224,496,000	22,450

### 16. CONTINGENT LIABILITIES

At 30 June 2003, there were contingent liabilities in respect of the following:

	The Group		The Company	
	(Unaudited) At 30 June 2003 <i>HK\$'000</i>	At 31 December 2002 <i>HK\$'000</i>	(Unaudited) At 30 June 2003 <i>HK\$'000</i>	At 31 December 2002 <i>HK\$'000</i>
Guarantees for credit facilities granted by a bank on behalf of subsidiaries	–	–	222,000	222,000

- (b) Certain subsidiaries have given undertakings to the banks that they will perform certain contractual non-financial obligations to third parties. In return, the banks have provided performance bonds and letters of guarantee to third parties on behalf of these subsidiaries. As at 30 June 2003, the amount of guarantees outstanding was HK\$25,464,000 (At 31 December 2002: HK\$28,683,000).

## NOTES TO THE INTERIM FINANCIAL INFORMATION

### 17. RELATED PARTY TRANSACTIONS

Significant related party transactions which were carried out in the normal course of the Group's business are as follows:

	<b>(Unaudited)</b>	
	<b>Six months ended</b>	
	<b>30 June</b>	
	<b>2003</b>	2002
	<b>HK\$'000</b>	<b>HK\$'000</b>
Administration fee received by Arnhold & Company, Limited from the associate (see note (a) below)	<b>474</b>	465
Gross rental income received by Grandful Limited from the associate (see note (b) below)	<b>132</b>	–

- (a) Arnhold & Company, Limited provides management services to the associate for which it charges an administration fee at a fixed monthly amount.
- (b) During the six months ended 30 June 2003, the associate paid rental expenses of HK\$132,000 to one of the subsidiaries of the Group, Grandful Limited.
- (c) In addition to transactions with related companies as disclosed above, professional fees of HK\$15,000 (2002: HK\$227,000) were paid to a firm in which an independent non-executive director is a partner. Besides, sales of consumer goods of HK\$6,026,000 (2002: HK\$3,324,000) to a listed group of companies in which an independent non-executive director is also a director of the listed group.

It is the intention of the directors of the Company that the Group will continue its business relationships with related parties under similar bases as adopted in previous years. In the opinion of the directors of the Company, the transactions with the related companies were carried out in the ordinary course of business on normal commercial terms.