

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### (1) Principal Accounting Policies

These consolidated interim financial statements have not been audited by the Company's Auditors but have been reviewed by the Company's Audit Committee.

The unaudited consolidated interim financial statements are prepared in accordance with Statement of Standard Accounting Practice ("SSAP") No. 25 "Interim Financial Reporting", issued by Hong Kong Society of Accountants and 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 these interim financial statements are same as those used in the preparation of the Group's audited financial statements for the year ended 31 March 2001 except the Group has changed certain of its accounting policies following the adoption of the new and revised SSAPs which became effective for the accounting periods commencing on or after 1 January 2001.

The Group has taken advantage of the transitional provision of SSAP No. 30 "Business Combination" by not restating goodwill previously included in retained reserves. Therefore, goodwill arising on acquisition prior to April 2001 is held in reserves and will be charged to the profit and loss account at the time of disposal of the relevant subsidiaries, or at such time the goodwill is determined to be impaired in accordance with SSAP No. 31 "Impairment of assets".

The adoption of the other new and revised SSAPs has no significant effect on the results of the Group in the current and prior periods.

**(2) Segmental Information**

An analysis of the Group's turnover and contribution to loss from operating activities by principal activities and geographical area of operation for the Period and for the corresponding previous period are as follows:

	Turnover		Contribution to Loss	
	For the six months ended 30 September		from operating activities For the six months ended 30 September	
	2001 (Unaudited) HK\$'000	2000 (Unaudited) HK\$'000	2001 (Unaudited) HK\$'000	2000 (Unaudited) HK\$'000
<b>By activities:</b>				
Garment	38,381	65,636	5,765	8,793
Shoes	5,793	959	898	104
Leather goods	116	543	18	61
Car audio equipment	16,102	19,374	(2,938)	1,198
	<b>60,392</b>	86,512	<b>3,743</b>	10,156
Unallocated corporate revenue			2,413	6,978
Unallocated corporate expenses			(12,416)	(10,575)
Realised and unrealised losses on other securities			(1,357)	(39,636)
Loss from operating activities			<b>(7,617)</b>	(33,077)
<b>By geographical area:</b>				
The People's Republic of China (the "PRC") and Hong Kong, SAR	44,290	63,616	(4,679)	(34,347)
Outside PRC	16,102	22,896	(2,938)	1,270
	<b>60,392</b>	86,512	<b>(7,617)</b>	(33,077)

**(3) Other revenue****For the six months  
ended 30 September**

	<b>2001</b> <b>(Unaudited)</b> <b>HK\$'000</b>	2000 (Unaudited) HK\$'000
Handling service fee	<b>1,350</b>	1,000
Interest Income	<b>2,563</b>	7,145
Others	<b>39</b>	235
	<b>3,952</b>	8,380

**(4) Loss from operating activities**

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

**For the six months  
ended 30 September**

	<b>2001</b> <b>(Unaudited)</b> <b>HK\$'000</b>	2000 (Unaudited) HK\$'000
Depreciation:		
Owned fixed assets	<b>4,325</b>	3,981
Leased fixed assets	<b>79</b>	90
(Gain)/Loss on disposal of other securities	<b>(6,073)</b>	21,407
Unrealised losses on other securities	<b>7,430</b>	18,229

**(5) Tax**

No Hong Kong profits tax has been provided during the Period as the Group has not derived any assessable profit attributable to its operation in Hong Kong during the Period.

No provision for tax in the PRC has been made since no assessable profits have been generated by subsidiaries operating in the PRC during the Period. The other overseas subsidiaries have not generated any profits subject to foreign taxes during the Period.

**(6) Dividend**

The Board has resolved not to pay any interim dividend for the six months ended 30 September 2001 (2000: Nil).

**(7) 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\$10,218,000 (2000: net loss of HK\$37,291,000) and the weighted average of 6,976,146,493 (2000: weighted average of 4,984,647,471 ordinary shares) ordinary shares in issue during the Period.

Diluted loss per share for the periods ended 30 September 2001 and 2000 respectively have not been shown as the share options outstanding during these periods had no dilutive effect on the basic loss per share for these periods or were anti-dilutive.

**(8) Investment in Securities**

	<b>At 30 September 2001 (Unaudited) HK\$'000</b>	At 31 March 2001 (Audited) HK\$'000
Investment securities:		
Unlisted equity securities, at cost		
– Hong Kong	<b>90,000</b>	90,000
– Elsewhere	<b>160</b>	160
	<b>90,160</b>	90,160
Provisions for impairments in values	<b>(70,000)</b>	(70,000)
	<b>20,160</b>	20,160
Other securities:		
Listed equity investments in Hong Kong, at market value	<b>100,720</b>	67,246
Unlisted equity investments in Hong Kong, at cost	<b>6,088</b>	–
	<b>106,808</b>	67,246

**(9) Inventories**

	<b>At 30 September 2001 (Unaudited) HK\$'000</b>	At 31 March 2001 (Audited) HK\$'000
Raw materials	<b>13,058</b>	9,152
Work in progress	<b>4,416</b>	3,297
Finished goods	<b>20,430</b>	30,512
	<b>37,904</b>	42,961

No inventories were carried at net realisable value at 30 September 2001 at 31 March 2001: Nil.

**(10) Trade receivables**

Ageing analysis:

	<b>At 30 September 2001 (Unaudited) HK\$'000</b>	At 31 March 2001 (Audited) HK\$'000
0 – 120 days	<b>30,315</b>	56,055
121 – 210 days	<b>34,018</b>	17,567
Over 210 days	<b>11,357</b>	4,541
Total	<b>75,690</b>	78,163

**(11) Trade payables**

Ageing analysis:

	<b>At 30 September 2001 (Unaudited) HK\$'000</b>	At 31 March 2001 (Audited) HK\$'000
0 – 120 days	<b>26,295</b>	24,146
121 – 210 days	<b>4,826</b>	6,905
Over 210 days	<b>5,301</b>	10,889
Total	<b>36,422</b>	41,940

**(12) Share Capital**

	<b>Number of Shares</b> '000	<b>Nominal Value</b> HK\$'000
<b>Authorised</b>		
– ordinary shares of HK\$0.01 each As at 1 April 2001	60,000,000	600,000
– ordinary shares of HK\$0.01 each As at 30 September 2001	60,000,000	600,000
<b>Issued and fully paid share capital</b>		
– ordinary shares of HK\$0.01 each As at 1 April 2001	5,985,800	59,858
Private Placing	2,633,560	26,336
– ordinary shares of HK\$0.01 each As at 30 September 2001	8,619,360	86,194

Pursuant to a placing agreement dated 11 June 2001 entered into between the Company and Tai Fook Securities Company Limited, a total of 1,197,000,000 shares of the Company of HK\$0.01 each were issued to independent investors at a price of HK\$0.03 per placing share. The closing market price of the Company's shares, as quoted on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") as at 11 June 2001 being the last trading day of the Company's shares on the Stock Exchange prior to the completion of the agreement, was HK\$0.034 per share. The net proceeds from the placing of approximately HK\$34.8 million had been used for additional working capital of the Group.

Pursuant to a placing agreement dated 3 August 2001 entered into between the Company and Tai Fook Securities Company Limited, a total of 1,436,560,000 shares of the Company of HK\$0.01 each were issued to independent investors at a price of HK\$0.025 per placing share. The closing market price, as quoted on the Stock Exchange as at 3 August 2001 being the last trading day of the shares on the Stock Exchange prior to the completion of the agreement, was HK\$0.028 per share. The net proceeds from the placing of approximately HK\$34.8 million had been used for additional working capital of the Group.

**(13) Reserves**

Group	Share Premium Account HK\$'000	Goodwill Reserve HK\$'000	Capital Redemp- tion Reserve HK\$'000	Contri- buted Surplus Reserve HK\$'000	Exchange Fluctu- ation Reserve HK\$'000	Accumu- lated Losses HK\$'000	Total HK\$'000
As at 1 April 2001	215,866	(44,662)	556	449,820	(1,161)	(473,350)	147,069
Share issue expenses	(1,956)	-	-	-	-	-	(1,956)
Premium upon share issued	45,488	-	-	-	-	-	45,488
Net loss for the Period	-	-	-	-	-	(10,218)	(10,218)
As at 30 September 2001	259,398	(44,662)	556	449,820	(1,161)	(483,568)	180,383

**(14) Related party transactions**

During the Period Mr. Chan Chun Tung, John, a director of the Company, executed personal guarantees to the extent of HK\$54,740,000 (31 March 2001: HK\$36,800,000 ) and pledged personal fixed deposits for the banking facilities granted to a subsidiary of the Company at nil consideration.

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**(15) Contingent liabilities**

At the balance sheet date, contingent liabilities not provided for in the financial statements were as follows:

	Company	
	At 30 September 2001 (Unaudited) HK\$'000	At 31 March 2001 (Audited) HK\$'000
Guarantees of banking facilities granted to and utilized by subsidiaries	30,756	33,614

**(16) Commitments for the Purchase of Property, Plant and Equipment**

The Group had no material commitments for the purchase of property, plant and equipment during the Period.