

NOTES TO CONDENSED INTERIM ACCOUNTS

1 Basis of preparation and accounting policies

These unaudited condensed interim accounts are prepared in accordance with Hong Kong Statement of Standard Accounting Practice (“SSAP”) 25, Interim Financial Reporting, issued by The Hong Kong Society of Accountants.

These condensed interim accounts should be read in conjunction with the annual accounts for the year ended 30th June 2001.

The accounting policies and methods of computation used in the preparation of these condensed interim accounts are consistent with those used in the annual accounts for the year ended 30th June 2001 except that the Group has changed certain of its accounting policies following its adoption of the following SSAPs issued by The Hong Kong Society of Accountants which are effective for accounting periods commencing on or after 1st January 2001:

SSAP 9 (revised)	:	Events after the balance sheet date
SSAP 28	:	Provisions, contingent liabilities and contingent assets
SSAP 31	:	Impairment of assets
SSAP 32	:	Consolidated financial statements and accounting for investments in subsidiaries

In accordance with the revised SSAP 9, the Group no longer recognises dividends proposed or declared after the balance sheet date as a liability at the balance sheet date. This change in accounting policy has been applied retrospectively so that the comparatives presented have been restated to conform to the changed policy.

As detailed in Note 13, opening retained earnings at 1st July 2000 have increased by HK\$9,000,000 which is the reversal of the provision for the 2000 proposed final dividend previously recorded as a liability as at 30th June 2000 although not declared until after balance sheet date. Opening retained earnings at 1st July 2001 have increased by HK\$4,500,000 which is the reversal of the provision for 2001 proposed final dividend previously recorded as a liability as at 30th June 2001 although not declared until after the balance sheet date.

This adjustment has resulted in a decrease in current liabilities at 30th June 2001 by HK\$4,500,000 for provision for proposed dividends that is no longer required.

Changes to headings used in the previously reported 30th June 2001 balance sheet and profit and loss account relating to dividends and profit for the year retained have also been made to reflect the changes resulting from SSAP 9 (revised).

2 Segment information

The principal activity of the Company is investment holding. Its subsidiaries are principally engaged in the trading and manufacturing of plastic materials, pigments, colourants and compounded plastic resins.

An analysis of the Group's revenues and results for the period by geographical segment is as follows:

	Six months ended 31st December 2001			
	Hong Kong	The People's Republic of China excluding Hong Kong ("PRC")	Elimination	Group
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover	357,332	84,770	(73,368)	368,734
Other revenues	367	—	—	367
	<u>357,699</u>	<u>84,770</u>	<u>(73,368)</u>	<u>369,101</u>
Total revenues				
Segment results	<u>7,886</u>	<u>7,332</u>	—	15,218
Unallocated costs				<u>(653)</u>
Profit before taxation				14,565
Taxation				<u>(1,548)</u>
Profit after taxation				13,017
Minority interests				<u>(803)</u>
Profit attributable to shareholders				<u><u>12,214</u></u>

2 Segment information (Cont'd)

	Six months ended 31st December 2000			
	Hong Kong <i>HK\$'000</i>	PRC <i>HK\$'000</i>	Elimination <i>HK\$'000</i>	Group <i>HK\$'000</i>
Turnover	430,208	92,672	(88,951)	433,929
Other revenues	501	—	—	501
	<u>430,709</u>	<u>92,672</u>	<u>(88,951)</u>	<u>434,430</u>
Total revenues	<u>430,709</u>	<u>92,672</u>	<u>(88,951)</u>	<u>434,430</u>
Segment results	<u>8,423</u>	<u>4,883</u>	—	13,306
Unallocated costs				(548)
Profit before taxation				12,758
Taxation				(1,996)
Profit after taxation				10,762
Minority interests				(346)
Profit attributable to shareholders				<u>10,416</u>

Turnover are based on the operating locations of group companies. Unallocated costs represent corporate expenses.

3 Operating profit

Operating profit is stated after charging:

	Unaudited	
	Six months ended 31st December	
	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
Depreciation:		
Owned fixed assets	5,099	5,373
Leased fixed assets	46	1,686
	<u>5,145</u>	<u>7,059</u>

4 Finance costs

	Unaudited	
	Six months ended 31st December	
	2001	2000
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest on bank borrowings	760	2,029
Interest element of finance leases	45	214
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	805	2,243
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5 Taxation

- (a) Hong Kong profits tax has been provided at the rate of 16% (2000: 16%) on the estimated assessable profit for the period. The Group's subsidiaries operating in the PRC have no assessable income and accordingly no provision for PRC taxation has been made in the accounts.
- (b) Deferred taxation is provided for in respect of the accelerated depreciation allowances. There is no material potential deferred taxation not provided for in the accounts.

6 Dividends

The directors declare an interim dividend of HK 2 cents per share for the period (2000: Nil).

7 Earnings per share

The calculation of basic earnings per share is based on the Group's profit attributable to shareholders of HK\$12,214,000 (2000: HK\$10,416,000) and 300,000,000 (2000: 300,000,000) ordinary shares in issue during the period. Diluted earnings per share for the periods is not disclosed as there were no dilutive potential ordinary shares.

8 Capital expenditure

	Fixed assets
	<i>HK\$'000</i>
Six months ended 31st December 2001	
Opening net book amount	84,237
Additions	5,933
Disposals	(141)
Depreciation	(5,145)
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Closing net book amount	84,884
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9 Trade receivables

The aging analysis of trade receivables is as follows:

	Unaudited 31st December 2001 HK\$'000	Audited 30th June 2001 HK\$'000
Below 90 days	114,291	141,047
91-180 days	14,337	13,016
Over 180 days	3,542	10,700
Provision for bad debts	(5,134)	(12,088)
	<u>127,036</u>	<u>152,675</u>

The majority of the Group's sales are with credit terms of 30 to 90 days. The remaining amounts are on letter of credit or documents against payment.

10 Trade payables

The aging analysis of trade payables is as follows:

	Unaudited 31st December 2001 HK\$'000	Audited 30th June 2001 HK\$'000
Below 90 days	21,997	33,216
91-180 days	119	4,691
Over 180 days	445	476
	<u>22,561</u>	<u>38,383</u>

11 Long-term liabilities

	Unaudited 31st December 2001 HK\$'000	Audited 30th June 2001 HK\$'000
Obligations under finance leases (note 11(a))	13	87
Deferred taxation (note 5(b))	508	508
	<u>521</u>	<u>595</u>
 (a) Obligations under finance leases - minimum lease payments:		
	Unaudited 31st December 2001 HK\$'000	Audited 30th June 2001 HK\$'000
Within one year	179	2,193
In the second year	15	104
	<u>194</u>	<u>2,297</u>
Future finance charges on finance leases	(31)	(79)
	<u>163</u>	<u>2,218</u>
Present value of obligations under finance leases		
The present value of obligations under finance leases is as follows:		
Within one year	150	2,131
In the second year	13	87
	<u>163</u>	<u>2,218</u>
Less: Amount repayable within one year shown under current liabilities	<u>(150)</u>	<u>(2,131)</u>
	<u>13</u>	<u>87</u>

12 Share capital

	Unaudited 31st December 2001 HK\$'000	Audited 30th June 2001 HK\$'000
Authorised:		
800,000,000 (30th June 2001: 800,000,000) ordinary share of HK\$0.10 each	80,000	80,000
Issued and fully paid:		
300,000,000 (30th June 2001: 300,000,000) ordinary share of HK\$0.10 each	30,000	30,000

13 Retained earnings

	<i>HK\$'000</i>
At 1st July 2000 as previously reported	163,830
Effect of adopting SSAP 9 (revised)	9,000
At 1st July 2000 as restated	172,830
2000 final dividend paid	(9,000)
Profit for the year	15,798
Retained earnings	175,128
2001 final dividend proposed	4,500
	179,628
At 1st July 2001 as previously reported	175,128
Effect of adopting SSAP 9 (revised)	4,500
At 1st July 2001 as restated	179,628
2001 final dividend paid	(4,500)
Profit for the period	12,214
Retained earnings	181,342
Proposed interim dividend	6,000
	187,342

14 Contingent liabilities

As at 31st December 2001, the Company had the following contingent liabilities:

	Unaudited 31st December 2001 HK\$'000	Audited 30th June 2001 HK\$'000
Guarantee in respect of the due performance of a subsidiary under a contract manufacturing agreement	20,000	20,000
Guarantees given to banks for banking facilities granted to its subsidiaries	174,915	175,000
	<u>194,915</u>	<u>195,000</u>

15 Commitments

(a) Capital commitments for property, plant and equipment

	Unaudited 31st December 2001 HK\$'000	Audited 30th June 2001 HK\$'000
Contracted but not provided for	867	5,704
Authorised but not contracted for	13,889	74
	<u>14,756</u>	<u>5,778</u>

15 Commitments (Cont'd)

(b) Commitments under operating leases

As at 31st December 2001, the Group had future aggregate minimum lease payments under non-cancellable operating leases in respect of land and buildings as follows:

	Unaudited 31st December 2001 <i>HK\$'000</i>	Audited 30th June 2001 <i>HK\$'000</i>
Within one year	1,332	1,646
In the second to fifth year inclusive	5,636	5,548
After the fifth year	3,693	4,431
	<hr/> 10,661 <hr/> <hr/>	<hr/> 11,625 <hr/> <hr/>