

NOTES TO THE CONDENSED INTERIM ACCOUNTS

1 Basis of preparation and accounting policies

The unaudited consolidated condensed interim accounts are prepared in accordance with Hong Kong Statement of Standard Accounting Practice (“SSAP”) 25 “Interim financial reporting” issued by the Hong Kong Society of Accountants.

The condensed interim accounts should be read in conjunction with the 2000 annual accounts.

The accounting policies and methods of computation used in the preparation of these condensed interim accounts are consistent with those used in the annual accounts for the year ended 31st December 2000 except that the Group has changed certain of its accounting policies following its adoption of the following SSAPs issued by the Hong Kong Society of Accountants which are effective for accounting periods commencing on or after 1st January 2001.

SSAP 9 (revised)	Events after the balance sheet date
SSAP 26	Segment reporting
SSAP 28	Provisions, contingent liabilities and contingent assets
SSAP 29	Intangible assets
SSAP 30	Business combinations
SSAP 31	Impairment of assets
SSAP 32	Consolidated financial statements and accounting for investments in subsidiaries

The changes to the Group’s accounting policies and the effect of adopting these new policies are set out below:

(a) SSAP 9 (revised) Events after the balance sheet date

In accordance with the revised SSAP 9, the Group no longer recognises dividends proposed or declared after the balance sheet date as a liability at the balance sheet date. This change in accounting policy has been applied retrospectively so that the comparatives presented have been restated to conform to the changed policy.

As detailed in Note 11, opening retained profits at 1st January 2000 have increased by HK\$25,795,000 which is the reversal of the provision for the 1999 proposed final dividend previously recorded as a liability as at 31st December 1999 although not declared until after the balance sheet date. Opening retained profits at 1st January 2001 have increased by HK\$4,675,000 which is the reversal of the provision for 2000 proposed final dividend previously recorded as a liability as at 31st December 2000 although not declared until after the balance sheet date.

A corresponding decrease in current liabilities by HK\$4,675,000 has been reflected in the comparative balance sheet as at 31st December 2000.

Changes to headings used in the previously reported 31st December 2000 consolidated balance sheet and profit and loss account relating to dividends and profit for the year retained have also been made to reflect the changes resulting from SSAP 9 (revised).

(b) SSAP 30 Business combinations

Goodwill/negative goodwill

Goodwill/negative goodwill on acquisitions of subsidiaries/associated companies/joint ventures occurring on or after 1st January 2001 is included as intangible assets and is amortised over its estimated useful life in accordance with the provisions of SSAP 30. For acquisitions prior to 1st January 2001, goodwill/negative goodwill was written off against/taken directly to reserves on acquisition. The Group has taken advantage of the transitional provisions in SSAP 30 and such goodwill/negative goodwill has not been retroactively restated.

2 Turnover and segment information

The Group is principally engaged in property investment, investment holding and trading, and textile manufacturing and trading. Turnover recognised during the period comprises the following:

	Six months ended 30th June	
	2001 HK\$'000	2000 HK\$'000
Gross rental income from investment properties	18,792	18,871
Net realised and unrealised losses on trading investments	(16,754)	(7,077)
Dividend income from listed investments	995	1,120
Dividend income from unlisted investments	1,327	1,634
Interest income	2,880	2,584
Management fee income from investment properties	4,331	4,255
Commission income (Note 13)	2,528	4,087
	<u>14,099</u>	<u>25,474</u>

An analysis of the Group's turnover and contribution to loss/profit before taxation by principal activities and markets is as follows:

	Turnover		(Loss)/profit before taxation	
	Six months ended 30th June		Six months ended 30th June	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Principal activities:				
Textile trading				
- Group	2,528	4,087	785	589
- jointly controlled entity	-	-	4,890	3,892
Property investment				
- Group	23,123	23,126	3,261	3,619
- jointly controlled entity	-	-	882	891
Investment holding and trading				
- Group	(11,552)	(1,739)	(14,527)	(3,924)
	<u>14,099</u>	<u>25,474</u>	<u>(4,709)</u>	<u>5,067</u>

	Turnover		(Loss)/profit before taxation	
	Six months ended 30th June		Six months ended 30th June	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Principal markets:				
People's Republic of China (including Hong Kong)				
- Group	24,391	28,154	776	2,237
- jointly controlled entities	-	-	5,772	4,783
United States of America - Group	(2,899)	(980)	(4,030)	(2,606)
Europe - Group	(6,369)	(807)	(6,153)	(383)
Australia and New Zealand				
- Group	(196)	(14)	(124)	(63)
Others - Group	(828)	(879)	(950)	1,099
	<u>14,099</u>	<u>25,474</u>	<u>(4,709)</u>	<u>5,067</u>

3 Operating loss/profit

The operating loss/profit is stated after crediting and charging the following:

	Six months ended 30th June	
	2001	2000
	HK\$'000	HK\$'000
Crediting:		
Gain on disposal of fixed assets	<u>4</u>	<u>—</u>
Charging:		
Depreciation	<u>506</u>	<u>520</u>

4 Taxation

Hong Kong profits tax has been provided at the rate of 16% (2000: 16%) on the estimated assessable profit for the period. Taxation on overseas profits has been calculated on the estimated assessable profit for the period at the rates of taxation prevailing in the countries in which the Group operates.

The amount of taxation charged to the consolidated profit and loss account represents:

	Six months ended 30th June	
	2001	2000
	HK\$'000	HK\$'000
Company and subsidiaries:		
Hong Kong profits tax	374	849
Underprovision in prior periods	<u>23</u>	<u>—</u>
	397	849
Share of overseas taxation attributable to jointly controlled entities	<u>677</u>	<u>595</u>
	<u>1,074</u>	<u>1,444</u>

5 Dividends

	Six months ended 30th June	
	2001	2000
	HK\$'000	HK\$'000
2000 Final dividend, paid, of 10 HK cents (1999 final paid of 55 HK cents) per share (Note (a))	<u>4,664</u>	<u>25,723</u>

The directors do not recommend the payment of an interim dividend for the six months ended 30th June 2001 (2000: Nil).

Note (a): The previously recorded final dividends proposed and declared after the balance sheet date but accrued in the accounts for the years ended 31st December 2000 and 1999 were HK\$4,675,000 and HK\$25,795,000 respectively. Under the Group's new accounting policy as described in Note 1(a), these have been written back against opening reserves as at 1st January 2001 and 2000 in Note 11 and are now charged in the period in which they were proposed.

6 Loss/earnings per share

The calculation of the loss/earnings per share is based on the loss for the six months ended 30th June 2001 of HK\$5,783,000 (2000: profit of HK\$3,623,000) and the weighted average number of shares in issue during the period of 46,680,244 (2000: 46,887,277).

7 Fixed assets

	Investment properties HK\$'000	Other properties HK\$'000	Others HK\$'000	Total HK\$'000
Six months ended 30th June 2001				
Opening net book amount	382,300	6,616	1,512	390,428
Additions	–	–	29	29
Depreciation	–	(182)	(324)	(506)
Closing net book amount	<u>382,300</u>	<u>6,434</u>	<u>1,217</u>	<u>389,951</u>

8 Trade and other receivables

Included in trade and other receivables are trade receivables of HK\$2,709,000 (31.12.2000: HK\$1,127,000). The Group does not grant any credit to its customers. As at 30th June 2001 and 31st December 2000, all trade receivables are aged within 30 days.

9 Trade and other payables

Included in trade and other payables are trade payables of HK\$4,726,000 (31.12.2000: HK\$8,933,000) and their ageing analysis is as follows:

	30th June 2001 HK\$'000	31st December 2000 HK\$'000
Within 30 days	4,162	7,940
31 - 60 days	300	729
61 - 90 days	264	264
	<u>4,726</u>	<u>8,933</u>

10 Share capital

	30th June 2001 HK\$'000	31st December 2000 HK\$'000
Authorised:		
60,000,000 shares of HK\$0.10 each	<u>6,000</u>	<u>6,000</u>
Issued and fully paid:		
46,582,299 shares (31.12.2000: 46,749,799 shares) of HK\$0.10 each	<u>4,658</u>	<u>4,675</u>

During the period, the Company repurchased a total number of 167,500 (year ended 31.12.2000: 150,000) of its own shares on The Stock Exchange of Hong Kong Limited, all of which were then cancelled. The aggregate price of HK\$1,011,000 (year ended 31.12.2000: HK\$937,000) paid was charged against retained profits and the nominal value of the shares repurchased of HK\$17,000 (year ended 31.12.2000: HK\$15,000) was transferred to capital redemption reserve.

11 Retained profits

	Note	HK\$'000
At 1st January 2001 as previously reported		669,569
Effect of adopting SSAP 9 (revised)	1(a)	<u>4,675</u>
At 1st January 2001 as restated		674,244
2000 final dividend paid	5	(4,664)
Loss for the period		(5,783)
Shares repurchased and cancelled	10	<u>(1,011)</u>
At 30th June 2001		<u><u>662,786</u></u>
Retained by:		
Company and subsidiaries		636,871
Jointly controlled entities		<u>25,915</u>
At 30th June 2001		<u><u>662,786</u></u>
At 1st January 2000 as previously reported		695,743
Effect of adopting SSAP 9 (revised)	1(a)	<u>25,795</u>
At 1st January 2000 as restated		721,538
1999 final dividend paid	5	(25,723)
Loss for the year		(19,876)
Transfer to statutory reserves of jointly controlled entities		(758)
Shares repurchased and cancelled	10	<u>(937)</u>
At 31st December 2000		<u><u>674,244</u></u>
Retained profits		669,569
2000 Final dividend proposed	5	<u>4,675</u>
		<u><u>674,244</u></u>
Retained by:		
Company and subsidiaries		652,090
Jointly controlled entities		<u>22,154</u>
At 31st December 2000		<u><u>674,244</u></u>

12 Commitment under operating leases

At 30th June 2001, the Group had total future aggregate minimum payments under an operating lease for office premises which expires as follows:

	30th June 2001 HK\$'000	31st December 2000 HK\$'000
Within one year	–	285
In the second to fifth year inclusive	<u>4,947</u>	–
	<u><u>4,947</u></u>	<u><u>285</u></u>

13 Significant related party transactions

During the period, agency commission income of HK\$2,528,000 (2000: HK\$4,087,000) was received by a subsidiary from a jointly controlled entity for handling sales of textile products for the jointly controlled entity. These transactions were entered into in the normal course of business of the Group and the commission income has been calculated at certain fixed percentages of the value of sales handled by the subsidiary.

On behalf of the Board

Sir Sidney Gordon
Chairman

Hong Kong, 7th September 2001