

## NOTES TO CONDENSED FINANCIAL STATEMENTS

### 1. Basis of presentation and accounting policies

The Company was incorporated in Bermuda on 10 January 2001 as an exempted company with limited liability under the Companies Act 1981 of Bermuda.

Pursuant to a reorganisation scheme to rationalise the structure of the Group in preparation for the listing of the Company's shares on the Stock Exchange in April 2001, the Company became the holding company of the companies now comprising the Group on 26 March 2001 (the "Group Reorganisation"). This was accomplished by acquiring the entire issued share capital of Richlink International Holdings Limited ("Richlink International"), the then holding company of the subsidiaries, in consideration of and in exchange for the allotment and issue of 10,000,000 ordinary shares of HK\$0.01 each in the share capital of the Company, credited as fully paid, to the former shareholders of Richlink International, and the existing 10,000,000 nil paid shares, credited as fully paid at par. Further details of the Group Reorganisation and of the subsidiaries acquired pursuant thereto are set out in the Company's year 2001 annual report and the Company's prospectus dated 30 March 2001. The Group Reorganisation involved companies under common control. The unaudited condensed consolidated interim financial statements have been prepared using the merger basis of accounting as a result of the Group Reorganisation completed on 26 March 2001. Under this basis, the Company has been treated as the holding company of its subsidiaries for the financial periods presented rather than from the date of acquisition of the subsidiaries. Accordingly, the unaudited consolidated results of the Group for the six months ended 30 September 2000 and 2001 include the results of the Company and its subsidiaries with effect from 1 April 2000 or since their respective dates of incorporation, where this is a shorter period.

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, except that no comparative figures have been presented for the unaudited condensed consolidated cash flow statement as allowed under the provisions of 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 methods of computation used in the preparation of these condensed interim financial statements are consistent with those used in the annual financial statements for the year ended 31 March 2001.

These unaudited condensed interim financial statements have been reviewed by the audit committee of the Company and were approved by the Board on 19 December 2001.

## 2. Turnover and revenue

Turnover represents the net invoiced value of goods, after allowances for returns and trade discounts. All significant intra-group transactions have been eliminated on consolidation.

An analysis of the Group's turnover and revenue by principal activity is as follows:

	<b>Unaudited Six months ended 30 September</b>	
	<b>2001</b>	2000
	<b>HK\$'000</b>	HK\$'000
<b>By principal activity</b>		
Manufacture and trading of:		
Melamine products	<b>59,223</b>	55,557
Silicon rubber products	<b>16,759</b>	12,461
	<hr/>	<hr/>
Turnover	<b>75,982</b>	68,018
	<hr/>	<hr/>
Interest income	<b>429</b>	1
Gross rental income	<b>53</b>	–
Exchange gain, net	<b>52</b>	–
Others	<b>245</b>	139
	<hr/>	<hr/>
Other revenue	<b>779</b>	140
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Total revenue	<b>76,761</b>	68,158
	<hr/>	<hr/>

The Group's turnover is further analysed by geographical area of principal market of the Group's products.

	<b>2001</b>	2000
	<b>HK\$'000</b>	HK\$'000
<b>By geographical area</b>		
Hong Kong	<b>28,312</b>	24,078
Southeast Asia	<b>20,877</b>	11,699
South America	<b>23,947</b>	24,215
Europe	<b>2,596</b>	7,074
Others	<b>250</b>	952
	<hr/>	<hr/>
Turnover	<b>75,982</b>	68,018
	<hr/>	<hr/>

### 3. Profit from operating activities

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

	<b>Unaudited</b>	
	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2001</b>	2000
	<b>HK\$'000</b>	HK\$'000
Depreciation	7,430	6,847
Exchange losses, net	–	7
Gross and net rental income	<b>(53)</b>	–

The profit from operating activities by principal activity and by geographical area of principle market of the Group's products is analysed as follows:

	<b>Unaudited</b>	
	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2001</b>	2000
	<b>HK\$'000</b>	HK\$'000
<b>By principal activity</b>		
Manufacture and trading of:		
Melamine products	<b>10,769</b>	14,867
Silicon rubber products	<b>3,378</b>	2,884
Profit from operating activities	<b>14,147</b>	17,751
<b>By geographical area</b>		
Hong Kong	<b>5,350</b>	6,783
Southeast Asia	<b>3,878</b>	2,968
South America	<b>4,449</b>	6,144
Europe	<b>419</b>	1,561
Others	<b>51</b>	295
Profit from operating activities	<b>14,147</b>	17,751

#### 4. Finance costs

	<b>Unaudited</b>	
	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2001</b>	<b>2000</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Interest on:		
Bank loans and overdrafts wholly repayable within five years	<b>948</b>	334
Bank loans wholly repayable beyond five years	<b>400</b>	661
Other loans	<b>43</b>	51
Interest on finance leases	<b>34</b>	50
	<b>1,425</b>	1,096

#### 5. Tax

	<b>Unaudited</b>	
	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2001</b>	<b>2000</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Current period provision for Hong Kong profits tax	<b>1,070</b>	1,330

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.

#### 6. Earnings per share

The calculation of basic earnings per share is based on the net profit from ordinary activities attributable to shareholders for the period of HK\$11,652,000 (2000: HK\$15,325,000) and the weighted average of 395,648,352 (2000: 328,000,000) ordinary shares.

The weighted average number of shares used to calculate the basic earnings per share for the six months ended 30 September 2000 includes the pro forma issued share capital of the Company, comprising 10,000,000 ordinary shares issued nil paid upon incorporation of the Company, 10,000,000 shares issued for the acquisition of Richlink International and the capitalisation issue of 308,000,000 shares, as described in the Company's prospectus dated 30 March 2001.

The weighted average number of shares used to calculate the basic earnings per share for the six months ended 30 September 2001 includes the above-mentioned 328,000,000 pro forma issued share capital of the Company in issue prior to the listing of the Company's shares on the Stock Exchange and the 72,000,000 ordinary shares issued to the public on 12 April 2001 in connection with the Company's initial public offering.

There were no potential dilutive ordinary shares in existence for the periods ended 30 September 2000 and 2001, and accordingly, no diluted earnings per share has been presented.

## 7. Fixed assets

The changes in the net book value of fixed assets for the six months ended 30 September 2001 are analysed as follows:

	<b>Unaudited</b> <i>HK\$'000</i>
At 1 April 2001	54,433
Additions of:	
leasehold improvements	124
machinery and equipment	4,038
moulds	986
furnitures, fixtures, and office equipment	238
motor vehicles	1,193
Disposals	–
Depreciation	<u>(7,430)</u>
At 30 September 2001	<u>53,582</u>

## 8. Accounts receivable

The aged analysis of accounts receivable was as follows:

	<b>Unaudited</b> <b>30 September</b> <b>2001</b> <b><i>HK\$'000</i></b>	Audited 31 March 2001 <i>HK\$'000</i>
Outstanding balances aged:		
Within 30 days	<b>13,999</b>	10,113
Between 31 to 60 days	<b>3,608</b>	2,179
Between 61 to 180 days	<b>1,434</b>	2,372
Between 181 to 360 days	<b>994</b>	–
	<u><b>20,035</b></u>	<u>14,664</u>

## 9. Accounts payable

The aged analysis of accounts payable was as follows:

	<b>Unaudited 30 September 2001 HK\$'000</b>	Audited 31 March 2001 HK\$'000
Outstanding balances aged:		
Within 30 days	561	1,998
Between 31 to 60 days	852	1,104
Between 61 to 180 days	2,479	2,626
Between 181 to 360 days	195	1,218
	<u>4,087</u>	<u>6,946</u>

## 10. Share capital

	<b>Unaudited 30 September 2001 HK\$'000</b>	Audited 31 March 2001 HK\$'000
<i>Authorised:</i>		
10,000,000,000 shares of HK\$0.01 each	<u>100,000</u>	<u>100,000</u>
	<b>Number of shares issued</b>	<b>Par value HK\$'000</b>
<i>Issued and fully paid:</i>		
At 1 April 2001	20,000,000	200
New issue and placing of shares to the public	72,000,000	720
Capitalisation of the share premium account	<u>308,000,000</u>	<u>3,080</u>
At 30 September 2001	<u>400,000,000</u>	<u>4,000</u>

On 26 March 2001, a total of 308,000,000 shares of HK\$0.01 each were allotted as fully paid at par to the holders of the shares of the Company whose names appeared on the register of members of the Company at the close of business on that date, in proportion to their then respective shareholdings, by way of the capitalization of the sum of HK\$3,080,000 standing to the credit of the share premium account of the Company.

During the period, on 12 April 2001, in connection with the Company's initial public offering, 72,000,000 shares of HK\$0.01 each were offered at HK\$0.5 each to the public by way of a new issue and placement of shares, for a cash consideration, before related expenses, of HK\$36,000,000.

**11. Share premium**

	<b>Unaudited</b> <i>HK\$'000</i>
At 1 April 2001	–
Arising from new issue and placing of shares to the public	24,673
Capitalisation of the share premium account	<u>(3,080)</u>
At 30 September 2001	<u>21,593</u>

**12. Related party transactions**

- (a) The Group had transactions with a substantial shareholder of the Company as set out below:

	<b>Unaudited</b> <b>Six months ended</b> <b>30 September</b>	
	<b>2001</b>	<b>2000</b>
	<b><i>HK\$'000</i></b>	<b><i>HK\$'000</i></b>
Sale of goods	<u>467</u>	<u>3,915</u>

- (b) As at 30 September 2001, certain of the banking facilities of the Group were secured by:
- (i) personal guarantees from Mr. Fu Chu Kan, a director of the Company, at nil consideration; and
  - (ii) two properties located in Hong Kong and owned by Mr. Fu Chu Kan, a director of the Company, and his spouse, respectively, at nil consideration.

Subsequent to the balance sheet date on 4 October 2001, the mentioned banking facilities of the Group were replaced by another banking facilities and such personal guarantees and pledged properties have been replaced by corporate guarantees of the Company.