



Notes to Financial Statements *(Cont'd)*

31 December 2001

4. SEGMENT INFORMATION

SSAP 26 was adopted during the year, as detailed in note 2 to the financial statements. Segment information is presented by way of two segment formats: (i) on a primary segment reporting basis, by business segment; and (ii) on a secondary segment reporting basis, by geographical segment.

The Group's operating businesses are structured and managed separately, according to the nature of their operations and the products and services they provide. Each of the Group's business segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of other business segments. Summary details of the business segments are as follows:

- (a) the leather processing segment processes raw leather to finished leather for use in the leather ware products manufacture industry mainly in Mainland China;
- (b) the leather ware products manufacture and distribution segment produces leather ware products in Mainland China and sells them mainly in Hong Kong;
- (c) the merchandise trading segment purchases commodities from overseas and sells to customers in Mainland China;
- (d) the packaging materials manufacture and distribution segment produces and distributes packaging materials in Mainland China;
- (e) the property investment segment invests in residential and commercial properties in Hong Kong and Mainland China for rental income purpose; and
- (f) the corporate and other segment mainly comprises the Group's corporate income and expense items.

In determining the Group's geographical segments, revenues and results are attributed to the segments based on the location of the customers, and assets are attributed to the segments based on the location of the assets.

Intersegment transactions mainly represented management services, rental expenses and guarantees provided and charged by the Company to its subsidiaries at the bases determined by the Group.



Notes to Financial Statements (Cont'd)

31 December 2001

4. SEGMENT INFORMATION (Cont'd)

(a) Business segments

The following tables present revenue, profit/(loss) and certain asset, liability and expenditure information for the Group's business segments.

Group

2001	Leather ware products manufacture		Merchandise trading	Packaging materials manufacture and distribution	Property investment	Corporate and Other	Eliminations	Consolidated
	Leather processing	and distribution						
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue:								
Sales to external customers	470,312	31,358	241,260	21,999	-	-	-	764,929
Intersegment sales	-	-	-	-	-	1,170	(1,170)	-
Other revenue (excluding exchange gains/(losses))	866	2,391	246	-	1,810	260	-	5,573
Exchange gains/(losses), net	5,197	(163)	(243)	-	-	(56)	-	4,735
Total	476,375	33,586	241,263	21,999	1,810	1,374	(1,170)	775,237
Segment results	5,375	(26,745)	12,557	(9,524)	(11,827)	(12,778)	-	(42,942)
Interest income								2,290
Unallocated expense								(21,919)
Loss from operating activities								(62,571)
Finance costs								(15,221)
Share of losses of associates	-	-	(18)	-	(136)	-	-	(154)
Loss before tax								(77,946)
Tax								88
Minority interests								5,575
Net loss from ordinary activities attributable to shareholders								(72,283)



Notes to Financial Statements (Cont'd)

31 December 2001

4. SEGMENT INFORMATION (Cont'd)

(a) Business segments (Cont'd)

Group

2000	Leather ware products manufacture Leather processing HK\$'000	and distribution HK\$'000	Merchandise trading HK\$'000	Packaging materials and distribution HK\$'000	Property investment HK\$'000	Corporate and Other HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
Segment revenue:								
Sales to external customers	483,428	54,457	160,683	22,573	-	-	-	721,141
Intersegment sales	-	-	-	-	-	1,808	(1,808)	-
Other revenue (excluding exchange gains/(losses))	116	18	522	34	1,014	66	-	1,770
Exchange gains/(losses), net	(3,654)	(23)	(184)	-	-	36	-	(3,825)
Total	479,890	54,452	161,021	22,607	1,014	1,910	(1,808)	719,086
Segment results	17,637	(78,047)	(24,320)	(222)	(4,671)	1,657	-	(87,966)
Interest income								8,248
Unallocated expense								(12,478)
Loss from operating activities								(92,196)
Finance costs								(21,555)
Share of losses of associates	-	-	(398)	-	(567)	-	-	(965)
Loss before tax								(114,716)
Tax								971
Minority interests								29,195
Net loss from ordinary activities attributable to shareholders								<u>(84,550)</u>



Notes to Financial Statements (Cont'd)

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4. SEGMENT INFORMATION (Cont'd)

(a) Business segments (Cont'd)

Group

2001	Leather ware products manufacture	Leather and distribution	Merchandise trading	Packaging materials and distribution	Property investment	Corporate and Other	Eliminations	Consolidated
	Leather processing HK\$'000	and distribution HK\$'000	Merchandise trading HK\$'000	Packaging materials and distribution HK\$'000	Property investment HK\$'000	Corporate and Other HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
Segment assets	391,160	25,682	111,621	7,902	33,505	14,174	(9,921)	574,123
Interests in associates	-	-	-	-	-	-	-	-
Unallocated assets								8
Total assets								574,131
Segment liabilities	(39,401)	(10,760)	(7,298)	(1,734)	(271)	(2,975)	9,921	(52,518)
Unallocated liabilities								(161,066)
Total liabilities								(213,584)
Other segment information:								
Capital expenditure	9,568	989	13	174	-	177	-	10,921
Depreciation	16,836	2,001	240	670	-	795	-	20,542
Amortisation	-	1,400	-	-	-	-	-	1,400
Impairment of fixed assets	8,559	7,125	-	3,733	-	-	-	19,417
Impairment of trademarks	-	4,100	-	-	-	-	-	4,100
Impairment of an investment in an associate	-	-	-	-	907	-	-	907
Revaluation deficit on investment properties	-	-	-	-	7,499	-	-	7,499
Revaluation deficit on leasehold land and buildings	353	8,112	917	-	-	2,288	-	11,670
Other non-cash expenses	11,796	3,671	3	2,767	4,817	104	-	23,158
Unallocated amounts								21,919



Notes to Financial Statements (Cont'd)

31 December 2001

4. SEGMENT INFORMATION (Cont'd)

(a) Business segments (Cont'd)

Group

2000	Leather ware products manufacture	Leather and distribution	Merchandise trading	Packaging materials and distribution	Property investment	Corporate and Other	Eliminations	Consolidated
	Leather processing HK\$'000	and distribution HK\$'000	trading HK\$'000	and distribution HK\$'000	investment HK\$'000	Other HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
Segment assets	460,128	60,970	84,136	23,109	28,222	67,376	(8,142)	715,799
Interests in associates	-	-	(15)	-	8,320	-	-	8,305
Unallocated assets								1,868
Total assets								725,972
Segment liabilities	(48,922)	(15,361)	(15,737)	(3,325)	(18)	(1,120)	8,142	(76,341)
Unallocated liabilities								(229,465)
Total liabilities								(305,806)
Other segment information:								
Capital expenditure	28,165	321	63	42	-	7	-	28,598
Depreciation	16,857	2,219	300	654	-	994	-	21,024
Amortisation	-	2,000	-	-	-	-	-	2,000
Impairment of fixed assets	-	-	-	-	-	-	-	-
Impairment of trademarks	-	26,000	-	-	-	-	-	26,000
Impairment of an investment in an associate	-	-	-	-	-	-	-	-
Revaluation deficit on investment properties	-	-	-	-	4,740	-	-	4,740
Revaluation deficit on leasehold land and buildings	228	3,207	681	-	-	1,565	-	5,681
Other non-cash expenses	6,619	34,032	25,588	-	-	-	-	66,239
Unallocated amounts								12,478



Notes to Financial Statements (Cont'd)

31 December 2001

4. SEGMENT INFORMATION (Cont'd)

(b) Geographical segments

The following tables present revenue, profit/(loss) and certain asset and expenditure information for the Group's geographical segments.

Group

2001	Mainland China HK\$'000	Hong Kong HK\$'000	Elsewhere HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
Segment revenue:					
Sales to external customers	695,776	67,387	1,766	-	764,929
Other revenue (excluding exchange gains/(losses))	4,034	1,506	33	-	5,573
Exchange gains/(losses), net	4,993	(215)	(43)	-	4,735
Total	<u>704,803</u>	<u>68,678</u>	<u>1,756</u>	<u>-</u>	<u>775,237</u>
Segment results	<u>(20,600)</u>	<u>(19,696)</u>	<u>(2,646)</u>	<u>-</u>	<u>(42,942)</u>
Other geographical information:					
Segment assets	422,893	152,918	309	(1,997)	574,123
Interests in associates	-	-	-	-	-
Unallocated assets					8
Total assets	<u></u>	<u></u>	<u></u>	<u></u>	<u>574,131</u>
Capital expenditure	<u>9,737</u>	<u>1,184</u>	<u>-</u>	<u>-</u>	<u>10,921</u>



Notes to Financial Statements (Cont'd)

31 December 2001

4. SEGMENT INFORMATION (Cont'd)

(b) Geographical segments (Cont'd)

Group

2000	Mainland China HK\$'000	Hong Kong HK\$'000	Elsewhere HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
Segment revenue:					
Sales to external customers	665,059	29,512	26,570	-	721,141
Other revenue (excluding exchange gains/(losses))	905	715	150	-	1,770
Exchange gains/(losses), net	(3,887)	36	26	-	(3,825)
Total	<u>662,077</u>	<u>30,263</u>	<u>26,746</u>	<u>-</u>	<u>719,086</u>
Segment results	<u>(61,418)</u>	<u>(12,942)</u>	<u>(13,606)</u>	<u>-</u>	<u>(87,966)</u>
Other geographical information:					
Segment assets	505,915	209,807	1,989	(1,912)	715,799
Interests in associates	8,320	-	(15)	-	8,305
Unallocated assets					1,868
Total assets	<u></u>	<u></u>	<u></u>	<u></u>	<u>725,972</u>
Capital expenditure	<u>28,203</u>	<u>333</u>	<u>62</u>	<u>-</u>	<u>28,598</u>



Notes to Financial Statements *(Cont'd)*

31 December 2001

5. TURNOVER AND REVENUE

Turnover represents gross proceeds received and receivable on the processing and sale of leathers and leather ware products, the sale of packaging materials and the gross invoiced revenue arising from general merchandise trading, net of goods returned, trade discounts and value-added tax, during the year.

Revenue from the following activities has been included in turnover:

	2001 HK\$'000	2000 HK\$'000
Turnover		
Processing and sale of leathers	470,312	483,428
Processing and sale of leather ware products	31,358	54,457
Sale of merchandise	241,260	160,683
Sale of packaging materials	21,999	22,573
	<u>764,929</u>	<u>721,141</u>
Other revenue		
Gross rental income	1,999	1,014
Interest income	2,290	8,248
Royalties	1,500	–
Others	2,074	756
	<u>7,863</u>	<u>10,018</u>



Notes to Financial Statements (Cont'd)

31 December 2001

6. LOSS FROM OPERATING ACTIVITIES

The Group's loss from operating activities is arrived at after charging:

	2001	2000
	<i>HK\$'000</i>	<i>HK\$'000</i>
Cost of inventories sold	683,962	641,926
Auditors' remuneration	1,075	1,060
Depreciation on fixed assets	20,542	21,024
Amortisation of trademarks*	1,400	2,000
Staff costs (excluding directors' remuneration (note 9)):#		
Wages and salaries	39,690	36,245
Pension scheme contributions	1,540	997
Less: forfeited contributions	–	(37)
Net pension scheme expenses **	1,540	960
	41,230	37,205
Annual fees paid to PRC joint venture partners	10,735	10,527
Operating leases in respect of land and buildings:#		
Minimum lease payments	6,680	5,241
Contingent rents payments	3,007	3,357
	9,687	8,598
<i>Expenses included in other operating expenses:</i>		
Provision for impairment of trademarks	4,100	26,000
Deficit arising on revaluation of investment properties	7,499	4,740
Deficit arising on revaluation of leasehold land and buildings	11,670	5,681
Provisions against inventories	10,872	4,669
Provision against loans to an associate	4,716	18,767
Impairment of an investment in an associate	907	–
Provisions for doubtful debts	3,987	48,371
Less: Write-back of provisions for doubtful debts	(2,389)	–
Recovery from possession of shares in Gastor (note 35(d))	–	(12,697)
	1,598	35,674



Notes to Financial Statements (Cont'd)

31 December 2001

6. LOSS FROM OPERATING ACTIVITIES (Cont'd)

The Group's loss from operating activities is arrived at after charging: (Cont'd)

	2001 HK\$'000	2000 HK\$'000
<i>Expenses included in other operating expenses: (cont'd)</i>		
Compensation payments in respect of the planned curtailment of operations of a subsidiary	4,616	–
Write-off of fixed assets	1,109	–
Loss on disposal of fixed assets, net***	247	122
Provision for impairment of fixed assets	19,417	–
Release of goodwill in respect of impairment of an investment in a subsidiary	21,919	12,478
Exchange losses/(gains), net	<u>(4,735)</u>	<u>3,825</u>
and after crediting:		
Gross rental income from investment properties	1,810	1,014
Add: sublease income	189	–
	<u>1,999</u>	<u>1,014</u>
Total rental income in respect of minimum lease receivables	1,999	1,014
Less: outgoings from investment properties	<u>(375)</u>	<u>(308)</u>
Net rental income	<u>1,624</u>	<u>706</u>

* The amortisation of trademarks for the year is included in "Administrative expenses" on the face of the consolidated profit and loss account.

** The amount of forfeited pension scheme contributions available at the current and prior year ends to reduce contributions in future years is not material.

*** The amount of loss on disposal of fixed assets in previous year was classified as administrative expenses. To accord with the presentation adopted in the current year, which in the opinion of the Directors, better reflects the underlying nature of the transactions, it has been reclassified to other operating expenses.

Certain amounts in the staff costs and operating leases in respect of land and buildings in previous year were classified as administrative expenses. To accord with the presentation adopted in the current year, which in the opinion of the Directors, better reflects the underlying nature of the transactions, they have been reclassified to selling and distribution costs.



Notes to Financial Statements *(Cont'd)*

31 December 2001

7. FINANCE COSTS

	Group	
	2001	2000
	HK\$'000	HK\$'000
Interest on bank loans wholly repayable within five years	15,221	21,505
Interest on other loans	–	50
	<u>15,221</u>	<u>21,555</u>

8. TAX

No provision for Hong Kong profits tax has been made as the Group had no assessable profits arising in Hong Kong during the year. Hong Kong profits tax had been provided at the rate of 16% on the estimated assessable profits arising in Hong Kong in prior year. No provision for Mainland China and overseas profits tax has been made (2000: Nil) as there were no assessable profits arising from the subsidiaries of the Company in Mainland China and overseas countries during the year.

	2001	2000
	HK\$'000	HK\$'000
Group:		
Hong Kong	–	286
Underprovision in previous years	29	–
Overprovision in previous years	(117)	(1,257)
	<u>–</u>	<u>–</u>
Tax credited for the year	<u>(88)</u>	<u>(971)</u>

There was no material unprovided deferred tax in respect of the year (2000: Nil).



Notes to Financial Statements *(Cont'd)*

31 December 2001

9. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES

- (a) Directors' remuneration disclosed pursuant to the Listing Rules and Section 161 of the Companies Ordinance is as follows:

	Group	
	2001	2000
	HK\$'000	HK\$'000
Fees:		
Executive Directors	–	20
Non-executive Directors	–	–
Independent non-executive Directors	40	40
	<u>40</u>	<u>60</u>
Other emoluments to executive Directors:		
Salaries, allowances and benefits in kind	2,024	4,927
Pension scheme contributions	65	100
Less: forfeited contributions	(27)	(63)
	<u>38</u>	<u>37</u>
Net pension scheme expenses*		
	<u>38</u>	<u>37</u>
Total Directors' remuneration	<u><u>2,102</u></u>	<u><u>5,024</u></u>

- * The amount of forfeited pension scheme contributions available at the current and prior year ends to reduce contributions in future years is not material.

The number of directors whose remuneration fell within the following bands is as follows:

	Number of directors	
	2001	2000
Nil – HK\$1,000,000	9	16
HK\$1,000,001 – HK\$1,500,000	–	1
	<u>9</u>	<u>17</u>



Notes to Financial Statements (Cont'd)

31 December 2001

9. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES (Cont'd)

- (a) Directors' remuneration disclosed pursuant to the Listing Rules and Section 161 of the Companies Ordinance is as follows (Cont'd):

Mr. Yu Ziquan, Mr. Zhang Muhan, Mr. Chong Chi Wah, Mrs. Ho Lam Lai Ping, Theresa, Mr. Lau Chi Sing, Mr. Cheung Sing Tai and Mr. Wat Kam Hang, Directors of the Company, waived the directors' fees aggregating for the year. Save for that, there was no arrangement under which a Director waived or agreed to waive any remuneration during the year.

- (b) The five highest paid employees of the Group during the year included two (2000: three) Directors, details of whose remuneration are set out in note (a) above. Details of the remuneration of the remaining three (2000: two) non-director, highest paid employees are as follows:

	2001 HK\$'000	2000 HK\$'000
Salaries, allowances and benefits in kind	3,783	2,985
Bonuses paid and payable	121	–
Pension scheme contributions	49	–
	<u>3,953</u>	<u>2,985</u>

The number of non-director, highest paid employees whose remuneration fell within the following bands is as follows:

	Number of employees	
	2001	2000
Nil – HK\$1,000,000	2	1
HK\$2,000,001 – HK\$2,500,000	–	1
HK\$2,500,001 – HK\$3,000,000	1	–
	<u>3</u>	<u>2</u>



Notes to Financial Statements *(Cont'd)*

31 December 2001

10. NET LOSS FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS

The net loss from ordinary activities attributable to shareholders for the year ended 31 December 2001 dealt with in the financial statements of the Company is HK\$119,695,000 (2000: HK\$76,544,000).

11. LOSS PER SHARE

The calculation of basic loss per share is based on the net loss attributable to shareholders for the year of HK\$72,283,000 (2000: HK\$84,550,000), and the weighted average of 524,154,000 (2000: 524,154,000) ordinary shares in issue during the year.

No diluted loss per share is presented for the years ended 31 December 2001 and 2000 as the dilution effect from the exercise of share options of the Company is anti-dilutive.



Notes to Financial Statements (Cont'd)

31 December 2001

12. FIXED ASSETS

Group

	Leasehold land and buildings HK\$'000	Investment properties HK\$'000	Leasehold improve- ments HK\$'000	Plant and machinery HK\$'000	Electronic equipment HK\$'000	Motor vehicles HK\$'000	Furniture, fixtures and equipment HK\$'000	Construction in progress HK\$'000	Total HK\$'000
Cost or valuation:									
At beginning of year	144,730	22,580	12,290	127,613	2,563	14,391	5,450	8,637	338,254
Additions	750	-	896	145	34	-	359	8,737	10,921
Disposals	(394)	(3,000)	-	(2,198)	(26)	(2,612)	(545)	-	(8,775)
Write-off	-	-	(1,086)	(163)	-	-	(620)	(134)	(2,003)
Reclassifications	(12,203)	15,329	712	9,236	159	188	-	(13,421)	-
Deficit on revaluation	(13,118)	(7,499)	-	-	-	-	-	-	(20,617)
Written back on revaluation	(6,711)	-	-	-	-	-	-	-	(6,711)
Exchange realignment	1,489	-	84	1,973	37	158	(4)	135	3,872
At 31 December 2001	114,543	27,410	12,896	136,606	2,767	12,125	4,640	3,954	314,941
Analysis of cost or valuation:									
At cost	-	-	12,896	136,606	2,767	12,125	4,640	3,954	172,988
At 2001 valuation	114,543	27,410	-	-	-	-	-	-	141,953
	114,543	27,410	12,896	136,606	2,767	12,125	4,640	3,954	314,941
Accumulated depreciation and impairment:									
At beginning of year	-	-	3,511	61,564	1,407	10,267	3,704	-	80,453
Provided for the year	6,317	-	1,249	10,617	368	1,231	760	-	20,542
Written back on disposal	(55)	-	-	(1,703)	(14)	(1,781)	(301)	-	(3,854)
Written back on write-off	-	-	(365)	(66)	-	-	(463)	-	(894)
Written back on revaluation	(6,711)	-	-	-	-	-	-	-	(6,711)
Impairment during the year recognised in the profit and loss account	-	-	5,312	12,912	-	795	398	-	19,417
Exchange realignment	449	-	25	958	21	104	(5)	-	1,552
At 31 December 2001	-	-	9,732	84,282	1,782	10,616	4,093	-	110,505
Net book value:									
At 31 December 2001	114,543	27,410	3,164	52,324	985	1,509	547	3,954	204,436
At 31 December 2000	144,730	22,580	8,779	66,049	1,156	4,124	1,746	8,637	257,801



Notes to Financial Statements (Cont'd)

31 December 2001

12. FIXED ASSETS (Cont'd)

Company

	Leasehold land and buildings HK\$'000	Investment property HK\$'000	Leasehold improvements HK\$'000	Furniture, fixtures and equipment HK\$'000	Total HK\$'000
Cost or valuation:					
At beginning of year	15,470	-	1,219	2,114	18,803
Additions	-	-	45	132	177
Write-off	-	-	-	(479)	(479)
Reclassification	(15,329)	15,329	-	-	-
Deficit on revaluation	-	(1,329)	-	-	(1,329)
Written back on revaluation	(141)	-	-	-	(141)
At 31 December 2001	-	14,000	1,264	1,767	17,031
Analysis of cost or valuation:					
At cost	-	-	1,264	1,767	3,031
At 2001 valuation	-	14,000	-	-	14,000
	-	14,000	1,264	1,767	17,031
Accumulated depreciation:					
At beginning of year	-	-	158	1,389	1,547
Provided for the year	141	-	66	383	590
Written back on write-off	-	-	-	(381)	(381)
Written back on revaluation	(141)	-	-	-	(141)
At 31 December 2001	-	-	224	1,391	1,615
Net book value:					
At 31 December 2001	-	14,000	1,040	376	15,416
At 31 December 2000	15,470	-	1,061	725	17,256