

1 Basis of preparation and accounting policies

These unaudited consolidated 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 2000 annual accounts.

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 31st December 2000 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 14 (revised)	:	Leases (effective for periods commencing on or after 1st July 2000)
SSAP 26	:	Segment reporting
SSAP 28	:	Provisions, contingent liabilities and contingent assets
SSAP 30	:	Business combinations
SSAP 31	:	Impairment of assets
SSAP 32	:	Consolidated financial statements and accounting for investments in subsidiaries

The changes to the Group’s accounting policies resulting from the adoption of these new policies is set out below:

(a) *SSAP 9 (revised): Events after balance sheet date*

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. However, there is no impact on the comparatives of the condensed consolidated profit and loss account and condensed consolidated balance sheet as a result of the adoption of the changed policy.

(b) *SSAP 26: Segment Reporting*

In Note 2 to these condensed interim accounts the Group has disclosed segment revenue and results as defined under SSAP 26. In accordance with the Group’s internal financial reporting, the Group has determined that business segments be presented as the primary reporting format and geographical as the secondary reporting format. Comparative information has been given.

(c) *SSAP 14 (revised): Leases*

SSAP prescribes the accounting policies and disclosure requirements in relation to finance and operating leases. The adoption of SSAP 14 (revised) by the Group does not have any impact on these Interim Accounts except that disclosures set out in note 10 have been extended or restated.

2 Turnover and 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.

The segment information set out below is based on the requirements of SSAP 26 "Segment reporting" which has been adopted for the first time. Segment disclosures for 2000 have been restated so that they are presented on a consistent basis.

By business segments

Six months ended 30th June 2001				
	Sales of manufactured goods <i>HK\$'000</i>	Subcontracting fee income <i>HK\$'000</i>	Raw materials trading <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)
Operating profit				15,002
Interest income				884
Finance costs				(3,192)
Profit before taxation				12,694
Taxation				(2,031)
Profit attributable to shareholders				10,663

2 Turnover and segment information (Continued)

By business segments (Continued)

	Restated			
	Six months ended 30th June 2000			
	Sales of manufactured goods <i>HK\$'000</i>	Subcontracting fee income <i>HK\$'000</i>	Raw materials trading <i>HK\$'000</i>	Total <i>HK\$'000</i>
Revenues	128,145	20,083	43,166	191,394
Segment results	24,019	9,593	859	34,471
Unallocated costs				(8,012)
Operating profit				26,459
Interest income				439
Finance costs				(3,252)
Profit before taxation				23,646
Taxation				(2,624)
Minority interests				(786)
Profit attributable to shareholders				20,236

The Group comprises of the following three main business segments:

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

Subcontracting fee income - provision of subcontracting services

Raw materials trading - trading of raw materials

There are no sales or other transactions between the business segments.
Unallocated costs represent corporate expenses.

2 Turnover and segment information (Continued)

By geographical segments

The Group's businesses operate in four main geographical areas:

United States - sales of manufactured goods

Europe - sales of manufactured goods

The People's Republic of China ("PRC") - raw materials trading

Asia region except PRC - subcontracting fee income and sales of manufactured goods

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

	Turnover		(Restated)	
	Six months ended		Operating profit	
	30th June		Six months ended	
	30th June		30th June	
	2001	2000	2001	2000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
USA	60,003	67,336	9,488	12,733
Europe	56,006	53,000	8,584	10,646
PRC	45,265	43,167	919	859
Asia region except PRC	8,957	27,891	2,403	10,233
	170,231	191,394	21,394	34,471

3 Operating profit

Operating profit is stated after charging the following:

	Six months ended 30th June	
	2001	2000
	HK\$'000	HK\$'000
Depreciation:		
Owned fixed assets	2,277	1,862
Leased fixed assets	225	113
Staff costs	9,873	10,872
Cost of inventories sold	124,913	130,737

4 Taxation

Hong Kong profits tax has been provided at the rate of 16% (2000: 16%) on the estimated 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 subsidiaries operate.

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

	Six months ended 30th June	
	2001	2000
	HK\$'000	HK\$'000
Hong Kong profits tax		
Current	965	2,090
Overseas taxation		
Current	1,066	2,537
Overprovision in prior period	—	(2,003)
	<u>2,031</u>	<u>2,624</u>

5 Dividends

No dividend had been paid by the Company in 2000 since its incorporation.

The dividends in 2000 were paid or declared by the Company's subsidiaries before the Reorganization mentioned in the 2000 annual accounts to their then shareholders outside the Group.

	Six months ended 30th June	
	2001	2000
	HK\$'000	HK\$'000
Wallmark Enterprise Company Limited		
Interim, paid on 30th June 2000, of HK\$133.48 per share on 180,500 ordinary shares then in issue	—	24,094
Midland Management Limited		
Interim cash dividend, paid on 30th June 2000, of HK\$625.96 per ordinary share on 12,902 ordinary shares then in issue	—	8,077
The Company		
Interim, proposed on 10th August 2001, of HK\$0.025 (2000: HK\$Nil) per ordinary share (Note 5(a))	5,000	—
	<u>5,000</u>	<u>32,171</u>

- (a) At a meeting held on 10th August 2001, the directors declared an interim dividend of HK\$0.025 per share. This proposed dividend is not reflected as a dividend payable in these interim condensed accounts, but will be reflected as an appropriation of retained earnings for the year ending 31st December 2001.

6 Earnings per share

The calculation of basic and diluted earnings per share are based on the Group's profit attributable to shareholders of HK\$10,663,000 (2000: HK\$20,236,000).

The basic earnings per share is based on the weighted average of 196,685,083 (2000: 160,000,000) ordinary shares in issue during the period. In determining the number of shares in issue, the 10 shares issued before the capitalisation issue and the capitalisation issue of 159,999,990 shares were deemed to have been in issue on 1st January 2000.

Diluted earnings per share for the periods ended 30th June 2001 and 2000 respectively was not disclosed as there were no dilutive potential ordinary shares.

7 Fixed assets

	<i>HK\$'000</i>
Six months ended 30th June 2001	
Opening net book amount at 1st January 2001	24,099
Additions	1,829
Depreciation	(2,502)
Closing net book amount at 30th June 2001	<u>23,426</u>

8 Trade and other receivables

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

	Current to 30 days <i>HK\$'000</i>	31 days to 60 days <i>HK\$'000</i>	61 days to 90 days <i>HK\$'000</i>	Over 90 days <i>HK\$'000</i>	Total <i>HK\$'000</i>
Balance at					
30th June 2001	29,964	10,696	1,337	446	42,443
Balance at					
31st December 2000	28,916	10,783	1,574	669	41,942

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:

	Current to 30 days <i>HK\$'000</i>	31 days to 60 days <i>HK\$'000</i>	61 days to 90 days <i>HK\$'000</i>	Over 90 days <i>HK\$'000</i>	Total <i>HK\$'000</i>
Balance at 30th June 2001	3,492	6,222	2,404	424	12,542
Balance at 31st December 2000	4,391	6,791	2,906	105	14,193

10 Long-term liabilities

	30th June 2001 <i>HK\$'000</i>	31st December 2000 <i>HK\$'000</i>
Bank loans - secured	607	887
Obligations under finance leases	403	513
	1,010	1,400
Current portion of long-term liabilities	(780)	(780)
	230	620

At 30th June 2001, the Group's bank loans were repayable as follows:

	30th June 2001 <i>HK\$'000</i>	31st December 2000 <i>HK\$'000</i>
Within one year	560	560
In the second year	47	327
	607	887

Finance lease liabilities - minimum lease payments:

	30th June 2001 HK\$'000	Restated 31st December 2000 HK\$'000
Within one year	280	292
In the second year	232	292
In the third to fifth year	—	97
	512	681
Future finance charges on finance leases	(109)	(168)
Present value of finance lease liabilities	403	513
The present value of finance lease liabilities is as follows:		
Within one year	220	220
In the second year	183	220
In the third to fifth year	—	73
	403	513

11 Share capital

	Authorised Ordinary shares of HK\$0.1 each	
	<i>No. of shares</i>	<i>HK\$'000</i>
At 31st December 2000 and 30th June 2001	1,000,000,000	100,000
	Issued and fully paid Ordinary shares of HK\$0.1 each	
	<i>No. of shares</i>	<i>HK\$'000</i>
Six months ended 30th June 2001		
At 1st January 2001	160,000,000	16,000
Issue of shares	40,000,000	4,000
At 30th June 2001	200,000,000	20,000

- (a) On 16th January 2001, an additional 40,000,000 shares of HK\$0.1 each of the Company were issued at the subscription price of HK\$1.00 per share pursuant to a public offer and placing of shares.
- (b) Under a share option scheme approved by the shareholders of the Company, the Directors of the Company may, at their discretion, invite full-time employees of the Group, including full-time Executive Directors of the Group, to take up options to subscribe for shares in the Company representing up to a maximum of 10% of the shares in issue from time to time (excluding shares issued on exercise of options under the share option scheme). No share option was granted by the Company during the period.

12 Reserves

	Properties		Merger	Statutory	Retained	
	Share premium	revaluation reserve	reserve	reserve	earnings	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
At 1st January 2000	—	—	2,150	—	18,208	20,358
Transfer from retained earnings	—	—	—	2,223	(2,223)	—
Surplus on revaluation	—	406	—	—	—	406
Goodwill written off	—	—	—	—	(1,975)	(1,975)
Profit for the year	—	—	—	—	32,818	32,818
2000 interim dividends paid	—	—	—	—	(42,360)	(42,360)
At 31st December 2000	—	406	2,150	2,223	4,468	9,247
At 1st January 2001	—	406	2,150	2,223	4,468	9,247
Premium on issue of shares	36,000	—	—	—	—	36,000
Share issue expenses	(8,521)	—	—	—	—	(8,521)
Profit for the period	—	—	—	—	10,663	10,663
2001 proposed interim dividend	—	—	—	—	(5,000)	(5,000)
At 30th June 2001	27,479	406	2,150	2,223	10,131	42,389

13 Commitments

Capital commitments for plant and equipment

	30th June 2001 HK\$'000	31st December 2000 HK\$'000
Contracted but not provided for	4,959	420
Authorised but not contracted for	3,865	330
	8,824	750