

## NOTES ON THE UNAUDITED INTERIM FINANCIAL STATEMENTS

### 1. Basis of preparation

The condensed consolidated interim financial statements have not been audited by the Company's Auditors but have been reviewed by the Company's Audit Committee.

The condensed consolidated interim financial statements have been prepared under the historic cost convention, as modified for the revaluation of certain properties.

The condensed consolidated interim financial statements have been prepared in accordance with Hong Kong Statement of Standard Accounting Practice No. 25 "Interim Financial Reporting" and Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Stock Exchange").

The accounting policies and basis of preparation used in the preparation of the unaudited consolidated interim financial statements are the same as those used in the Group's annual audited financial statements for the year ended 31 March 2001.

### 2. Turnover

Turnover represents the net invoiced value of goods sold, after allowances for returns and trade discounts during the period.

### 3. Segmental information

	Turnover		Contribution to profit from operating activities	
	For the six months ended 30 September			
	2001 (Unaudited) HK\$'000	2000 (Unaudited) HK\$'000	2001 (Unaudited) HK\$'000	2000 (Unaudited) HK\$'000
By activity:				
Trading of tanned leather	(565)	4,709	(516)	(131)
Trading of fur pelts	9,828	12,290	933	1,930
Manufacture and sale of leather garments	19,326	23,130	(2,709)	(3,154)
Manufacture and sale of fur garments	8,767	13,736	2,932	300
Manufacture and sale of fabric garments	5,914	7,173	783	2,944
Others	163	201	48	122
	<u>43,433</u>	<u>61,239</u>	<u>1,471</u>	<u>2,011</u>

### 3. Segmental information (continued)

	<b>Turnover</b>	
	<b>For the six months</b>	
	<b>ended 30 September</b>	
	<b>2001</b>	2000
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	HK\$'000
By geographical area:		
The People's Republic of China:		
Hong Kong	<b>10,350</b>	11,832
Elsewhere	<b>4,071</b>	12,396
Japan	<b>10,052</b>	817
Germany	<b>7,522</b>	5,995
Spain	<b>6,672</b>	8,218
United States of America	<b>2,387</b>	17,588
Other countries	<b>2,379</b>	4,393
	<b><u>43,433</u></b>	<b><u>61,239</u></b>

The contribution to trading results by geographical area is substantially in line with the overall rate of contribution to turnover and, accordingly, a geographical analysis of contribution is not presented.

### 4. Profit from operating activities

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

	<b>For the six months</b>	
	<b>ended 30 September</b>	
	<b>2001</b>	2000
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	HK\$'000
Cost of inventories sold (including inventory provision)	<b>28,568</b>	44,548
Depreciation	<b>856</b>	924
Auditors' remuneration	<b>354</b>	329
Operating lease rentals in respect of land and buildings	<b>175</b>	194
Foreign exchange gains, net	<b>(108)</b>	(363)
Staff costs (including directors' remuneration)	<b>6,220</b>	6,501
Bank interest income	<b>(654)</b>	(1,284)
	<b><u>(654)</u></b>	<b><u>(1,284)</u></b>

## 5. Finance costs

	For the six months ended 30 September	
	2001	2000
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Interest expense on bank borrowings	<u>1,149</u>	<u>2,099</u>

## 6. Tax

	For the six months ended 30 September	
	2001	2000
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Provision for the period:		
Hong Kong	—	—
Elsewhere	<u>—</u>	<u>35</u>
Tax charge for the period	<u>—</u>	<u>35</u>

No provision for Hong Kong tax has been made for the period as the Group has adequate assessable tax losses brought forward from previous year. No provision for elsewhere tax has been made for the period as the Group estimates that there will be no assessable profits tax for the whole year as calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, practices and interpretations in respect thereof.

## 7. Profit/(Loss) per share

The calculation of basic profit/(loss) per share is based on the net profit/(loss) from ordinary activities attributable to shareholders for the year of HK\$322,000 (2000: (HK\$123,000)) and the weighted average of 317,035,700 (2000: 317,035,700) ordinary shares in issue during the period.

Diluted loss per share for the period ended 30 September 2001 and 2000 has not been shown because no diluting events existed during the period.

## 8. Long term investments

	<b>30 September 2001 (Unaudited) HK\$'000</b>	31 March 2001 (Audited) HK\$'000
Unlisted equity investments, at cost	<u>5,117</u>	<u>5,117</u>

## 9. Trade and bills receivables

The aged analysis of trade and bills receivables is as follows:

	<b>30 September 2001 (Unaudited) HK\$'000</b>	31 March 2001 (Audited) HK\$'000
Trade receivable:		
Within 3 months	4,485	21,313
4 to 6 months	4,540	3,699
7 to 12 months	11,387	8,153
Over 1 year	<u>4,115</u>	<u>3,523</u>
	24,527	36,658
Less: Provisiond for bad and doubtful debts	<u>(5,302)</u>	<u>(4,756)</u>
	19,225	31,902
Bills receivable	<u>5,788</u>	—
	<u>25,013</u>	<u>31,902</u>

Trading terms with customers are largely on credit and invoices are normally payable within one to three months from the date of issue. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are regularly reviewed by senior management.

## 10. Trade and bills payables

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

	<b>30 September</b>	31 March
	<b>2001</b>	2000
	<b>(Unaudited)</b>	(Audited)
	<b>HK\$'000</b>	<b>HK\$'000</b>
Trade payables:		
Within 3 months	<b>4,166</b>	656
4 to 6 months	<b>347</b>	406
7 to 12 months	<b>153</b>	2,583
Over 1 year	<b>426</b>	31
	<u><b>5,092</b></u>	<u>3,676</u>
Bills payable	–	673
	<u><b>5,092</b></u>	<u>4,349</u>

## 11. Share capital

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

## 12. Share options

No share options were granted during the current period or the prior period and there were no share options outstanding at the balance sheet date.

## 13. Reserve

	<b>Share premium account</b>	<b>Fixed asset revaluation reserve</b>	<b>Reserve fund</b>	<b>Exchange fluctuation reserve</b>	<b>Retained profits</b>	<b>Total</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
At 31 March 2001 and						
1 April 2001	49,586	13,888	173	(633)	20,300	83,314
Profit for the period	–	–	–	–	322	322
	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>322</u>	<u>322</u>
At 30 September 2001	<u>49,586</u>	<u>13,888</u>	<u>173</u>	<u>(633)</u>	<u>20,622</u>	<u>83,636</u>

#### 14. Pledge of assets

At the balance sheet date, the bank facilities of the Group were secured by the Group's bank deposits and leasehold land and buildings with carrying values of HK\$26,532,000 (at 31 March 2001: K\$41,619,000) and HK\$7,120,000 (at 31 March 2001: 7,120,000), respectively; guarantees given by the Company and personal properties held by Mr. Char On Man.

#### 15. Contingent liabilities

At the balance sheet date, the contingent liabilities of the Group and Company not provided for in the financial statements were as follows:

- (a) At the balance sheet date, certain of the Group's employees had completed the required number of year of service under the Hong Kong Employment Ordinance (the "Ordinance") to be eligible for long service payments on termination of their employment. The Group is only liable to make such payments if the termination of employment meets the circumstances specified by the Ordinance, the Group's liability at 30 September 2001, which has not been provided for in the financial statements, would have been approximately HK\$2,114,000 (at 31 March 2001: HK\$2,014,000)
- (b) The Company has given guarantees to banks in connection with facilities granted to a subsidiary amounting HK\$86,560,000 (at 31 March 2001: HK\$86,560,000), of which HK\$14,261,000 (at 31 March 2001: HK\$41,795,000) had been utilized at the balance sheet date.

#### 16. Commitments

At the balance sheet date, the Group had commitments under non-cancellable operating leases in respect of land and buildings to make payments in the following year as follows:

	<b>As at</b>	
	<b>30 September 2001 (Unaudited) HK\$'000</b>	31 March 2001 (Audited) HK\$'000
Leases expiring within one year	<b><u>38</u></b>	<b><u>101</u></b>

At the balance sheet date, the Company did not have any other significant commitments.