

## NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS

*For the six months ended 30 June 2002*

### **1. Basis of preparation and accounting policies**

The unaudited condensed interim 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 ("HKSA").

These condensed interim 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 interim financial statements are consistent with those used in the annual financial statements for the year ended 31 December 2001 except that the Group has adopted the following new and revised SSAPs which became effective on 1 January 2002.

SSAP 1 (revised)	:	Presentation of financial statements
SSAP 15 (revised)	:	Cash flow statements
SSAP 25 (revised)	:	Interim financial reporting
SSAP 33	:	Discontinuing operations

The adoption of these new and revised SSAPs has no material effect on the Group's results.

Certain comparative figures have been reclassified to conform with the current period's presentation.

## 2. Segmental information

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

	Turnover		Operating profit (loss)	
	Six months ended		Six months ended	
	30 June		30 June	
	2002	2001	2002	2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Continuing operations				
Trading and processing of fabric	<b>30,718</b>	6,164	<b>582</b>	(8,184)
Trading of base metals	<b>3,824</b>	–	<b>1,542</b>	–
	<b>34,542</b>	6,164	<b>2,124</b>	(8,184)
Discontinued operations				
Snack food	<b>349</b>	10,354	<b>(506)</b>	(2,740)
	<b>34,891</b>	16,518		
Unallocated corporate expenses			<b>(3,057)</b>	(1,465)
Interest on bank borrowings wholly repayable within five years			<b>(124)</b>	(97)
Gain on disposal of subsidiaries			<b>261</b>	–
Loss before taxation			<b>(1,302)</b>	(12,486)

A large part of the activities of the Group were based in the PRC and more than 90% of the Group's turnover and operating results were derived from the PRC.

**3. Loss from operations**

Loss from operations has been arrived at after charging:

	<b>Six months ended</b>	
	<b>30 June</b>	
	<b>2002</b>	2001
	<b>HK\$'000</b>	HK\$'000
Amortisation of intangible assets (included within cost of sales)	-	202
Depreciation and amortisation of property, plant and equipment	<b>2,568</b>	5,985
Loss on disposal of property, plant and equipment	-	874
Provision for doubtful debts	-	4,975

**4. Taxation**

A substantial portion of the Group's results neither arises in, nor is derived from, Hong Kong. Accordingly, that portion of the Group's results is not subject to Hong Kong Profits Tax.

No provision for PRC enterprise income tax has been made in the financial statements as the Company's PRC subsidiaries had no assessable profit for the current period.

The Group and the Company had no significant unprovided deferred taxation for the period or at the balance sheet date.

**5. Interim dividend**

The Directors do not recommend the payment of an interim dividend for the period (2001: HK\$Nil).

**6. Loss per share**

The calculation of loss per share is based on the loss attributable to shareholders for the period of HK\$1,204,000 (2001: HK\$12,052,000) and on the weighted average number of 213,934,807 (2001: 200,000,000) ordinary shares in issue during the period.

No diluted loss per share for the six months ended 30 June 2002 has been presented as the share options outstanding during the period would have an anti-dilutive effect on the basic loss per share for the period.

**7. Property, plant and equipment**

	<b>Leasehold land and buildings</b>	<b>Plant and machinery</b>	<b>Furniture, fixtures and equipment</b>	<b>Motor vehicles</b>	<b>Construction in process</b>	<b>Total</b>
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Net book value at						
1 January 2002	48,331	49,465	664	271	1,563	100,294
Disposal of						
subsidiaries	(2,542)	(32,932)	(489)	(2)	(1,563)	(37,528)
Additions	-	-	122	-	-	122
Depreciation/amortisation	(551)	(1,939)	(78)	-	-	(2,568)
Net book value at						
30 June 2002	45,238	14,594	219	269	-	60,320

**8. Trade and other receivables**

The Group allows an average credit period of 90 days (2001:90 days) to its trade customers.

The following is an aged analysis of trade receivables at the balance sheet date.

	<b>30 June 2002 HK\$'000</b>	31 December 2001 HK\$'000
Trade receivables		
0 to 30 days	-	16,948
31 to 60 days	367	-
Over 60 days	12,371	-
	<b>12,738</b>	16,948
Other receivables	<b>1,237</b>	5,836
	<b>13,975</b>	22,784

**9. Trade and other payables**

The following is an aged analysis of trade payables at the balance sheet date.

	<b>30 June 2002 HK\$'000</b>	31 December 2001 HK\$'000
Trade payables		
0 to 30 days	-	13,031
31 to 60 days	-	198
Over 60 days	-	949
	-	14,178
Other payables	<b>914</b>	8,305
	<b>914</b>	22,483

**10. Bank borrowings – due within one year**

	<b>30 June 2002 HK\$'000</b>	31 December 2001 HK\$'000
Bank loans	-	16,954
Trust receipt loans	-	2,951
Bank overdrafts	-	12
	-	19,917
Secured	-	19,905
Unsecured	-	12
	-	19,917

**11. Share capital**

	<b>No. of shares</b>	HK\$'000
Ordinary shares of HK\$0.10 each		
<b>Authorised</b>		
At 1 January 2002 and 30 June 2002	1,000,000,000	100,000
<b>Issued and fully paid</b>		
At 1 January 2002	200,000,000	20,000
Issue of new shares	40,000,000	4,000
At 30 June 2002	240,000,000	24,000