

# CORPORATE INFORMATION

## DIRECTORS

James Sai-Wing Wong (*Chairman*)  
Madeline May-Lung Wong  
William Chung-Yue Fan\*  
Herman Man-Hei Fung (*Managing Director*)  
Roderick Sue-Cheun Wong  
Frankie Yick-Cheung Lee  
Clement Kwok-Hung Young\*  
Johnny Chung-Ah Wong\*

\* *Independent non-executive director*

## AUDIT COMMITTEE

William Chung-Yue Fan  
Clement Kwok-Hung Young

## SECRETARY

Wendy Yuk-Ying Chan

## PRINCIPAL BANKERS

Bank of East Asia Limited  
CITIC Ka Wah Bank Limited  
The Hongkong and Shanghai Banking  
Corporation Limited  
Shanghai Commercial Bank Limited  
Standard Chartered Bank

## AUDITORS

Deloitte Touche Tohmatsu

## REGISTRARS

Tengis Limited  
Ground Floor  
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56 Gloucester Road  
Wanchai  
Hong Kong

## REGISTERED OFFICE

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## STOCK CODE

SEHK 216

## CONSOLIDATED RESULTS

The Group's turnover for the period was approximately HK\$753.3 million (2002: HK\$701.9 million) and profit was approximately HK\$3.3 million (2002: HK\$16.8 million).

The increase in turnover was mainly due to consolidating the turnover of Hon Kwok Land Investment Company, Limited ("Hon Kwok") into the current period results. Hon Kwok became a subsidiary of the Company in May 2003 when the Company took up the un-subscribed rights shares of Hon Kwok in its capacity as an underwriter.

The Group's core businesses reported a mixed performance during the period. The garment and construction businesses recorded better profit whereas the property and trading businesses continued to be hit by the weak local economy. Overall profit therefore reduced to approximately HK\$3.3 million in the current period. It is difficult to compare the profit reported with the corresponding period last year because of the consolidation of Hon Kwok's accounts as a subsidiary.

## DIVIDEND

The directors of the Company (the "Directors") do not recommend the payment of an interim dividend for the six months ended 30th September, 2003 (2002: nil).

## REVIEW OF OPERATIONS

### Construction

Your Group's Construction Division is principally engaged in sub-structure and superstructure building construction. The turnover and net profit of our Construction Division for the period were approximately HK\$357.9 million (2002: HK\$437.9 million) and approximately HK\$15.1 million (2002: HK\$11.8 million) respectively. The turnover dropped as a result of less construction jobs and this trend may persist in the coming year.

### Garment

The Garment Division contributed a turnover of approximately HK\$341.3 million (2002: HK\$264 million) and net profit increased to approximately HK\$10.2 million (2002: HK\$7.4 million). The net profit included a 50% share of the profit of SGA Group amounting to approximately HK\$2.8 million (2002: HK\$3.6 million). The United States market has gradually recovered from the after-effects of the September 11 incident. Turnover therefore regained to a level similar to that of the past. Results in this division may show further growth in the second half of this fiscal year due to improved trading conditions.

### Property

Hon Kwok, a separately listed and 69% owned subsidiary, carries out the Group's property business. Hon Kwok reported a loss of approximately HK\$29 million (2002: profit of HK\$4.5 million) against a 78% drop in turnover to approximately HK\$67.1 million (2002: HK\$309.2 million). The current period loss was largely attributable to the weak local market and lack of sales activities. Hon Kwok's upcoming project, being the City Square project in Luo Hu District, Shenzhen, PRC is scheduled for pre-sale in April 2004.

### Trading

Chinney Alliance Group Limited ("Chinney Alliance"), a separately listed and 29% owned associate, carries out the Group's trading business. Chinney Alliance reported a turnover of approximately HK\$414.4 million (2002: HK\$396.3 million) for the six months ended 30th June, 2003, with the net loss widened to approximately HK\$30.9 million (2002: HK\$10.1 million). The operating subsidiaries of Chinney Alliance achieved a break-even operating result against the 5% turnover growth. The share of approximately HK\$5 million loss attributable to an associate and the non-cash provisions of approximately HK\$25 million for impairments in goodwill and interest in an associate are the extraordinary items. No such items are expected in the coming year.

## FINANCIAL REVIEW

### Liquidity and financial resources

Total interest-bearing debts of the Group amounted to approximately HK\$1,693 million as at 30th September, 2003 (as at 31st March, 2003: HK\$307 million), of which 44% of the debts was due and repayable within one year.

Total cash on hand was approximately HK\$337 million (as at 31st March, 2003: HK\$205 million). The Group had a total of approximately HK\$770 million committed but undrawn banking facilities at period end.

The increase in total interest-bearing debts of the Group was due to consolidating the assets and liabilities of Hon Kwok as a subsidiary of the Company upon completion of Hon Kwok's rights issue in May 2003. Had Hon Kwok been treated as an associate in the accounts as in prior year, the total interest-bearing debts and cash on hand of the Group as at 30th September, 2003 would have been approximately HK\$289 million and approximately HK\$174 million respectively.

The gearing ratio of the Group, as measured by total interest-bearing debts over total assets, was 50% as at 30th September, 2003 (as at 31st March, 2003: 20%).

**Funding and treasury policy**

The Group adopts 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 United States dollars and bear interest at floating rates.

**Pledge of assets**

The banking facilities of the Group were secured over certain inventories, trade debts, bank balances, properties and shares of an associate with an aggregate book value of approximately HK\$2,108 million as at 30th September, 2003 and shares in a subsidiary.

Lucky Year Finance Limited ("Lucky Year"), a substantial shareholder of the Company, pledged its cash deposits with banks for certain bank loans granted to Hon Kwok in July 2001. Hon Kwok in return pledged its entire shareholding interests in two of its subsidiaries and assigned related shareholders' loans of approximately HK\$220 million to Lucky Year as security for the cash deposits.

**Contingent liabilities**

As at 30th September, 2003, the Group was contingently liable for approximately HK\$143 million in respect of guarantees provided for banking facilities utilised by jointly-controlled entities and approximately HK\$7 million in respect of bills discounted with recourse.

The Group has been involved in certain legal proceedings or claims as part of its normal trade and disputes on tax issues with the Hong Kong tax authority as disclosed in the annual report of the Company for the year ended 31st March, 2003. Having regard to professional advice, the Group considers that the proceedings, claims and disputes are without valid grounds and, accordingly, no provision has been made in the financial statements. There has been no further progress on such proceedings, claims and disputes since the date of publishing our last annual report.

**Employees and remuneration policies**

The Group, not including its associates and jointly-controlled entities, employs approximately 3,000 people in Hong Kong, in other parts of the People's Republic of China and overseas. There have been no significant changes in the remuneration policies and benefits to the employees of the Group.

## OVERVIEW

Since our annual report of 15th July, 2003, there have been further improvements in the world economy mainly due to better than expected GDP growth in the United States. The Dow Jones and Nasdaq are approaching 10,000 and 2,000 respectively when compared with 9,200 and 1,750 in July this year. 2004 is an election year for the United States and it is believed that the Bush administration will do its very best to portray a prosperous outlook for its economy.

Locally, after the public demonstration on 1st July, 2003, the Central Government had made great efforts to revive the sagging economy in Hong Kong. The introduction of "Closer Economic Partnership Arrangement", the relaxation of mainland visitors to Hong Kong and the permission of local circulation of the Chinese currency Renminbi all have a definitive and positive effect on the local economy. As a result, the unemployment rate had improved from 8.8% in June to 8% in October.

Whilst the long term effects of China's staunch support for Hong Kong's prosperity are still too early to be assessed, the immediate reaction from the public is the return of consumer confidence. The Hang Seng Index has been above 12,000 with substantial trading volume when compared with the below 10,000 level during the SARS crisis.

Re-exports from Hong Kong continued to show impressive growth although domestic exports remained subdued. The latest figure for October recorded HK\$145 billion of re-exports up over 30% and only HK\$10 billion of domestic exports down about 5% when compared with the same period of last year. Nevertheless, it would seem that the worst of our local economy was over and it is hoped that this turn-around can be sustained despite the huge Government budget deficit yet to be addressed.

During this period under review, all member companies of the Group traded under difficult operating environment because of the SARS epidemic which had severe impact on business activities. At present, the business sentiment is much improved although the results may not so readily reflected in the accounts until perhaps in the next fiscal year. Your Directors are therefore optimistic of better performance in all group companies in the foreseeable future.

Lastly, I wish to express my sincere appreciation to my fellow directors for their guidance and all staff for their loyalty and dedication during this difficult period.

**James Sai-Wing Wong**  
*Chairman*

Hong Kong, 11th December, 2003

## DIRECTORS' INTERESTS IN SECURITIES

As at 30th September, 2003, the interests and short positions of the directors of the Company in the shares, underlying shares and debentures of the Company or any of 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

Name of director	Note	Nature of interest	Number of ordinary shares held	Approximate percentage of shareholding
James Sai-Wing Wong	1	Corporate	306,959,324	55.67
Madeline May-Lung Wong	1	Corporate	306,959,324	55.67
William Chung-Yue Fan		Personal	3,918,285	0.71

All the interests stated above represent long positions.

### (b) Directors' interests in the shares of associated corporations

Name of director	Note	Name of associated corporation	Nature of interest	Number of ordinary shares held	Approximate percentage of shareholding
James Sai-Wing Wong	2	Hon Kwok	Corporate	231,438,553	69.39
	2	Chinney Alliance	Corporate	961,957,982	29.10
	3	Chinney Holdings Limited ("Chinney Holdings")	Corporate	9,900,000	99.00
			Personal	100,000	1.00
		Lucky Year	Personal	10,000	50.00
Madeline May-Lung Wong	2	Hon Kwok	Corporate	231,438,553	69.39
	2	Chinney Alliance	Corporate	961,957,982	29.10
	3	Chinney Holdings	Corporate	9,900,000	99.00
			Lucky Year	Personal	10,000
William Chung-Yue Fan		Hon Kwok	Personal	708	0
	4	Wise Pacific Investment Limited	Corporate	2,000	20.00
Herman Man-Hei Fung		Hon Kwok	Family	1,417	0

All the interests stated above represent long positions.

**DIRECTORS' INTERESTS IN SECURITIES** (Continued)**(c) Directors' interests in the underlying shares of associated corporation**

Pursuant to the share option scheme of Chinney Alliance, Herman Man-Hei Fung has options to subscribe for 8,000,000 shares in Chinney Alliance at an exercise price of HK\$0.07 per share, subject to adjustment. The options were granted on 13th July, 1999 and can be exercised up to 12th July, 2009. During the period, no share options were exercised.

## Notes:

1. *These shares are beneficially held by Chinney Holdings which is a subsidiary of Lucky Year. James Sai-Wing Wong and Madeline May-Lung Wong are directors and beneficially own more than one third of the equity capital of Lucky Year.*
2. *These shares are beneficially held by the Company or its subsidiary. By virtue of note 1, James Sai-Wing Wong and Madeline May-Lung Wong are deemed to be interested in these shares.*
3. *These shares are beneficially held by Lucky Year. By virtue of note 1, James Sai-Wing Wong and Madeline May-Lung Wong are deemed to be interested in these shares.*
4. *These shares are held by Gold Sound Enterprises Limited, of which William Chung-Yue Fan is both a director and a shareholder.*

Save as disclosed herein, as at 30th September, 2003, none of the directors of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which are required to be recorded in the register kept by the Company under Section 352 of the SFO or which are required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

**SUBSTANTIAL SHAREHOLDERS**

As at 30th September, 2003, so far as is known to the directors of the Company, the following substantial shareholders and other persons (other than directors of the Company) had interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO:

<b>Name</b>	<b>Number of ordinary shares held</b>	<b>Approximate percentage of shareholding</b>
Chinney Holdings	306,959,324	55.67
Lucky Year	306,959,324	55.67

All the interests stated above represent long positions. Chinney Holdings and Lucky Year are deemed to be interested in the same parcel of shares by virtue of Section 316 of the SFO.

Save as disclosed herein, as at 30th September, 2003, none of the substantial shareholders or other persons (other than the directors of the Company) had any interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO.

**SHARE OPTION SCHEME OF HON KWOK**

The share option scheme of Hon Kwok was adopted pursuant to a resolution passed at the general meeting of Hon Kwok on 16th September, 1993 for the primary purpose of providing incentives to any employee (including any executive director) of Hon Kwok or any of its subsidiaries.

There were no outstanding options as at 1st April, 2003. No options were granted, exercised, cancelled or lapsed from 1st April, 2003 up to the expiry of the scheme on 16th September, 2003.

**PURCHASE, SALE OR REDEMPTION OF CONVERTIBLE BONDS AND SECURITIES**

A principal amount of HK\$159 million of the 10% convertible guaranteed bonds (the “Bonds”) issued by a wholly-owned subsidiary of Hon Kwok, which has become a 69% subsidiary of the Company since May 2003, was redeemed at par on 22nd April, 2003. The remaining amount of HK\$141 million of the Bonds was redeemed at par on 21st May, 2003.

Save as disclosed above, there were no purchases, sales or redemptions by the Company or any of its subsidiaries of the Company’s securities during the six months ended 30th September, 2003.

**COMPLIANCE WITH CODE OF BEST PRACTICE**

None of the directors of the Company is aware of any information that would reasonably indicate that the Company is not, or was not for any part of the six months ended 30th September, 2003, in compliance with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”), except that the non-executive directors are not appointed for a specific term but are subject to retirement by rotation and re-election at the annual general meeting of the Company.

**AUDIT COMMITTEE**

The Company’s audit committee has reviewed with the Company’s management the accounting principles and practices adopted by the Group and financial reporting matters including the review of the unaudited consolidated financial statements for the six months ended 30th September, 2003.



# CONDENSED CONSOLIDATED INCOME STATEMENT

	Notes	Six months ended 30th September,	
		2003 (Unaudited) HK\$'000	2002 (Unaudited and restated) HK\$'000
Turnover		<b>753,265</b>	701,877
Cost of sales		<b>(626,345)</b>	(593,919)
Gross profit		<b>126,920</b>	107,958
Other operating income		<b>18,899</b>	14,710
Selling and distribution costs		<b>(27,724)</b>	(22,573)
Administrative expenses		<b>(81,704)</b>	(69,278)
Other operating expenses		<b>(11,342)</b>	(678)
Profit from operations	3	<b>25,049</b>	30,139
Finance costs	4	<b>(17,771)</b>	(7,323)
Share of results of associates		<b>(9,391)</b>	2,473
Share of results of jointly-controlled entities		<b>3,150</b>	3,607
Profit before taxation		<b>1,037</b>	28,896
Taxation charge	5	<b>(7,119)</b>	(9,938)
Profit/(loss) before minority interests		<b>(6,082)</b>	18,958
Minority interests		<b>9,332</b>	(2,166)
Net profit attributable to shareholders		<b>3,250</b>	16,792
Earnings per share	6		
Basic		<b>0.59 cent</b>	3.05 cents
Diluted		<b>N/A</b>	2.93 cents

# CONDENSED CONSOLIDATED BALANCE SHEET

	<i>Notes</i>	<b>As at 30th September, 2003 (Unaudited) HK\$'000</b>	<b>As at 31st March, 2003 (Audited and restated) HK\$'000</b>
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current assets</b>			
Properties, plant and equipment		314,880	323,550
Properties under development		303,487	–
Investment properties		1,042,275	1,500
Interests in associates	7	52,140	569,088
Interests in jointly-controlled entities		9,169	4,189
Investments in securities		3,510	3,510
Retention monies receivable after one year		8,561	6,920
Deferred tax assets		4,768	4,913
Negative goodwill		(144,890)	–
		<b>1,593,900</b>	<b>913,670</b>
<b>Current assets</b>			
Inventories		126,137	125,633
Properties held for sale		929,392	–
Amounts due from customers for contract work		40,753	44,964
Retention monies receivable within one year		46,710	52,404
Debtors and prepayments	8	306,927	194,363
Amounts due from associates		13,811	12,563
Amounts due from jointly-controlled entities		14,007	22,665
Taxation recoverable		1,643	69
Investments in securities		748	639
Pledged bank balances		105,478	21,152
Bank balances and cash		231,300	184,067
		<b>1,816,906</b>	<b>658,519</b>

CONDENSED CONSOLIDATED BALANCE SHEET (Continued)

	Notes	As at 30th September, 2003 (Unaudited) HK\$'000	As at 31st March, 2003 (Audited and restated) HK\$'000
<b>Current liabilities</b>			
Creditors and accrued charges	9	246,398	154,310
Amounts due to customers for contract work		107,395	116,117
Amounts due to associates		144	–
Amounts due to jointly-controlled entities		1	1
Taxation payable		13,156	6,803
Dividend payable		66	–
Obligations under hire purchase contracts			
– due within one year		2,149	3,956
Bank borrowings – due within one year		749,961	175,175
		1,119,270	456,362
<b>Net current assets</b>		697,636	202,157
<b>Total assets less current liabilities</b>		2,291,536	1,115,827
<b>Non-current liabilities</b>			
Obligations under hire purchase contracts			
– due after one year		119	537
Bank borrowings – due after one year		940,951	126,993
Deferred tax liabilities		35,211	34,939
Amounts due to minority shareholders of subsidiaries		61,659	23,255
		1,037,940	185,724
<b>Minority interests</b>		326,410	4,238
		927,186	925,865
<b>CAPITAL AND RESERVES</b>			
Share capital	10	137,842	137,842
Reserves	11	789,344	788,023
		927,186	925,865

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Six months ended 30th September,	
	2003 (Unaudited) <i>HK\$'000</i>	2002 (Unaudited and restated) <i>HK\$'000</i>
Total shareholders' equity as at 1st April		
As previously reported	937,224	1,142,520
Prior year adjustment	(11,359)	(10,789)
	925,865	1,131,731
As restated		
Exchange differences arising on translation of financial statements denominated in foreign currencies	8,301	1,027
Share of exchange reserve of associates attributable to the Group	(282)	167
Net gain not recognised in the consolidated income statement	8,019	1,194
Transfer of capital reserve arising from the acquisition of an associate in prior years to negative goodwill	(4,581)	–
Net profit for the period	3,250	16,792
Elimination of exchange reserve upon winding up of a subsidiary	881	–
Share of capital reserve of associates attributable to the Group	4,779	–
Final dividend in respect of previous financial year	(11,027)	(11,027)
	927,186	1,138,690
Total shareholders' equity as at 30th September		

# CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Six months ended 30th September,	
	2003 (Unaudited) HK\$'000	2002 (Unaudited) HK\$'000
Net cash inflow from operating activities	4,073	86,131
Net cash inflow/(outflow) from investing activities	(13,109)	10,080
Net cash inflow/(outflow) from financing activities	51,525	(26,935)
	<u>42,489</u>	<u>69,276</u>
Increase in cash and cash equivalents		
Cash and cash equivalents at the beginning of the period	169,169	62,355
	<u>211,658</u>	<u>131,631</u>
Cash and cash equivalents at the end of the period		
	<u>211,658</u>	<u>131,631</u>
Analysis of the balances of cash and cash equivalents		
Bank balances and cash	231,300	162,145
Bank overdrafts	(19,642)	(30,514)
	<u>211,658</u>	<u>131,631</u>

# NOTES TO THE INTERIM FINANCIAL STATEMENTS

## 1. Basis of preparation and accounting policies

The unaudited condensed consolidated interim financial statements have been prepared in accordance with the requirements of Appendix 16 of the Listing Rules and the Statement of Standard Accounting Practice (“SSAP”) No. 25 “Interim Financial Reporting” issued by the Hong Kong Society of Accountants (“HKSA”).

The condensed consolidated interim financial statements should be read in conjunction with the 2002/2003 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 31st March, 2003, except for the adoption of SSAP 12 (Revised) “Income Taxes” (“SSAP 12 (Revised)”).

In the current period, the Company has adopted for the first time SSAP 12 (Revised) issued by the HKSA. SSAP 12 (Revised) has introduced a new basis of accounting for income taxes (including both current tax and deferred tax) and additional disclosure requirements which have been adopted in the condensed financial statements. The principal effect of the implementation of SSAP 12 (Revised) is in relation to deferred tax. In previous years, partial provision was made for deferred tax using the income statement liability method, i.e. a liability was recognised in respect of timing differences arising, except where those timing differences were not expected to reverse in the foreseeable future. SSAP 12 (Revised) requires the adoption of a 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 taxes 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 30th September, 2003 and 31st March, 2003 by HK\$4,768,000 and HK\$4,913,000 respectively and an increase in the Group’s deferred tax liabilities as at 30th September, 2003 and 31st March, 2003 by HK\$18,618,000 and HK\$17,648,000 respectively. As a result, the Group’s net profit attributable to shareholders for the period ended 30th September, 2003 and 30th September, 2002 have been increased by HK\$111,000 and HK\$240,000 respectively, the Group’s capital reserve as at 1st April, 2003 and 2002 have been decreased by HK\$7,694,000 and HK\$6,959,000 respectively and the consolidated retained profits as at 1st April, 2003 and 2002 have been decreased by HK\$3,665,000 and HK\$3,830,000 respectively.

## 2. Segment information

An analysis of the Group's turnover and contribution to profit from operations by business segments and turnover by geographical segments is as follows:

### Business segments

	Construction		Garment		Property development		Property investment		Others		Consolidated	
	Six months ended 30th September, 2003		Six months ended 30th September, 2002		Six months ended 30th September, 2003		Six months ended 30th September, 2002		Six months ended 30th September, 2003		Six months ended 30th September, 2002	
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited and restated)	(Unaudited)	(Unaudited and restated)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover	<u>357,902</u>	<u>437,917</u>	<u>341,256</u>	<u>263,960</u>	<u>33,065</u>	<u>-</u>	<u>18,113</u>	<u>-</u>	<u>2,929</u>	<u>-</u>	<u>753,265</u>	<u>701,877</u>
Segment results	<u>22,230</u>	<u>16,874</u>	<u>11,907</u>	<u>9,128</u>	<u>(22,254)</u>	<u>-</u>	<u>10,257</u>	<u>-</u>	<u>3,671</u>	<u>-</u>	<u>25,811</u>	<u>26,002</u>
Net income from investments											<u>8,067</u>	<u>8,162</u>
Unallocated corporate expenses											<u>(8,829)</u>	<u>(4,025)</u>
Profit from operations											<u>25,049</u>	<u>30,139</u>
Finance costs											<u>(17,771)</u>	<u>(7,323)</u>
Share of results of associates	-	-	94	(296)	-	-	-	-	(9,485)	2,769	<u>(9,391)</u>	<u>2,473</u>
Share of results of jointly-controlled entities	-	-	2,837	3,607	313	-	-	-	-	-	<u>3,150</u>	<u>3,607</u>
Profit before taxation											<u>1,037</u>	<u>28,896</u>
Taxation charge											<u>(7,119)</u>	<u>(9,938)</u>
Profit/(loss) before minority interests											<u>(6,082)</u>	<u>18,958</u>
Minority interests											<u>9,332</u>	<u>(2,166)</u>
Net profit attributable to shareholders											<u>3,250</u>	<u>16,792</u>

2. Segment information (Continued)

**Geographical segments**

	<b>Turnover</b>	
	<b>Six months ended</b>	
	<b>30th September,</b>	
	<b>2003</b>	<b>2002</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Hong Kong	412,442	442,967
North America	226,461	153,006
Europe	107,124	103,262
Others	7,238	2,642
	<u>753,265</u>	<u>701,877</u>



**3. Profit from operations**

Profit from operations is arrived at after charging/(crediting):

	<b>Six months ended</b>	
	<b>30th September,</b>	
	<b>2003</b>	2002
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	HK\$'000
Depreciation of properties, plant and equipment		
Owned assets	<b>23,371</b>	22,050
Assets held under hire purchase contracts	<b>752</b>	1,487
	<b>24,123</b>	23,537
Less: Amount capitalised in contract costs	<b>1,818</b>	1,860
	<b>22,305</b>	21,677
Staff costs (including directors' emoluments)	<b>97,407</b>	85,554
Less: Amount capitalised in contract costs	<b>32,941</b>	27,825
	<b>64,466</b>	57,729
Amortisation of permanent export quota entitlements	-	902
Impairment loss of properties under development	<b>10,654</b>	-
Loss on winding up of a subsidiary	<b>687</b>	-
Unrealised (gain)/loss on investments in securities	<b>(109)</b>	664
Amortisation of negative goodwill	<b>(5,573)</b>	-
Interest income from debt securities	<b>(666)</b>	(7,050)
Bank interest income	<b>(1,124)</b>	(869)
Other interest income	<b>(1,722)</b>	(471)
Dividend income from investment in securities	-	(436)

4. Finance costs

	<b>Six months ended 30th September,</b>	
	<b>2003</b>	<b>2002</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Interest on:		
Bank borrowings wholly repayable within five years	22,043	7,140
Bank borrowings wholly repayable after five years	834	–
Hire purchase contracts	151	183
	<u>23,028</u>	<u>7,323</u>
Less: Amounts capitalised under property development projects	5,257	–
	<u>17,771</u>	<u>7,323</u>

5. Taxation charge

	<b>Six months ended 30th September,</b>	
	<b>2003</b>	<b>2002</b>
	<b>(Unaudited)</b>	<b>(Unaudited and restated)</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Hong Kong	6,446	6,201
Overseas	893	–
Deferred taxation	(729)	103
	<u>6,610</u>	<u>6,304</u>
Share of taxation of associates	484	3,583
Share of taxation of jointly-controlled entities	25	51
	<u>7,119</u>	<u>9,938</u>

Hong Kong profits tax is calculated at 17.5% (2002: 16%) on the estimated assessable profits of the period. Overseas taxation is provided on the profits of overseas subsidiaries in accordance with the tax laws of the countries in which the subsidiaries operate.

**6. Earnings per share**

The calculation of basic earnings per share is based on the net profit for the period of approximately HK\$3,250,000 (2002: HK\$16,792,000) and on 551,368,153 (2002: 551,368,153) shares in issue during the period.

No disclosure of diluted earnings per share for the six months ended 30th September, 2003 is presented as the exercise of the outstanding share options of an associate of the Group would only serve to increase the earnings per share from the continuing ordinary activities.

The calculation of diluted earnings per share for the six months ended 30th September, 2002 was based on the following data:

	2002 (Unaudited and restated) HK\$'000
<i>Earnings</i>	
Earnings for the purpose of calculating the basic earnings per share	16,792
Adjustment to earnings based on dilution effect of the earnings per share of associates	<u>(613)</u>
Earnings for the purpose of calculating of the diluted earnings per share	<u><u>16,179</u></u>
<i>Number of shares</i>	
Number of shares in issue during the six months ended 30th September, 2002 for the purpose of calculating the diluted earnings per share	<u><u>551,368,153</u></u>

**7. Interests in associates**

As at 31st March, 2003, the interests in associates included held-to-maturity debt securities of HK\$141,000,000 issued by a wholly-owned subsidiary of Hon Kwok and the share of net assets of Hon Kwok. As detailed in note 14(d), the principal sum of HK\$141,000,000 of the Bonds was utilised for settlement of part of the subscription monies payable to Hon Kwok for its rights issue. Upon completion of the rights issue of Hon Kwok in May 2003, Hon Kwok became a subsidiary of the Company and the assets and liabilities of Hon Kwok have been consolidated into the Group's financial statements.

## 8. Debtors and prepayments

Included in debtors and prepayments are trade debtors of HK\$188,696,000 (as at 31st March, 2003: HK\$151,221,000). The ageing analysis of trade debtors is as follows:

	<b>As at 30th September, 2003 (Unaudited) HK\$'000</b>	<b>As at 31st March, 2003 (Audited) HK\$'000</b>
Current to 30 days	162,715	96,913
31 to 60 days	16,765	38,294
61 to 90 days	3,248	7,831
Over 90 days	5,968	8,183
Total	<u>188,696</u>	<u>151,221</u>

The Group allows an average credit period of 30 days to its trade customers.

## 9. Creditors and accrued charges

Included in creditors and accrued charges are trade creditors of HK\$104,243,000 (as at 31st March, 2003: HK\$93,405,000). The ageing analysis of trade creditors is as follows:

	<b>As at 30th September, 2003 (Unaudited) HK\$'000</b>	<b>As at 31st March, 2003 (Audited) HK\$'000</b>
Current to 30 days	62,646	69,571
31 to 60 days	29,726	14,528
61 to 90 days	7,145	4,664
Over 90 days	4,726	4,642
Total	<u>104,243</u>	<u>93,405</u>

## 10. Share capital

There were no movements in the authorised, issued and fully paid share capital of the Company in both interim periods.

**11. Reserves**

	Share premium (Unaudited) HK\$'000	Exchange reserve (Unaudited) HK\$'000	Capital/ (goodwill) reserve (Unaudited) HK\$'000	Dividend reserve (Unaudited) HK\$'000	Retained profits (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
At 1st April, 2002						
As previously reported	267,569	(44,605)	(10,214)	11,027	780,901	1,004,678
Prior year adjustment	-	-	(6,959)	-	(3,830)	(10,789)
As restated	267,569	(44,605)	(17,173)	11,027	777,071	993,889
Share of reserves of associates attributable to the Group	-	167	-	-	-	167
Exchange differences arising on translation of financial statements denominated in foreign currencies	-	1,027	-	-	-	1,027
Net profit for the period (restated)	-	-	-	-	16,792	16,792
Final dividend in respect of previous financial year	-	-	-	(11,027)	-	(11,027)
At 30th September, 2002	<u>267,569</u>	<u>(43,411)</u>	<u>(17,173)</u>	<u>-</u>	<u>793,863</u>	<u>1,000,848</u>
At 1st April, 2003						
As previously reported	267,569	(44,387)	915	11,027	564,258	799,382
Prior year adjustment	-	-	(7,694)	-	(3,665)	(11,359)
As restated	267,569	(44,387)	(6,779)	11,027	560,593	788,023
Share of reserves of associates attributable to the Group	-	(282)	4,779	-	-	4,497
Exchange differences arising on translation of financial statements denominated in foreign currencies	-	8,301	-	-	-	8,301
Transfer of capital reserve arising from the acquisition of an associate in prior years to negative goodwill	-	-	(4,581)	-	-	(4,581)
Elimination on winding up of a subsidiary	-	881	-	-	-	881
Net profit for the period	-	-	-	-	3,250	3,250
Final dividend in respect of previous financial year	-	-	-	(11,027)	-	(11,027)
At 30th September, 2003	<u>267,569</u>	<u>(35,487)</u>	<u>(6,581)</u>	<u>-</u>	<u>563,843</u>	<u>789,344</u>

**12. Acquisitions of subsidiaries**

The subsidiaries acquired during the interim period have the following effect on the Group's net assets:

	2003 (Unaudited) HK\$'000
Net assets acquired	699,585
Less: Negative goodwill on acquisition	150,463
	<u>549,122</u>
Discharged by:	
Cash consideration	27,210
Disposal of interests in associates	521,912
	<u>549,122</u>
Analysis of net inflow of cash and cash equivalents in respect of the acquisitions:	
Cash consideration paid	(27,210)
Cash and cash equivalents acquired	133,916
	<u>106,706</u>

**13. Commitments**

## (a) Capital Commitments

As at 30th September, 2003, the Group had the following authorised and contracted capital commitments:

	<b>As at 30th September, 2003 (Unaudited) HK\$'000</b>	As at 31st March, 2003 (Audited) HK\$'000
Purchase of properties, plant and equipment	<b>228</b>	–
Property development expenditure	<b>328,901</b>	–
Acquisition of subsidiaries	<b>12,750</b>	–
	<u><b>343,879</b></u>	<u>–</u>

## (b) Operating lease commitments

As at 30th September, 2003, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of land and buildings falling due:

	<b>As at 30th September, 2003 (Unaudited) HK\$'000</b>	As at 31st March, 2003 (Audited) HK\$'000
Within one year	<b>4,489</b>	1,398
In the second to fifth year inclusive	<b>2,753</b>	3,035
	<u><b>7,242</b></u>	<u>4,433</u>

As at 30th September, 2003, a jointly-controlled entity had commitments payable under non-cancellable operating leases for land and buildings falling due within one year and in the second to fifth year inclusive amounting to approximately HK\$472,000 (as at 31st March, 2003: HK\$542,000) and HK\$337,000 (as at 31st March, 2003: HK\$561,000) respectively. The Group's share of these operating lease commitments amounted to approximately HK\$236,000 (as at 31st March, 2003: HK\$271,000) and HK\$168,000 (as at 31st March, 2003: HK\$281,000) respectively.

Operating lease payments represent rental payable by the Group for certain land and buildings. Leases are negotiated for an average term of one to three years.

**14. Related party transactions**

- (a) Set out below are the significant transactions between the Group and other related parties during the period:

		<b>Six months ended</b>	
		<b>30th September,</b>	
	<i>Notes</i>	<b>2003</b>	2002
		<b>(Unaudited)</b>	(Unaudited)
		<b>HK\$'000</b>	<b>HK\$'000</b>
Construction work carried out for an associate	<i>(i)</i>	–	9,684
Interest received from an associate	<i>(ii)</i>	<b>1,811</b>	7,050
Net interest received from jointly-controlled entities	<i>(iii)</i>	<b>415</b>	422
Commissions paid to the ultimate holding company	<i>(iv)</i>	<b>438</b>	–
Legal and professional fees paid to a solicitor's firm of which a director of the Company is a consultant	<i>(v)</i>	<b>249</b>	–
		<u>          </u>	<u>          </u>

*Notes:*

- (i) *The construction work for the associate was carried out at prices determined on the cost plus a percentage mark-up basis.*
- (ii) *The amount represented interest on the Bonds held by the Company and interest on amounts due from Hon Kwok as an associate up to May 2003 at normal commercial rate. Hon Kwok became a subsidiary of the Company in May 2003 and interest received from Hon Kwok thereafter was eliminated upon consolidation.*
- (iii) *The amounts due from certain jointly-controlled entities, which amounted to approximately HK\$14,007,000 as at 30th September, 2003 (as at 31st March, 2003: HK\$22,665,000), are unsecured, interest-bearing at prevailing market rates and are repayable on demand in both periods.*
- (iv) *The amount represented payment by Hon Kwok as a subsidiary of the Company to Lucky Year for the provision of cash security for certain bank loans granted to Hon Kwok. The commissions were agreed and charged on bases taking into consideration the average borrowing costs of Hon Kwok and its subsidiaries.*
- (v) *The Directors consider that the provision of legal and professional services was made according to the standard prices and conditions similar to those offered to other clients of the solicitor's firm.*
- (b) In May 2001, Hon Kwok obtained bank loan facilities of HK\$150 million through cash collateral provided by Lucky Year, the ultimate holding company of the Company. In consideration for the provision of the cash security by Lucky Year, Hon Kwok agreed to pay commissions at 1.75% per annum on the average principal amount of the cash security outstanding during the term of the bank loans to Lucky Year and counter-indemnify Lucky Year in respect of the cash security provided by mortgaging the entire issued share capital of two subsidiaries of Hon Kwok and assigning shareholders' loans in an aggregate amount of HK\$220,245,000 to Lucky Year. This financing arrangement was approved by the independent shareholders of Hon Kwok on 28th June, 2001.



**14. Related party transactions** *(Continued)*

- (c) On 12th February, 2003, the Company entered into an underwriting agreement with Hon Kwok in respect of a proposed rights issue of 200,123,100 rights shares of Hon Kwok at a subscription price of HK\$1 per rights share (the "Underwriting Agreement"). Pursuant to the Underwriting Agreement, the Company has irrevocably undertaken to subscribe for 94,842,711 rights shares of Hon Kwok provisionally allotted to the Company in respect of its beneficial shareholding in Hon Kwok. The Company also agreed to underwrite the remaining 105,280,389 rights shares. Hon Kwok paid commissions of approximately HK\$2,632,000, equivalent to 2.5% of the total subscription monies of the rights shares underwritten by the Company.
- (d) On 12th February, 2003, the Company, Hon Kwok and Hon Kwok Land Treasury II Limited, a wholly-owned subsidiary of Hon Kwok, entered into a deed for payment arrangement of the subscription monies payable by the Company for the subscription of the rights shares of Hon Kwok and the repayment of the principal sum of HK\$141 million (the "Redemption Monies") convertible guaranteed bonds issued by Hon Kwok Land Treasury II Limited. The deed was subsequently amended on 31st March, 2003 whereby all parties agreed that the Redemption Monies shall be deferred and applied towards the payment of part of or the whole of the subscription monies payable by the Company for the subscription of the rights shares of Hon Kwok.
- (e) On 31st March, 2003, the Company granted an unsecured bridging facility of a maximum of HK\$159 million to Hon Kwok for the repayment of the convertible guaranteed bonds issued by Hon Kwok Land Treasury II Limited and held by other bondholders upon their maturity on 22nd April, 2003. The advance under the bridging facility was repaid in full.
- (f) On 26th August, 2003, a wholly-owned subsidiary of Hon Kwok entered into an agreement with a wholly-owned subsidiary of Chinney Alliance for the acquisition of the entire issued share capital of China Parking (BVI) Limited and related shareholders' loans for a cash consideration of HK\$15 million. The consideration was arrived at after arm's length negotiation and determined by reference to the unaudited consolidated net tangible assets of China Parking (BVI) Limited and its subsidiaries of approximately HK\$14.7 million as at 30th June, 2003. The transaction was completed on 22nd October, 2003.
- (g) Other than disclosed above, the amounts due from/to associates and jointly-controlled entities are unsecured, non-interest bearing and are repayable on demand in both periods.

**15. Comparative figures**

Due to the adoption of the SSAP 12 (Revised) during the current period as explained in note 1 to the interim financial statements, 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 figures have been restated and reclassified to conform with the current period's presentation.

**16. Approval of the interim financial statements**

These condensed interim financial statements were approved and authorised for issue by the board of directors on 11th December, 2003.