



KIN DON

# KIN DON HOLDINGS LIMITED

金盾集團控股有限公司\*

*(Incorporated in the Cayman Islands with limited liability)*

## ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 31 MAY 2003

### RESULT

The Board of Directors (the “Directors”) of Kin Don Holdings Limited (the “Company”) announces the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 31 May 2003.

		For the six months ended 31 May	
	Notes	2003 HK\$'000 (Unaudited)	2002 HK\$'000 (Unaudited)
TURNOVER	1	13,488	19,060
Cost of sales		<u>(13,074)</u>	<u>(18,084)</u>
Gross profit		414	976
Other revenue		1,676	455
Selling and distribution costs		(48)	(190)
Administrative expenses		(5,336)	(3,465)
Other operating expenses		<u>(342)</u>	<u>(91)</u>
LOSS FROM OPERATING ACTIVITIES		(3,636)	(2,315)
Finance costs		(892)	(962)
Gain on disposal of subsidiaries		<u>–</u>	<u>31,909</u>
PROFIT/(LOSS) BEFORE TAX	2	(4,528)	28,632

Tax	3	—	—
PROFIT/(LOSS) BEFORE MINORITY INTERESTS		(4,528)	28,632
Minority interests		—	348
NET PROFIT/(LOSS) FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS		<u>(4,528)</u>	<u>28,980</u>
EARNINGS/(LOSS) PER SHARE	4		
– Basic		<u>HK(0.08) cent</u>	<u>HK0.49 cent</u>
– Diluted		<u>N/A</u>	<u>HK0.38 cent</u>

Notes:

## 1. Segment information

### Business segments

	Turnover for the six months ended 31 May		Result for the six months ended 31 May	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Garment	475	679	(130)	(522)
Securities trading	<u>13,013</u>	<u>18,381</u>	<u>1,385</u>	<u>706</u>
	<u>13,488</u>	<u>19,060</u>	1,255	184
Unallocated expenses			<u>(4,891)</u>	<u>(2,499)</u>
Loss from operating activities			<u>(3,636)</u>	<u>(2,315)</u>

Geographical segment information has not been presented as majority of the Group's turnover is principally derived in the People's Republic of China, including Hong Kong.

## 2. Profit/(loss) before tax

Profit/(loss) before tax is arrived at after charging:

	For the six months ended 31 May	
	2003	2002
	HK\$'000	HK\$'000
Depreciation	<u>180</u>	<u>568</u>

## 3. Tax

No tax has been provided for the six months ended 31 May 2003 (2002: Nil) as the Group did not derive any assessable profits during the period.

Deferred tax has not been provided for the six months ended 31 May 2003 (2002: Nil), as the Group has no material timing difference in the recognition of revenue and expenses for tax and for financial reporting purposes.

## 4. Earnings/(loss) per share

The calculation of basic loss per share for the six months ended 31 May 2003 is based on the net loss from ordinary activities attributable to shareholders for the period of HK\$4,528,000 (2002: profit of HK\$28,980,000) and 5,950,372,434 (2002: 5,950,372,434) ordinary shares in issue during the period.

There were no potential diluted ordinary shares during the six months ended 31 May 2003 and, therefore, no diluted loss per share is presented for that period.

The calculation of diluted earnings per share for the six months ended 31 May 2002 is based on the net profit from ordinary activities attributable to shareholders for the period of HK\$28,980,000 and the weighted average of 7,664,658,148 ordinary shares after adjusting for the effects of dilutive potential ordinary shares in respect of convertible preference shares.

## 5. Interim dividends

The Directors do not recommend the payment of an interim dividend in respect of the six months ended 31 May 2003 (2002: Nil).

## 6. Comparative amounts

Certain comparative amounts have been reclassified to conform with the current period's presentation.

# MANAGEMENT DISCUSSION AND ANALYSIS

## **Business review and segment analysis**

For the six months ended 31 May 2003, the Group reported a net loss of approximately HK\$4,528,000 due to the inadequate profit contribution from business turnover to cover its operating expenses and the absence of an exceptional gain on disposal of subsidiaries as recorded in the previous period.

Following our development strategies stated in the 2002 annual report, the Group has continued to evaluate its core business and new business and investment opportunities in China during the period under review. However, the evaluation of new business and investment opportunities in China has been temporarily disrupted by the recent outbreak of atypical pneumonia in China. At present, the Group is in the process of analysing and evaluating the impact of atypical pneumonia on various industries and business sectors in China and will consider to make appropriate adjustments to our future development focus, including consideration and review of new business and investment opportunities in other countries.

### *Garment*

Turnover for the period from garment sale amounted to approximately HK\$475,000 with a negative contribution of approximately HK\$130,000. The low level of garment activities reflects the fact that the Group has still experienced very keen competition in its garment business and that the management has adopted a careful and prudent approach in evaluating and activating the garment business and has placed more emphasis in business diversification.

### *Securities trading*

Turnover for the period from securities trading segment amounted to approximately HK\$13,013,000 with a total profit of approximately HK\$1,385,000. Securities purchased are mainly blue-chip shares in Hong Kong and are held for capital appreciation and dividend income. In addition, the Group has increased its holding of equity-linked notes with short maturity period of less than four months but of a potential return higher than that of normal bank deposits under our treasury policies in utilising any un-invested bank balances as necessary.

## **Liquidity, financial resources and capital structure**

In the period under review, the Group's liquidity and financial resources positions remained sound. As at 31 May 2003, the Group had cash and bank balances of approximately HK\$10,019,000 and other liquid assets of approximately HK\$54,421,000 comprising equity-linked notes and marketable securities of approximately HK\$50,250,000 and HK\$4,171,000, respectively.

As at 31 May 2003, the Group's gearing ratio, expressed as a percentage of its total borrowings of approximately HK\$30,121,000 over total equity of approximately HK\$30,057,000, was increased to 100% due to the obtaining of additional short-term borrowings to finance partially the purchase of equity-linked notes. The short-term borrowings are denominated in Hong Kong dollars and bear fixed interest rates at the prevailing market. The due dates of the short-term borrowings were fixed to match with the maturity dates of the equity-linked notes. The management considers that these borrowings are only temporary and will be repaid when the equity-linked notes mature so that the Group's gearing ratio shall return to its normal low level again.

### **Pledge of assets**

As at 31 May 2003, certain assets of the Group with an aggregate net book value of approximately HK\$59,397,000 were pledged to secure credit facilities granted to the Group.

### **Employees**

As at 31 May 2003, the total number of employees of the Group was about 20. The Group remunerates its employees by means of salary and bonus based on their performance, working experience, degree of hardship and prevailing market practice.

### **Prospects**

Despite the recent outbreak of atypical pneumonia in China which has temporarily disrupted our initial development plans and strategies, the management is still confident that our objective of activating and diversifying the Group's business in various different areas of high growth potential and return will be materialized in the not distant future.

## **Contingent liabilities**

The Group has executed a corporate guarantee up to an extent of HK\$4,800,000 to secure banking facilities granted to a jointly-controlled entity of the Group. As at 31 May 2003, none of these banking facilities were utilised.

## **AUDIT COMMITTEE**

The audit committee has reviewed the unaudited interim financial statements of the Group for the six months ended 31 May 2003 and discussed with the Directors the internal control and financial reporting matters of the Group.

## **PUBLICATION OF FINANCIAL INFORMATION**

The interim report of the Group for the six months ended 31 May 2003 containing all the information required by paragraphs 46(1) to 46(6) of Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) will be published on the website of the Stock Exchange in due course.

By order of the Board  
**Yeung Kwok Kwong**  
*Chairman*

Hong Kong, 7 July 2003

\* *For identification only*

“Please also refer to the published version of this announcement in The Standard”