



COSMOPOLITAN INTERNATIONAL
HOLDINGS LIMITED

INTERIM REPORT 2003

GROUP RESULTS

The board of directors of Cosmopolitan International Holdings Limited announces the unaudited consolidated results of the Company and its subsidiaries (“the Group”) for the six months ended 30 September 2003 with comparative figures for the six months ended 30 September 2002 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 September 2003

	Note	Unaudited Six months ended 30 September 2003 HK\$'000	Unaudited Six months ended 30 September 2002 HK\$'000
TURNOVER			
Results from securities trading	3	(1,729)	–
Gross rental income from investment properties	3	2,497	3,771
		768	3,771
Rental costs		(1,791)	(390)
GROSS (LOSS)/PROFIT		(1,023)	3,381
Other revenue		157	387
Gain on disposal of investment properties		17,946	16,577
Administrative and operating expenses		(3,630)	(6,177)
Unrealised holding losses on trading securities		–	(205)
Loss on disposal of a subsidiary		(116)	–
PROFIT FROM OPERATING ACTIVITIES		13,334	13,963
Finance costs		(789)	(1,140)
PROFIT BEFORE TAXATION		12,545	12,823
Taxation	4	–	–
NET PROFIT AFTER TAXATION ATTRIBUTABLE TO SHAREHOLDERS		12,545	12,823
DIVIDEND		–	–
EARNING PER SHARE			
– Basic	5	3.69 cents	10.98 cents
– Diluted	5	3.40 cents	N/A

CONDENSED CONSOLIDATED BALANCE SHEET

At 30 September 2003

	Note	Unaudited 30 September 2003 HK\$'000	Audited 31 March 2003 HK\$'000
ASSETS			
Non-current assets			
Property, plant and equipment		96,990	123,904
Investments in securities		13,134	360
		110,124	124,264
Current assets			
Amount due from a related company		-	-
Prepayments, deposits and other receivables		1,528	3,414
Trade receivables	7	304	463
Investments in securities		13,000	1,343
Cash and bank balances		29,710	1,706
		44,542	6,926
LIABILITIES			
Current liabilities			
Current portion of interest-bearing borrowings	8	3,050	3,873
Convertible notes	9	7,248	-
Other payables and accruals		2,166	2,211
		12,464	6,084
Net current assets/(liabilities)		32,078	842
Total assets less current liabilities		142,202	125,106
Non-current liabilities			
Interest-bearing borrowings	8	44,939	55,099
Government lease regrant premium		38	38
		44,977	55,137
NET ASSETS		97,225	69,969
CAPITAL AND RESERVES			
Issued capital	10	53,210	29,416
Reserves		44,015	40,553
		97,225	69,969

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 September 2003

	Unaudited Six months ended 30 September 2003 HK\$'000	Unaudited Six months ended 30 September 2002 HK\$'000
Net cash outflow from operating activities	(14,573)	(899)
Net cash inflow from investing activities	20,371	27,925
Net cash inflow from financing activities	22,206	3,750
Net increase in cash and cash equivalents	28,004	30,776
Effect of foreign exchange rate changes	-	1,463
Cash and cash equivalents at beginning of period	1,706	(6,716)
Cash and cash equivalents at end of period	29,710	25,523

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2003

	Unaudited								
	Issued capital HK\$'000	Share premium HK\$'000	Capital redemption reserve HK\$'000	Capital reserve HK\$'000	Exchange fluctuation reserve HK\$'000	Investment property		Accumulated loss HK\$'000	Total HK\$'000
						revaluation reserve HK\$'000	Contribution surplus HK\$'000		
At 1 April 2003	29,416	37,710	209	28,309	384	79,231	26,801	(132,091)	69,969
Realised on disposal of a subsidiary	-	-	-	-	116	-	-	-	116
Realisation of revaluation reserves on disposal of investment properties	-	-	-	-	-	(18,260)	-	-	(18,260)
Profit for the period	-	-	-	-	-	-	-	12,545	12,545
Issue of share	23,794	9,355	-	-	-	-	-	-	33,149
Shares issue expenses	-	(294)	-	-	-	-	-	-	(294)
At 30 September 2003	<u>53,210</u>	<u>46,771</u>	<u>209</u>	<u>28,309</u>	<u>500</u>	<u>60,971</u>	<u>26,801</u>	<u>(119,546)</u>	<u>97,225</u>
At 1 April 2002	10,866	-	209	28,309	(4,493)	140,963	26,801	(131,545)	71,110
Exchange realignments	-	-	-	-	2,970	-	-	-	2,970
Realisation of revaluation reserves on disposal of investment properties	-	-	-	-	-	(15,715)	-	-	(15,715)
Profit for the period	-	-	-	-	-	-	-	12,823	12,823
Issue of share	900	4,153	-	-	-	-	-	-	5,053
At 30 September 2002	<u>11,766</u>	<u>4,153</u>	<u>209</u>	<u>28,309</u>	<u>(1,523)</u>	<u>125,248</u>	<u>26,801</u>	<u>(118,722)</u>	<u>76,241</u>

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

The unaudited condensed financial statements have been prepared in accordance with Statement of Standard of Accounting Practice ("SSAP") 25 "Interim Financial Reporting", issued by the Hong Kong Society of Accountants ("HKSA") and Appendix 16 of the Listing Rules of The Stock Exchange of Hong Kong Limited.

These interim financial statements should be read in conjunction with the audited annual financial statements for the year ended 31 March 2003.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared under the historical cost convention as modified for revaluation of investment properties.

Adoption of revised SSAP

The accounting policies and basis of preparation adopted for the preparation of the interim financial report are consistent with those adopted by the Group in its annual financial statements for the year ended 31 March 2003, except that the Group has adopted the revised SSAP 12 "Income Taxes" issued by the Hong Kong Society of Accountants which is effective for accounting period commencing on or after 1 April 2003 to account for deferred taxation.

In previous years, deferred taxation was accounted for in respect of timing differences between profits 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 receivable in the foreseeable future. Pursuant to the revised SSAP 12, deferred taxation is provided in full, using the liability method, for all temporary differences arising between the tax base of assets and liabilities and their carrying values in the accounts. Deferred tax liabilities are provided in full on all taxable temporary differences while deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences can be utilised.

The adoption of the revised SSAP 12 represents a change in accounting policy, which has been applied retrospectively. This change in accounting policy has not had any significant impact on the results for the current or prior accounting periods. Accordingly, no prior period adjustment is required.

3. SEGMENT INFORMATION

Analysis of the Group's turnover and operating profit/(loss) by principal activities for the six months ended 30 September 2003 is as follows:

	Turnover Unaudited		Results Unaudited	
	Six months ended 30 September 2003 HK\$'000	Six months ended 30 September 2002 HK\$'000	Six months ended 30 September 2003 HK\$'000	Six months ended 30 September 2002 HK\$'000
By Business Segments				
Securities trading	(1,729)	–	(1,743)	(225)
Property rental	2,497	3,771	706	3,131
	<u>768</u>	<u>3,771</u>	<u>(1,037)</u>	<u>2,906</u>
Other revenue			157	387
Gain on disposal of investment properties			17,946	16,577
General and administrative expenses			(3,616)	(5,907)
Loss on disposal of a subsidiary			(116)	–
Finance cost			(789)	(1,140)
			<u>12,545</u>	<u>12,823</u>

All principal activities are carried out in Hong Kong. There were no significant changes in the nature of the principal activities during the period.

4. TAXATION

Hong Kong profits tax has not been provided as the Group had no assessable profits arising in Hong Kong for both periods. No overseas profits tax has been provided in the financial statements since the subsidiaries operating in overseas countries have no profits subjected to tax for both periods.

5. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the net profit attributable to shareholders for the period of approximately HK\$12,545,000 ended 30 September 2003 (six months ended 30 September 2002: approximately HK\$12,823,000) and the weighted average of 340,145,817 ordinary shares (six months ended 30 September 2002: 116,774,000 shares) in issue during the six months ended 30 September 2003. Diluted earnings per share for the six months period ended 30 September 2003 is based on the weighted average of 369,136,937 ordinary shares. Diluted earnings per share for the last six months period ended 30 September 2002 is not presented as there was no potential issuable new shares.

6. DEPRECIATION

During the period, depreciation of HK\$Nil (six months ended 30 September 2002: approximately HK\$115,000) was charged in respect of the Group's furniture, equipment and fixtures.

7. TRADE RECEIVABLES

The aged analysis of the Group's accounts receivable is as follows:

	Unaudited 30 September 2003 HK\$'000	Audited 31 March 2003 HK\$'000
0 – 60 days	234	380
61 – 90 days	22	74
Above 90 days	48	9
	304	463

Rental income from investment properties is normally receivable each month in advance during the term of tenancy.

8. BORROWINGS

	Unaudited 30 September 2003 HK\$'000	Audited 31 March 2003 HK\$'000
Bank loans – secured	47,989	58,972

The terms of repayment of the borrowings are analysed as follows:

Within one year	3,050	3,873
One to two years	3,600	5,096
Two to five years	14,850	18,039
Over five years	26,489	31,964
	47,989	58,972
Less: Amount due within one year included in current liabilities	(3,050)	(3,873)
	44,939	55,099

9. CONVERTIBLE NOTES

In April 2003, the Company entered into an agreement with Sunfull Resources Limited for the subscription of the Company's convertible note of HK\$8,747,780. The holder of the convertible note has the right to convert the note into share at a price of HK\$0.25 for each share in the Company. In July 2003, Sunfull Resources Limited exercised its right to convert the convertible note of HK\$1,500,000 into 6,000,000 shares of HK\$0.1 each at a price of HK\$0.25 each. As at the balance sheet date, the balance of the convertible note was HK\$7,247,780. Conversion price of the convertible note had been adjusted to HK\$0.21 upon the completion of the Open Offer in August 2003 as disclosed in an announcement of the Company dated 17 July 2003.

10. SHARE CAPITAL

	Unaudited 30 September 2003		Audited 31 March 2003	
	No. of shares	Nominal value HK\$'000	No. of shares	Nominal value HK\$'000
Authorised (ordinary shares of HK\$0.1 each)				
At the beginning of the period	500,000,000	50,000	500,000,000	50,000
Increase of authorised share capital	2,000,000,000	200,000	-	-
At the end of the period	<u>2,500,000,000</u>	<u>250,000</u>	<u>500,000,000</u>	<u>50,000</u>
Issued and fully paid (ordinary shares of HK\$0.1 each)				
At the beginning of the period	294,159,267	29,416	294,159,267	29,416
Issue of share during the period	237,940,733	23,794	-	-
At the end of the period	<u>532,100,000</u>	<u>53,210</u>	<u>294,159,267</u>	<u>29,416</u>

In August 2003, the authorised share capital of the Company was increased from HK\$50,000,000 to HK\$250,000,000 by the creation of an additional 200,000,000 new shares.

In March 2003, the Company entered into a subscription agreement with GR Investment International Limited pursuant to which GR Investment International Limited agreed to issue and the Company agreed to subscribe for 115,230,210 shares at HK\$0.06 per share. The consideration for the 115,230,210 shares was satisfied by issue of 23,840,733 new ordinary shares of the Company of HK\$0.1 each at a price of HK\$0.29 each in April 2003.

In April 2003, the Company entered into an agreement with Sunfull Resources Limited for the subscription of the Company's convertible note of HK\$8,747,780. The holder of the convertible note has the right to convert the note into share at a price of HK\$0.25 for each share in the Company. In July 2003, Sunfull Resources Limited exercised its right to convert the convertible note of HK\$1,500,000 into 6,000,000 shares of HK\$0.1 each at a price of HK\$0.25 each.

In August 2003, the Company allotted 129,600,000 new ordinary shares of HK\$0.1 each at a price of HK\$0.1 each according to the open offer of new shares to qualifying shareholders on the basis of assured allotments of 2 offer shares for every 5 existing shares held payable in full on application.

In September 2003, the Company placed out 78,500,000 new ordinary shares of HK\$0.1 each at a price of HK\$0.15 each.

11. CONTINGENT LIABILITIES

	Unaudited	Audited
	30 September 2003	31 March 2003
	HK\$'000	HK\$'000
Guarantees given by the Company to banks for facilities granted to subsidiaries	60,000	71,963

As at 30 September 2003, the guarantees given to banks in connection with facilities granted to subsidiaries by the Company were utilized to the extent of approximately HK\$47,989,000 (31 March 2003: approximately HK\$58,900,000).

12. RELATED TRANSACTIONS

During the period, rental income of HK\$Nil (six months ended 30 September 2002: approximately HK\$110,400) was received from a director. The rental was calculated by reference to open market value. In addition, management fee expense in a total sum of HK\$Nil (six months ended 30 September 2002: approximately HK\$60,000) was paid to a related company for providing management services for the Group's investment properties.

13. CHARGES ON ASSETS

As at 30 September 2003, the borrowings were secured by investment properties situated in Hong Kong which had an aggregate carrying value at the balance sheet date of approximately HK\$96,990,000 (31 March 2003: HK\$115,669,000).

14. POST BALANCE SHEET EVENT

Subsequently to the balance sheet date, the Group disposed of its investment properties with carrying value of approximately HK\$25,024,000 at a consideration of approximately HK\$20,678,000.

15. LITIGATION

One of the subsidiaries of the Group was claimed by a former legal adviser for unpaid professional fee amounting to approximately HK\$1.1 million. According to the Group's records, all professional fees claimed by the former legal adviser have been settled and the alleged claim is unsubstantiated.

Save as disclosed above, no member of the Group is engaged in any litigation or arbitration of material importance and there is no litigation or claim of material importance known to the directors to be pending or threatened by or against the Company or any of its subsidiaries.

16. COMPARATIVE FIGURES

With a review of financial statements' presentation, certain items in the financial statements were reclassified which would result in a more appropriate presentation of events or transactions. Accordingly, comparative figures have been reclassified to conform with the current year's presentation.

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

The Group's unaudited consolidated net profit for the six months ended 30 September 2003 amounted to approximately HK\$12,545,000 (six months ended 30 September 2002: approximately HK\$12,823,000). The profit was mainly contributed by the gain on disposal of investment properties of approximately HK\$17,946,000. The earning per share for the period stood at 3.69 HK cents comparing with a gain per share of 10.98 HK cents for the last corresponding period.

INTERIM DIVIDEND

The Board of Directors did not recommend any payment of interim dividend (six months ended 30 September 2002: NIL per share) for the period ended 30 September 2003.

REVIEW OF OPERATIONS

The principal activity of the Group continue to be the holding of property investments and securities trading. The management intends to diversify asset investments, and obtains a balance between steady rental income and capital appreciation opportunities.

Property Investments

Investment properties with carrying value of approximately HK\$26,914,000 was disposed during the period resulting a gain on disposal of investment properties of approximately HK\$17,945,748.

Owing to the disposal of investment properties during the period, gross rental income generated from the Group's investment properties dropped from approximately HK\$3.77 million for the six months ended 30 September 2002 to approximately HK\$2.50 million for the current financial period, representing a decrease of approximately 34%.

Securities Trading

The Group has made a number of securities investment in both listed and unlisted companies in Hong Kong and other jurisdictions in order to capitalize on any possible opportunities arising from the recovery of the economy. A portion of the investment portfolio was liquidated during the period resulting a loss of approximately HK\$1,729,000. (six months ended 30 September 2002: Nil)

General

There were no material acquisitions and disposals of subsidiaries and associated companies in the course of the financial period.

It is the policy of the Company to contract out to external experts with professional expertise in property management, in order to lessen the need for a large workforce of permanent employees.

The Group's exposure to fluctuation in exchange rates was minor and immaterial.

LIQUIDITY AND FINANCING

The Group generally financed its operations through internally generated funds and facilities provided by its principal bankers. Following the completion of an open offer in August 2003 and the completion of a private placing in September 2003, the Group's liquidity and financing structures have been further strengthened and rationalized.

The Group's operating activities was resulted to net outflow of approximately HK\$14,573,000 (six months ended 30 September 2002: net outflow of approximately HK\$899,000). The major Group's cash inflow during the period was resulting from the net cash inflow from investing activities of approximately HK\$20,371,000 which mainly derived from the proceeds on disposal of investment properties.

As at 30 September 2003, the Group had aggregate borrowings of approximately HK\$55.24 million, comprising secured bank loans of approximately HK\$47.99 million and an unsecured convertible note of approximately HK\$7.25 million.

CAPITAL STRUCTURE

As at 30 September 2003, consolidated shareholders' equity reached approximately HK\$97,225,000 (30 September 2002: HK\$76,241,000) and the Group's debt to equity ratio was approximately 0.59 times (30 September 2002: 1.64 times).

SHARE OPTION SCHEME

On 20 August 2003, the Company adopted a share option scheme (“Share Option Scheme”) in accordance with Chapter 17 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (“Listing Rules”). At as the date of this report, no share options have been offered and/or granted to any participants under the Share Option Scheme.

PURCHASE, SALE OR REDEMPTION OF OWN LISTED SECURITIES

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the period under review.

DIRECTOR'S SERVICE CONTRACTS

No director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not terminable by the Company within one year without payment of compensation other than statutory compensation.

DIRECTOR'S INTERESTS IN CONTRACTS

No contracts of significance to which the Company or any of its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted as at 30 September 2003 or at any time during the six months ended 30 September 2003.

DIRECTOR'S INTERESTS IN SHARES

As at 30 September 2003, none of the directors or their associates had any personal, family, corporate or other interests in the equity or debt securities of the Company or any of its associated corporations as defined under section 352 of the Securities and Futures Ordinance (“SFO”).

DIRECTOR'S RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the year was the Company or any of its subsidiaries a party to any arrangement 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.

SUBSTANTIAL INTERESTS IN THE SHARE CAPITAL OF THE COMPANY

As at 30 September 2003, so far as are known to the directors, the following parties (other than a director or chief executive of the Company) were recorded in the register kept by the Company under section 336 of the SFO as being directly or indirectly interested in 5% or more of the issued share capital of the Company:

Name	Number of shares held	Percentage of the Company's share capital
Gold Capital Investments Limited (<i>Note 1</i>)	266,146,092	50.02%
Eric Edward Hotung, C.B.E. (<i>Note 2</i>)	29,952,608	5.63%
Hotung Investment (China) Limited (<i>Notes 2 and 3</i>)	16,171,000	3.04%
Genesee Company Limited (<i>Note 2</i>)	15,161,000	2.85%
Hotung Enterprises Limited (<i>Note 3</i>)	1,000,000	0.19%
GR Investment International Limited	33,377,026	6.27%
Golden Resources Development International Limited (<i>Note 4</i>)	55,905,238	10.51%
Kenfair International (Holdings) Limited (<i>Note 5</i>)	38,000,000	7.14%
Senta Wong (BVI) Limited (<i>Note 6</i>)	40,000,000	7.52%

Note 1: Mr. Kao Chu Chee, Emmanuel is deemed to be interested in 266,146,092 shares held by Gold Capital Investments Limited as Cosmopolitan International Holdings Limited as to approximately 50.02% by Gold Capital Investments Limited, which is beneficially owned as to approximately 56.67% by Mr. Kao Chu Chee, Emmanuel.

Note 2: Hotung Investment (China) Limited and Genesee Company Limited are considered as concert parties of Eric Edward Hotung, C.B.E. as the acquisition of the shares by each of these companies were financed by Eric Edward Hotung, C.B.E..

Note 3: In addition to the 1,000,000 Shares which are beneficially owned by Hotung Enterprises Limited, Hotung Enterprises Limited is also deemed to be interested in the 16,171,000 Shares held by Hotung Investment (China) Limited as 93.75% shareholding in Hotung Investment (China) Limited is controlled by Hotung Enterprises Limited.

Note 4: Golden Resources Development International Limited is deemed to be interested in 21,392,000 shares in the issued share capital and 34,513,238 shares under equity derivatives held by Sunfull Resources Limited as Sunfull Resources Limited is a wholly-owned subsidiary of Better Choice Investments Limited, which is a wholly-owned subsidiary of Reo Developments Limited, which is a wholly-owned subsidiary of Golden Resources Development International Limited. Golden Resources Development International Limited is a company whose shares are listed on the Stock Exchange of Hong Kong Limited.

Note 5: Kenfair International (Holdings) Limited is deemed to be interested in 38,000,000 Shares in the issued capital held by Kenfair Publications Limited. Kenfair Publications Limited is wholly-owned by Pro-Capital Investments Limited and Pro-Capital Investments is wholly-owned by Kenfair International (Holdings) Limited. Mr. Ip Ki Cheung is beneficially interested in 50% of the entire issued share capital of Capital Concord Profits Limited which has 50.05% shareholding in Kenfair International (Holdings) Limited. Kenfair International (Holdings) Limited is a company whose shares are listed on the Stock Exchange of Hong Kong Limited.

Note 6: Senta Wong is the beneficial owner to the 40,000,000 Shares held by Senta Wong (BVI) Limited which wholly-owned by Senta Wong.

CODE OF BEST PRACTICE

In the opinion of the directors, the Company has complied with the Code of Best Practice (the “Code”) as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) throughout the accounting year covered by the annual report, except that the independent non-executive directors of the Company are not appointed for specific terms as required by paragraph 7 of the Code, but are subject to retirement by rotation in accordance with the Company’s bye-laws.

AUDIT COMMITTEE

The Company has an audit committee (“Audit Committee”) which was established in accordance with the requirements of the Code, for the purposes of reviewing and providing supervision over the Group’s financial reporting process and internal controls. The Audit Committee comprises the two independent non-executive directors of the Company. The unaudited results of the Group for the six months ended 30 September 2003 have been reviewed by the Audit Committee.

PROSPECTS

As the economic outlook is still uncertain, the Group will adopt a very prudent approach in the evaluation of all the short-term or long-term investment opportunities that they may arise. Also the Group will continue to invest in property market which could provide a steady source of rental income.

With the hope of the recovery of the Asian economy in the current year, the Group will adjust its business strategies from time to time in accordance with the changes in the economic conditions.

By order of the Board

Ma Kwai Leung, Joseph

Executive Director

22 December 2003