

NOTES TO CONDENSED INTERIM ACCOUNTS

1. Basis of preparation and accounting policies

These unaudited consolidated condensed 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”).

These condensed accounts should be read in conjunction with the 2002 annual accounts.

The accounting policies and methods of computation used in the preparation of these condensed accounts are consistent with those used in the annual accounts for the year ended 31st December 2002 except that the Group has changed its accounting policy following its adoption of SSAP 12 “Income Taxes” issued by the HKSA which is effective for accounting periods commencing on or after 1st January 2003.

The effect of adopting this new policy is set out below:

Deferred taxation is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the accounts. Taxation rates enacted or substantively enacted by the balance sheet date are used to determine deferred taxation.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred taxation is provided on temporary differences arising on investments in subsidiaries, associates and joint ventures, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

In prior years, deferred taxation was accounted for at the current taxation rate in respect of timing differences between profit as computed for taxation purposes and profit as stated in the accounts to the extent that a liability or an asset was expected to be payable or recoverable in the foreseeable future. The adoption of new SSAP 12 represents a change in accounting policy, which has been applied retrospectively so that the comparatives presented have been restated to conform to the changed policy.

As detailed in the Condensed Consolidated Statement of Changes in Equity, opening shareholders' funds at 1st January 2002 and 2003 have been reduced by HK\$52,185,000 and HK\$52,179,000 respectively, which represent the unprovided deferred tax liabilities. This change has resulted in an increase in deferred tax liabilities at 31st December 2002 by HK\$21,546,000 and a decrease in investment in associated company at 31st December 2002 by HK\$30,633,000. The profit for the six months ended 30th June 2002 has been increased by HK\$13,000 and amount charged directly to equity for the six months ended 30th June 2002 have been reduced by HK\$51,389,000.

2. Turnover and segment information

The principal activities of the Group are general trading, property investment and real estate agency services.

Primary reporting format – business segments

The Group is principally engaged in three main business segments:

General trading	– trading of feed and grains
Property investment	– rental income from investment properties and sale proceed of properties held for resale
Real estate agency services	– provision of real estate agency services

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

(Unaudited)				
Six months ended 30th June 2003				
HK\$'000				
	General trading	Property investment	Real estate agency services	Group
Turnover	<u>467,170</u>	<u>27,532</u>	<u>436</u>	<u>495,138</u>
Segment results	<u>(3,168)</u>	<u>11,442</u>	<u>(727)</u>	7,547
Interest income				446
Unallocated corporate expenses				<u>(3,843)</u>
Operating profit				4,150
Finance costs				<u>(5,581)</u>
Share of profits of associated companies		953		<u>953</u>
Loss before taxation				<u>(478)</u>
Taxation				<u>(1,589)</u>
Loss after taxation				<u>(2,067)</u>
Minority interests				<u>24</u>
Loss attributable to shareholders				<u><u>(2,043)</u></u>

(As restated)				
(Unaudited)				
Six months ended 30th June 2002				
HK\$'000				
	General trading	Property investment	Real estate agency services	Group
Turnover	<u>347,298</u>	<u>11,171</u>	<u>619</u>	<u>359,088</u>
Segment results	<u>(11,516)</u>	<u>9,524</u>	<u>(1,041)</u>	(3,033)
Interest income				645
Judgement debt with related legal cost				<u>(9,379)</u>
Gain on disposal of investment properties				41,102
Unallocated corporate expenses				<u>(6,851)</u>
Operating profit				22,484
Finance costs				<u>(5,681)</u>
Share of profits of associated companies		1,473		<u>1,473</u>
Profit before taxation				18,276
Taxation				<u>(223)</u>
Profit after taxation				18,053
Minority interests				<u>123</u>
Profit attributable to shareholders				<u><u>18,176</u></u>

Secondary reporting format – geographical segments

The Group operates in three main geographical areas:

- Hong Kong – rental income from investment properties
- Mainland China – trading feed and grains, rental income from investment properties, properties held for resale and provision of real estate agency services
- Philippines – trading of feed and grains

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

	Turnover (Unaudited)		Operating profit (Unaudited)	
	Six months ended 30th June		Six months ended 30th June	
	2003	2002	2003	2002
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong	6,247	7,247	4,851	4,752
Mainland China	424,274	324,815	3,909	(6,992)
Philippines	37,871	24,704	(2,191)	(800)
Others	26,746	2,322	978	7
	<u>495,138</u>	<u>359,088</u>	<u>7,547</u>	<u>(3,033)</u>
Interest income			446	645
Judgement debt with related legal cost			–	(9,379)
Gain on disposal of investment properties			–	41,102
Unallocated corporate expenses			<u>(3,843)</u>	<u>(6,851)</u>
Operating profit			<u>4,150</u>	<u>22,484</u>

3. Operating profit

(Unaudited)	
Six months ended	
30th June	
2003	2002
HK\$'000	HK\$'000

Operating profit is stated
after crediting and charging
the following:

Crediting

Gain on disposal of other fixed assets	107	–
Gain on disposal of investment properties	<u>–</u>	<u>41,102</u>

Charging

Depreciation of fixed assets	1,073	1,040
Judgement debt	<u>–</u>	<u>8,791</u>

4. Taxation

No provision for Hong Kong profits tax has been made in the accounts as the companies within the Group have no estimated assessable profit for the current period (6 months ended 30.6.2002: Nil). 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	
(As restated)	
2003	2002
HK\$'000	HK\$'000

Overseas taxation		
– current	(1,433)	(120)
Deferred taxation		
– origination and reversal of temporary differences (Note 9)	(56)	13
Share of taxation attributable to an associated company	<u>(100)</u>	<u>(116)</u>
	<u>(1,589)</u>	<u>(223)</u>

5. (Loss)/earnings per share

(Loss)/earnings per share is calculated based on the loss attributable to shareholders of the Group for the six months ended 30.6.2003 of HK\$2,043,000 (6 months ended 30.6.2002: profit of HK\$18,176,000) and 261,684,910 shares (6 months ended 30.6.2002: 261,684,910 shares) of the Company in issue during the period.

No diluted (loss)/earnings per share has been presented for both periods because the exercise of the outstanding potential ordinary shares would have no dilutive effect for those periods.

6. Accounts receivable and prepayments

	(Unaudited) 30th June 2003 HK\$'000	(Audited) 31st December 2002 HK\$'000
Trade receivables	6,300	8,862
Bills receivables	79,846	1,716
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Trade and bills receivables	86,146	10,578
Prepayments and deposits	2,261	1,708
Other receivables	7,607	1,505
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	96,014	13,791
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The majority of the Group's sales are on letter of credit or documents against payment. The ageing analysis of trade and bills receivables is as follows:

	(Unaudited) 30th June 2003 HK\$'000	(Audited) 31st December 2002 HK\$'000
Less than 30 days	82,715	8,754
30 – 60 days	202	900
60 – 90 days	100	72
Over 90 days	3,129	852
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	86,146	10,578
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7. Accounts payable and accrued expenses

	(Unaudited) 30th June 2003 HK\$'000	(Audited) 31st December 2002 HK\$'000
Trade payables	10,102	–
Bills payables	117,884	2,293
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Trade and bills payables	127,986	2,293
Other payables	20,368	2,437
Accruals	6,335	9,545
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	154,689	14,275
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The ageing analysis of trade and bills payables is as follows:

	(Unaudited) 30th June 2003 HK\$'000	(Audited) 31st December 2002 HK\$'000
Less than 30 days	127,791	2,293
30 – 60 days	17	0
60 – 90 days	8	0
Over 90 days	170	0
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	127,986	2,293
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8. Bank loans, secured

	(Unaudited) 30th June 2003 HK\$'000	(Audited) 31st December 2002 HK\$'000
Secured bank loans	222,985	253,855
Current portion of secured bank loans	(34,416)	(52,426)
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	188,569	201,429
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At 30th June 2003, the Group's bank loans were repayable as follows:

	(Unaudited) 30th June 2003 HK\$'000	(Audited) 31st December 2002 HK\$'000
Within one year	34,416	52,426
In the second year	80,480	77,329
In the third to fifth year	69,370	74,611
After the fifth year	38,719	49,489
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	222,985	253,855
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9. Deferred tax liabilities

Deferred taxation is calculated in full on temporary differences under the liability method.

The movement on the deferred tax liabilities is as follows:

	(Unaudited) 6 months ended 30.6.2003 HK\$'000	(As restated) Year ended 2002 HK\$'000
At the beginning of the period/year	21,546	21,448
Charged to profit and loss account	<u>56</u>	<u>98</u>
At the end of the period/year	<u><u>21,602</u></u>	<u><u>21,546</u></u>

10. Contingent liabilities

	(Unaudited) 30th June 2003 HK\$'000	(Audited) 31st December 2002 HK\$'000
Bills discounted with recourse	–	12,000
Guarantees for banking facilities utilized by an associated company	<u>21,593</u>	<u>23,272</u>
	<u><u>21,593</u></u>	<u><u>35,272</u></u>

11. Related party transactions

During the period, a minority shareholder of a subsidiary exercised his option to convert an advance with interest of HK\$6,915,010 into share capital of the subsidiary at an exercise price of HK\$1,234.13 per share. After exercising the option, the minority interest's equity in the subsidiary was increased from 4.82% to 14.41%.

The minority shareholder offered to dispose of his 14.41% interest in the subsidiary to the Group at a consideration of HK\$16,861,800 and accepted by the Group with 8 instalments payments.