

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

For the six months ended 30 June 2002

	Unaudited							
	Properties			Merger reserve	Statutory reserve	Exchange reserve	Retained earnings	Total
	Share capital	Share premium	revaluation reserve					
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
At 1 January 2002	20,000	27,645	406	2,150	2,223	29	13,137	65,590
Profit for the period	—	—	—	—	—	—	5,255	5,255
At 30 June 2002	<u>20,000</u>	<u>27,645</u>	<u>406</u>	<u>2,150</u>	<u>2,223</u>	<u>29</u>	<u>18,392</u>	<u>70,845</u>

	Unaudited							
	Properties			Merger reserve	Statutory reserve	Exchange reserve	Retained earnings	Total
	Share capital	Share premium	revaluation reserve					
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
At 1 January 2001	16,000	—	406	2,150	2,223	—	4,468	25,247
Issue of shares	4,000	36,000	—	—	—	—	—	40,000
Share issue expenses	—	(8,521)	—	—	—	—	—	(8,521)
Profit for the period	—	—	—	—	—	—	10,663	10,663
At 30 June 2001	<u>20,000</u>	<u>27,479</u>	<u>406</u>	<u>2,150</u>	<u>2,223</u>	<u>—</u>	<u>15,131</u>	<u>67,389</u>

## Notes:

### 1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

These unaudited consolidated condensed financial statements 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 financial statements should be read in conjunction with the 2001 annual financial statements.

The accounting policies and methods of computation used in the preparation of these condensed financial statements are consistent with those used in the annual financial statements for the year ended 31 December 2001 except that the Group has changed certain of its accounting policies following its adoption of the following new or revised SSAPs issued by the Hong Kong Society of Accountants which are effective for accounting periods commencing on or after 1 January 2002:

SSAP 1 (revised)	:	Presentation of financial statements
SSAP 11 (revised)	:	Foreign currency translation
SSAP 15 (revised)	:	Cash flow statements
SSAP 25 (revised)	:	Interim financial reporting
SSAP 33	:	Discontinuing operations
SSAP 34	:	Employee benefits

The adoption of the above SSAPs does not have a material effect on the Group’s results in the current and prior periods.

### 2. SEGMENT INFORMATION

The Group is principally engaged in manufacturing and trading of handbag products and related accessories, provision of subcontracting services and trading of raw materials.

#### **Primary reporting format - business segments**

The Group is organised into three main business segments:-

Sales of manufactured goods - manufacture and sale of handbag products and related accessories

Subcontracting fee income - provision of subcontracting services

Trading of raw materials - trading of handbag related raw materials

## Secondary reporting format - geographical segments

The Group's principal markets are located in four main geographical areas:-

United States of America - sales of manufactured goods

Europe - sales of manufactured goods

Mainland China - trading of raw materials and sales of manufactured goods

Asian region except Mainland China - subcontracting fee income and sales of manufactured goods

An analysis of the Group's revenue and results for the period by business segments is as follows:

	(Unaudited)			
	Six months ended 30 June 2002			
	Sales of manufactured goods <i>HK\$'000</i>	Subcontracting fee income <i>HK\$'000</i>	Trading of raw materials <i>HK\$'000</i>	Total <i>HK\$'000</i>
Revenues	<u>116,588</u>	<u>—</u>	<u>36,486</u>	<u>153,074</u>
Segment results	<u>13,064</u>	<u>—</u>	<u>1,384</u>	<u>14,448</u>
Unallocated costs				(6,967)
Other income				<u>779</u>
Operating profit				8,260
Finance costs				<u>(2,013)</u>
Profit before taxation				6,247
Taxation				<u>(992)</u>
Profit attributable to shareholders				<u>5,255</u>

(Unaudited)

Six months ended 30 June 2001

	Sales of manufactured goods <i>HK\$'000</i>	Subcontracting fee income <i>HK\$'000</i>	Trading of raw materials <i>HK\$'000</i>	Total <i>HK\$'000</i>
Revenues	119,265	5,701	45,265	170,231
Segment results	18,323	2,152	919	21,394
Unallocated costs				(6,392)
Other income				884
Operating profit				15,886
Finance costs				(3,192)
Profit before taxation				12,694
Taxation				(2,031)
Profit attributable to shareholders				10,663

An analysis of the Group's turnover and contribution to operating profit for the period by geographical segment is as follows:

	Turnover		Operating profit	
	Six months ended 30 June 2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>	Six months ended 30 June 2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
United States of America	85,492	60,003	9,535	9,488
Europe	30,075	56,006	3,402	8,584
Mainland China	19,619	45,265	644	919
Asian region except Mainland China	17,888	8,957	867	2,403
	153,074	170,231	14,448	21,394

### 3. OPERATING PROFIT

Operating profit is stated after charging the following:

	Six months ended 30 June	
	2002	2001
	HK\$'000	HK\$'000
Depreciation:		
Owned fixed assets	4,654	2,277
Leased fixed assets	132	225
Amortisation of goodwill	37	—
Staff costs	12,509	9,873
Cost of inventories sold	109,775	124,913
	<u>          </u>	<u>          </u>

### 4. TAXATION

	Six months ended 30 June	
	2002	2001
	HK\$'000	HK\$'000
Hong Kong profits tax	497	965
Overseas taxation	495	1,066
	<u>          </u>	<u>          </u>
	<u>992</u>	<u>2,031</u>

Hong Kong profits tax is provided at the rate of 16% (2001: 16%) based on the assessable profit for the period. Taxation on overseas profits has been calculated on the estimated assessable profit for the period at the rates of taxation prevailing in the countries in which the Group operates.

### 5. DIVIDEND

	Six months ended 30 June	
	2002	2001
	HK\$'000	HK\$'000
Interim, proposed on 10 August 2001, of HK\$0.025 per ordinary share ( <i>Note 5(a)</i> )	<u>          </u>	<u>5,000</u>

- (a) At a meeting held on 10 August 2001, the directors declared an interim dividend of HK\$0.025 per share. This proposed dividend was not reflected as an appropriation of retained earnings for the six months ended 30 June 2001.

## 6. EARNINGS PER SHARE

The calculation of earnings per share is based on the Group's profit attributable to shareholders of HK\$5,255,000 (2001: HK\$10,663,000).

The basic earnings per share is based on the weighted average of 200,000,000 (2001: 196,685,083) ordinary shares in issue during the period.

Diluted earnings per share for the periods ended 30 June 2002 and 2001 respectively was not disclosed as there were no dilutive potential ordinary shares.

## 7. CAPITAL EXPENDITURE

	<b>Goodwill</b> <i>HK\$'000</i>	<b>Fixed assets</b> <i>HK\$'000</i>
Six months ended 30 June 2002		
Opening net book amount	296	50,618
Additions	—	5,322
Amortisation/depreciation charge	(37)	(4,786)
	<hr/>	<hr/>
Closing net book amount	259	51,154
	<hr/> <hr/>	<hr/> <hr/>

## 8. TRADE AND OTHER RECEIVABLES

Included in trade and other receivables are trade receivables and their ageing analysis is as follows:-

	<b>30 June</b> <b>2002</b> <i>HK\$'000</i>	31 December 2001 <i>HK\$'000</i>
Current to 30 days	<b>28,855</b>	21,646
31 to 60 days	<b>12,312</b>	12,219
61 to 90 days	<b>1,256</b>	6,058
Over 90 days	<b>589</b>	2,792
	<hr/>	<hr/>
	<b>43,012</b>	42,715
	<hr/> <hr/>	<hr/> <hr/>

Customers are generally granted credit terms of 30 to 60 days.

## 9. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade payables and their ageing analysis is as follows:-

	<b>30 June 2002 HK\$'000</b>	31 December 2001 HK\$'000
Current to 30 days	4,824	4,810
31 to 60 days	1,589	2,043
61 to 90 days	1,023	1,043
Over 90 days	153	223
	<u>7,589</u>	<u>8,119</u>

## 10. LONG TERM LIABILITIES

	<b>30 June 2002 HK\$'000</b>	31 December 2001 HK\$'000
Bank loans - secured	9,860	11,811
Obligations under finance leases	211	293
	<u>10,071</u>	<u>12,104</u>
Current portion of long term liabilities	<u>(10,036)</u>	<u>(12,031)</u>
	<u>35</u>	<u>73</u>

At 30 June 2002, the Group's bank loans and the present value of finance lease liabilities were repayable as follows:-

	<b>Secured bank loans</b>		<b>Obligations under finance leases</b>	
	<b>30 June 2002 HK\$'000</b>	31 December 2001 HK\$'000	<b>30 June 2002 HK\$'000</b>	31 December 2001 HK\$'000
Within one year	9,860	11,811	176	220
In the second year	—	—	35	73
	<u>9,860</u>	<u>11,811</u>	<u>211</u>	<u>293</u>

At 30 June 2002, the Group's finance lease liabilities were repayable as follows:-

	<b>30 June 2002 HK\$'000</b>	31 December 2001 HK\$'000
Within one year	208	279
In the second year	41	94
	<u>249</u>	<u>373</u>
Future finance charges on finance leases	(38)	(80)
	<u>(38)</u>	<u>(80)</u>
Present value of finance lease liabilities	<u><u>211</u></u>	<u><u>293</u></u>

## 11. SHARE CAPITAL

	<b>30 June 2002 HK\$'000</b>	31 December 2001 HK\$'000
Authorised:		
1,000,000,000 ordinary shares of HK\$0.1 each	<u>100,000</u>	<u>100,000</u>
Issued and fully paid:		
200,000,000 ordinary shares of HK\$0.1 each	<u>20,000</u>	<u>20,000</u>

## 12. COMMITMENTS UNDER FINANCE LEASES

At 30 June 2002, the total future minimum lease payments under non-cancellable operating leases in respect of land and buildings are payable as follows:-

	<b>30 June 2002 HK\$'000</b>	31 December 2001 HK\$'000
Within one year	348	348
In the second to fifth years inclusive	1,124	1,139
After five years	—	38
	<u>1,472</u>	<u>1,525</u>