



MASCOTTE HOLDINGS LIMITED  
馬 斯 葛 集 團 有 限 公 司

(Incorporated in Bermuda with limited liability)



Interim Report 2004 中期報告

2004

## INTERIM RESULTS

The Board of Directors (the “Directors”) of Mascotte Holdings Limited (the “Company”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 30th September, 2004 together with comparative figures as follows:

### CONDENSED CONSOLIDATED INCOME STATEMENT

		<b>Six months ended</b>	
		<b>30th September,</b>	
		<b>2004</b>	<b>2003</b>
		<b>(Unaudited)</b>	<b>(Unaudited)</b>
	<i>Notes</i>	<b>HK\$'000</b>	<b>HK\$'000</b>
Turnover	2	<b>88,700</b>	80,313
Cost of sales		<u><b>(61,068)</b></u>	<u>(54,673)</u>
Gross profit		<b>27,632</b>	25,640
Other operating income		<b>821</b>	762
Selling and distribution costs		<b>(4,982)</b>	(4,068)
Administrative expenses		<u><b>(14,064)</b></u>	<u>(13,929)</u>
Profit from operations	2&3	<b>9,407</b>	8,405
Finance costs		<u><b>(612)</b></u>	<u>(624)</u>
Profit before taxation		<b>8,795</b>	7,781
Income taxes	4	<u><b>(693)</b></u>	<u>(468)</u>
Profit before minority interests		<b>8,102</b>	7,313
Minority interests		<u><b>(145)</b></u>	<u>135</u>
Net profit for the period		<u><b>7,957</b></u>	<u>7,448</u>
Interim dividend	5	<u><b>–</b></u>	<u>–</u>
Earnings per share	6		
Basic		<u><b>1.9 cents</b></u>	<u>1.8 cents</u>

## CONDENSED CONSOLIDATED BALANCE SHEET

	Notes	30th September, 2004 (Unaudited) HK\$'000	31st March, 2004 (Audited) HK\$'000
<b>Non-current assets</b>			
Investment properties		27,130	27,130
Property, plant and equipment		55,281	56,896
Goodwill		7,584	8,125
Deposit paid	7	18,000	18,000
		<u>107,995</u>	<u>110,151</u>
<b>Current assets</b>			
Inventories		9,017	7,257
Trade debtors	8	26,783	20,677
Loans receivable	9	46,710	46,710
Other debtors and prepayments		22,979	52,245
Tax recoverable		681	681
Bank balances and cash		33,099	12,147
		<u>139,269</u>	<u>139,717</u>
<b>Current liabilities</b>			
Trade creditors	10	13,905	9,036
Other creditors and accrued charges		8,385	9,751
Tax payable		660	3,412
Bank borrowings			
– due within one year		31,163	37,553
		<u>54,113</u>	<u>59,752</u>
<b>Net current assets</b>		<u>85,156</u>	<u>79,965</u>
<b>Total assets less current liabilities</b>		<b>193,151</b>	<b>190,116</b>
<b>Non-current liabilities</b>			
Bank borrowings			
– due after one year		(7,805)	(8,567)
<b>Minority interests</b>		<u>(2,734)</u>	<u>(2,654)</u>
		<u>182,612</u>	<u>178,895</u>
<b>Capital and reserves</b>			
Share capital	11	42,400	42,400
Reserves		140,212	136,495
		<u>182,612</u>	<u>178,895</u>

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30th September, 2004

	Share capital	Share premium	Special reserve	Goodwill reserve	Negative goodwill reserve	Translation reserve	Enterprise Reserve fund	Enterprise expansion reserve	Retained profits	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1st April, 2003	42,400	66,672	14,901	(10,638)	2,080	(1,150)	1,083	1,083	43,560	159,991
Net profit for the period	-	-	-	-	-	-	-	-	7,448	7,448
At 30th September, 2003	<u>42,400</u>	<u>66,672</u>	<u>14,901</u>	<u>(10,638)</u>	<u>2,080</u>	<u>(1,150)</u>	<u>1,083</u>	<u>1,083</u>	<u>51,008</u>	<u>167,439</u>
At 1st April, 2004	42,400	66,672	14,901	(10,638)	2,080	(1,150)	1,083	1,083	62,464	178,895
Net profit for the period	-	-	-	-	-	-	-	-	7,957	7,957
2004 final dividend paid	-	-	-	-	-	-	-	-	(4,240)	(4,240)
At 30th September, 2004	<u>42,400</u>	<u>66,672</u>	<u>14,901</u>	<u>(10,638)</u>	<u>2,080</u>	<u>(1,150)</u>	<u>1,083</u>	<u>1,083</u>	<u>66,181</u>	<u>182,612</u>

## CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Six months ended 30th September,	
	2004 (Unaudited) HK\$'000	2003 (Unaudited) HK\$'000
Net cash (outflow) inflow from operating activities	(1,692)	7,491
Net cash inflow (outflow) from investing activities	29,795	(28,515)
Net cash (outflow) inflow from financing activities	<u>(8,009)</u>	<u>8,041</u>
Increase (decrease) in cash and cash equivalents	20,094	(12,983)
Cash and cash equivalents at beginning of the period	<u>12,130</u>	<u>29,242</u>
Cash and cash equivalents at end of the period	<u><u>32,224</u></u>	<u><u>16,259</u></u>
Analysis of cash and cash equivalents		
Bank balances and cash	33,099	16,259
Bank overdraft, secured	<u>(875)</u>	<u>—</u>
	<u><u>32,224</u></u>	<u><u>16,259</u></u>

## NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30th September, 2004

### 1. BASIS OF PRESENTATION AND PREPARATION

The interim financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and Statement of Standard Accounting Practice ("SSAP") 25 "Interim financial reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

The accounting policies adopted for the preparation of the interim financial statements are consistent with those adopted by the Group in its annual financial statements for the year ended 31st March, 2004.

### 2. SEGMENTS INFORMATION

Analysis of the Group's turnover and contribution to operating profit by business segments and geographical segments is as follows:

#### *Business Segments*

	Six months ended 30th September, 2004		
	Manufacture and sales of goods <i>HK\$'000</i>	Property investment and development <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
TURNOVER	<u>87,123</u>	<u>1,577</u>	<u>88,700</u>
RESULT			
Segment profit	<u>8,666</u>	<u>1,016</u>	9,682
Unallocated other operating income			27
Unallocated corporate expenses			<u>(302)</u>
Profit from operations			<u>9,407</u>

Six months ended 30th September, 2003

	Manufacture and sales of goods <i>HK\$'000</i>	Property investment and development <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
TURNOVER	<u>78,020</u>	<u>2,293</u>	<u>80,313</u>
RESULT			
Segment profit	<u>7,020</u>	<u>1,684</u>	8,704
Unallocated other operating income			26
Unallocated corporate expenses			<u>(325)</u>
Profit from operations			<u>8,405</u>

*Geographical segments*

	Six months ended 30th September,			
	Revenue by geographical market		Contribution to profit from operations	
	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Europe	50,610	42,371	5,034	3,812
United States of America	11,857	11,273	1,179	1,014
Hong Kong	8,365	14,708	560	1,378
Other regions in the PRC	3,553	1,160	1,485	878
Others	<u>14,315</u>	<u>10,801</u>	<u>1,424</u>	<u>1,622</u>
	<u>88,700</u>	<u>80,313</u>	<u>9,682</u>	<u>8,704</u>
Unallocated other operating income			27	26
Unallocated corporate expenses			<u>(302)</u>	<u>(325)</u>
Profit from operations			<u>9,407</u>	<u>8,405</u>

### 3. PROFIT FROM OPERATIONS

Profit from operations has been arrived at after charging:

	<b>Six months ended 30th September,</b>	
	<b>2004</b>	<b>2003</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Amortisation of goodwill included in administrative expenses	542	542
Depreciation and amortisation	1,994	2,438
Interest on bank borrowings	612	624
	<u>612</u>	<u>624</u>

### 4. INCOME TAXES

	<b>Six months ended 30th September,</b>	
	<b>2004</b>	<b>2003</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Hong Kong Profits Tax	660	440
Other jurisdictions	33	28
	<u>693</u>	<u>468</u>

Hong Kong Profits Tax has been calculated at the rate of 17.5% (2003: 17.5%) on the estimated assessable profits for the period. Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

There was no material unprovided deferred tax for the interim period (2003: Nil).

### 5. INTERIM DIVIDEND

At a meeting held on 27th July, 2004, the Directors proposed a final dividend of HK 1 cent per ordinary share totaling HK\$4,240,001 for the year ended 31st March, 2004, which was paid on 9th September, 2004 and has been reflected as an appropriation of retained earnings for the six months period ended 30th September, 2004.

The Directors do not recommend the payment of any interim dividend for the six months ended 30th September, 2004 (2003: Nil).

### 6. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the net profit for the six months period ended 30th September, 2004 of HK\$7,957,000 (2003: HK\$7,448,000) and on 424,000,100 shares (2003: 424,000,100 shares) of the Company in issue during the period.

No diluted earnings per share has been presented as there were no potential dilution ordinary shares in issue during the six months ended 30th September, 2004 and 2003.



**7. DEPOSIT PAID**

	As at 30th September, 2004 HK\$'000	As at 31st March, 2004 HK\$'000
Deposit for acquisition of a property	<u>18,000</u>	<u>18,000</u>

**8. TRADE DEBTORS**

The Group allowed a credit period from 30 days to 60 days to its trade customers.

The following is an aged analysis:

	As at 30th September, 2004 HK\$'000	As at 31st March, 2004 HK\$'000
Within 60 days	22,162	15,707
61–180 days	2,733	4,137
More than 180 days	1,888	833
	<u>26,783</u>	<u>20,677</u>

**9. LOANS RECEIVABLE**

	As at 30th September, 2004 HK\$'000	As at 31st March, 2004 HK\$'000
Loans advanced for property development projects ( <i>Note</i> )	<u>46,710</u>	<u>46,710</u>

*Note:*

The loans advanced for property development projects were as follows:

- (i) Pursuant to various agreements signed between the Group and various companies in the PRC (the "Borrower") on 15th June, 2002 (the date of first advance) and subsequent dates, the Group advanced totalling HK\$34.7 million to the Borrower for property development purpose. The loans are unsecured and are wholly repayable within one year. The Group is entitled to an average return carried at 12% to 24% per annum (from the actual date of advances) in cash, or properties equivalent to the amount, subject to the Group's decision, upon the repayment of the advance.

- (ii) Pursuant to various agreement signed between the Group and an individual in the PRC on 15th November, 2002 and subsequent dates, the Group advanced an amount of HK\$12.0 million to the individual for project development purpose. The loan is unsecured and repayable within one year. The Group is entitled to a 40% equity interest of the property project under financing by the Group or, a return of HK\$4.8 million in cash, or properties equivalent to the amount, subject to the Group's decision, upon repayment of the advance.

## 10. TRADE CREDITORS

The following is an aged analysis:

	<b>As at 30th September, 2004 HK\$'000</b>	<b>As at 31st March, 2004 HK\$'000</b>
Within 60 days	13,803	8,803
61–180 days	102	79
More than 180 days	–	154
	<u>13,905</u>	<u>9,036</u>

## 11. SHARE CAPITAL

	<b>As at 30th September, 2004 HK\$'000</b>	<b>As at 31st March, 2004 HK\$'000</b>
<i>Authorised:</i>		
1,000,000,000 ordinary shares of HK\$0.10 each	<u>100,000</u>	<u>100,000</u>
<i>Issued and fully paid:</i>		
424,000,100 ordinary shares of HK\$0.10 each	<u>42,400</u>	<u>42,400</u>

## 12. CAPITAL COMMITMENTS

	<b>As at 30th September, 2004 HK\$'000</b>	<b>As at 31st March, 2004 HK\$'000</b>
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the condensed financial statements	<u>5,000</u>	<u>5,000</u>

## FINANCIAL RESULTS

For the six months period ended 30th September, 2004, the Group recorded a turnover approximately of HK\$88.7 million, representing an increase of 10.4% when compared with previous corresponding period.

Net profit for the period ended 30th September, 2004 was amounted to approximately HK\$7.9 million, which was increased by 6.8% over approximately HK\$7.4 million as recorded last corresponding period. Such increase in profit was mainly attributable to an increase in turnover of the Group's manufacture and sale activity.

## BUSINESS REVIEW AND PROSPECTS

### Manufacture and Sale of Photographical, Electrical and Multimedia Accessories

For the period under review, the Group's manufacture and sale activity segment recorded rebounds in both turnover and profit approximately of HK\$87.1 million and HK\$8.7 million, representing an increase of 11.7% and 23.5% over the last corresponding period. The improvement, however, was in comparison of the low performance in the same period 2003 which was suppressed by SARS outbreak.

Europe is the Group's largest sale segment and the management has good knowledge and confidence in this market. For the period under review, the Group's sale to this largest market was approximately of HK\$50.6 million when compared with HK\$42.4 million previous period, representing an increase of 19.4%. The strong Euro dollar has improved the purchasing power and willingness of many of the Group's major European customers and the management will adhere to its established strategy to further penetrate into this market so as to capture such favorable market condition.

### Property Portfolio Refinement

The Group's property letting income for the period was approximately of HK\$1.6 million when compared with HK\$2.3 million previous corresponding period. Such decrease in income was mainly attributable to the disposal of an investment property in Sai Kung at last financial year end, which was detailed in the Circular dated 1st March, 2004 to the shareholders.

Up to the date of this interim report, the Group financial 31-storey commercial and residential complex development project in Guangzhou, PRC was sold up to 65% of the residential units and the management expects that this development project will contribute positively to the Group's operating results and cash flows for the coming two years. Details of this development project are set out in Note 9 to the financial statements.

## **Prospects**

Looking forward, the management believes that competition for price and production order will remain keen in the marketplace. Reacted by the management's working in a down-to-the-earth manner, striving proactively and providing the best services and products to the customers, however, the management is confident to maintain its leading position in the photographic industry. The management is also optimistic about the business prospects for the remaining months before the coming financial year end.

## **FINANCIAL REVIEW**

### **Liquidity and Gearing Ratio**

As at 30th September, 2004, the Group recorded a total of cash and bank balances of HK\$33.1 million (as at 31st March, 2004 of HK\$12.1 million). Moreover, the Group had current assets of HK\$139.3 million (as at 31st March, 2004 of HK\$139.7 million). The shareholders funds was of HK\$182.6 million (as at 31st March, 2004 of HK\$178.9 million) and the total bank borrowings was of HK\$39.0 million (as at 31st March, 2004 of HK\$46.1 million); and accordingly, the gearing ratio was of 21.4% (as at 31st March, 2004 of 25.8%). The management considers that the existing gearing ratio level of the Group is in a healthy position.

### **Pledge of Assets**

As at 30th September, 2004, the Group had pledged its investment properties and leasehold land and buildings with carrying value of HK\$21.9 million (as at 31st March, 2004 of HK\$21.9 million) and HK\$34.1 million (as at 31st March, 2004 of HK\$34.7 million) respectively to banks to secure banking facilities granted to the Group.

## **Contingent Liabilities**

As at 30th September, 2004, the Company provided corporate guarantees of HK\$81.0 million (as at 31st March, 2004 of HK\$81.0 million) to banks to secure general banking facilities granted to subsidiaries. The total amount of facilities utilized by the subsidiaries as at 30th September, 2004 amounted to HK\$39.0 million (as at 31st March, 2004 of HK\$46.1 million).

## **FOREIGN CURRENCY RISK MANAGEMENT**

The Group's largest sale segment is Europe market, which alone accounts for around 50–60% of the Group's sale turnover. In safeguarding the volatile Euro dollar currency risk, the management has chosen to adopt a more prudent sales policy by mainly accepting US dollar quoted sales orders, which in turn the management can maintain a stable currency exchange condition for normal trading business development. Regularly, the Group also adopts appropriate hedging policy against the foreign currency bank balance and against the cash inflows from the foreign currency sale orders.

For the Group's manufacturing operation in the PRC, the management considers that exposure is not significant as exchange rate of Renminbi has not been exceptionally volatile in the past few years.

## **NUMBER OF EMPLOYEES AND REMUNERATION POLICY**

As at 30th September, 2004, the Group had more than 1,000 employees and with around 95% of them were employed in the PRC for the manufacturing business. The Group remunerates its employees based on their work performance and with reference to prevailing condition of labor markets.

## DIRECTORS' INTERESTS IN SECURITIES

As 30th September, 2004, the interests of the directors and their associates in the shares and underlying shares of the Company as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance ("SFO"), or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, were as follows:

### Long positions

Name of director	Number of issued ordinary shares held		Percentage of issued share
	Personal interest	Held by controlled corporation (Note)	
Ms. Chan Oi Ling, Maria Olimpia	–	193,340,000	45.60%
Mr. Lam Yu Ho, Daniel	24,376,000	–	5.75%
Mr. Cheng Lok Hing	8,000,000	–	1.89%
Mr. Cheng Chun Kit	8,200,000	–	1.93%

*Note:* These shares are held by Honeyard Corporation. The entire issued share capital of Honeyard Corporation is held by The Honeyard Trust, a discretionary trust of which the family members of Ms. Chan Oi Ling, Maria Olimpia are discretionary beneficiaries.

Save as disclosed above, other than certain nominee shares in subsidiaries held by certain directors in trust for the Group, none of the directors or their associates had any interests or short position in any shares, underlying shares and debentures of the Company or any of its associated corporations as recorded in the register maintained by the Company pursuant to Section 352 of the SFO as at 30th September, 2004.

Furthermore, no share options were granted under the Company's share option scheme since its adoption on 21st August, 2003. Other than that, 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.

## SUBSTANTIAL SHAREHOLDERS

As at 30th September, 2004, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO showed that, other than the interests of certain directors disclosed under the section headed "Directors' interests in securities" above, the Company has not been notified of any other relevant interests or short positions in the issued share capital of the Company.

## AUDIT COMMITTEE

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including a review of the unaudited condensed financial statements for the six months ended 30th September, 2004.

## PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

There was no purchase, sale or redemption by the Company or any of its subsidiaries of the Company's listed securities during the six months ended 30th September, 2004.

## COMPLIANCE WITH CODE OF BEST PRACTICE

None of the Directors is aware of any information that would reasonably indicate that the Group is not or was not in compliance with the Code of Best Practice as set out in Appendix 14 of the Listing Rules throughout the six months ended 30th September, 2004.

By Order of the Board  
**Chan Oi Ling, Maria Olimpia**  
Chairman

Hong Kong, 23rd December, 2004

*As at the date of this report, the executive directors of the Company are Ms. Chan Oi Ling, Maria Olimpia, Mr. Lam Yu Ho, Daniel, Mr. Cheng Lok Hing, Mr. Cheng Chun Kit and Ms. Ji Hong and the independent non-executive directors of the Company are Mr. Wong Yui Leung, Larry, Mr. Tsang Heman and Mr. Lui Wai Shan, Wilson.*