

Interim Report 2001



GEMZBOH HOLDINGS LIMITED

金犀寶控股有限公司

(Incorporated in Bermuda with limited liability)



The Board of directors (the "Board") of Gemzboh Holdings Limited (the "Company") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively the "Group") for the six months ended 30 June 2001. The results have been reviewed by the Company's audit committee.

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

	Notes	Six months ended 30 June	
		2001 (Unaudited) HK\$'000	2000 (Unaudited) HK\$'000
TURNOVER	2	71,242	68,379
Cost of sales		(59,403)	(52,236)
Gross profit		11,839	16,143
Other revenue		1,062	802
Selling and distribution expenses		(6,126)	(5,725)
Administrative expenses		(4,512)	(4,721)
Other operating expenses		(400)	(1,800)
PROFIT FROM OPERATING ACTIVITIES	3	1,863	4,699
Finance costs	4	(1,031)	(1,165)
PROFIT BEFORE TAX		832	3,534
Tax	5	-	(780)
NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS	2	<u>832</u>	<u>2,754</u>
DIVIDEND	6	<u>Nil</u>	<u>Nil</u>
EARNINGS PER SHARE	7		
- Basic		<u>HK0.03 cent</u>	<u>HK0.11 cent</u>
- Diluted		<u>N/A</u>	<u>HK0.11 cent</u>

Other than the net profit from ordinary activities attributable to shareholders for the period, the Group had no recognised gains or losses. Accordingly, a consolidated statement of recognised gains and losses is not presented in the financial statements.

**CONDENSED CONSOLIDATED BALANCE SHEET**

		30 June 2001 (Unaudited) HK\$'000	31 December 2000 (Audited) HK\$'000
	<i>Notes</i>		
NON-CURRENT ASSETS			
Fixed assets		28,501	29,957
Investment property		4,000	4,000
		<u>32,501</u>	<u>33,957</u>
CURRENT ASSETS			
Prepayments, deposits and other receivables		13,706	15,284
Inventories		55,731	49,509
Trade receivables	8	45,910	44,493
Cash and cash equivalents		48,760	31,725
		<u>164,107</u>	<u>141,011</u>
CURRENT LIABILITIES			
Interest-bearing bank and other borrowings		31,457	29,271
Trade payables	9	1,530	803
Other payables and accruals		4,498	5,839
Tax payables		6,665	6,692
		<u>44,150</u>	<u>42,605</u>
NET CURRENT ASSETS		<u>119,957</u>	<u>98,406</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		152,458	132,363
NON-CURRENT LIABILITY			
Finance lease payable		-	137
		<u>152,458</u>	<u>132,226</u>
CAPITAL AND RESERVES			
Issued capital	10	30,015	25,015
Reserves	11	122,443	107,211
		<u>152,458</u>	<u>132,226</u>

**CONDENSED CONSOLIDATED CASH FLOW STATEMENT**

	Six months ended 30 June 2001 (Unaudited) HK\$'000
NET CASH OUTFLOW FROM OPERATING ACTIVITIES	(4,177)
Net cash inflow from returns on investments and servicing of finance	31
Tax paid	(27)
Net cash outflow from investing activities	<u>(241)</u>
NET CASH OUTFLOW BEFORE FINANCING ACTIVITIES	(4,414)
Net cash inflow from financing activities	<u>21,449</u>
INCREASE IN CASH AND CASH EQUIVALENTS	17,035
Cash and cash equivalents at beginning of period	<u>31,725</u>
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u><u>48,760</u></u>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS	
Cash and cash equivalents	<u><u>48,760</u></u>



NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2001

1. Basis of Presentation and Accounting Policies

The condensed consolidated interim financial statements of the Group have been prepared in accordance with Hong Kong Statement of Standard Accounting Practice 2.125 "Interim Financial Reporting", except that the comparative figures of the condensed consolidated cash flow statement have not been presented as the Company has taken advantage of the transitional provisions set out in Appendix 16 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The basis of presentation and accounting policies adopted in these condensed consolidated interim financial statements are consistent with those used by the Group in presenting the annual financial statements for the year ended 31 December 2000.

2. Segmental Information

The Group's turnover and net profit from ordinary activities attributable to shareholders were all derived from the manufacture and sale of apparel to the People's Republic of China (the "PRC").

3. Profit from Operating Activities

Profit from operating activities for the period is arrived at after charging depreciation of approximately HK\$1,697,000 (2000: HK\$1,792,000) in respect of the Group's fixed assets.

4. Finance Costs

	Six months ended 30 June	
	2001	2000
	HK\$'000	HK\$'000
Interest on bank loans and overdrafts, wholly repayable within five years	1,001	1,132
Interest on finance lease	30	33
	<u>1,031</u>	<u>1,165</u>

**5. Tax**

	Six months ended 30 June	
	2001	2000
	HK\$'000	HK\$'000
Current period provision:		
Hong Kong	-	50
Elsewhere	-	730
	<hr/>	<hr/>
Tax charge for the period	-	780
	<hr/> <hr/>	<hr/> <hr/>

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the period (2000: 16%). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

No provision for deferred tax has been made as the Group did not have any significant unprovided deferred tax liabilities in respect of the period (2000: Nil).

6. Dividend

The Board does not recommend the payment of any interim dividend in respect of the six months ended 30 June 2001 (2000: Nil).

7. Earnings per Share

The calculation of basic earnings per share for the six months ended 30 June 2001 is based on the net profit from ordinary activities attributable to shareholders for the period of approximately HK\$832,000 (2000: HK\$2,754,000) and the weighted average of 2,526,361,878 (2000: 2,500,321,428) ordinary shares in issue during the period.

No diluted earnings per share is presented as the Company does not have any dilutive potential ordinary shares for the six months ended 31 June 2001.

The calculation of diluted earnings per share for the six months ended 30 June 2000 was based on the net profit from ordinary activities attributable to shareholders of approximately HK\$2,754,000 and on 2,504,733,806 ordinary shares, being the weighted average number of ordinary shares outstanding during that period adjusted for the dilutive effects of potential ordinary shares outstanding during that period.

**8. Trade Receivables**

The ageing analysis of trade receivables is as follows:

	30 June 2001 HK\$'000	31 December 2000 HK\$'000
1-3 months	38,032	36,983
4-6 months	5,856	6,083
7-12 months	2,022	1,427
	<u>45,910</u>	<u>44,493</u>

The Group normally allows credit terms to established customers ranging from 90 to 120 days.

9. Trade Payables

All trade payables as at 30 June 2001 and 31 December 2000 were aged less than 90 days from the date of receipt of the goods purchased.

10. Share Capital

	30 June 2001 HK\$'000	31 December 2000 HK\$'000
<i>Authorised:</i>		
10,000,000,000 ordinary shares of HK\$0.01 each	<u>100,000</u>	<u>100,000</u>
<i>Issued and fully paid:</i>		
3,001,500,000 (31 December 2000: 2,501,500,000) ordinary shares of HK\$0.01 each	<u>30,015</u>	<u>25,015</u>
	Number of shares issued '000	Par value HK\$'000
Share capital as at 1 January 2001	2,501,500	25,015
Issue of new ordinary shares	<u>500,000</u>	<u>5,000</u>
Share capital as at 30 June 2001	<u>3,001,500</u>	<u>30,015</u>

**11. Reserves**

	Share premium HK\$'000	Contributed surplus HK\$'000	Fixed asset revaluation reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1 January 2001	41,771	18,261	7,085	40,094	107,211
Issue of new ordinary shares	15,000	-	-	-	15,000
Share issue expenses	(600)	-	-	-	(600)
Net profit for the period	-	-	-	832	832
At 30 June 2001	<u>56,171</u>	<u>18,261</u>	<u>7,085</u>	<u>40,926</u>	<u>122,443</u>

12. Commitments

At 30 June 2001, the Group had the following outstanding commitments:

	30 June 2001 HK\$'000	31 December 2000 HK\$'000
(a) Contracted capital commitments in respect of purchases of fixed assets	<u>-</u>	<u>940</u>
(b) Future aggregate lease payments under non-cancellable operating leases in respect of leasehold land and buildings expiring:		
Within one year	<u>2,463</u>	<u>3,094</u>
In the second to fifth years, inclusive	<u>1,930</u>	<u>3,034</u>
	<u>4,393</u>	<u>6,128</u>



MANAGEMENT DISCUSSION AND ANALYSIS

Financial Performance

During the six months ended 30 June 2001 (the "Period"), the Group continued to engage in the manufacture and sale of apparel with its turnover and net profit attributable to shareholders all derived in the PRC. The Group's turnover was approximately HK\$71.2 million for the Period, representing an increase of approximately 4.2% as compared with the same period of last year. During the Period, the Group had reduced the selling price of its products to maintain its competitiveness and market share in the casual wear retail market in the PRC. Accordingly, the Group's gross profit margin had decreased to approximately 16.6% from 23.6% in the same period of last year. During the Period, the Group had recorded a net profit attributable to shareholders of approximately HK\$832,000 as compared with approximately HK\$2,754,000 in the same period of last year.

Liquidity and Financial Resources

On 22 June 2001, the Company placed 500,000,000 new ordinary shares in the share capital of the Company at HK\$0.04 per share. Net proceeds from the placement of new ordinary shares amounted to approximately HK\$19,400,000, which have been retained by the Company as general working capital of the Group. The placement has broadened the capital base of the Company and provided additional funds to the Group.

At 30 June 2001, the Group had interest-bearing bank borrowings of approximately HK\$31.5 million (31 December 2000: HK\$29.1 million), of which approximately HK\$29.1 million was fixed-interest bearing and denominated in Renminbi, and the remainder was floating-interest bearing and denominated in Hong Kong dollars. All of the Group's bank borrowings as at 30 June 2001 had maturity within one year. The directors expect that the bank borrowings denominated in Renminbi, which were obtained in the PRC, will be either renewed or rolled over upon maturity and continue to provide funding to the Group. At 30 June 2001, the Group's banking facilities were secured by (i) fixed charges on the Group's leasehold land and buildings in Hong Kong and the PRC; (ii) fixed charges on the Group's investment property; (iii) personal guarantees given by a director of the Company and a director of a subsidiary of the Company, and certain properties situated in the PRC jointly held by certain directors of the Company and certain independent third parties; and (iv) corporate guarantees given by the Company, certain subsidiaries of the Company and an independent third party.



MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Liquidity and Financial Resources (Continued)

At 30 June 2001, the Group had current assets of approximately HK\$164.1 million (31 December 2000: HK\$141.0 million). The Group's current ratio increased to approximately 3.7 as at 30 June 2001 from approximately 3.3 as at 31 December 2000. At 30 June 2001, the Group had total assets of approximately HK\$196.6 million (31 December 2000: HK\$175.0 million) and total liabilities of approximately HK\$44.2 million (31 December 2000: HK\$42.7 million), representing a gearing ratio of approximately 22.5% as at 30 June 2001 as compared with approximately 24.4% as at 31 December 2000. The changes in the current ratio and the gearing ratio were mainly attributable to the increased cash position as a result of the placement completed during the Period.

At 30 June 2001, over 90% of the Group's bank borrowings was denominated in Renminbi. Together with a significant portion of the Group's purchases and sales are denominated in Renminbi, the directors consider that the Group has no significant exposure to foreign exchange fluctuations. During the Period, the Group did not use any financial instrument for hedging purposes and the Group did not have any hedging instrument outstanding as at 30 June 2001.

Prospects

The directors believes that the expected accession of the Mainland China's to the World Trade Organisation soon would intensify competition in the casual wear retail market in the PRC among the domestically developed and foreign based brand names. However, it is also expected that the consumption would be pushed up due to additional choices and more attractive prices offered by domestically developed and foreign apparel products. To compete with foreign based competitors, the Group is committed to continue improving the design and quality of its products. The Group has developed strategy to expand its sales network through setting up franchised retail shops on the second-tier cities in the PRC. The directors considers that the Group's products are capable to meet the consumers' needs and match new competition.



MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Number and Remuneration of Employees

At 30 June 2001, the Group employed approximately 630 employees in Hong Kong and the PRC. The employees are remunerated with basic salary, bonuses and other benefits in kind with reference to industry practice and their individual performance. The Group also operates a share option scheme of which the Board may, at its discretion, grant options to employees of the Group. No options have been granted or exercised during the Period.

DIRECTOR'S INTEREST IN SHARES

At 30 June 2001, the interest of a director in the issued share capital of the Company or its associated corporation, as recorded in the register maintained by the Company pursuant to Section 29 of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance"), was set out below:

a) Interest in the Company

Name of director	Corporate interest
Mr. Tsoi Kwing Ming	1,800,000,000

Note: These shares are owned by Regal China Development Limited, a company incorporated in the British Virgin Islands. The entire issued share capital of Regal China Development Limited is owned by Mr. Tsoi Kwing Ming.

b) Interest in an associated corporation

As mentioned above, Mr Tsoi Kwing Ming beneficially owns all 150,000 ordinary shares of Regal China Development Limited, the Company's ultimate holding company.

Save as disclosed above, none of the directors, chief executives or their associates had any interest in the issued share capital of the Company or any of its associated corporations, as defined in the SDI Ordinance.



DIRECTORS' RIGHTS TO ACQUIRE SHARES

Pursuant to the Company's share option scheme, the following options were granted to the following directors, at a cash consideration of HK\$1 per grantee, to subscribe for ordinary shares of the Company at a subscription price of HK\$0.133 per share. Such options have the following exercise periods and remained outstanding at the date of this interim report.

Directors	Number of options	Exercise period
Mr. Tsoi Kwing Ming	14,000,000	2 March 2000 to 2 February 2003
Mr. Leung Kam Pui	10,000,000	2 March 2000 to 2 February 2003
Mr. Li Chak Hung	10,000,000	2 March 2000 to 2 February 2003

During the Period, Mr. Li Chak Hung resigned as a director of the Company.

No share options were exercised by the directors during the period under review.

Save as disclosed above, at no time during the period was the Company, its holding company or any of its subsidiaries a party to any arrangement to enable the directors, their respective spouses or children under 18 years of age to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDER

At 30 June 2001, the following interest of 10% or more of the issued share capital of the Company was recorded in the register of interests in shares required to be kept by the Company pursuant to Section 16(1) of the SDI Ordinance:

Name	Number of shares held	Percentage of holding
Regal China Development Limited	1,800,000,000	59.97%

Save as disclosed above, no persons, other than a director, whose interest is set out above, had registered an interest in the issued share capital of the Company that was required to be recorded under Section 16(1) of the SDI Ordinance.



PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the Period, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

AUDIT COMMITTEE

The interim report of the Group for the six months ended 30 June 2001 has not been audited, but has been reviewed by the Company's audit committee.

CODE OF BEST PRACTICE

In the opinion of the directors, the Company has complied with the Code of Best Practice as set out in Appendix 14 of the Listing Rules throughout the accounting period covered by this interim report, except that the independent non-executive directors of the Company are not appointed for specific terms.

On behalf of the Board
Tsoi Kwing Ming
Chairman

Hong Kong, 21 September 2001