

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 1. BASIS OF PRESENTATION AND PRINCIPAL ACCOUNTING POLICIES

The Company was incorporated in Bermuda on 5 January 2001 as an exempted company with limited liability under the Companies Act 1981 of Bermuda. Pursuant to a group reorganisation scheme (the "Group reorganisation") to rationalise the structure of the Group in preparation for the public listing of the Company's shares on the main board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the Company became the holding company of the companies now comprising the Group on 24 March 2001. The shares of the Company were listed on the Stock Exchange on 19 April 2001. The Group reorganisation involved companies under common control. The condensed consolidated interim financial statements for the six months ended 30 September 2001 have been prepared using the merger basis of accounting in accordance with Hong Kong Statement of Standard Accounting Practice No. 2.127 "Accounting for Group Reconstructions". Under this basis, the condensed consolidated interim financial statements for the six months ended 30 September 2001 together with the comparative figures of the corresponding period last year and the related notes thereto have also been presented in these condensed consolidated interim financial statements on the basis that the Company is treated as the holding company of its subsidiaries for the financial periods presented rather than from the subsequent date of acquisition of the subsidiaries pursuant to the Group reorganisation on 24 March 2001, or since the respective dates of their incorporation/establishment, where this is a shorter period.

The condensed consolidated interim financial statements of the Group have been prepared in accordance with Hong Kong Statement of Standard Accounting Practice No. 2.125 "Interim Financial Reporting".

The basis of presentation and accounting policies adopted in these condensed consolidated interim financial statements are consistent with those adopted by the Group in presenting the most recent published annual financial statements for the year ended 31 March 2001.

### 2. SEGMENTAL INFORMATION

During the period, the Company acted as an investment holding company and its subsidiaries were principally engaged in the trading of polyurethane ("PU") materials, and the manufacture and sales of PU foam and related foam products.

An analysis of the Group's consolidated turnover and contribution to profit from operating activities by principal activity and geographical area of principal market of the Group's products for the six months ended 30 September 2001 together with the comparative figures for 2000 is as follows:

	Turnover		Contribution to profit from operating activities	
	Six months ended 30 September		Six months ended 30 September	
	2001	2000	2001	2000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
By principal activity:				
Trading of PU materials	<b>248,757</b>	286,932	<b>14,019</b>	20,402
Manufacture and sales of PU foam and related foam products	<b>55,828</b>	45,474	<b>7,029</b>	2,957
	<b><u>304,585</u></b>	<u>332,406</u>	<b><u>21,048</u></b>	<u>23,359</u>
By geographical area:				
PRC:				
Hong Kong	<b>54,537</b>	153,052	<b>5,857</b>	5,200
Elsewhere in the PRC	<b>241,292</b>	172,236	<b>14,163</b>	17,241
Others	<b>8,756</b>	7,118	<b>1,028</b>	918
	<b><u>304,585</u></b>	<u>332,406</u>	<b><u>21,048</u></b>	<u>23,359</u>

### 3. PROFIT FROM OPERATING ACTIVITIES

Profit from operating activities for the period is arrived at after charging depreciation of approximately HK\$604,000 (2000: HK\$233,000) in respect of the Group's fixed assets.

### 4. FINANCE COSTS

	<b>Six months ended 30 September</b>	
	<b>2001</b>	2000
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Unaudited)
Interest on:		
Trust receipt loans wholly repayable within five years	<b>643</b>	125
Finance leases	<b>32</b>	5
Amounts due to directors	<b>–</b>	720
	<b>675</b>	850

### 5. TAX

	<b>Six months ended 30 September</b>	
	<b>2001</b>	2000
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Unaudited)
Current period provision:		
Hong Kong	<b>1,189</b>	826
Elsewhere	<b>2,192</b>	2,907
Tax charge for the period	<b>3,381</b>	3,733

The Company and its subsidiaries are subject to income taxes on an entity basis on income arising in or derived from the tax jurisdictions in which they operate, based on existing legislation, interpretations and practices thereof.

Hong Kong profits tax has been provided at the rate of 16% (2000: 16%) on the estimated assessable profits arising in Hong Kong for the period.

Jiwangsheng Resin (Shenzhen) Co., Ltd. ("Jiwangsheng", 吉旺晟樹脂(深圳)有限公司) and Aotobao Home Furniture and Decorative (Shenzhen) Co., Ltd. ("Aotobao", 奧特寶家飾(深圳)有限公司), the Company's wholly-owned subsidiaries established and operating in the People's Republic of China (the "PRC"), were both exempt from the PRC corporate income tax for their first two profitable years of operations and are eligible for a 50% relief from the PRC corporate income tax for the following three years under the relevant tax law of the PRC. As Jiwangsheng and Aotobao did not generate any assessable profits during the period, no PRC corporate income tax provision was made.

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 Directors resolved not to declare any dividend in respect of the six months ended 30 September 2001 (2000: Nil).

## 7. EARNINGS PER SHARE

The calculation of basic earnings per share for the six months ended 30 September 2001 was based on the Group's net profit from ordinary activities attributable to shareholders for the period of approximately HK\$16,992,000 (2000: HK\$18,776,000) and the weighted average of approximately 200 (2000: 150) million ordinary shares in issue during the period.

The diluted earnings per share for the periods ended 30 September 2000 and 2001 have not been presented as there were no potential dilutive ordinary shares in existence during either of the periods.

## 8. FIXED ASSETS

During the period, the Group acquired fixed assets at a cost of approximately HK\$593,000 (2000: HK\$256,000).

## 9. TRADE AND BILLS RECEIVABLES

The ages of the Group's trade and bills receivables are analysed as follows:

	<b>As at 30 September 2001 HK\$'000 (Unaudited)</b>	As at 31 March 2001 HK\$'000 (Audited)
Current to 30 days	<b>37,117</b>	55,047
31 days to 90 days	<b>99,428</b>	67,627
91 days to 180 days	<b>14,531</b>	1,384
181 days to 360 days	<b>324</b>	–
Over 360 days	<b>347</b>	331
	<b>151,747</b>	124,389
Provisions	<b>(671)</b>	(671)
	<b>151,076</b>	123,718

## 10. TRADE PAYABLES

The ages of the Group's trade payables are analysed as follows:

	<b>As at 30 September 2001 HK\$'000 (Unaudited)</b>	As at 31 March 2001 HK\$'000 (Audited)
Current to 30 days	<b>9,554</b>	8,121
31 days to 90 days	<b>11,539</b>	33,609
91 days to 180 days	<b>2</b>	2,681
	<b>21,095</b>	44,411

## 11. SHARE CAPITAL

	Number of authorised shares <i>'000</i>	Number of issued shares <i>'000</i>	Nominal value of shares issued <i>HK\$'000</i>
Shares allotted and issued nil paid, upon incorporation	1,000	1,000	–
Increase in authorised share capital	1,999,000	–	–
Shares issued as consideration for the acquisition of the entire issued share capital of a subsidiary pursuant to the Group reorganisation	–	1,000	100
Application of contributed surplus to pay up the 1,000,000 ordinary shares issued nil paid upon incorporation	–	–	100
Shares issued and credited as fully paid conditional on the share premium account of the Company being credited as a result of the new issue and placing of shares to the public	–	148,000	–
Pro forma issued share capital as at 31 March 2001 (Audited)	2,000,000	150,000	200
New issue and placing of shares to the public	–	50,000	5,000
Capitalisation of the share premium account	–	–	14,800
Share capital as at 30 September 2001 (Unaudited)	<u>2,000,000</u>	<u>200,000</u>	<u>20,000</u>

## 12. RESERVES

	Share premium <i>HK\$'000</i>	Contributed surplus <i>HK\$'000</i>	Retained profits <i>HK\$'000</i>	Total <i>HK\$'000</i>
As at 31 March 2001 (Audited)	–	3,156	51,691	54,847
Issue of shares to the public	45,000	–	–	45,000
Capitalisation issue	(14,800)	–	–	(14,800)
Share issue expenses	(12,553)	–	–	(12,553)
Net profit for the period	–	–	16,992	16,992
As at 30 September 2001 (Unaudited)	<u>17,647</u>	<u>3,156</u>	<u>68,683</u>	<u>89,486</u>