

Goldlion Holdings Limited

NOTES TO THE CONDENSED INTERIM ACCOUNTS

1. Basis of preparation and accounting policies

The unaudited consolidated condensed interim accounts (the “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 and Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) except that the Group has taken advantage of exemption from disclosing the comparative figures of the condensed consolidated cash flow statement under paragraph 37.3 of Appendix 16 of the Listing Rules as in this first year of implementation of SSAP 25.

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

The accounting policies and methods of computation used in the preparation of the condensed interim accounts are consistent with those used in the annual financial statements 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 which are effective for accounting periods commencing on or after 1st January 2001 or otherwise stated:

SSAP 9 (revised): Events after the balance sheet date
SSAP 14 (revised): Leases (effective for periods commencing on or after 1st July 2000)
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:

(i) *SSAP 9 (revised): Events after the balance sheet date*

In accordance with the SSAP 9 (revised), the Group no longer recognises dividend 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.

The opening retained earnings at 1st January 2000 and 2001 have increased by HK\$17,542,000 and HK\$21,928,000 respectively which are the reversal of the proposed dividends previously recorded as liabilities as at 31st December 1999 and 2000 respectively. This adjustment has resulted in a decrease in current liabilities at 31st December 2000 by HK\$21,928,000.

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1. Basis of preparation and accounting policies (Continued)

(ii) SSAP 26: Segment reporting

In note 2 to the condensed interim accounts, the Group has disclosed segment revenue and results as defined under SSAP 26. In accordance with the Group's internal financial reporting, the Group has determined that business segments are presented as the primary reporting format and geographical as the secondary reporting format.

2. Revenues and segment information

The Group is principally engaged in distribution and manufacturing of garments, leather goods and accessories and property investments. Revenues recognised during the period are as follows:

	Six months ended	
	30.6.2001 HK\$'000	30.6.2000 HK\$'000
Turnover		
Sales of goods	207,045	207,016
Gross rental income from investment properties	15,088	7,738
Building management fee	1,630	264
	<u>223,763</u>	<u>215,018</u>
Other revenues		
Interest income	5,048	8,522
Royalty income	2,010	922
	<u>7,058</u>	<u>9,444</u>
Total revenues	<u>230,821</u>	<u>224,462</u>

An analysis of the Group's segment revenue and results for the period by business segments is set out as follows:

	Six months ended		Six months ended	
	30.6.2001 Segment revenue HK\$'000	30.6.2000 Segment revenue HK\$'000	30.6.2001 Segment results HK\$'000	30.6.2000 Segment results HK\$'000
Business segments				
Apparel	209,055	207,938	33,964	(96,317)
Commercial Network (Note)	<u>16,718</u>	<u>8,002</u>	<u>465</u>	<u>(10,275)</u>
	<u>225,773</u>	<u>215,940</u>	<u>34,429</u>	<u>(106,592)</u>
Unallocated costs			<u>(8,556)</u>	<u>(28,382)</u>
Operating profit/(loss)			<u>25,873</u>	<u>(134,974)</u>

Note: Commercial Network includes property investment and the operation of a Commercial Center.

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2. Revenues and segment information (Continued)

An analysis of the Group's segment revenue and results for the period by geographical segments is as follows:

	Six months ended		Six months ended	
	30.6.2001	30.6.2000	30.6.2001	30.6.2000
Segment	Segment	Segment	Segment	Segment
revenue	revenue	revenue	results	results
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Geographical segments				
China mainland	169,748	154,916	29,479	(84,707)
Hong Kong	24,872	28,916	326	(29,965)
Singapore and Malaysia	30,010	27,248	5,455	6,535
Other countries	1,143	4,860	(831)	1,545
	<u>225,773</u>	<u>215,940</u>	<u>34,429</u>	<u>(106,592)</u>
Unallocated costs			<u>(8,556)</u>	<u>(28,382)</u>
Operating profit/(loss)			<u>25,873</u>	<u>(134,974)</u>

3. Operating profit/(loss)

	Six months ended	
	30.6.2001	30.6.2000
	HK\$'000	HK\$'000

Operating profit/(loss) is stated after crediting and charging the following:

Crediting

Provision for slow moving stocks written back	<u>19,342</u>	<u>-</u>
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Charging

Cost of stocks sold	111,796	87,834
Stocks written off and provision for slowing moving stocks	-	73,789
Outgoings in respect of investment properties	3,924	3,675
Depreciation	12,180	12,368
Fixed assets written off	-	12,950
Compensation for loss of office of a senior staff	-	25,117

4. Taxation

Hong Kong profits tax has been provided at the rate of 16% (six months ended 30.6.2000: 16%) on the estimated assessable profit for the period. Taxation on profits arising outside Hong Kong 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.

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4. Taxation (Continued)

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

	Six months ended	
	30.6.2001 HK\$'000	30.6.2000 HK\$'000
Hong Kong profits tax	400	-
Taxation outside Hong Kong		
Current period charge	17	43
Under-provision in prior periods	-	2,476
	<u>17</u>	<u>2,519</u>
	<u>417</u>	<u>2,519</u>

5. Dividends

	Six months ended	
	30.6.2001 HK\$'000	30.6.2000 HK\$'000
2000 final dividend, paid, of 2.5 HK cents (1999 final dividend paid: 2 HK cents) per ordinary shares (note i)	21,928	17,542
2001 interim dividend, proposed on 13th September 2001, of 1.5 HK cents (2000 interim dividend proposed: nil) per ordinary share (note ii)	13,157	-
	<u>35,085</u>	<u>17,542</u>

Note:

- (i) The previously recorded final dividends proposed and declared after the balance sheet date but accrued in the accounts for the years ended 31st December 1999 and 2000 were HK\$17,542,000 and HK\$21,928,000 respectively. Under the Group's new accounting policy as described in note 1(i), these have been adjusted to opening retained earnings as at 1st January 2000 and 2001 in note 12 and are now charged in the period in which they were proposed.
- (ii) At a meeting held on 13th September 2001, the directors declared an interim dividend of 1.5 HK cents per share. This proposed dividend is not reflected as a dividend payable in the condensed interim accounts, but will be reflected as an appropriation of retained earnings for the year ending 31st December 2001.

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6. Earnings/(loss) per share

The calculation of basic and diluted earnings/(loss) per share is based on profit attributable to shareholders of HK\$24,922,000 (six months ended 30.6.2000: loss of HK\$136,668,000).

The basic earnings per share is based on the weighted average number of 877,114,035 (six months ended 30.6.2000: 877,114,035) shares in issue during the period. The diluted earnings per share is based on 886,474,074 (six months ended 30.6.2000: 877,114,035) ordinary shares which is the weighted average number of ordinary shares in issue during the period plus the weighted average number of 9,360,039 (six months ended 30.6.2000: nil) ordinary shares deemed to be issued at no consideration if all outstanding options had been exercised.

7. Capital expenditure

	Fixed assets
	<i>HK\$'000</i>
Net book value at 1st January 2001	1,439,030
Additions	25,784
Disposals	(3,745)
Depreciation	(14,440)
Translation differences	(968)
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Net book value at 30th June 2001	<u>1,445,661</u>

8. Trade debtors

The majority of the Group's turnover is on letter of credit or cash on delivery. At 30th June 2001, the age analysis of the trade debtors, net of provision, was as follows:

	30.6.2001	31.12.2000
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current	10,739	17,013
30-90 days	15,094	10,704
Over 90 days	1,313	7,757
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	<u>27,146</u>	<u>35,474</u>

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9. Creditors and bills payables

At 30th June 2001, the age analysis of the creditors and bills payable was as follows:

	30.6.2001 HK\$'000	31.12.2000 HK\$'000
Current	17,852	11,839
30-90 days	13,662	12,433
Over 90 days	3,715	1,800
	<u>35,229</u>	<u>26,072</u>

10. Share options

At an extraordinary general meeting of the Company held on 26th August 1992, a share option scheme was approved and adopted. No share options were outstanding as at 30th June 2000.

On 8th March 2001, options to subscribe for 60,000,000 shares (subject to adjustment) of HK\$0.10 each in the Company have been granted to the Executive Directors and selected executives. The grantees are entitled to exercise their options in whole or in part at a price of HK\$0.3136 per share (subject to adjustment). The options are exercisable in whole or in part at any time not less than six months from the date of acceptance to 25th August 2002. None of these options were exercised during the period.

11. Other reserves

	Share premium HK\$'000	Investment properties revaluation reserve HK\$'000	Other properties revaluation reserve HK\$'000	Capital reserve on con- solidation HK\$'000	Capital redemption reserve HK\$'000	PRC statutory reserves HK\$'000	Exchange reserve HK\$'000	Total HK\$'000
At 1.1.2001	916,573	344,396	-	183,844	484	27,801	(9,871)	1,463,227
Reclassification	-	(207,294)	207,294	-	-	-	-	-
Exchange translation differences	-	-	-	-	-	-	(959)	(959)
At 30.6.2001	<u>916,573</u>	<u>137,102</u>	<u>207,294</u>	<u>183,844</u>	<u>484</u>	<u>27,801</u>	<u>(10,830)</u>	<u>1,462,268</u>

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12. Retained earnings

	<i>Note</i>	<i>HK\$ '000</i>
At 1st January 2000 as previously reported		318,611
Effect of adopting SSAP 9 (revised)	1(i)	<u>17,542</u>
At 1st January 2000 as restated		336,153
2000 final dividend paid	5	(17,542)
Transfer to PRC statutory reserves		(2,139)
Loss for the year		<u>(124,313)</u>
At 31st December 2000		<u>192,159</u>
Representing:		
Retained earnings		170,231
2000 final dividend proposed	5	<u>21,928</u>
		<u>192,159</u>
At 1st January 2001, as previously reported		170,231
Effect of adopting SSAP 9 (revised)	1(i)	<u>21,928</u>
At 1st January 2001 as restated		192,159
2000 final dividend paid	5	(21,928)
Profit for the period		<u>24,922</u>
At 30th June 2001		<u>195,153</u>
Representing:		
Retained earnings		181,996
2001 interim dividend proposed	5	<u>13,157</u>
		<u>195,153</u>

13. Commitments

Capital commitments

	30.6.2001	31.12.2000
	<i>HK\$ '000</i>	<i>HK\$ '000</i>
Contracted but not provided for	22,022	–
Authorised but not contracted for	22,408	–
	<u>44,430</u>	<u>–</u>

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14. Related party transaction

Related party transaction, which was carried out in the normal course of the Group's business is as follows:

	Six months ended	
	30.6.2001	30.6.2000
	HK\$'000	HK\$'000
Building management fees paid to a related company	<u>165</u>	<u>425</u>

Building management fees were paid to Guangzhou Silver Disk Property Management Limited at approximately HK\$31 per square meter on units of Goldlion Digital Network Center occupied by the Group. Building management fees for the last period were paid at approximately HK\$9 per square meter for vacant units. Mr. Tsang Chi Hung and Mr. Tsang Chi Ming, Ricky, the Executive Directors of the Company, have direct beneficial interest in Guangzhou Silver Disk Property Management Company Limited.

15 Comparative figures

The figures of the profit and loss account for the six months ended 30th June 2000 have been reclassified to conform with the current period presentation with no effect on the operating results.