

Notes to Condensed Interim Accounts

For the six months ended 31 December 2000

1. Accounting policies

These unaudited consolidated condensed interim accounts ("interim accounts") are prepared in accordance with Hong Kong Statement of Standard Accounting Practice ("HKSSAP") No. 25, "Interim Financial Reporting", issued by the Hong Kong Society of Accountants, (as applicable to condensed interim accounts), and Appendix 16 of the Listing Rules of The Stock Exchange of Hong Kong Limited.

The accounting policies and methods of computation used in the preparation of these interim accounts are consistent with those used in the annual accounts for the period of fifteen months from 1 April 1999 to 30 June 2000.

As a result of the adoption of the revised HKSSAP No.1 (revised) "Presentation of financial statements" which became effective in 2000, certain 1999 comparative figures have been extended accordingly.

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2. Turnover

The Group is principally engaged in dyestuffs distribution, household fabric and garment manufacturing, property investments and investment holding.

An analysis of the Group's turnover and contribution to operating profit / (loss) for the period by principal activities and markets is as follows :

	TURNOVER			OPERATING PROFIT/(LOSS)		
	Six months ended		Six months ended	Six months ended		Six months ended
	31 December		30 September	31 December		30 September
	2000	1999	1999	2000	1999	1999
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
By principal activities :						
Dyestuffs distribution	20,026	27,481	29,533	(1,298)	(1,564)	562
Household fabric and garment manufacturing						
- Continuing operations	30,231	31,073	27,846	1,692	713	968
- Discontinued operations	13,020	16,534	16,163	(1,078)	(932)	(775)
- Gain on disposal (Note 4)	—	—	—	14,462	—	—
Property holding, investment holding and others	8,911	7,108	7,047	(3,379)	(13,742)	(9,715)
	72,188	82,196	80,589	10,399	(15,525)	(8,960)
By principal markets :						
Hong Kong	26,075	30,495	28,839	11,344	(13,274)	(7,186)
Mainland China ("PRC")	40,509	41,025	39,307	(371)	(1,434)	(166)
Overseas	5,604	10,676	12,443	(574)	(817)	(1,608)
	72,188	82,196	80,589	10,399	(15,525)	(8,960)

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3. Operating profit / (loss)

Operating profit / (loss) is stated after crediting and charging the following :

	Six months ended 31 December 2000 HK\$'000	1999 HK\$'000	Six months ended 30 September 1999 HK\$'000
Crediting :			
Gain on disposal of fixed assets	11	—	—
Charging :			
Depreciation on owned fixed assets	4,736	4,649	4,929
Amortisation of deferred pre-operating expenses	—	385	386
Loss on disposal of fixed assets	—	56	34

4. Discontinued operations

During the period, in view of loss-making, the Group sold its household fabrics manufacturing operation. A gain of HK\$14.5 million, which represents the difference between the net proceeds of sale and the carrying amount of the net assets of the operation at the date of sale together with the capital reserve, which was not previously recognized in the profit and loss account, is included in operating profit.

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5. Taxation

Hong Kong profits tax has been provided at the rate of 16% (1999: 16%) on the estimated assessable profit for the period.

Taxation on PRC profits has been calculated at the rate of 27% on the estimated assessable profit for the period.

The amount of taxation charged to the consolidated profit and loss account represents:

	Six months ended 31 December 2000 HK\$'000	1999 HK\$'000	Six months ended 30 September 1999 HK\$'000
Company and subsidiaries :			
Hong Kong	—	21	16
PRC	514	398	584
	514	419	600
Share of taxation attributable to associated company :			
Hong Kong	—	51	93
	514	470	693

6. Earnings / (loss) per share

The calculation of basic earnings / (loss) per share is based on the Group's profit attributable to shareholders of HK\$6,042,000 (six months ended 31 December 1999: loss of HK\$16,527,000; six months ended 30 September 1999: HK\$10,314,000) and on the weighted average number of 1,885,915,878 (six months ended 31 December 1999: 648,907,487; six months ended 30 September 1999: 588,079,878) ordinary shares in issue during the period. Fully diluted earnings/ (loss) per share is not shown as there is no dilution effect.

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7. Dividend

The Directors have resolved not to pay any interim dividend in respect of the six months ended 31 December 2000.

8. Non-trading securities

In accordance with the Group's accounting policies on investments in securities, the Directors have reviewed the Group's individual investments at 31 December 2000 in order to determine if their fair values have been impaired. Following the review, the Directors consider that the fair values of the Group's investments in securities have diminished by an aggregate of HK\$95,464,000 since acquisition and the diminution is temporary only. Accordingly, the diminution in value has been included in the investment revaluation reserve.

9. Accounts receivable

The aging analysis of the accounts receivable balance is as follows :

	31 December	30 June
	2000	2000
	HK\$'000	HK\$'000
0 - 1 month	9,585	12,475
2 - 3 months	9,556	13,288
4 - 6 months	3,070	4,756
Over 6 months	1,810	552
	24,021	31,071

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10. Accounts payable

The aging analysis of the accounts payable balance is as follows :

	31 December	30 June
	2000	2000
	HK\$'000	HK\$'000
0 - 1 month	5,673	6,923
2 - 3 months	4,867	8,164
4 - 6 months	3,650	5,671
Over 6 months	5,607	7,212
	19,797	27,970

11. Long-term liabilities

	31 December	30 June
	2000	2000
	HK\$'000	HK\$'000
Bank loans		
Unsecured	100,000	—
Secured	9,835	13,655
	109,835	13,655
Amounts due within one year included under current liabilities	(1,463)	(3,902)
	108,372	9,753

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(a) The analysis of the above is as follows:

	31 December	30 June
	2000	2000
	HK\$'000	HK\$'000
Wholly repayable within five years	109,835	11,745
Not wholly repayable within five years	—	1,910
	109,835	13,655

(b) The long term liabilities were repayable as follows:

	31 December	30 June
	2000	2000
	HK\$'000	HK\$'000
Within one year	1,463	3,902
In the second year	101,615	2,178
In the third to fifth year inclusive	6,757	5,665
In more than five years	—	1,910
	109,835	13,655

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12. Share capital

Authorised:

	Ordinary shares of HK\$0.1 each	
	No. of shares	HK\$'000
At 1 July 2000 and 31 December 2000	5,000,000,000	500,000

Issued and fully paid:

	Ordinary shares of HK\$0.1 each	
	No. of shares	HK\$'000
At 1 July 2000 and 31 December 2000	1,885,915,878	188,591

Share option scheme:

At the annual general meeting held on 25 October 2000, the Company adopted a share option scheme to replace the old one which had expired on 1 October 2000. The new scheme empowers the Directors to grant options to eligible Directors and employees of the Group on or before 24 October 2010. On 1 November 2000, a total of 111,860,000 share options were granted under the new scheme and 66,260,000 outstanding share options, which were subject to the old scheme at that time, were cancelled with the consent of the respective option-holders.

Details of outstanding share options as at 31 December 2000 were as follows:

Date of grant	Number of shares under options				At 31 December 2000
	At 1 July 2000	Cancelled during the period	Granted during the period	Exercised during the period	
27 April 2000	66,260,000	66,260,000	—	—	—
1 November 2000	—	—	111,860,000	—	111,860,000

The share options granted on 1 November 2000 entitle the holders to subscribe for shares in the Company at HK\$0.48 per share at any time during the period from 1 November 2000 to 31 October 2010 subject to the conditions specified when granting the options.