



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 2002**

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 2002.

	<i>Notes</i>	For the six months ended 31 May	
		2002 <i>HK\$'000</i> (Unaudited)	2001 <i>HK\$'000</i> (Unaudited)
TURNOVER	<i>1</i>	679	1,167
Cost of sales		<u>(476)</u>	<u>(1,177)</u>
Gross profit/(loss)		203	(10)
Other revenue		455	204
Selling and distribution costs		(123)	(11)
Administrative expenses		(2,759)	(8,626)
Other operating expenses		(91)	(1,596)
Gain on disposal of subsidiaries		<u>31,909</u>	<u>–</u>
PROFIT/(LOSS) FROM OPERATING ACTIVITIES		29,594	(10,039)
Finance costs		<u>(962)</u>	<u>(7,776)</u>
PROFIT/(LOSS) BEFORE TAX	<i>2</i>	28,632	(17,815)
Tax	<i>3</i>	<u>–</u>	<u>–</u>
PROFIT/(LOSS) BEFORE MINORITY INTERESTS		28,632	(17,815)
Minority interests		<u>348</u>	<u>385</u>

NET PROFIT/(LOSS) FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS		<u>28,980</u>	<u>(17,430)</u>
EARNINGS/(LOSS) PER SHARE	4		
– Basic		<u>HK0.49 cents</u>	<u>HK(1.85) cents</u>
– Diluted		<u>HK0.38 cents</u>	<u>–</u>

Notes:

1. Turnover

The Group's turnover is derived predominantly from the sale of apparel. All the Group's turnover is principally derived in the People's Republic of China.

2. Profit/(loss) before tax

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

	For the six months ended 31 May	
	2002	2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
Depreciation	568	1,020
Gain on disposal of short term investments	<u>(624)</u>	<u>–</u>

3. Tax

No tax has been provided for the six months ended 31 May 2002 (2001: 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 2002 (2001: 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 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 (2001: loss of HK\$17,430,000) and 5,950,372,434 (2001: 940,661,976) ordinary shares in issue during the 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. There were no potential diluted ordinary shares during the six months ended 31 May 2001 and, therefore, no diluted loss per share is presented for that period.

Number of ordinary shares	
Number of ordinary shares used in calculating basic earnings per share	5,950,372,434
Effect of dilutive potential ordinary shares in respect of convertible preference shares	<u>1,714,285,714</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u><u>7,664,658,148</u></u>

5. Interim dividends

The Directors do not recommend the payment of any interim dividend in respect of the period ended 31 May 2002 (2001: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Business review

Since the completion of restructuring and fund raising in the end of last year, the Group is now in the process of evaluating its core business and opportunities in diversification into new business areas. Accordingly, turnover of the Group dropped by 42% for the six months ended 31 May 2002 to approximately HK\$679,000. Despite the relative low level of business activities, the Group recorded a net profit of approximately HK\$28,980,000 which is principally attributable to the gain on disposal of certain subsidiaries as part of the remaining restructuring in tidying up the group structure.

Liquidity and financial resources

The Group financed its business development by means of internal resources. As at 31 May 2002, unutilised cash and bank balances of the Group amounted to approximately HK\$53,482,000 reflecting its financially healthy position. Following the disposal of certain subsidiaries, the Group's gearing ratio as at 31 May 2002 was greatly improved to 28% with total borrowings of about HK\$12,561,000 over shareholders' fund of about HK\$44,578,000. These outstanding borrowings are principally borne by the PRC subsidiaries and are not guaranteed by the Company. The management is now taking appropriate steps to clear these liabilities through negotiation and/or other restructuring means.

Pledge of assets

As at 31 May 2002, certain assets of the Group with an aggregate net book value of approximately HK\$11,590,000 were pledged to secure credit facilities granted to the Group.

Employees

As at 31 May 2002, 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

The Group has adopted a careful and prudent approach in the activation of its business. Based on the progress of the current development plan, the management is very optimistic to see that the Group will soon activate its business in various different areas of high growth potential and return.

AUDIT COMMITTEE

The audit committee has reviewed the unaudited interim financial statements of the Group for the six months ended 31 May 2002 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 2002 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.

CHANGES IN DIRECTORS

The Directors regret to announce that Mr. Au-Yeung Chi Hung, Alex resign as an executive director of the Company with effect from 16 August 2002. The Directors would like to express their thanks to Mr. Au-Yeung for his past contribution to the Company.

In addition, the Directors are pleased to announce that Mr. Zhou Ge is appointed as an executive director of the Company with effect from 16 August 2002. Prior to joining the Company, Mr. Zhou was a director of UBS Warburg Asia Limited. Mr. Zhou graduated from the University of Manchester Institute of Science and Technology with a bachelor's degree in chemical engineering. He also holds a degree of Master of Business and Administration from Massachusetts Institute of Technology Sloan School of Management.

By order of the Board
Yeung Kwok Kwong
Chairman

Hong Kong, 16 August 2002

* *For identification only*

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