



NOTES TO CONDENSED INTERIM ACCOUNTS

1. Basis of preparation

These 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.

These condensed interim accounts should be read in conjunction with the 2001 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 2001 except that the Group has adopted the following new/revised Statements of Standard Accounting Practice (“SSAPs”) issued by the Hong Kong Society of Accountants 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 33	:	Discontinuing operations
SSAP 34	:	Employee benefits

The major changes to the Group’s accounting policies and the effect of adopting these new/revised policies is set out below:

(a) SSAP 11 (revised): Foreign currency translation

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

In prior periods, the profit and loss account of foreign enterprises was translated at closing rate. This is a change in accounting policy, however, the translation of the profit and loss account 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.



1. **Basis of preparation** (*Cont'd*)

(b) SSAP 15 (revised): Cash flow statements

The presentation and classification of items in the cash flow statement have been changed due to the adoption of the requirements of SSAP 15 (revised). As a result, cash flow during the period in respect of the operating, investing and financing activities has been reclassified. For the six months ended 30th June 2001, net cash inflow from taxation, interest paid and interest received of approximately HK\$4,309,000 has been reclassified as operating cash flow while cash inflow from dividend received of approximately HK\$10,467,000 has been reclassified as investing cash flow and cash outflow from dividend paid of approximately HK\$16,394,000 has been reclassified as financing cash flow.

2. **Segment information**

The Group is principally engaged in securities trading and investment, container transportation and freight forwarding services, corporate finance and stockbroking, and investment holding, property holding and management.

An analysis of the Group's turnover and contribution to operating profit for the period by business and geographical segments is as follows:

Primary reporting format – business segments

	Turnover Unaudited		Contribution to operating profit Unaudited	
	Six months ended		Six months ended	
	30th June		30th June	
	2002	2001	2002	2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Securities trading and investment	23,705	140,005	(2,751)	11,206
Container transportation and freight forwarding services	22,164	23,887	1,685	3,175
Corporate finance and stockbroking	33,529	18,089	14,162	3,773
Investment holding, property holding and management	438	1,087	(6,187)	854
	<u>79,836</u>	<u>183,068</u>	<u>6,909</u>	<u>19,008</u>
Other revenue – interest income			<u>2,537</u>	<u>4,796</u>
Operating profit			<u>9,446</u>	<u>23,804</u>

There are no sales or other transactions between the business segments.

**2. Segment information (Cont'd)****Secondary reporting format - geographical segments**

The Group operates in two main geographical areas:

- Hong Kong – Securities trading and investment, corporate finance and stockbroking, and investment holding, property holding and management
- Chinese Mainland – Investment holding, container transportation and freight forwarding services

	Turnover		Contribution to operating profit	
	Unaudited		Unaudited	
	Six months ended		Six months ended	
	30th June		30th June	
	2002	2001	2002	2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong	57,259	158,731	5,002	6,986
Chinese Mainland	22,345	24,239	2,507	11,624
Others	232	98	(600)	398
	<u>79,836</u>	<u>183,068</u>	<u>6,909</u>	<u>19,008</u>
Other revenue - interest income			<u>2,537</u>	<u>4,796</u>
Operating profit			<u>9,446</u>	<u>23,804</u>

There are no sales between the geographical segments.



3. Operating profit

Unaudited
Six months ended 30th June

	2002	2001
	HK\$'000	HK\$'000

Operating profit is stated after crediting and charging the following:-

Crediting:

Gain on disposal of a subsidiary	-	10,117
Gain on disposal of a jointly controlled entity	-	9,719
Gain on disposal of investment securities	7,850	1,142
Amortisation of negative goodwill on acquisition of partial interest of a jointly controlled entity	1,479	-
	1,479	-

Charging:

Depreciation	5,372	5,559
Loss on disposal of fixed assets	276	163
Loss on disposal of partial interest in an associated company	19	-
Amortisation of goodwill on acquisition of an associated company and partial interest of a jointly controlled entity	85	-
Amortisation of trading right	82	-
	5,834	5,722

4. Staff costs

Unaudited
Six months ended 30th June

	2002	2001
	HK\$ '000	HK\$'000

Wages and salaries	22,596	22,129
Termination benefits	292	213
Social security costs	89	81
Pension costs – defined contribution plans	587	568
	23,564	22,991

**5. Taxation**

Hong Kong profits tax has been provided for 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:

	Unaudited Six months ended 30th June	
	2002 HK\$'000	2001 HK\$'000
Hong Kong profits tax		
Current	2,518	1,171
Overprovision in prior years	(317)	(3)
Overseas taxation - current	178	69
Share of taxation attributable to:		
Associated companies	1,760	1,224
Jointly controlled entities	3,401	4,686
	<u>7,540</u>	<u>7,147</u>

6. Earnings per share

The calculation of basic and diluted earnings per share are based on the Group's profit attributable to shareholders of approximately HK\$33,005,000 (2001: HK\$45,380,000). The basic earnings per share is based on the weighted average number of 1,131,323,705 (2001: 1,114,612,677) ordinary shares in issue during the period. The diluted earnings per share is based on 1,147,748,155 (2001: 1,131,139,292) ordinary shares which is the weighted average number of ordinary shares in issue during the period plus the weighted average of 16,424,450 (2001: 16,526,615) ordinary shares deemed to be issued at no consideration if all outstanding options had been exercised.



7. Intangible asset

Future exchange
trading right
HK\$'000

1st January 2002	1,556
Amortisation	(82)
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30th June 2002	<u>1,474</u>

8. Fixed assets

HK\$'000

1st January 2002	154,993
Additions	2,729
Disposals	(410)
Depreciation	(5,372)
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30th June 2002	<u>151,940</u>

9. Accounts receivable, prepayments and other receivables

Included in accounts receivable, prepayments and other receivables are trade receivables and their ageing analysis is as follows:

	30th June 2002 HK\$'000	31st December 2001 HK\$'000
0 - 30 days	33,031	16,369
31 - 60 days	6,534	6,950
61 - 90 days	5,463	5,761
Over 90 days	2,127	—
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	<u>47,155</u>	<u>29,080</u>

For securities business, trade receivables are on credit terms of trading day plus two days. For the remaining business of the Group, trade receivables are on credit terms of 30 to 60 days.



10. Accounts payable, accruals and other accounts payable

Included in accounts payable, accruals and other accounts payable are trade payables and their ageing analysis is as follows:

	30th June 2002 HK\$'000	31st December 2001 HK\$'000
0 - 30 days	27,995	37,922
31 - 60 days	251	-
61 - 90 days	2	-
	<u>28,248</u>	<u>37,922</u>

11. Share capital

	Ordinary shares of HK\$0.2 each			
	30th June 2002		31st December 2001	
	No. of shares	HK\$'000	No. of shares	HK\$'000
Authorised:				
At the beginning and the end of the period/year	<u>2,000,000,000</u>	<u>400,000</u>	<u>2,000,000,000</u>	<u>400,000</u>
Issued and fully paid:				
At 1st January 2002/2001	1,131,323,705	226,265	1,113,779,705	222,756
Exercise of share options	-	-	1,520,000	304
Exercise of warrants	-	-	23,384,000	4,677
Repurchase of shares	-	-	(1,080,000)	(216)
At 30th June 2002/2001	<u>1,131,323,705</u>	<u>226,265</u>	1,137,603,705	227,521
Repurchase of shares			(6,280,000)	(1,256)
At 31st December 2001			<u>1,131,323,705</u>	<u>226,265</u>



12. Contingent liabilities

	30th June 2002 HK\$'000	31st December 2001 HK\$'000
Discounted bills	1,078	1,384
The Group's share of contingent liabilities of an associated company:		
Guarantee for loans	<u>12,200</u>	<u>16,960</u>

13. Commitments

(a) Capital commitments

	30th June 2002 HK\$'000	31st December 2001 HK\$'000
Contracted but not provided for	<u>15,557</u>	<u>15,557</u>
The Group's share of capital commitments of a jointly controlled entity and an associated company not included in the above is as follows:		
Contracted but not provided for	<u>846</u>	<u>5,013</u>
Authorised but not contracted for	<u>3,164</u>	<u>–</u>

**13. Commitments (Cont'd)****(b) Commitments under operating leases**

At 30th June 2002, the Group had future aggregate minimum lease payments under non-cancellable operating leases in respect of land and buildings as follows:

	30th June 2002 HK\$'000	31st December 2001 HK\$'000
Not later than one year	1,750	2,302
Later than one year but not later than five years	44	659
	<u>1,794</u>	<u>2,961</u>

OPERATION REVIEW

For the six months ended 30th June 2002, the Group recorded a profit attributable to shareholders of HK\$33 million, representing a 27% decline from the corresponding period last year. The decline in profit is mainly due to the lessening of the gain on disposal of investments. In consideration of the negative economic growth and rising unemployment rate in Hong Kong, and increasing incidents of corporate malfeasance in the US, the management adopted a more conservative strategy in securities trading and investment business. As a result, the Group's turnover reduced to HK\$80 million from HK\$183 million of the same period last year.

The corporate finance and stockbroking business achieved a remarkable growth in both turnover and operating profit. Despite the depressed market conditions, 62 new companies joined the Main Board or GEM in the first half of 2002. The Corporate Finance Division continued to play an active role in assisting small to medium size companies to obtain listing position in Hong Kong. During the period under review, the Division had already completed four sponsorships of IPO.

Notwithstanding the keen competition in Chinese Mainland and the slowdown in global economy, Goodbaby Child Products Company Limited ("Goodbaby") still maintained its leading position in the child products market and recorded a slightly increase in both turnover and profit attributable to shareholders in the period.

Shanghai Zhong Chuang International Container Storage & Transportation Co. Ltd. ("ZCIC") remains profitable in the period. The freight forwarding business keeps on growing in a general pace, however, the price competition in the container transportation market pulled down the overall performance of ZCIC.