

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 September 2001

1. SIGNIFICANT ACCOUNTING POLICIES

The unaudited condensed consolidated interim financial statements are prepared in accordance with Statement of Standard Accounting Practice ("SSAP") No. 25 "Interim Financial Reporting" issued by the Hong Kong Society of Accountants. The accounting policies and basis of preparation used in the preparation of the interim financial statements are the same as those used in the annual financial statements for the year ended 31 March 2001.

2. TURNOVER AND SEGMENTAL INFORMATION

Turnover represents the invoiced value of goods sold together with revenue from logistics and other services provided, net of discounts and allowances; and gross rental income derived from investment properties.

An analysis of the Group's turnover and contribution to profit/(loss) from operating activities by principal activity and geographical area of operations for the six months ended 30 September 2001 is as follows:

	Turnover		Contribution	
	Six months ended		Six months ended	
	30 September		30 September	
	2001	2000	2001	2000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
By activity:				
Marketing and distribution				
– electronic household appliances	4,478	3,545	91	(1,096)
Production, marketing and distribution				
– paper and related personal products	–	2,292	–	(2,209)
– food and beverage products	22,648	18,198	(1,583)	(5,585)
Sourcing services and trading				
– apparel	–	86,767	–	6,547
Provision of logistics and other services	2,055	1,554	(3,559)	(3,828)
Property investment	4,213	3,729	2,457	2,465
Other	–	–	–	(385)
	33,394	116,085	(2,594)	(4,091)
Gain on disposal of interest in subsidiary	–	–	839	–
Provision for loss on disposal of investment property	–	–	(15,920)	–
Provision for loss on disposal of an associate	–	–	(37,740)	–
	33,394	116,085	(55,415)	(4,091)

	Turnover		Contribution	
	Six months ended		Six months ended	
	30 September		30 September	
	2001	2000	2001	2000
(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	
HK\$'000	HK\$'000	HK\$'000	HK\$'000	
By geographical area:				
Hong Kong and Macau	9,503	9,831	75	(2,561)
The People's Republic of China	9,471	7,369	(1,664)	(4,949)
Europe	14,420	12,118	(1,005)	(2,513)
United States of America	-	86,767	-	6,317
Other	-	-	-	(385)
	33,394	116,085	(2,594)	(4,091)
Gain on disposal of interest in subsidiary	-	-	839	-
Provision for loss on disposal of investment property	-	-	(15,920)	-
Provision for loss on disposal of an associate	-	-	(37,740)	-
	33,394	116,085	(55,415)	(4,091)

3. OTHER REVENUE

An analysis of other revenue is as follows:

	Six months ended	
	30 September	
	2001	2000
	(Unaudited)	(Unaudited)
HK\$'000	HK\$'000	
Management fee income	406	149
Net gain on dilution of interests in subsidiaries	-	1,154
Interest income	47	1,288
Gain on disposal of fixed asset	52	-
Exchange gain	683	177
Others	124	74
	1,312	2,842

4. LOSS BEFORE TAX

The Group's loss before tax is arrived at after charging:

	Six months ended 30 September	
	2001	2000
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Depreciation	3,205	5,266
Interest expense	6,731	5,127
Loss on dilution of interest in an associate	–	1,539
Gain on disposal of interest in subsidiary	(839)	–
Provision for loss on disposal of investment property	15,920	–
Provision for loss on disposal of an associate	37,740	–

5. TAX

Hong Kong profits tax has been provided at the rate of 16% (2000: 16%) on the estimated assessable profits arising in Hong Kong during the period. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates based on existing legislation, interpretations and practices in respect thereof. No provision for tax has been made for the associate and jointly-controlled entity as these companies had no assessable profits.

	Six months ended 30 September	
	2001	2000
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Group:		
Hong Kong	131	812
Overseas	–	–
	131	812

6. LOSS PER SHARE

The calculation of basic loss per share is based on the net loss from ordinary activities attributable to shareholders for the period of HK\$64,060,000 (2000: HK\$13,311,000) and the weighted average of 1,825,150,000 shares (2000: 1,720,630,874 shares) in issue during the period.

Diluted loss per share for the periods ended 30 September 2001 and 2000 have not been shown as the options outstanding during these periods had an anti-dilutive effect on the basic loss per share for these periods.

7. INTEREST IN A SUBSIDIARY

On 7 April 2001, a sale and purchase agreement was entered into between the Group and an independent third party whereby the Group disposed of its entire interest in Dransfield Apparel Limited, a 50.01% owned subsidiary of the Group, for a cash consideration of HK\$1,230,000. The transaction constituted a major transaction of the Company under Chapter 14 of the Listing Rules. Details of the transaction were set out in a circular to shareholders dated 15 June 2001.

8. INTEREST IN AN ASSOCIATE

Pursuant to agreements entered into between the Company and an independent third party, Union Time Limited, on 30 October 2001 and 11 December 2001, the Group disposed of its entire interest in DF China Technology Inc. ("DFCT"), a 29.67% owned associate of the Group, for a cash consideration of RMB10,000,000. A provision for loss on disposal of HK\$37,740,000, has been made in these financial statements.

9. ACCOUNTS RECEIVABLE

The Group's credit period varies and depends on individual trade customers. The analysis below ages trade receivables, stated net of provisions for doubtful debts, based on the date of recognition of the revenue from the transactions.

	30 September 2001 (Unaudited) HK\$'000	31 March 2001 (Audited) HK\$'000
Within 3 months	5,137	13,797
4 to 6 months	52	405
7 to 12 months	25	581
Over 1 year	330	409
Provision for doubtful debts	(894)	(1,424)
	4,650	13,768

10. ACCOUNTS AND BILLS PAYABLE

Details of the ageing analysis of accounts and bills payable are as follows:

	30 September 2001 (Unaudited) HK\$'000	31 March 2001 (Audited) HK\$'000
Within 3 months	5,940	15,075
4 to 6 months	537	1,192
7 to 12 months	27	92
Over 1 year	5,675	5,000
	12,179	21,359

11. RESERVES

Group

	Share premium account HK\$'000	Capital reserve HK\$'000	Asset revaluation reserve HK\$'000	Exchange fluctuation reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 31 March 2001	214,157	31,920	1,835	5,987	(260,071)	(6,172)
Exchange differences on consolidation	-	-	-	2,585	-	2,585
Loss for the period	-	-	-	-	(64,060)	(64,060)
At 30 September 2001	214,157	31,920	1,835	8,572	(324,131)	(67,647)

12. RELATED PARTY TRANSACTIONS

	Note	Six months ended 30 September 2001 HK\$'000	2000 HK\$'000
Turnover and other revenue from DFCT, an associate:			
Interest income received		-	657
Logistic service income	(i)	222	68
Management fee received	(ii)	406	149
Sales of hygienic paper		-	145

Note:

- (i) The logistics service income related to the provision of logistic services which were charged according to prices and conditions similar to those offered to other major customers of the Group.
- (ii) The management fee related to the provision of accounting and administrative services which were charged according to prices and conditions similar to those offered to other major customers of the Group.

13. POST BALANCE SHEET EVENTS

- (a) On 15 October 2001, an agreement was entered into between The Bank of East Asia, Limited (the "Vendor") and an independent third party (the "Purchaser") whereby the Vendor as the mortgagee of the Group's property at the Ground, First and Second floors at Ocean Court, 28-44 Pok Man Street, Tai Kok Tsui, Mongkok, Hong Kong (the "Property") disposed of the Property to the Purchaser for a consideration of HK\$52,080,000. The transaction contemplated under the agreement constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules. The net sale proceeds of the Property will be applied to repay part of the outstanding loan due to the Vendor. Details of the transaction were set out in a circular to shareholders dated 7 November 2001. The completion of the transaction, which was scheduled to take place on 15 December 2001, has been extended to 31 December 2001 as agreed between the Vendor and the Purchaser.

- (b) Pursuant to agreements entered into between the Company and an independent third party, Union Time Limited, on 30 October 2001 and 11 December 2001, the Group disposed of its entire interest in DFCT for a cash consideration of RMB10,000,000 of which RMB3,340,000 was received on 11 December 2001 and the balance is receivable on or before 31 December 2001.