

NOTES TO FINANCIAL STATEMENTS

For the six months ended 30 September 2001

1. Accounting policies

The unaudited condensed consolidated interim financial statements of the Group are prepared in accordance with Hong Kong Statement of Standard Accounting Practice (“SSAP”) No. 25 “Interim Financial Reporting” issued by the Hong Kong Society of Accountants. The accounting policies adopted in the preparation of these interim financial statements are the same as those used in the preparation of the annual audited financial statements of the Group for the year ended 31 March 2001 except that the Group has adopted the following new SSAPs which became effective for the current accounting period.

SSAP 30 “Business combinations”

Previously, goodwill arising on consolidation of subsidiaries and on acquisition of jointly-controlled entities is eliminated against reserves in the year of acquisition. In accordance with SSAP 30 which is effective for accounting period beginning on or after 1 January 2001, goodwill arising from acquisitions is capitalised and is amortised to the profit and loss account on a straight-line basis over its estimated useful life not exceeding 20 years. Any impairment of the goodwill will be recognised as an expense in the profit and loss account immediately.

The Group has taken advantage of the transitional provisions of SSAP 30 by not restating goodwill previously eliminated against reserves. The directors consider that goodwill previously charged against reserves had been fully impaired prior to 1 April 2000. As a result, impairment losses totalling HK\$15,711,000 was quantified and recognised in period prior to 1 April 2000. Accordingly, goodwill reserve as at 1 April 2000 was restated and credited by HK\$15,711,000 with accumulated losses restated and debited by the same amount as set out in Note 9 to these interim financial statements.

SSAP 31 “Impairment of assets”

SSAP 31 prescribes the procedures to be applied to ensure that assets are carried at not more than their recoverable amounts. The recoverable amount of an asset is defined to be the higher of its net selling price and its value in use. The Group determines the value in use of its assets, as the present value of estimated future cash flows together with estimated disposal proceeds at the end of its useful life. The Group is required to assess at each balance sheet date whether there are any indications that assets may be impaired, and if there are such indication, the recoverable amounts of the assets are to be determined. Any resulting impairment losses identified are charged to the profit and loss account.

2. Segmental Information

An analysis of the Group’s turnover by principal activity and geographical area of operations for the period ended 30 September 2001 is as follows:

	(Unaudited)		(Unaudited)	
	Turnover		Contribution to (loss)/profit	
	For the six months		from operating activities	
	ended 30 September		For the six months	
	2001	2000	2001	2000
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
By principal activity:				
Manufacture and sale of:				
PVC sheets	109,041	154,100	(1,625)	4,782
PVC floor coverings	20,205	26,522	(3,532)	649
	<u>129,246</u>	<u>180,622</u>	<u>(5,157)</u>	<u>5,431</u>
By geographical area:				
People’s Republic of				
China:				
Hong Kong, SAR	109,041	121,046	(1,625)	4,782
Elsewhere	20,205	59,576	(3,532)	649
	<u>129,246</u>	<u>180,622</u>	<u>(5,157)</u>	<u>5,431</u>

3. (Loss)/Profit from Operating Activities

The Group's (loss)/profit from operating activities is arrived at after charging:

	(Unaudited)	
	For the six months ended 30 September	
	2001	2000
	<i>HK\$'000</i>	<i>HK\$'000</i>
Depreciation	10,265	13,584
Loss on disposal of investment properties	268	1,349
	<u>10,533</u>	<u>14,933</u>

4. Finance Costs

	(Unaudited)	
	For the six months ended 30 September	
	2001	2000
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest on bank loans, overdraft and other loans wholly repayable within five years	13,768	12,495
Interest on finance leases	194	1,730
	<u>13,962</u>	<u>14,225</u>

5. Tax

	(Unaudited)	
	For the six months ended 30 September	
	2001	2000
	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong	—	—
Overseas	30	584
	<u>30</u>	<u>584</u>

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. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the relevant jurisdictions in which the Group operates. Deferred tax has not been provided as the effect of the timing differences is insignificant.

6. Loss per share

The calculation of basic loss per share is based on the unaudited net loss attributable to shareholders for the period of HK\$19,353,000 (2000: loss of HK\$9,378,000) and 1,425,600,000 (2000: weighted average of 1,421,350,820) ordinary shares in issue during the period.

Diluted loss per share for each of the six months ended 30 September 2001 and 2000 has not been calculated as the share options outstanding during those periods had an anti-dilutive effect on the basic loss per share.

7. Accounts and bills receivable

The aged analysis of the accounts and bills receivable was as follows:

	(Unaudited)	(Audited)
	As at 30	As at 31
	September	March
	2001	2001
	<i>HK\$ '000</i>	<i>HK\$ '000</i>
Within 30 days	17,492	23,437
Between 31 to 60 days	12,908	15,099
Between 61 to 90 days	6,654	4,463
Over 90 days	82,522	83,103
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	119,576	126,102
Less: Provision for doubtful debts	(87,255)	(83,463)
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	32,321	42,639
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8. Accounts and bills payable

The aged analysis of the accounts and bills payable was as follows:

	(Unaudited)	(Audited)
	As at 30	As at 31
	September	March
	2001	2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within 30 days	11,908	12,403
Between 31 to 60 days	5,288	7,367
Between 61 to 90 days	2,540	3,340
Over 90 days	9,675	9,870
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	29,411	32,980
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9. Reserves

	Share premium account <i>HK\$'000</i>	Contri- buted surplus <i>HK\$'000</i>	Goodwill reserve <i>HK\$'000</i>	Capital reserve <i>HK\$'000</i>	Asset revalu- ation reserve <i>HK\$'000</i>	General reserve <i>HK\$'000</i>	Exchange fluctu- ation reserve <i>HK\$'000</i>	Accu- mulated losses <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 April 2001									
As previously reported	131,062	52,743	(15,711)	4,581	4,184	186	(16,854)	(281,560)	(121,369)
Prior year adjustment on impairment losses in respect of goodwill previously eliminated against reserves	—	—	15,711	—	—	—	—	(15,711)	—
As restated	131,062	52,743	—	4,581	4,184	186	(16,854)	(297,271)	(121,369)
Net loss for the period ended 30 September 2001	—	—	—	—	—	—	322	(19,353)	(19,031)
At 30 September 2001	<u>131,062</u>	<u>52,743</u>	<u>—</u>	<u>4,581</u>	<u>4,184</u>	<u>186</u>	<u>(16,532)</u>	<u>(316,624)</u>	<u>(140,400)</u>

10. Post balance sheet events

Subsequent to the balance sheet date, the following events took place:

- The Group disposed of two of its investment properties for a total consideration of HK\$4,150,800; and
- The Group disposed of one of its properties under fixed assets for a consideration of HK\$1,450,000.

11. Comparative figures

Certain comparative figures in the condensed interim consolidated financial statements of the Company have been reclassified to conform with the presentation of the current period.