



建聯集團有限公司  
**Chinney Alliance Group Limited**  
(Incorporated in Bermuda with limited liability)



*2003*

*Interim Report*

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## CORPORATE INFORMATION

### **Board of Directors**

#### *Executive Directors*

James Sai-Wing WONG (*Chairman*)

Stephen Sek-Kee YU

Frank Kwok-Kit CHU

Peter Chi-Chung LUK

#### *Non-executive Directors*

Herman Man-Hei FUNG

Kenneth Kin-Hing LAM

#### *Independent Non-executive Directors*

Aubrey Kwok-Sing LI

William Gage MCAFEE

### **Audit Committee**

Herman Man-Hei FUNG

Aubrey Kwok-Sing LI (*Chairman*)

William Gage MCAFEE

### **Company Secretary**

Peter Chi-Chung LUK

### **Principal Bankers**

CITIC Ka Wah Bank Limited

Standard Chartered Bank

The Hongkong and Shanghai Banking  
Corporation Limited

### **Auditors**

Ernst & Young

### **Principal Share Registrars and Transfer Office**

The Bank of Bermuda Limited

6 Front Street

Hamilton HM 11

Bermuda

### **Hong Kong Branch Share**

#### **Registrars and Transfer Office**

Tengis Limited

Ground Floor

Bank of East Asia Harbour View Centre

56 Gloucester Road

Wanchai

Hong Kong

### **Registered Office**

Clarendon House

Church Street

Hamilton HM 11

Bermuda

### **Head Office and Principal Place of Business**

18th Floor

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77 Des Voeux Road Central

Hong Kong

### **Stock Code**

SEHK 385

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151 Gloucester Road  
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**Westco Chinney Limited**

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## REVIEW OF OPERATIONS

### RESULTS

The Group's turnover and loss for the six months ended 30 June 2003 were HK\$414 million (2002: HK\$396 million) and HK\$31 million (2002: HK\$10 million), respectively.

The 12% turnover growth in our plastic and chemical sales offset the 22% turnover drop in our trading of industrial products and equipment. Overall turnover achieved a 5% growth to HK\$414 million in the period.

The operating subsidiaries continued to record improved performance. The aggregate segment profit was HK\$9 million, against a profit of HK\$8 million a year ago. The non-cash provision of HK\$25 million for impairment in goodwill and impairment of interest in an associate was the exceptional loss behind our current period results. The resultant loss for the period was HK\$31 million, as compared with a loss of HK\$10 million in the prior period.

Excluding the non-cash items such as loss attributable to associates of HK\$5 million and the provision of HK\$25 million, the Group has been operating at a break-even position for the six months ended 30 June 2003.

### INTERIM DIVIDEND

The Board does not propose the payment of an interim dividend for the six months ended 30 June 2003 (2002: Nil).

## BUSINESS REVIEW AND PROSPECTS

### Trading of Plastics and Chemicals

DMT International Hong Kong Limited ("DMT") and Jacobson van den Berg (Hong Kong) Limited ("JvdB") recorded an aggregate turnover of HK\$295 million compared with HK\$264 million in the prior period. The business continued to perform despite sluggish economy caused by the outbreak of SARS early this year. Operating profit was maintained at HK\$9.5 million (2002: HK\$8.8 million), against a relatively stable gross profit during the period.

On 1 July 2003, JvdB signed a distributor agreement with Baerlocher Far East Pte. Limited ("Baerlocher") to distribute its products in Hong Kong and the Mainland China. Established in 1823, Baerlocher is a German company specialising in the manufacture of PVC stabilisers and lubricants. The Baerlocher products, possessing a leading position in the market, provide future growth momentum to DMT/JvdB.

### Trading of Industrial Products and Equipment

Chinney Alliance Engineering Limited and its subsidiaries ("CAEL") reported turnover of HK\$73 million compared with HK\$94 million in the prior period. The weak business environment continued to plague the performance of CAEL. Compounded by delayed shipments from certain suppliers, CAEL turnover was down 22%. Operating loss was contained at HK\$1.4 million (2002: HK\$1.8 million) under tightening overhead and working capital control.

**Wholesaling of Electrical Appliances and Air-conditioning Engineering Works**

Jackson Mercantile Trading Company Limited and its subsidiaries (“JMT”) reported turnover of HK\$45 million compared with HK\$37 million in the prior period. The product diversification move to distribute new products such as the Brandt and the Daikin air-conditioners contributed to the revenue growth during the period. Business however remains difficult under the weak local economy and keen competition. The improved profit of JMT, being HK\$0.7 million in the current period (2002: HK\$0.3 million), was achieved through cost-cutting measures despite erosion of gross profit from strong Euro.

**Investment and Others**

The significant investments held are the carpark assets and the equity securities. The carparks assets with an aggregate book value of HK\$27 million were to be disposed to Hon Kwok Land Investment Company, Limited (“Hon Kwok”) at valuation. The equity securities with an aggregate book value of HK\$9 million remained to be held for trading purpose. Periodic mark down of the securities to their fair values resulted in an additional charge of HK\$0.5 million to the profit and loss account in the period (2002: HK\$5.3 million).

**Associates***(i) Shun Cheong Holdings Limited (“Shun Cheong”)*

Shun Cheong, a 29.9% owned associate of the Company, provides electrical and mechanical engineering services as well as other associated engineering services to the building industry. Shun Cheong reported turnover of HK\$644 million and a loss of HK\$15 million for the year ended 31 March 2003, with a qualified opinion arising from limitation of scope on certain investments and payments. Shun Cheong reported a profit of HK\$1 million in the first half and a loss of HK\$16 million in the second half of the year. As a result, the Group’s share of net loss of Shun Cheong, including tax charge, was HK\$5 million in the current period (2002: HK\$3 million).

Shun Cheong is facing unprecedented challenge from the keen competition triggered by significant slowdown of construction activities. The prospects of the building industry remain severe unless the property market can be revived in the near term. In view of this, the Group fully wrote off the carrying amount of the goodwill of HK\$19 million (including goodwill remaining eliminated against reserves) attributed to Shun Cheong in current period’s results. The impact is an increase in net loss by HK\$19 million, an increase in capital reserve by HK\$17 million and a decrease in net assets by HK\$2 million.

*(ii) Jiangxi Kaitong New Materials Company Limited (“Jiangxi Kaitong”)*

Jiangxi Kaitong, a 24.9% owned associate of the Company, produces stainless steel plastic composite pipe in the Mainland China. This is a high-tech venture in which the Company has invested HK\$11.7 million since September 2000. The Kaitong pipes, under trial production, are in the product development stage. Facing the uncertain economic benefits to be derived from this investment, a provision of HK\$5.8 million (2002: Nil) was made to cover the possible impairment loss. The Group’s share of net loss of Jiangxi Kaitong was HK\$0.2 million in the current period (2002: Nil).

**Connected Transaction**

To focus resources on the Group's trading business and to reduce the debt burden of the Group, the Group reached an agreement to dispose its carpark assets and a villa in Shenzhen, the PRC to a wholly owned subsidiary of Hon Kwok on 26 August 2003 for a cash consideration of HK\$15 million. The carpark assets under disposal included the 115 parking bays at Lido Garden, Sham Tseng, New Territories, Hong Kong, the 26 parking bays at Shining Court, Shun Ning Road, Kowloon, Hong Kong and 40% interest in the 369 parking bays at Provident Center, North Point, Hong Kong. The disposal is to take effect by the sale of the entire issued share capital of China Parking (BVI) Limited and assignment of related shareholders' loans, taking reference to the fair value of the property assets as independently assessed by an independent property valuer on 25 August 2003. Details of the transaction have been set out in the announcement of the Company dated 26 August 2003.

The disposal constitutes a connected transaction for the Company under the Listing Rules and is conditional upon, amongst other things, independent shareholders' approval. A circular containing further details of the disposal, the property valuation report, advice from the independent financial adviser, recommendation from the independent board committee and a notice convening a special general meeting to be held on Monday, 6 October 2003 at 3:30 p.m. in Mandarin Oriental Hong Kong has been posted to the shareholders of the Company on 15 September 2003.

**FINANCIAL REVIEW****Liquidity and Financial Resources**

Total interest-bearing debts of the Group amounted to HK\$178 million as at 30 June 2003 (31 December 2002: HK\$165 million), of which HK\$125 million (31 December 2002: HK\$101 million) related to trust receipt loans. The debts were predominately due and repayable within one year. Current ratio of the Group at 30 June 2003, as measured by total current assets over total current liabilities, was 1.17.

Total cash on hand dropped from HK\$42 million as at 31 December 2002 to HK\$38 million as at 30 June 2003. The Group had a total of HK\$85 million committed but undrawn banking facilities at 30 June 2003 available for its working capital purpose.

The gearing ratio of the Group, as measured by the net interest-bearing debts of HK\$140 million over the shareholders' funds of HK\$122 million, was 115% as at 30 June 2003. The disposal of the carparks is expected to generate a cash inflow of HK\$15 million, thereby improving the Group's gearing to 100% (based on figures as at 30 June 2003).

**Funding and Treasury Policy**

The Group maintains a prudent funding and treasury policy. Surplus funds are maintained in the form of cash deposits with leading banks. Borrowings are mainly denominated in Hong Kong dollars and bear interest at floating rates. Forward contracts of non-speculative nature are entered to hedge the foreign currency trade purchase commitments of the Group.

**Pledge of Assets**

Certain properties, having an aggregate book value of HK\$48 million as at 30 June 2003, were pledged to secure the borrowings of the Group.

**Contingent Liabilities**

Details of the Group's contingent liabilities are set out in note 14 to the interim financial statements.

**Employees and Remuneration Policies**

The Group employed approximately 300 staff in Hong Kong and other parts of the PRC as at 30 June 2003. Remuneration packages are reviewed annually and determined by reference to market pay and individual performance. In addition to salary payments and year-end discretionary bonuses, the Group also provides other employment benefits including medical insurance cover, provident fund and educational subsidies to eligible staff. A share option scheme was adopted in 1993 to enable the directors to grant share options to selected employees as incentives.

**OUTLOOK**

During the past five months since our last annual report, Hong Kong had experienced two dramatic events which would certainly be long remembered in its history. The outbreak of SARS (Severe Acute Respiratory Syndrome), also known as "Atypical Pneumonia", had infected almost 2,000 people and resulted in 299 deaths. This unexpected epidemic not only virtually grounded all travelers from abroad and also plunged the local economy into a deep recession. Fortunately for Hong Kong, the SARS epidemic was successfully controlled within two months. Of course, the recovery from the damage to our economy by SARS would take longer.

The second event was the public demonstration on 1 July 2003 attended by purportedly half million citizens dissatisfied with the affairs in Hong Kong. In the past two months, Central Government in Beijing had spared no efforts to introduce measures to pep up Hong Kong's economy through tourism, infrastructure and Closer Economic Partnership Agreement also known as "CEPA". Whilst the real effects of these initiatives from China are yet to be seen, the strong will of Chinese leadership to support Hong Kong's prosperity has reassured the confidence of Hong Kong citizens in the future of our economy. This is certainly a very good sign.

Although it is certainly too early to predict better performance in the remainder of this year, your directors are now more optimistic about the outlook of our businesses. We see some light at the end of the tunnel and hopefully this will lead to a brighter future in the coming year.

Lastly, I would like to express my appreciation to my fellow directors and all staff for their dedication and hard work during this period of adverse market conditions.

By Order of the Board  
**James Sai-Wing Wong**  
*Chairman*

Hong Kong, 15 September 2003



**CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT**

	<i>Notes</i>	<b>Six months ended 30 June</b>	
		<b>2003</b> <b>(Unaudited)</b> <b>HK\$'000</b>	<b>2002</b> <b>(Unaudited and restated)</b> <b>HK\$'000</b>
<b>TURNOVER</b>		<b>414,397</b>	396,269
Cost of sales/services		<b>(363,536)</b>	(343,384)
<b>Gross profit</b>		<b>50,861</b>	52,885
Other revenue and gains	3	<b>1,533</b>	2,088
Distribution and selling expenses		<b>(10,637)</b>	(8,786)
Administrative expenses		<b>(36,435)</b>	(42,848)
Other operating expenses		<b>(7,391)</b>	(5,985)
Provision for impairment of goodwill		<b>(18,722)</b>	–
<b>LOSS FROM OPERATING ACTIVITIES</b>	4	<b>(20,791)</b>	(2,646)
Finance costs	5	<b>(3,502)</b>	(3,725)
<b>OPERATING LOSS</b>		<b>(24,293)</b>	(6,371)
Share of profits less losses of associates		<b>(4,683)</b>	(2,196)
<b>LOSS BEFORE TAX</b>		<b>(28,976)</b>	(8,567)
Tax	6	<b>(1,663)</b>	(1,353)
<b>LOSS BEFORE MINORITY INTERESTS</b>		<b>(30,639)</b>	(9,920)
Minority interests		<b>(233)</b>	(208)
<b>NET LOSS ATTRIBUTABLE TO SHAREHOLDERS</b>		<b>(30,872)</b>	(10,128)
<b>LOSS PER SHARE – Basic</b>	7	<b>(0.93 cent)</b>	(0.31 cent)

## CONDENSED CONSOLIDATED BALANCE SHEET

	<i>Notes</i>	<b>As at 30 June 2003 (Unaudited) HK\$'000</b>	<b>As at 31 December 2002 (Audited and restated) HK\$'000</b>
<b>NON-CURRENT ASSETS</b>			
Fixed assets		<b>32,321</b>	33,757
Goodwill		<b>1,885</b>	2,009
Interests in associates		<b>34,221</b>	48,033
Other assets		<b>3,576</b>	4,184
Deferred tax assets		<b>1,404</b>	1,510
		<b>73,407</b>	89,493
<b>CURRENT ASSETS</b>			
Properties held for resale		<b>32,500</b>	32,500
Inventories		<b>90,506</b>	88,908
Gross amount due from contract customers		<b>9,826</b>	5,283
Trade and retention monies receivables	8	<b>181,415</b>	159,849
Amounts due from related companies		<b>1,430</b>	1,252
Short term investments		<b>9,257</b>	9,802
Deposits, prepayments and other receivables		<b>7,038</b>	6,831
Cash and cash equivalents		<b>38,128</b>	42,428
		<b>370,100</b>	346,853
<b>CURRENT LIABILITIES</b>			
Trade and bills payables	9	<b>68,180</b>	63,208
Trust receipt loans		<b>125,139</b>	100,746
Amounts due to related companies		<b>281</b>	908
Provision for corporate guarantee		<b>16,000</b>	16,000
Other payables and accruals		<b>48,679</b>	45,352
Tax payable		<b>6,035</b>	5,472
Interest-bearing bank loans, overdrafts and other borrowings		<b>50,812</b>	50,600
		<b>315,126</b>	282,286
<b>NET CURRENT ASSETS</b>		<b>54,974</b>	64,567
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>128,381</b>	154,060
<b>NON-CURRENT LIABILITIES</b>			
Interest-bearing bank loans, overdrafts and other borrowings		<b>1,900</b>	13,487
Provision for long service payment		<b>1,837</b>	1,797
Deferred tax liabilities		<b>1,184</b>	1,101
		<b>4,921</b>	16,385
<b>MINORITY INTERESTS</b>		<b>1,507</b>	1,274
		<b>121,953</b>	136,401
<b>CAPITAL AND RESERVES</b>			
Issued capital	10	<b>33,060</b>	33,060
Reserves	11	<b>88,893</b>	103,341
		<b>121,953</b>	136,401

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

	<i>Note</i>	<b>Six months ended 30 June</b>	
		<b>2003</b> <b>(Unaudited)</b> <i>HK\$'000</i>	<b>2002</b> <b>(Unaudited and restated)</b> <i>HK\$'000</i>
Total shareholders' equity at 1 January			
As previously reported		<b>135,064</b>	179,919
Prior year adjustment	<i>1</i>	<b>1,337</b>	1,815
As restated		<b>136,401</b>	181,734
Impairment loss on goodwill previously eliminated against reserves		<b>16,424</b>	–
Issue of new shares, net of expenses		–	13,468
Net loss for the period		<b>(30,872)</b>	(10,128)
Total shareholders' equity at 30 June		<b>121,953</b>	185,074

**CONDENSED CONSOLIDATED CASH FLOW STATEMENT**

	<b>Six months ended 30 June</b>	
	<b>2003</b> <b>(Unaudited)</b> <i>HK\$'000</i>	<b>2002</b> <b>(Unaudited and restated)</b> <i>HK\$'000</i>
NET CASH OUTFLOW FROM OPERATING ACTIVITIES	<b>(16,735)</b>	(11,658)
NET CASH OUTFLOW FROM INVESTING ACTIVITIES	<b>(582)</b>	(17,929)
NET CASH INFLOW/(OUTFLOW) FROM FINANCING ACTIVITIES	<b>15,194</b>	(1,576)
NET DECREASE IN CASH AND CASH EQUIVALENTS	<b>(2,123)</b>	(31,163)
Cash and cash equivalents at beginning of period	<b>8,580</b>	34,653
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<b>6,457</b>	3,490
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	<b>38,128</b>	39,776
Bank overdrafts	<b>(31,671)</b>	(36,286)
	<b>6,457</b>	3,490

**NOTES TO THE INTERIM FINANCIAL STATEMENTS****1. Basis of preparation and accounting policies**

The unaudited condensed consolidated interim financial statements are prepared in accordance with the requirements of the Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and the Hong Kong Statement of Standard Accounting Practice ("SSAP") No. 25 "Interim Financial Reporting".

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

The accounting policies and basis of preparation used in the preparation of the interim financial statements are consistent with those used in the annual financial statements for the year ended 31 December 2002, except for the adoption of SSAP 12 (Revised) "Income Taxes".

SSAP 12 (Revised) principally prescribes the accounting treatment and disclosures for deferred tax. In prior years, deferred tax was provided using the income statement liability method on all significant timing differences to the extent it was probable that the liability would crystallise in the foreseeable future. SSAP 12 (Revised) requires the adoption of the balance sheet liability method, whereby deferred tax is recognised in respect of all temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, with limited exceptions. In the absence of any specific transitional requirements in SSAP 12 (Revised), the new accounting policy has been applied retrospectively.

This change in accounting policy has resulted in an increase in the Group's deferred tax assets as at 30 June 2003 and 31 December 2002 by HK\$1,404,000 and HK\$1,510,000, respectively; an increase in the Group's deferred tax liabilities as at 30 June 2003 and 31 December 2002 by HK\$1,097,000 and HK\$1,014,000, respectively; and an increase in the Group's goodwill as at 30 June 2003 and 31 December 2002 by HK\$789,000 and HK\$841,000, respectively. As a result, the Group's net loss attributable to shareholders for the period ended 30 June 2003 and 30 June 2002 have been increased by HK\$241,000 and HK\$251,000, respectively; and the consolidated accumulated losses as at 1 January 2003 and 2002 have been decreased by HK\$1,337,000 and HK\$1,815,000, respectively.

## 2. Segment information

The Group is principally engaged in the trading of plastics and chemicals, distribution and installation of building supplies, electrical and mechanical products, wholesaling of electrical appliances and air-conditioning engineering works, property and investment holding. An analysis of the Group's revenue and results by business and geographical segments is as follows:

### (a) Business segments

	Plastic and chemical products		Building supplies, electrical and mechanical products		Electrical appliances and air-conditioning business		Property and investment holding		Consolidated	
	Six months ended 30 June 2003 (Unaudited)		Six months ended 30 June 2003 (Unaudited)		Six months ended 30 June 2003 (Unaudited)		Six months ended 30 June 2003 (Unaudited)		Six months ended 30 June 2003 (Unaudited)	
	2002 (Unaudited)	2003 (Unaudited)	2002 (Unaudited)	2003 (Unaudited)	2002 (Unaudited)	2003 (Unaudited)	2002 (Unaudited)	2003 (Unaudited)	2002 (Unaudited)	2003 (Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Segment revenue:</b>										
Sales to external customers	294,543	263,639	73,206	93,550	45,362	37,330	1,286	1,750	414,397	396,269
Other revenue	715	1,109	143	94	-	70	-	-	858	1,273
	<b>295,258</b>	<b>264,748</b>	<b>73,349</b>	<b>93,644</b>	<b>45,362</b>	<b>37,400</b>	<b>1,286</b>	<b>1,750</b>	<b>415,255</b>	<b>397,542</b>
<b>Segment results:</b>										
Operating profit/(loss) from ordinary activities	9,452	8,816	(1,449)	(1,810)	715	309	302	769	9,020	8,084
Unrealised holding losses on other investments	-	-	-	-	-	-	(545)	(5,333)	(545)	(5,333)
	<b>9,452</b>	<b>8,816</b>	<b>(1,449)</b>	<b>(1,810)</b>	<b>715</b>	<b>309</b>	<b>(243)</b>	<b>(4,564)</b>	<b>8,475</b>	<b>2,751</b>
Interest income and unallocated gains									675	815
Unallocated expenses									(5,419)	(6,212)
Provision for impairment of interest in an associate									(5,800)	-
Provision for impairment of goodwill									(18,722)	-
Loss from operating activities									(20,791)	(2,646)
Finance costs									(3,502)	(3,725)
Share of profits less losses of associates	-	-	-	-	-	-	(4,683)	(2,196)	(4,683)	(2,196)
Loss before tax									(28,976)	(8,567)
Tax									(1,663)	(1,353)
Loss before minority interests									(30,639)	(9,920)
Minority interests									(233)	(208)
Net loss attributable to shareholders									(30,872)	(10,128)

## (b) Geographical segments

	Hong Kong		Elsewhere in the PRC		Consolidated	
	Six months ended 30 June		Six months ended 30 June		Six months ended 30 June	
	2003	2002	2003	2002	2003	2002
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Segment revenue:</b>						
Sales to external customers	379,699	366,808	34,698	29,461	414,397	396,269
Other revenue	858	1,273	-	-	858	1,273
	<b>380,557</b>	368,081	<b>34,698</b>	29,461	<b>415,255</b>	397,542
<b>Segment results:</b>						
Operating profit from ordinary activities	7,575	7,494	1,445	590	9,020	8,084
Unrealised holding losses on other investments	(545)	(5,333)	-	-	(545)	(5,333)
	<b>7,030</b>	2,161	<b>1,445</b>	590	<b>8,475</b>	2,751

## 3. Other revenue and gains

	Six months ended 30 June	
	2003	2002
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Interest income	120	253
Dividend income from other investments	-	27
Commission income	858	1,273
Others	555	535
	<b>1,533</b>	2,088

## 4. Loss from operating activities

Loss from operating activities is arrived at after charging:

	Six months ended 30 June	
	2003	2002
	(Unaudited)	(Unaudited and restated)
	HK\$'000	HK\$'000
Depreciation	1,500	1,999
Amortisation of goodwill	259	259
Unrealised holding losses on other investments	545	5,333
Provision for impairment of interest in an associate	5,800	-
Staff costs (including directors' emoluments)	23,234	27,636

**5. Finance costs**

	<b>Six months ended 30 June</b>	
	<b>2003</b>	2002
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	HK\$'000
Interest on bank loans, overdrafts and other borrowings wholly repayable within five years	<b>3,502</b>	3,725

No interest was capitalised by the Group in both periods.

**6. Tax**

	<b>Six months ended 30 June</b>	
	<b>2003</b>	2002
	<b>(Unaudited)</b>	(Unaudited and restated)
	<b>HK\$'000</b>	HK\$'000
Group:		
Hong Kong profits tax	<b>578</b>	228
Deferred tax	<b>189</b>	199
	<b>767</b>	427
Share of tax attributable to associates	<b>896</b>	926
	<b>1,663</b>	1,353

Hong Kong profits tax has been provided at the rate of 17.5% (2002: 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.

**7. Loss per share**

The calculation of the basic loss per share is based on the net loss attributable to shareholders of HK\$30,872,000 (2002: HK\$10,128,000) and on the 3,305,994,984 (2002: weighted average of 3,239,144,155) shares in issue during the period.

Diluted loss per share for both accounting periods has not been disclosed as the share options outstanding during these periods had an anti-dilutive effect on the basic loss per share for these periods.

**8. Trade and retention monies receivables**

	<b>As at 30 June 2003 (Unaudited) HK\$'000</b>	As at 31 December 2002 (Audited) HK\$'000
Trade receivables	<b>176,546</b>	155,970
Retention monies receivable within one year	<b>4,869</b>	3,879
	<b>181,415</b>	159,849

The Group grants a credit period to its customers ranging from cash on delivery to 60 days. A longer credit period may be allowed to customers with a good business relationship. An aged analysis of trade receivables as at the balance sheet date, based on payment due date, is as follows:

	<b>As at 30 June 2003 (Unaudited) HK\$'000</b>	As at 31 December 2002 (Audited) HK\$'000
Current to 30 days	<b>150,942</b>	113,661
31 – 60 days	<b>12,833</b>	24,442
61 – 90 days	<b>7,532</b>	6,734
Over 90 days	<b>18,126</b>	21,463
Provision	<b>189,433 (12,887)</b>	166,300 (10,330)
	<b>176,546</b>	155,970

**9. Trade and bills payables**

	<b>As at 30 June 2003 (Unaudited) HK\$'000</b>	As at 31 December 2002 (Audited) HK\$'000
Trade payables	<b>44,496</b>	51,247
Bills payable	<b>23,684</b>	11,961
	<b>68,180</b>	63,208



An aged analysis of trade payables as at the balance sheet date, based on invoice date, is as follows:

	<b>As at 30 June 2003 (Unaudited) HK\$'000</b>	As at 31 December 2002 (Audited) HK\$'000
Current to 30 days	35,616	39,542
31 – 60 days	3,395	4,643
61 – 90 days	744	1,980
Over 90 days	4,741	5,082
	<b>44,496</b>	51,247

## 10. Share capital

### Shares

	<b>As at 30 June 2003 (Unaudited) HK\$'000</b>	As at 31 December 2002 (Audited) HK\$'000
Authorised: 25,000,000,000 ordinary shares of HK\$0.01 each	<b>250,000</b>	250,000

	<b>Number of ordinary shares of HK\$0.01 each</b>	<b>Nominal value HK\$'000</b>
Issued and fully paid:		
At 1 January 2003 and at 30 June 2003	<b>3,305,994,984</b>	33,060

There was no movement in the issued share capital of the Company during the period.

### Share options

	<b>Outstanding share options with an exercise price of HK\$0.78 per share</b>	<b>Outstanding share options with an exercise price of HK\$0.07 per share</b>	<b>Total</b>
At 1 January 2003 and at 30 June 2003	<b>6,855,000</b>	<b>48,000,000</b>	<b>54,855,000</b>

There was no movement in the share options of the Company during the period.

The exercise in full of the outstanding share options would result in the issue of 54,855,000 additional ordinary shares for an aggregate amount of approximately HK\$8.7 million.

**11. Reserves**

	<b>Share premium account</b> (Unaudited) <i>HK\$'000</i>	<b>Capital reserve</b> (Unaudited) <i>HK\$'000</i>	<b>Exchange fluctuation reserve</b> (Unaudited) <i>HK\$'000</i>	<b>Accumulated losses</b> (Unaudited) <i>HK\$'000</i>	<b>Total</b> (Unaudited) <i>HK\$'000</i>
<b>At 1 January 2003</b>					
As previously reported	562,724	220,076	84	(680,880)	102,004
Prior year adjustment ( <i>note 1</i> )	–	–	–	1,337	1,337
As restated	562,724	220,076	84	(679,543)	103,341
Impairment loss on goodwill previously eliminated against reserves ( <i>i</i> )	–	16,424	–	–	16,424
Net loss for the period	–	–	–	(30,872)	(30,872)
<b>At 30 June 2003</b>	<b>562,724</b>	<b>236,500</b>	<b>84</b>	<b>(710,415)</b>	<b>88,893</b>

- (i) Goodwill of HK\$16,424,000 arising from acquisition of an associate was eliminated against capital reserve in previous years. The goodwill was fully written off to the profit and loss account in the period, after estimation of the recoverable amount of the acquired associate.

**12. Related party transactions**

Set out below are the significant transactions between the Group and related parties during the period.

		<b>Six months ended 30 June</b>	
		<b>2003</b>	2002
		<b>(Unaudited)</b>	(Unaudited)
		<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
Management fees paid to a major shareholder	<i>(i)</i>	<b>1,000</b>	1,000
Sales of goods to associates	<i>(ii)</i>	<b>(2,518)</b>	(379)

- (i) The management fees are charged by the major shareholder based on the time involvement of the personnel providing services.
- (ii) The sales of products to associates were made according to the published prices and conditions offered to third-party customers.

**13. Commitments**

The Group leases certain of its office properties under operating lease arrangements. Leases for properties are negotiated for terms ranging from one to twelve years.

At the balance sheet date, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	<b>As at 30 June 2003 (Unaudited) HK\$'000</b>	As at 31 December 2002 (Audited) HK\$'000
Within one year	<b>3,054</b>	4,304
In the second to fifth years, inclusive	<b>2,253</b>	3,866
Beyond 5 years	<b>157</b>	263
	<b>5,464</b>	8,433

In addition to the operating lease commitments, at the balance sheet date, the Group had commitments under forward foreign exchange contracts amounting to HK\$17,509,000 (31 December 2002: HK\$26,011,000).

**14. Contingent liabilities**

The Group was contingently liable in respect of a pro-rata and several bank guarantee given in favour of banking facilities granted to a 40% owned associate of the Group. As at 30 June 2003, the outstanding bank loan of the associate was HK\$110 million (31 December 2002: HK\$130.8 million).

The Group had no other significant contingent liability at the balance sheet date.

**15. Post balance sheet event**

As announced on 26 August 2003, the Company and Dharmala Development Limited (“DDL”), an indirect wholly owned subsidiary of the Company, entered into a sale and purchase agreement with Hon Kwok and Careful Action Limited (“CAL”), a wholly owned subsidiary of Hon Kwok, whereby the Company and DDL agreed that DDL will sell its entire interest in China Parking (BVI) Limited (“CPBL”) and assign related shareholders’ loans to CAL, for a cash consideration of HK\$15 million. The proceeds on the above disposal is intended to be used for the Group’s bank loan repayments as well as working capital to fund its core operations.

The disposal constitutes a connected transaction of the Company under the Listing Rules and is subject to (i) approval by the Company’s independent shareholders, (ii) Hon Kwok and CAL having carried out and being satisfied with their due diligence investigations on CPBL, its subsidiaries and associates, and (iii) approvals from relevant banks in respect of the disposal. A circular containing further details of the disposal as well as the advice from the independent financial adviser and recommendation from the independent board committee has been despatched to the shareholders of the Company on 15 September 2003.

## **ADDITIONAL INFORMATION**

### **CORPORATE GOVERNANCE**

Regular meetings have been held by the audit committee of the Company since its establishment and it meets at least twice each year to review and supervise the Group's financial reporting process and internal controls. The Company's interim report for the six months ended 30 June 2003 has not been audited, but has been reviewed by the audit committee with management.

None of the directors of the Company is aware of information that would reasonably indicate that the Company is not, or was not for any part of the six months ended 30 June 2003, in compliance with the Code of Best Practice set out in Appendix 14 of the Listing Rules, except that the non-executive directors of the Company are not appointed for a specific term as they are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the Company's Bye-laws.

### **SHARE OPTION SCHEME**

On 24 September 1993, an Executive Share Option Scheme (the "Scheme") was approved by the shareholders of the Company (as amended by the shareholders of the Company on 28 June 2001), under which the directors of the Company may, at their discretion, offer any eligible employee (including any director) of the Company or of any of its subsidiary, options to subscribe for shares in the Company subject to and in accordance with the terms and conditions stipulated in the Scheme and Chapter 17 of the Listing Rules. The purpose of the Scheme is to attract and retain high calibre employees, and to motivate them to higher level of performance.

Details of share options granted to directors and employees under the Scheme together with the movements during the period were as follows:

	Number of share options held at 1 January 2003 and 30 June 2003	Exercise price per share HK\$	Date of grant	Exercisable from	Exercisable until
<b>Share options to directors</b>					
Stephen Sek-Kee Yu	1,000,000	0.78	1 June 1994	1 June 1994	31 May 2004
	500,000	0.78	22 December 1995	22 December 1995	21 December 2005
	500,000	0.78	7 June 1997	1 June 1994	31 May 2004
	250,000	0.78	7 June 1997	22 December 1995	21 December 2005
	12,000,000	0.07	16 July 1999	16 July 1999	15 July 2009
	14,250,000				
Frank Kwok-Kit Chu	800,000	0.78	9 June 1994	9 June 1994	8 June 2004
	400,000	0.78	7 June 1997	9 June 1994	8 June 2004
	8,000,000	0.07	13 July 1999	13 July 1999	12 July 2009
	9,200,000				
Peter Chi-Chung Luk	4,000,000	0.07	12 July 1999	12 July 1999	11 July 2009
Herman Man-Hei Fung	8,000,000	0.07	13 July 1999	13 July 1999	12 July 2009
Kenneth Kin-Hing Lam	800,000	0.78	2 June 1994	2 June 1994	1 June 2004
	800,000	0.78	8 January 1996	8 January 1996	7 January 2006
	400,000	0.78	7 June 1997	2 June 1994	1 June 2004
	400,000	0.78	7 June 1997	8 January 1996	7 January 2006
	8,000,000	0.07	21 July 1999	21 July 1999	20 July 2009
	10,400,000				
Sub-total	45,850,000				
<b>Share options to employees</b>					
In aggregate	225,000	0.78	4 June 1994	4 June 1994	3 June 2004
	555,000	0.78	10 June 1994	10 June 1994	9 June 2004
	225,000	0.78	2 January 1996	2 January 1996	1 January 2006
	4,000,000	0.07	16 July 1999	16 July 1999	15 July 2009
	4,000,000	0.07	19 July 1999	19 July 1999	18 July 2009
Sub-total	9,005,000				
Total	54,855,000				

During the period, no options were granted, exercised or lapsed.

Apart from the Scheme, at no time during the period was the Company or any of its subsidiaries a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

**DIRECTORS' INTERESTS IN SHARES**

As at 30 June 2003, the interests and short positions of the directors of the Company in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept under Section 352 of the SFO; or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code"), were as follows:

**(a) Directors' interests in the shares of the Company**

<b>Name of directors</b>	<b>Nature of interest</b>	<b>Number of shares held</b>	<b>Total number of shares</b>	<b>Approximate percentage of shareholding</b>
James Sai-Wing Wong	Corporate ( <i>Note</i> )	961,957,982	961,957,982	29.10%
Frank Kwok-Kit Chu	Personal	1,206,000		
	Family	1,196,000	2,402,000	0.07%
Peter Chi-Chung Luk	Family	320,000	320,000	0.01%
Kenneth Kin-Hing Lam	Personal	276	276	–

All the interests stated above represent long positions.

*Note:* These shares are held by Multi-Investment Group Limited, a company in which James Sai-Wing Wong is a director and has a beneficial interest.

**(b) Directors' interests in the shares of an associated corporation**

Listed below is a director's interest in the shares of Island Parking Limited ("Island Parking"), a 40% associate of the Company. The interest stated below represents a long position.

<b>Name of director</b>	<b>Nature of interest</b>	<b>Number of shares held</b>	<b>Approximate percentage of shareholding</b>
James Sai-Wing Wong	Corporate	10	100%

*Note:* James Sai-Wing Wong is deemed to be interested in these shares in Island Parking, of which 6 shares (representing 60% of the issued share capital of Island Parking) are indirectly held by Hon Kwok which is deemed under the control of James Sai-Wing Wong. The remaining 4 shares are indirectly held by the Company and have contracted to be sold to a wholly owned subsidiary of Hon Kwok under a sale and purchase agreement dated 26 August 2003.

Apart from the above, no other interest or short position in the shares, underlying shares or debentures of the Company or any associated corporations as at 30 June 2003 were recorded in the register required to be kept under Section 352 of the SFO; or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

**SUBSTANTIAL SHAREHOLDERS**

As at 30 June 2003, the following persons had 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, or as otherwise notified to the Company, were as follows:

Name of shareholders	Number of shares held	Approximate percentage of shareholding
James Sai-Wing Wong	961,957,982 ( <i>Note 1</i> )	29.10%
Madeline May-Lung Wong	961,957,982 ( <i>Note 1</i> )	29.10%
Lucky Year Finance Limited	961,957,982 ( <i>Note 1</i> )	29.10%
Chinney Holdings Limited	961,957,982 ( <i>Note 1</i> )	29.10%
Chinney Investments, Limited	961,957,982 ( <i>Note 1</i> )	29.10%
Newsworthy Resources Limited	961,957,982 ( <i>Note 1</i> )	29.10%
Multi-Investment Group Limited	961,957,982 ( <i>Note 1</i> )	29.10%
Sumitomo Mitsui Banking Corporation	319,800,000 ( <i>Note 2</i> )	9.67%
Credit Suisse Group	319,800,000 ( <i>Note 2</i> )	9.67%
Dresdner Kleinwort Wasserstein Limited	319,800,000 ( <i>Note 2</i> )	9.67%
Indover bank (Asia) Limited	319,800,000 ( <i>Note 2</i> )	9.67%
Krung Thai Bank Public Company Limited	319,800,000 ( <i>Note 2</i> )	9.67%
PT. Bank Mandiri (Persero)	319,800,000 ( <i>Note 2</i> )	9.67%

All the interests stated above represent long positions.

*Notes:*

1. James Sai-Wing Wong, Madeline May-Lung Wong, Lucky Year Finance Limited, Chinney Holdings Limited, Chinney Investments, Limited, Newsworthy Resources Limited and Multi-Investment Group Limited are deemed to be interested in the same parcel of shares by virtue of Section 316 of the SFO.
2. These shares are registered in the name of an agent bank on behalf of six banks that comprise a syndicate of lenders to a shareholder (the "Syndicate"). The Syndicate's interest in the relevant shares was acquired as a result of security given by a shareholder over such shares in respect of a loan advanced to the shareholder by the Syndicate. Such interest became discloseable upon the Syndicate becoming entitled to exercise the power of sale and voting rights in respect of the interest in the shares as a result of a default by the shareholder. Accordingly, Sumitomo Mitsui Banking Corporation, Credit Suisse Group, Dresdner Kleinwort Wasserstein Limited, Indover bank (Asia) Limited, Krung Thai Bank Public Company Limited and PT. Bank Mandiri (Persero) are each deemed to have a security interest in the relevant shares.

Apart from the above, no other interest or short position in the shares or underlying shares of the Company were recorded in the register required to be kept under Section 336 of the SFO as at 30 June 2003.

**PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SHARES**

During the six months ended 30 June 2003, the Company had not redeemed, and neither the Company nor any of its subsidiaries had purchased or sold any of the Company's listed shares.