

Notes:

1. **Group Reorganisation and basis of presentation**

The Company was incorporated in Bermuda on 28 June 2000 as an exempted company with limited liability under the Companies Act 1981 of Bermuda. In preparing for the listing of the shares of the Company on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”), the Company and its subsidiaries comprising the Group under common control underwent a reorganization (the “Reorganisation”) as set out in the Prospectus (the “Prospectus”) of the Company dated 31 October 2000. As a result of the Reorganisation, the Company became the ultimate holding company of the Group on 25 September 2000. The Company’s shares have been listed on the Stock Exchange since 15 November 2000.

The condensed financial statements and its comparative figures for the six months ended 30 June 2001 and 2000 have been accounted for on the basis of merger accounting, under which the consolidated financial statements have been prepared as if the Company had been the holding company of the other companies comprising the Group throughout the relevant periods, rather than from the date on which the Reorganisation was completed.

Except for the above-mentioned companies, the results of subsidiaries acquired or disposed of during the period are consolidated from or to their effective dates of acquisition or disposal.

Significant intra-group transactions and balances have been eliminated on consolidation.

2. **Accounting Policies**

The interim condensed financial statements and its comparative figures have been prepared in accordance with Statement of Standard Accounting Practice (“SSAP”) No., 25, “Interim Financial Reporting”, except that, no comparative figures have been presented for the condensed cash flow statement as permitted by the Rules Governing the Listing of Securities of the Stock Exchange.

The accounting policies adopted in the relevant periods are consistent with those followed in the Group’s annual financial statements for the year ended 31 December 2000.



### 3. Segment Information

The Group's turnover, sales and services for the relevant periods were rendered in Mainland China. Its operations are classified under three principal business segments: sales of goods, processing fees and fees from construction contracts. There are no significant inter-segment transactions and the segment information for the relevant periods is presented as below:

	For the six months ended 30 June	
	2001 RMB'000 (Unaudited)	2000 RMB'000 (Unaudited)
(a) Segment Revenue		
Sales of goods	270,753	162,835
Processing fees	4,771	82,913
Fees from construction contracts	30,409	—
Total revenue	<u>305,933</u>	<u>245,748</u>
(b) Segment Results		
Sales of goods	86,850	41,326
Processing fees	3,006	48,456
Fees from construction contracts	6,603	—
Unallocated corporate expenses	(4,126)	(3)
Other income	1,930	974
Finance costs, net	(10,361)	(10,457)
Profit before taxation	<u>83,902</u>	<u>80,296</u>

### 4. Profit before taxation

Profit before taxation was determined after crediting and charging the following:

	For the six months ended 30 June	
	2001 RMB'000 (Unaudited)	2000 RMB'000 (Unaudited)
After crediting:		
Interest income	<u>91</u>	<u>90</u>
After charging:		
Depreciation	17,054	16,576
Interest expenses	<u>10,452</u>	<u>10,547</u>

5. **Taxation**

Hong Kong profits tax has not been provided for as the Group had no assessable profits arising in Hong Kong during the relevant periods. Provision for taxation of subsidiaries operating in the PRC has been calculated at the rates applicable, based on existing laws, interpretations and practice, in the relevant periods.

During the relevant periods, the Group had no significant deferred taxation.

6. **Earnings per share**

The calculation of basic earnings per share for the six months ended 30 June 2001 is based on the profit attributable to shareholders of approximately RMB72,539,000 and on ordinary shares of 1,860,000,000 in issue during the period.

Pro forma earnings per share for the six months ended 30 June 2000 had been prepared on the assumption that the 1,395,000,000 shares (after taking into consideration the capitalization issue of 1,393,000,000 shares) had been issued immediately preceding the placing and new issue of 465,000,000 shares and the profit attributable to shareholders of approximately RMB74,501,000.

Diluted earnings per shares for the six months ended 30 June 2001 and 2000 were not presented because there were no dilutive potential ordinary shares in existence during the relevant periods.

7. **Accounts Receivable**

The sales of the individual companies of the Group, except for Dalian Huayang Engineering Co., Ltd. ("Huayang Engineering"), are usually settled by "delivery upon payment". The credit terms of Huayang Engineering granted to the customers are governed by the contracts but usually not exceeding 365 days. The aging analysis of accounts receivable was as follows:

	30.6.2001 RMB'000 (Unaudited)	31.12.2000 RMB'000 (Audited)
Within 30 days	29,798	8,360
Over 30 days but within 180 days	33,699	31,229
Over 180 days but within 360 days	2,820	641
	<u>66,317</u>	<u>40,230</u>



8. **Accounts Payable**

The aging analysis of accounts payable was as follows:

	30.6.2001 RMB'000 (Unaudited)	31.12.2000 RMB'000 (Audited)
Within 1 year	13,808	11,315
Over 1 year but within 2 years	6,634	2,132
Over 2 years	—	253
	<u>20,442</u>	<u>13,700</u>

9. **Amount Due To A Director**

The balance due to a director, Mr Chen Shunli, is unsecured, non-interest bearing and is repayable on demand.

10. **Long Term Liabilities**

	30.6.2001 RMB'000 (Unaudited)	31.12.2000 RMB'000 (Audited)
Due to an associate (a)	107,115	143,029
Bank loan	1,992	2,239
Obligation under finance lease	—	303
	<u>109,107</u>	<u>145,571</u>

(a) The balance due to an associate, Changle City Shunshi Group Co. Ltd. ("Changle Shunshi") is unsecured, non-interest bearing and not demand for repayable in the next twelve months.

11. **Reserves**

There are no movements in reserves during the six months ended 30 June 2001.

12. **Contingent Liabilities**

At 30 June 2001, the Group had no significant contingent liabilities. (31 December 2000: Nil)

13. **Capital Commitments**

As at 30 June 2001, the capital commitments of the Group on the purchase of properties, plant and equipment were as follows:

	30.6.2001	31.12.2000
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Contracted but not provided for	395,173	386,933
Authorised but not contracted for	<u>123,275</u>	<u>121,263</u>
	<u><u>518,448</u></u>	<u><u>508,196</u></u>

14. **Post Balance Sheet Events**

On 5 July 2001, the Group had entered into acquisition and disposal agreements as follows:

- (a) to dispose the equity interest in Changle Shunshi to the Group's director, Mr Chen Shunli.
- (b) to acquire 35% of equity interest in Heshun (Fujian) Spandex Co., Ltd ("Heshun Spandex") from Changle Shunshi.

Details of the agreements have already been contained in the circular of connected transactions dated 30 July 2001.

