

NOTES

1. Basis of Presentation and Accounting Policies

The Company was incorporated as an exempted company with limited liability in Bermuda on 9 June 2000. The Company has not carried on any business since the date of its incorporation save for the acquisition on 16 October 2000 of the entire issued share capital of Lucky Formosa International Group Limited, the intermediate holding company of the other subsidiaries within the Group, in preparation for the listing of the Company's shares on the Stock Exchange. The condensed combined interim financial statements for the Period together with the comparative figures of the corresponding period in last year are based on the accounts of the companies now comprising the Group as if the current Group structure had been in existence throughout the periods presented, or since the dates of their respective incorporation/establishment where this is a shorter period (except for Radix Development Company Limited and U-RIGHT (HK) Limited, which were acquired by Lucky Formosa International Group Limited on 22 September 2000).

The condensed combined interim financial statements are prepared in accordance with Hong Kong Statement of Standard Accounting Practice No. 25, "Interim Financial Reporting", except that the comparative figures of the condensed combined cash flow statement have not been presented as the Company has taken advantage of the transitional provisions set out in Appendix 16 of the Listing Rules of the Stock Exchange.

The accounting policies and basis of presentation used in the preparation of the interim financial statements are consistent with those used in the financial summaries of the Group as set out in the prospectus of the Company dated 31 October 2000 (the "Prospectus") save for certain fixed assets which are now stated at valuation, instead of cost, less accumulated depreciation.

2. Segmental Information

The Group is principally engaged in the design, manufacture, distribution and sales of men and ladies casual wear for the markets in the People's Republic of China (the "PRC") and in Hong Kong. The turnover of the Group is further analysed as follows:-

	For the six months ended 30 September	
	2000	1999
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Sales to the PRC under distribution and franchise agreements	94,333	74,584
Domestic sales in the PRC	30,959	22,968
Sales in Hong Kong	54,226	47,811
Sales to South Korea	162	—
	<u>179,680</u>	<u>145,363</u>

U-RIGHT INTERNATIONAL HOLDINGS LIMITED

The Group's profit from operating activities is analysed as follows:–

	For the six months ended 30 September	
	2000	1999
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Sales to the PRC under distribution and franchise agreements	24,887	19,950
Domestic sales in the PRC	1,001	801
Sales in Hong Kong and to South Korea	6,220	5,320
	<u>32,108</u>	<u>26,071</u>

3. Profit from operating activities

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

	For the six months ended 30 September	
	2000	1999
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Depreciation		
Owned fixed assets	2,801	1,870
Leased fixed assets	380	360
	<u>3,181</u>	<u>2,230</u>

4. Tax

	For the six months ended 30 September	
	2000	1999
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Provision for the period:		
Hong Kong	3,858	3,238
Overseas	480	320
Tax charge for the period	<u>4,338</u>	<u>3,558</u>

Hong Kong profits tax has been provided at the rate of 16% (1999: 16%) on the estimated assessable profits arising in Hong Kong during the Period. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

5. Dividends

The amounts in both periods presented represent the dividends declared by the wholly-owned subsidiaries of the Company and were paid to their then shareholders prior to the listing of the Company's shares on the Stock Exchange.

The Board does not recommend to pay any interim dividend in respect of the six months ended 30 September 2000.

6. Earnings per share

The calculation of basic earnings per share for the Period is based on the net profit from ordinary activities attributable to shareholders of HK\$24,583,000 (1999: HK\$19,398,000), and the weighted average number of 206,250,000 pro forma shares (1999: 206,250,000 shares), comprising 2,000,000 shares in issue prior to the listing of the Company's shares on the Stock Exchange and 204,250,000 shares issued pursuant to the capitalization issue as described in the Prospectus.

No diluted earnings per share are presented because the Company had no potentially dilutive shares.

7. Fixed assets and investment properties

The changes in fixed assets and investment properties for the six months ended 30 September 2000 are analysed as follows:

	Fixed assets	Investment
	<i>HK\$'000</i>	Properties
		<i>HK\$'000</i>
At beginning of period	51,948	–
Addition of leasehold land and buildings through the acquisition of Radix Development Company Limited (note 11(a))	7,000	–
Additions of other fixed assets	4,373	–
Transfer to investment properties	(11,000)	11,000
Revaluation surplus	28,547	–
Depreciation	(3,181)	–
	<hr/>	<hr/>
At end of period	<u>77,687</u>	<u>11,000</u>

U-RIGHT INTERNATIONAL HOLDINGS LIMITED

8. Accounts receivable

The ages of the accounts receivable are analysed as follows:–

	As at 30 September 2000 (Unaudited) HK\$'000	As at 31 March 2000 (Audited) HK\$'000
Outstanding balances with ages:		
Within 30 days	18,781	9,155
Between 31 to 60 days	8,543	5,680
Between 61 to 180 days	12,010	14,250
Between 181 to 360 days	864	1,090
	<u>40,198</u>	<u>30,175</u>

It is the Group's policy to grant a normal term of credit period of 30 to 90 days to its trade customers.

9. Accounts payable

The ages of the accounts payable are analysed as follows:–

	As at 30 September 2000 (Unaudited) HK\$'000	As at 31 March 2000 (Audited) HK\$'000
Outstanding balances with ages:		
Within 30 days	13,723	9,721
Between 31 to 60 days	7,672	4,079
Between 61 to 180 days	16,579	15,248
Between 181 to 360 days	2,837	4,987
Between 361 to 540 days	–	1,219
	<u>40,811</u>	<u>35,254</u>

10. Share capital

It comprises 2,000,000 shares of HK\$0.10 each of the Company in issue prior to the listing of the Company's shares on the Stock Exchange and 204,250,000 shares of HK\$0.10 each issued pursuant to the capitalization issue as described in the Prospectus. These shares are deemed to be in issue throughout each of the interim periods presented.

11. Related party transactions

- (a) The Group had transactions with Radix Development Company Limited, a company of which Mr. Leung Ngok and Mr. Leung Shing, directors of the Company, were the then directors and shareholders as set out below:–

	For the six months ended 30 September	
	2000	1999
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Rental expenses	308	336

The rental expenses paid to Radix Development Company Limited for an office used by the Group was charged at a fixed rate of HK\$56,000 per month.

On 22 September 2000, the Group acquired the entire equity interests in Radix Development Company Limited from Mr. Leung Ngok and Mr. Leung Shing at a cash consideration of HK\$3,280,000.

- (b) The Group had transactions with Mr. Leung Ngok and Mr. Leung Shing as set out below:–

	For the six months ended 30 September	
	2000	1999
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Rental expenses	76	–

The Group entered into tenancy agreements with the above directors to lease two properties for a term of one year commencing from 1 September 2000 to 31 August 2001 at a total monthly rent of HK\$75,800. The Group used these properties as retail shops.

- (c) As at 30 September 2000, the banking facilities of the Group were secured by certain properties owned by Mr. Leung Ngok and Mr. Leung Shing, together with unconditional personal guarantees executed by them. Furthermore, all the Group's finance lease payables were secured by personal guarantees executed by Mr. Leung Shing. The Group is currently working with the relevant banks for releasing the legal charges over the properties owned by and personal guarantees given by the said two directors of the Company.