

## NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30 June 2001

### 1. Principal accounting policies and basis of preparation

The condensed financial statements have been prepared in accordance with Statement of Standard Accounting Practice 25, "Interim Financial Reporting," issued by the Hong Kong Society of Accountants ("SSAP 25"), except that comparative figures have not been presented for the first cash flow statement included in the interim financial statements relating to accounting periods ending on or after 1 July 2000. Such departure from SSAP 25 is permitted under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The accounting policies adopted in the preparation of these condensed financial statements are consistent with those followed in the Group's annual financial statements for the year ended 31 December 2000.

### 2. Segmental information

The Group's turnover and segmental result for the six months ended 30 June 2001, analyzed by principal activity, were as follows:

	Turnover		Contribution to (loss) profit before taxation	
	Six months ended 30 June		Six months ended 30 June	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
By principal activity:				
Processing of raw fabric and sale of finished fabric	6,164	48,603	(10,438)	2,237
Trading of fabric	–	15,799	–	(435)
Manufacture and sale of snack food	10,354	–	(2,224)	–
	<u>16,518</u>	<u>64,402</u>	<u>(12,662)</u>	<u>1,802</u>
Add: Interest income - net			176	335
(Loss) profit before taxation			<u>(12,486)</u>	<u>2,137</u>

All of the activities of the Group are based in the mainland People's Republic of China (the "PRC") and more than 90% of the Group's turnover and operating results are derived from the PRC.

### 3. Other operating expenses

	Six months ended 30 June	
	2001	2000
	HK\$'000	HK\$'000
Other operating expenses comprise the followings:		
Provision for doubtful debts	4,975	—
Loss on disposal of property, plant and equipment	874	—
	<hr/>	<hr/>
	5,849	—
	<hr/> <hr/>	<hr/> <hr/>

### 4. Depreciation and amortisation

During the period, depreciation and amortisation of HK\$5,985,000 (2000: HK\$3,014,000) were charged in respect of the Group's property, plant and equipment and amortisation of HK\$202,000 (2000: Nil) was charged in respect of the Group's intangible assets.

### 5. Taxation

No provision for Hong Kong profits tax has been made as the Group had no assessable profits arising in Hong Kong during the six months ended 30 June 2001 and the corresponding period last year.

Pursuant to the relevant laws and regulations in the PRC, the Company's PRC subsidiaries are entitled to exemption from PRC enterprise income tax for two years commencing from their first profit-making year of operation, followed by a 50 per cent reduction in PRC enterprise income tax for the next three years. No provision for the PRC enterprise income tax has been made in the financial statements as the Company's PRC subsidiaries had no assessable profits for the current period. The charge for the six months ended 30 June 2000, which amounted to HK\$100,000, represented provision for PRC enterprise income tax at the reduced rate of 12% on a PRC subsidiary's estimated assessable profit for that period.

The Group had no significant unprovided deferred taxation for the period or at the balance sheet date.

### 6. Dividend

The Directors have resolved not to declare an interim dividend for the six months ended 30 June 2001 (2000: Nil).

### 7. (Loss) earnings per share

The calculation of the (loss) earnings per share is based on the loss attributable to shareholders of HK\$12,052,000 (2000: profit of HK\$2,037,000) and on 200,000,000 (2000: 200,000,000) shares in issue during the period.

## 8. Trade and other receivables

The Group allows an average credit period of 45 days to its trade customers.

The following is an aged analysis of trade receivables at the balance sheet date:

	<b>30 June 2001</b> <i>HK\$'000</i>	31 December 2000 <i>HK\$'000</i>
Trade receivables		
0 to 30 days	<b>4,965</b>	2,076
31 to 60 days	<b>611</b>	3,133
Over 60 days	<b>773</b>	1,443
	<hr/> <b>6,349</b>	<hr/> 6,652
Other receivables	<b>5,997</b>	2,002
	<hr/> <b>12,346</b> <hr/>	<hr/> 8,654 <hr/>

## 9. Trade and other payables

The following is an aged analysis of trade payables at the balance sheet date:

	<b>30 June 2001</b> <i>HK\$'000</i>	31 December 2000 <i>HK\$'000</i>
Trade payables		
0 to 30 days	<b>791</b>	691
31 to 60 days	<b>538</b>	622
Over 60 days	<b>3,166</b>	211
	<hr/> <b>4,495</b>	<hr/> 1,524
Other payables	<b>8,320</b>	9,952
	<hr/> <b>12,815</b> <hr/>	<hr/> 11,476 <hr/>

## 10. Bank borrowings

	<b>30 June 2001</b> <b>HK\$'000</b>	31 December 2000 HK\$'000
Bank borrowings comprise:		
Trust receipt loans	<b>2,985</b>	2,957
Bank loans	<b>11,081</b>	8,000
Bank overdrafts	<b>20</b>	–
	<b>14,086</b>	10,957
	<b>14,086</b>	8,957
The borrowings are repayable as follows:		
Within one year	<b>14,086</b>	8,957
Between one to two years	–	2,000
	<b>14,086</b>	10,957

A bank loan of Renminbi 3 million, equivalent to approximately HK\$2.8 million, was secured by the Group's land and buildings in the PRC with a total net book value of approximately HK\$7.2 million at the balance sheet date.

## 11. Share capital

There were no movements in the share capital of the Company in either the current or the prior interim reporting period.

## 12. Reserves

	<b>Share premium</b> <i>HK\$'000</i>	<b>Special reserve</b> <i>HK\$'000</i>	<b>Accumulated profits</b> <i>HK\$'000</i>	<b>Total</b> <i>HK\$'000</i>
At 1 January 2001	37,164	(14,980)	68,889	91,073
Loss attributable to shareholders	–	–	(12,052)	(12,052)
At 30 June 2001	<b>37,164</b>	<b>(14,980)</b>	<b>56,837</b>	<b>79,021</b>

**13. Related party transactions**

There were no related party transactions during the period. During the six months ended 30 June 2000, the Group paid an agency fee of HK\$15,000 to a company in which Mr. Tsoi Hon Chung, a director of the Company, has beneficial interest.

**14. Comparative figures**

Certain comparative figures have been reclassified to conform with the current period's presentation.

By Order of the Board

**Tsoi Hon Chung**

*Chairman*

Hong Kong, 15 August 2001