

## NOTES TO CONDENSED FINANCIAL STATEMENTS

### 1. BASIS OF PREPARATION

The unaudited condensed consolidated interim financial statements have been prepared in accordance with the Hong Kong Statement of Standard Accounting Practice ("SSAP") No.25 "Interim Financial Reporting" and the applicable disclosure requirement set out in Appendix 16 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules"). The accounting policies and basis of preparation used in the preparation of the interim financial statements are the same as those used in the Group's annual financial statements for the year ended 31 March 2002 except for the adoption of the following revised and new SSAPs which are effective for the first time for accounting periods commencing after 1 January 2002:

- SSAP 1 (Revised) : "Presentation of Financial Statements"
- SSAP 11 (Revised) : "Foreign Currency Translation"
- SSAP 15 (Revised) : "Cash Flow Statements"
- SSAP 25 (Revised) : "Interim Financial Reporting"
- SSAP 34 : "Employee Benefits"

SSAP 1 (Revised) prescribes the basis of preparation of financial statements and set out guidelines for their structure and minimum requirements for the content thereof. The main revision to this SSAP is to change the requirements from presenting a statement of recognized gains and losses to a statement of changes in equity. The condensed consolidated statement of changes in equity and the comparative figures have been presented in accordance with this revised SSAP.

SSAP 11 (Revised) prescribes the basis for translation of foreign currency transactions and financial statements. This revised SSAP has had no material impact on the condensed consolidated financial statements for the current and prior accounting periods.

SSAP 15 (Revised) prescribes the provision of information about the historical changes in cash and cash equivalents by means of a cash flow statement which classifies cash flows during the period into operating, investing and financing activities. The condensed consolidated cash flow statement for the period and the comparative figures have been presented in accordance with this revised SSAP.

SSAP 25 (Revised) prescribes the presentation and disclosures following changes in SSAP 1 (Revised) and SSAP 15 (Revised). The condensed consolidated financial statements for the period and comparative figures have been prepared in accordance with these revised SSAPs.

SSAP 34 prescribes the accounting treatment and disclosure for employee benefits. This new SSAP has had no material impact on the condensed consolidated financial statements for the current and prior accounting periods.

## 2. TURNOVER AND SEGMENTAL INFORMATION

Turnover represents the sales value of goods supplied to customers and income from sales of properties. An analysis of turnover and results by business segments and geographical segments are as follows:

### Business segments:

	Revenue from external customers		Segment result	
	2002 (unaudited) HK\$'000	2001 (unaudited) HK\$'000	2002 (unaudited) HK\$'000	2001 (unaudited) HK\$'000
Garments and				
leatherware products	38,291	43,376	6,860	(13,286)
Properties trading	1,112	5,684	152	153
Leather materials	2,829	6,893	(457)	966
Iron ore and steel trading	31,450	—	3,291	—
	<b>73,682</b>	55,953	<b>9,846</b>	(12,167)
Unallocated operating income and expenses			(5,274)	(3,835)
Profit/(loss) from operating activities			4,572	(16,002)
Finance costs			(157)	(216)
Share of losses of associates			(421)	(668)
Tax			(10)	—
Minority interests			(3,288)	—
Net profit/(loss) attributable to shareholders			<b>696</b>	(16,886)

**2. TURNOVER AND SEGMENTAL INFORMATION** *(Continued)***Geographical Segments:**

	Revenue from external customers		Segment result	
	2002 (unaudited)	2001 (unaudited)	2002 (unaudited)	2001 (unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
PRC (including Hong Kong)	63,942	55,953	5,195	(16,002)
Other Asian countries	9,740	—	(623)	—
	<u>73,682</u>	<u>55,953</u>		
Profit/(loss) from operating activities			<u>4,572</u>	<u>(16,002)</u>

**3. OTHER REVENUE**

	Six months ended 30 September	
	2002 (unaudited)	2001 (unaudited)
	HK\$'000	HK\$'000
Interest income	70	498
Others	1,600	13
	<u>1,670</u>	<u>511</u>

#### 4. PROFIT/(LOSS) FROM OPERATING ACTIVITIES

The Group's profit/(loss) from operating activities has been arrived at after charging/ (crediting):

	Six months ended 30 September	
	2002 (unaudited) HK\$'000	2001 (unaudited) HK\$'000
Depreciation	747	2,209
Amortization of goodwill	2,114	1,007
Gain on disposal of subsidiaries	(6,654)	—

#### 5. TAX

	Six months ended 30 September	
	2002 (unaudited) HK\$'000	2001 (unaudited) HK\$'000
Hong Kong	10	—

No Hong Kong profits tax has been provided for the Company as it had no assessable profits for the current period (2001: Nil). Hong Kong profits tax has been calculated at 16% of the estimated assessable profits of the subsidiaries for the period (2001: Nil). No Hong Kong profits tax has been provided for the associates as they had no assessable profits attributable to the Group for the current period (2001: Nil).

There were no significant deferred tax liabilities at the balance sheet date (31 March 2002: Nil)

#### 6. EARNINGS/(LOSS) PER SHARE

Basic earnings/(loss) per share is calculated based on the net profit attributable to shareholders for the period of approximately HK\$696,000 (2001: loss of HK\$16,886,000) and 17,665,936,000 (2001: 17,665,936,000) ordinary shares in issue during the period.

There is no diluted earnings/(loss) per share shown for either periods as the effect arising from the exercise of potential ordinary shares would have been anti-dilutive.

## 7. ACCOUNTS RECEIVABLE

The aged analysis of the Group's accounts receivable is as follows:

	As at			
	30 September 2002		31 March 2002	
	(unaudited) HK\$'000	(unaudited) Percentage	(audited) HK\$'000	(audited) Percentage
Current to three months	49,528	75	26,752	52
Four to six months	11,008	17	24,092	47
Over six months	5,189	8	205	1
Total after provision	65,725	100	51,049	100

The normal credit period granted by the Group to customers ranges from 90 days to 180 days.

## 8. ACCOUNTS PAYABLE

The aged analysis of the Group's accounts payable is as follows:

	As at			
	30 September 2002		31 March 2002	
	(unaudited) HK\$'000	(unaudited) Percentage	(audited) HK\$'000	(audited) Percentage
Current to three months	25,588	100	4,179	55
Four to six months	—	—	3,469	45
	25,588	100	7,648	100

## 9. SHARE CAPITAL

	Company	
	30 September 2002 (unaudited) HK\$'000	31 March 2002 (audited) HK\$'000
Authorised:		
50,000,000,000 ordinary shares of HK\$0.01 each	<b>500,000</b>	500,000
Issued and fully paid:		
17,665,936,000 ordinary shares of HK\$0.01 each	<b>176,659</b>	176,659

At the beginning of the period, there were a total of 584,713,564 share options outstanding, of which (i) 54,713,564 share options were granted on 27 June 1997 with an exercise price of HK\$0.537 per share and (ii) 530,000,000 share options were granted on 12 June 2001 with an exercise price of HK\$0.01 per share. All these share options are exercisable within 10 years from the date of grant of the options.

During the six months ended 30 September 2002, 21,501,050 share options granted on 27 June 1997 were cancelled upon the resignation of certain employees.

As a result of the above, 563,212,514 share options remained outstanding at the balance sheet date. At the balance sheet date, the exercise in full of these outstanding share options would, under the present capital structure of the Company, result in the issue of 563,212,514 additional ordinary shares and cash proceeds, before issue expenses, of approximately HK\$23,135,000.

## 10. PROFIT UNDERTAKING FOR UNICON SPIRIT GROUP

On 26 September 2001, the Group entered into an agreement (the "Agreement") with an independent third party (the "Vendor") to acquire a 60% interest in the issued share capital of Unicon Spirit Development Ltd. ("Unicon Spirit"). Unicon Spirit and its subsidiaries (the "Unicon Spirit Group") is principally engaged in the manufacturing of leatherware products and the trading of leather materials.

Pursuant to the Agreement, the Vendor undertook and represented to the Group that the consolidated profit after taxation and minority interests of Unicon Spirit Group (before exceptional and extraordinary items) as shown in its audited accounts for the year ended 30 September 2002 prepared in accordance with the accounting principles generally accepted in Hong Kong would not be less than HK\$10,000,000 (the "Profit Undertaking"). According to the audited accounts of Unicon Spirit for the year ended 30 September 2002, the Profit Undertaking was fulfilled.

**11. ACQUISITION OF CHEUK YIU**

During the period, the Group acquired the entire issued share capital of Cheuk Yiu Investment Limited ("Cheuk Yiu"), a company incorporated in Samoa, for an aggregate consideration of HK\$36,000,000. The funds required for the acquisition was sourced from internal financial resources of the Group.

The sole asset of Cheuk Yiu is its investment of 60% interest in Chang Yuang Resources Limited ("Chang Yuang"), a company incorporated in Hong Kong with principal activities consisting of iron ore and steel trading and investment holding. Chang Yuang effectively holds 24.01% interest in Terengganu Anshan Iron and Steel Sdn. Bhd. and 35% interest in Terengganu Anshan Mining Sdn. Bhd., both companies were incorporated in Malaysia and their principal activities are the exploration and extraction of iron ores in Malaysia.

**12. CONTINGENT LIABILITY**

As at 30 September 2002, the Group had no significant contingent liabilities (31 March 2002: Nil).