

NOTES TO CONDENSED INTERIM ACCOUNTS

1. Basis of preparation and accounting policies

These unaudited consolidated condensed accounts are prepared in accordance with Statement of Standard Accounting Practice (“SSAP”) 25, “Interim Financial Reporting”, issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

These condensed accounts should be read in conjunction with the 2003 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 2003.

2. Turnover and segment information

The principal activities of the Group are general trading and property investment.

Primary reporting format – business segments

The Group is principally engaged in two 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

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 2004				
<i>HK\$'000</i>				
	General trading	Property investment	Real estate agency services	Group
Turnover	<u>493,501</u>	<u>44,869</u>	<u>276</u>	<u>538,646</u>
Segment results	<u>10,272</u>	<u>10,848</u>	<u>(910)</u>	20,210
Interest income				357
Unallocated corporate income, net				<u>6,382</u>
Operating profit				26,949
Finance costs				(5,984)
Share of profits of associated companies		1,108		<u>1,108</u>
Profit before taxation				22,073
Taxation				<u>(2,519)</u>
Profit after taxation				19,554
Minority interests				<u>105</u>
Profit attributable to shareholders				<u>19,659</u>

(Unaudited)				
Six months ended 30th June 2003				
<i>HK\$'000</i>				
	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, net				<u>(3,843)</u>
Operating profit				4,150
Finance costs				(5,581)
Share of profits of associated companies		953		<u>953</u>
Loss before taxation				(478)
Taxation				<u>(1,589)</u>
Loss after taxation				(2,067)
Minority interests				<u>24</u>
Loss attributable to shareholders				<u>(2,043)</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) Six months ended 30th June		Operating profit (Unaudited) Six months ended 30th June	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Hong Kong	6,154	6,247	4,796	4,851
Mainland China	505,564	424,274	15,007	3,909
Philippines	–	37,871	–	(2,191)
Others	26,928	26,746	407	978
	<u>538,646</u>	<u>495,138</u>	<u>20,210</u>	<u>7,547</u>
Interest income			357	446
Unallocated corporate income/(expenses), net			<u>6,382</u>	<u>(3,843)</u>
Operating profit			<u>26,949</u>	<u>4,150</u>

3. Other operating income, net

	(Unaudited) Six months ended 30th June	
	2004 HK\$'000	2003 HK\$'000
Write-back of provision upon disposal of long term investment	11,756	–
Loss on disposal of investment properties	(2,336)	–
Other (expenses)/income	<u>(1,159)</u>	<u>888</u>
	<u>8,261</u>	<u>888</u>

4. Operating profit

	(Unaudited)	
	Six months ended	
	30th June	
	2004	2003
	HK\$'000	HK\$'000
Operating profit is stated after crediting and charging the following:		
<i>Crediting</i>		
Write-back of provision upon disposal of long term investment	11,756	–
Gain on disposal of fixed assets	<u>–</u>	<u>107</u>
<i>Charging</i>		
Depreciation of fixed assets	882	1,073
Loss on disposal of investment properties	2,336	–
Loss on disposal of fixed assets	<u>5</u>	<u>–</u>

5. 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 30.6.2003: 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	
	2004	2003
	HK\$'000	HK\$'000
Overseas taxation		
– current	(2,562)	(1,433)
Deferred taxation		
– origination and reversal of temporary differences	120	(56)
Share of taxation attributable to associated companies	<u>(77)</u>	<u>(100)</u>
	<u>(2,519)</u>	<u>(1,589)</u>

6. Earnings/(loss) per share

Earnings/(loss) per share is calculated based on the profit attributable to shareholders of the Group for the six months ended 30.6.2004 of HK\$19,659,000 (6 months ended 30.6.2003: loss of HK\$2,043,000) and 261,684,910 shares (6 months ended 30.6.2003: 261,684,910 shares) of the Company in issue during the period.

No diluted earnings per share has been presented for the current period because there was no outstanding option at the period end. No diluted loss per share has been presented for the same period last year because the exercise of the outstanding options would have no dilutive effect for that period.

7. Dividend

	(Unaudited)	
	Six months ended	
	30th June	
	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interim, proposed, of HK1 cent (2003: Nil) per ordinary share	<u>2,617</u>	<u>–</u>

Note:

The proposed dividend is not reflected as a dividend payable in these condensed accounts, but will be reflected as an appropriation of retained earnings for the year ending 31st December 2004.

8. Accounts receivable and prepayments

	(Unaudited)	(Audited)
	30th June	31st December
	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade receivables	14,165	3,990
Bills receivables	<u>27,516</u>	<u>42,676</u>
Trade and bills receivables	41,681	46,666
Prepayments and deposits	15,987	7,825
Other receivables	<u>621</u>	<u>2,618</u>
	<u>58,289</u>	<u>57,109</u>

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)	(Audited)
	30th June	31st December
	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Less than 30 days	34,449	45,960
30 – 60 days	1,942	–
61 – 90 days	7	54
Over 90 days	<u>5,283</u>	<u>652</u>
	<u>41,681</u>	<u>46,666</u>

9. Accounts payable and accrued expenses

	(Unaudited) 30th June 2004 HK\$'000	(Audited) 31st December 2003 HK\$'000
Trade payables	1,235	–
Bills payables	58,261	70,805
	<u>59,496</u>	<u>70,805</u>
Trade and bills payables	59,496	70,805
Other payables	59,460	45,299
Accruals	23,358	23,130
	<u>142,314</u>	<u>139,234</u>

The ageing analysis of trade and bills payables is as follows:

	(Unaudited) 30th June 2004 HK\$'000	(Audited) 31st December 2003 HK\$'000
Less than 30 days	51,452	54,240
30 – 60 days	7,422	16,565
61 – 90 days	60	–
Over 90 days	562	–
	<u>59,496</u>	<u>70,805</u>

10. Bank loans, secured

	(Unaudited) 30th June 2004 HK\$'000	(Audited) 31st December 2003 HK\$'000
Secured bank loans	200,906	246,674
Current portion	(41,208)	(61,649)
	<u>159,698</u>	<u>185,025</u>

At 30th June 2004, the Group's bank loans were repayable as follows:

	(Unaudited) 30th June 2004 HK\$'000	(Audited) 31st December 2003 HK\$'000
Within one year	41,208	61,649
In the second year	60,620	59,859
In the third to fifth year	67,715	85,304
After the fifth year	31,363	39,862
	<u>200,906</u>	<u>246,674</u>

11. 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 30th June 2004 HK\$'000	(Audited) Year ended 31st December 2003 HK\$'000
At the beginning of the period/year	38,130	21,546
(Credited)/charged to profit and loss account	(120)	353
(Credited)/charged to equity	(1,224)	16,231
At the end of the period/year	<u>36,786</u>	<u>38,130</u>

12. Contingent liabilities

	(Unaudited) 30th June 2004 HK\$'000	(Audited) 31st December 2003 HK\$'000
Bills discounted with recourse	–	67,780
Guarantees for banking facilities utilized by an associated company	19,898	19,813
	<u>19,898</u>	<u>87,593</u>