
Notes:

1. Basis of preparation and accounting policies

The unaudited condensed consolidated interim financial statements are prepared in accordance with Hong Kong Statement of Standard Accounting Practice (“SSAP”) 25 “Interim Financial Reporting” and the disclosure requirements of Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“Stock Exchange”). The basis of preparation and accounting policies used in the preparation of the interim financial statements are consistent with those used in the annual financial statements for the year ended 31 December 2000, except for changes in the accounting policies in respect of goodwill as described below.

Goodwill arising on consolidation represents the excess of cost of purchase consideration paid for subsidiary and associate over the Group’s share of the fair value ascribed to the net underlying assets at the date of acquisition. In previous years, goodwill was eliminated against reserve in the year in which it arose. Following the introduction of SSAP 30 “Business Combinations”, the Group has adopted the transitional provisions prescribed therein that goodwill previously arose prior to 1 January 2001 and included in reserves need not be restated. New goodwill incurred after 1 January 2001 is capitalised in the balance sheet and is amortised to the profit and loss account on a straight-line basis over its estimated useful economic life. All goodwill arising from earlier acquisitions before 1 January 2001 will continue to be held in the reserve and no reinstatement has been made. However, any impairment arising on such goodwill is recognised in the profit and loss account retrospectively in the period when such impairment loss occurred in accordance with SSAP 31 “Impairment of Assets”.

Goodwill previously eliminated against revaluation reserve of HK\$41,006,000 and general reserve of HK\$8,396,000 is considered impaired in periods prior to 1 January 2001 and is reclassified to retained profits under the transitional provision of SSAP 30 as this amount has no unexpired useful life and is considered impaired under SSAP 31. This has no effect on the shareholders’ funds.

2. Segment information

By activity

| | Turnover | | Contribution to operating results | |
|--------------------------------------|------------------|----------------|-----------------------------------|-----------------|
| | Six months ended | | Six months ended | |
| | 30 June | | 30 June | |
| | 2001 | 2000 | 2001 | 2000 |
| | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) |
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| Paint manufacturing | 171,623 | 164,533 | 21,815 | 29,969 |
| Trading of goods | 3,518 | 5,498 | (21) | (174) |
| Property investments and development | 1,031 | 63,648 | 1,157 | 5,540 |
| Strategic investments and others | 3,147 | 139 | (1,521) | (1,371) |
| | <u>179,319</u> | <u>233,818</u> | <u>21,430</u> | <u>33,964</u> |
| Net interest expenses | | | (4,836) | (3,633) |
| General and administrative expenses | | | (12,752) | (16,734) |
| | | | <u>(17,588)</u> | <u>(20,367)</u> |
| | | | <u>3,842</u> | <u>13,597</u> |

By geographical location

| | Turnover | | Contribution to operating results | |
|----------------|------------------|----------------|-----------------------------------|---------------|
| | Six months ended | | Six months ended | |
| | 30 June | | 30 June | |
| | 2001 | 2000 | 2001 | 2000 |
| | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) |
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| Hong Kong | 78,254 | 152,099 | (12,434) | 1,350 |
| Mainland China | 101,065 | 81,719 | 16,276 | 12,247 |
| | <u>179,319</u> | <u>233,818</u> | <u>3,842</u> | <u>13,597</u> |

3. Other revenue

| | Six months ended 30 June | |
|---|---------------------------------|--------------------|
| | 2001 | 2000 |
| | (Unaudited) | (Unaudited) |
| | HK\$'000 | HK\$'000 |
| Interest income | 1,038 | 3,678 |
| Unrealised gain on short term investments | 663 | – |
| Gain on disposal of fixed assets | 96 | 9,916 |
| Others | 3,105 | 4,712 |
| | <u>4,902</u> | <u>18,306</u> |

4. Profit from operating activities

Profit from operating activities was arrived at after charging:

| | Six months ended 30 June | |
|---|---------------------------------|--------------------|
| | 2001 | 2000 |
| | (Unaudited) | (Unaudited) |
| | HK\$'000 | HK\$'000 |
| Cost of inventories sold | 107,398 | 97,805 |
| Depreciation | 8,821 | 9,003 |
| Loss on disposal of investment properties | 32 | 901 |
| Loss on disposal of fixed assets | 12 | 1,139 |
| Provisions for impairment in values of short term investments | – | 259 |

5. Finance costs

| | Six months ended 30 June | |
|--|---------------------------------|--------------------|
| | 2001 | 2000 |
| | (Unaudited) | (Unaudited) |
| | HK\$'000 | HK\$'000 |
| Interest on: | | |
| Bank loans and overdrafts | 4,743 | 5,034 |
| Other loans wholly repayable within five years | 1,316 | 980 |
| Interest on finance leases | 63 | 60 |
| | <u>6,122</u> | <u>6,074</u> |

6. Tax

Hong Kong profits tax has been provided at the rate of 16% (2000: 16%) on the estimated assessable profits arising in Hong Kong during the period. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

| | Six months ended 30 June | |
|--|---------------------------------|--------------------|
| | 2001 | 2000 |
| | (Unaudited) | (Unaudited) |
| | HK\$'000 | HK\$'000 |
| Group: | | |
| Provision for tax in respect of profit for the period: | | |
| Hong Kong | – | 497 |
| Elsewhere | 3,691 | 4,252 |
| | 3,691 | 4,749 |
| Prior year's under-provision in Hong Kong | 109 | – |
| | 3,800 | 4,749 |
| Share of tax attributable to associates: | | |
| Hong Kong | 91 | 80 |
| Elsewhere | 226 | 458 |
| | 317 | 538 |
| Tax charge for the period | 4,117 | 5,287 |

7. Earnings per share

The calculation of basic earnings per share is based on the net profit attributable to shareholders for the period of HK\$2,074,000 (2000: HK\$11,427,000) and the weighted average of 1,528,188,000 (2000: 1,315,688,000) ordinary shares in issue during the period.

Diluted earnings per share for the six months ended 30 June 2001 and 30 June 2000 have not been shown as there was no dilutive effect on the basic earnings per share.

8. Trade receivables

The Group maintains a defined credit policy and credit periods are usually granted ranging from one to three months to normal customers. The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances are regularly reviewed by senior management. The ageing analysis of the trade receivables as at the reporting date is as follows:

| | 30 June 2001 (Unaudited) HK\$'000 | 31 December 2000 (Audited) HK\$'000 |
|------------------------------------|--|--|
| Within three months | 49,263 | 58,688 |
| Four to six months | 3,258 | 7,787 |
| Over six months | 12,816 | 4,909 |
| | <u>65,337</u> | <u>71,384</u> |
| Less: Provision for doubtful debts | <u>(4,505)</u> | <u>(4,992)</u> |
| | <u><u>60,832</u></u> | <u><u>66,392</u></u> |

9. Trade payables

The ageing analysis of trade payables as at the reporting date is as follows:

| | 30 June 2001 (Unaudited) HK\$'000 | 31 December 2000 (Audited) HK\$'000 |
|---------------------|--|--|
| Within three months | 30,128 | 20,991 |
| Four to six months | 945 | 5,138 |
| Over six months | 262 | – |
| | <u>31,335</u> | <u>26,129</u> |

10. Related party transactions

| | | Six months ended 30 June | |
|---|-----|--|--|
| | | 2001 (Unaudited) HK\$'000 | 2000 (Unaudited) HK\$'000 |
| Purchases of raw materials and work-in-progress from an associate | (a) | 6,667 | 10,536 |
| Sales of finished goods to an associate | (b) | 32,050 | 15,589 |

10. Related party transactions (continued)

Notes:

- (a) The directors consider that the purchases of raw materials and work-in-progress were made according to the prices and conditions similar to those offered to other customers of the suppliers.
- (b) The directors consider that the sales of finished goods was made according to the terms and conditions as set out in their agreement.

11. Contingent liabilities

Contingent liabilities not provided for in the financial statements at the reporting date are as follows:

| | 30 June 2001 (Unaudited) HK\$'000 | 31 December 2000 (Audited) HK\$'000 |
|--|--|--|
| General banking facilities guaranteed by the Group on behalf of associates | 89,246 | 91,129 |
| Guarantees given by the Company to banks in connection with facilities granted to subsidiaries | 87,527 | 89,661 |

12. Post balance sheet events

- (a) On 31 July 2001, the Group entered into an agreement with an independent third party to acquire an additional 25% equity interest in an existing associate of the Group at a consideration of HK\$38,000,000. The acquisition is expected to be completed by October 2001.
- (b) On 3 September 2001, the Group entered into a sale and purchase agreement with the majority shareholder of a Group's existing associate whereby the Group agreed to dispose of its entire interest in the associate to this majority shareholder at a consideration of HK\$19,000,000. The disposal is expected to be completed by October 2001.

13. Approval of the interim financial report

The condensed interim financial statements were approved by the board of directors on 19 September 2001.