

NOTES TO THE CONDENSED INTERIM ACCOUNTS

1 Basis of preparation and accounting policies

The unaudited consolidated condensed interim accounts (“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 (“HKSA”).

The condensed interim accounts should be read in conjunction with the 2001 annual financial 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 2001 except that the Group has changed certain of its accounting policies following its adoption of the following SSAPs issued by the HKSA which are effective for accounting periods commencing on or after 1st January 2002.

SSAP 1 (revised) Presentation of financial statements

SSAP 11 (revised) Foreign currency translation

SSAP 15 (revised) Cash flow statements

SSAP 25 (revised) Interim financial reporting

SSAP 34 Employee benefits

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

SSAP 11 (revised) Foreign currency translation

The balance sheets of subsidiaries and jointly controlled entities expressed in foreign currencies are translated at the rates of exchange ruling at the balance sheet date whilst the profit and loss accounts are translated at an average rate. Exchange differences are dealt with as a movement in reserves.

In prior periods, the profit and loss accounts of foreign enterprises are translated at closing rate. This is a change in accounting policy. However, the translation of the profit and loss accounts of foreign enterprises in prior periods has not been restated as the effect of this change is not material to the current and prior periods.

2 Turnover and segment information

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

	Six months ended 30th June	
	2002 HK\$'000	2001 HK\$'000
Gross rental income from investment properties	17,407	18,792
Net realised and unrealised losses on trading investments	(24,492)	(16,754)
Dividend income from listed investments	932	995
Dividend income from unlisted investments	918	1,327
Interest income	991	2,880
Management fee income from investment properties	4,097	4,331
Commission income (Note 13)	3,142	2,528
	<u>2,995</u>	<u>14,099</u>

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

	Turnover		Profit/(loss) before taxation	
	Six months ended 30th June		Six months ended 30th June	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Principal activities:				
Textile trading				
- Group	3,142	2,528	1,130	785
- jointly controlled entity	-	-	9,201	4,890
Property investment				
- Group	21,504	23,123	1,842	3,261
- jointly controlled entity	-	-	1,053	882
Investment holding and trading				
- Group	(21,651)	(11,552)	(24,241)	(14,527)
	<u>2,995</u>	<u>14,099</u>	<u>(11,015)</u>	<u>(4,709)</u>

	Turnover		Profit/(loss) before taxation	
	Six months ended 30th June		Six months ended 30th June	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Principal markets:				
People's Republic of China (including Hong Kong)				
- Group	25,443	24,391	2,976	776
- jointly controlled entities	-	-	10,254	5,772
United States of America - Group	(25,220)	(2,899)	(27,066)	(4,030)
Europe - Group	(847)	(6,369)	(921)	(6,153)
Australia and New Zealand				
- Group	(51)	(196)	(45)	(124)
Others - Group	3,670	(828)	3,787	(950)
	<u>2,995</u>	<u>14,099</u>	<u>(11,015)</u>	<u>(4,709)</u>

3 Operating loss

Operating loss is stated after crediting and charging the following:

	Six months ended 30th June	
	2002	2001
	HK\$'000	HK\$'000
Crediting:		
Gain on disposal of fixed assets	<u> -</u>	<u> 4</u>
Charging:		
Depreciation	<u> 492</u>	<u> 506</u>

4 Taxation

Hong Kong profits tax has been provided at the rate of 16% (2001: 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	
	2002	2001
	HK\$'000	HK\$'000
Company and subsidiaries:		
Hong Kong profits tax	217	374
Underprovision in prior periods	<u> -</u>	<u> 23</u>
	217	397
Share of overseas taxation attributable to jointly controlled entities	<u> 995</u>	<u> 677</u>
	<u> 1,212</u>	<u> 1,074</u>

5 Dividends

	Six months ended 30th June	
	2002	2001
	HK\$'000	HK\$'000
2001 Final dividend, paid, of 10 HK cents (2000 final paid of 10 HK cents) per share	<u> 4,650</u>	<u> 4,664</u>

The directors do not recommend the payment of an interim dividend for the six months ended 30th June 2002 (2001: Nil)

6 Loss per share

The calculation of loss per share is based on the loss for the six months ended 30th June 2002 of HK\$12,227,000 (2001: HK\$5,783,000) and the weighted average number of shares in issue during the period of 46,447,860 (2001: 46,680,244).

7 Fixed assets

	Investment properties HK\$'000	Other properties HK\$'000	Others HK\$'000	Total HK\$'000
Six months ended 30th June 2002				
Opening net book amount	344,000	5,214	946	350,160
Depreciation	—	(187)	(305)	(492)
Closing net book amount	<u>344,000</u>	<u>5,027</u>	<u>641</u>	<u>349,668</u>

8 Trade and other receivables

Included in trade and other receivables are trade receivables of HK\$3,453,000 (31.12.2001: HK\$1,028,000). The Group does not grant any credit to its customers. As at 30th June 2002 and 31st December 2001, all trade receivables are aged within 30 days.

9 Trade and other payables

Included in trade and other payables are trade payables of HK\$11,600,000 (31.12.2001: HK\$7,877,000) and the ageing analysis is as follows:

	30th June 2002 HK\$'000	31st December 2001 HK\$'000
Within 30 days	10,567	6,844
31 - 60 days	693	693
61 - 90 days	340	340
	<u>11,600</u>	<u>7,877</u>

10 Share capital

	30th June 2002 HK\$'000	31st December 2001 HK\$'000
Authorised:		
60,000,000 shares of HK\$0.10 each	<u>6,000</u>	<u>6,000</u>
Issued and fully paid:		
46,352,799 shares (31.12.2001: 46,495,799 shares) of HK\$0.10 each	<u>4,634</u>	<u>4,650</u>

During the period, the Company repurchased a total number of 160,000 (year ended 31.12.2001: 254,000) of its own shares on The Stock Exchange of Hong Kong Limited, all of which were then cancelled. The aggregate price of HK\$854,000 (year ended 31.12.2001: HK\$1,471,000) paid was charged against retained profits and the nominal value of the shares repurchased of HK\$16,000 (year ended 31.12.2001: HK\$25,000) was transferred to capital redemption reserve.

11 Reserves

	Contributed surplus HK\$'000	Investment properties revaluation reserve HK\$'000	Investments revaluation reserve HK\$'000	Capital reserve on consolidation HK\$'000	General reserve HK\$'000	Statutory reserves HK\$'000	Exchange fluctuation reserve HK\$'000	Capital redemption reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1st January 2002	20,000	82,730	9,011	1,000	76,000	7,387	2,922	350	652,012	851,412
Loss for the period	—	—	—	—	—	—	—	—	(12,227)	(12,227)
Shares repurchased and cancelled	—	—	—	—	—	—	—	16	(854)	(838)
Investments revaluation surplus	—	—	39	—	—	—	—	—	—	39
Exchange translation differences	—	—	—	—	—	—	(54)	—	—	(54)
Dividend	—	—	—	—	—	—	—	—	(4,650)	(4,650)
At 30th June 2002	<u>20,000</u>	<u>82,730</u>	<u>9,050</u>	<u>1,000</u>	<u>76,000</u>	<u>7,387</u>	<u>2,868</u>	<u>366</u>	<u>634,281</u>	<u>833,682</u>
	Contributed surplus HK\$'000	Investment properties revaluation reserve HK\$'000	Investments revaluation reserve HK\$'000	Capital reserve on consolidation HK\$'000	General reserve HK\$'000	Statutory reserves HK\$'000	Exchange fluctuation reserve HK\$'000	Capital redemption reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1st January 2001	20,000	121,030	21,557	1,000	76,000	6,842	2,493	325	674,244	923,491
Loss for the period	—	—	—	—	—	—	—	—	(5,783)	(5,783)
Shares repurchased and cancelled	—	—	—	17	—	—	—	—	(1,011)	(994)
Investments revaluation deficit	—	—	(12,097)	—	—	—	—	—	—	(12,097)
Exchange translation differences	—	—	—	—	—	—	514	—	—	514
Dividend	—	—	—	—	—	—	—	—	(4,664)	(4,664)
At 30th June 2001	<u>20,000</u>	<u>121,030</u>	<u>9,460</u>	<u>1,017</u>	<u>76,000</u>	<u>6,842</u>	<u>3,007</u>	<u>325</u>	<u>662,786</u>	<u>900,467</u>

12 Commitment under operating leases

At 30th June 2002, the Group had total future aggregate minimum lease payments under a non-cancellable operating lease for office premises as follows:

	30th June 2002 HK\$'000	31st December 2001 HK\$'000
Within one year	1,884	1,884
In the second to fifth year inclusive	1,178	2,120
	<u>3,062</u>	<u>4,004</u>

13 Significant related party transactions

During the period, agency commission income of HK\$3,142,000 (2001: HK\$2,528,000) 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, 6th September 2002