

PEKING APPAREL INTERNATIONAL GROUP LIMITED

NOTES ON THE UNAUDITED INTERIM FINANCIAL STATEMENT

1. Basis of Presentation

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

The condensed financial statements have been prepared under the historic cost convention, as modified for the revaluation of certain properties.

The condensed financial statements have been prepared in accordance with the Statement of Standard Accounting Practice ("SSAP") 25 "Interim Financial Reporting" issued by the Hong Kong Society of Accountants and Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Stock Exchange"), except that comparative figures are not presented for the condensed consolidated cash flow statement, being the first condensed consolidated cash flow statement to be included in the interim financial report relating to accounting period ended on or after 1 July 2000. Such departure from SSAP 25 is permitted under the Rules Governing the Listing of Securities on the Stock Exchange.

The accounting policies and basis of presentation used in the preparation of the unaudited interim financial statements are the same as those used in the Group's annual audited financial statements for the year ended 31 March 2000.

Certain comparative figures have been reclassified to conform with the current period's presentation. In particular, the comparative have been adjusted or extended to take into account of SSAP 1.

2. Turnover

Turnover represents the net invoiced value of goods sold, after allowances for returns and trade discounts during the period.

3. Segmental Information

	Turnover		Contribution to profit/(loss) from operating activities	
	For the six months ended 30 September			
	2000 (Unaudited) HK\$'000	1999 (Unaudited) HK\$'000	2000 (Unaudited) HK\$'000	1999 (Unaudited) HK\$'000
By activity:				
Trading of tanned leather	4,709	530	(131)	73
Trading of fur pelts	12,290	19,774	1,930	(2,115)
Manufacture and sale of leather garments	23,130	24,781	(3,154)	(2,611)
Manufacture and sale of fur garments	13,736	6,327	300	1,203
Manufacture and sale of fabric garments	7,173	7,221	2,944	1,967
Others	201	680	122	(167)
	<u>61,239</u>	<u>59,313</u>	<u>2,011</u>	<u>(1,650)</u>

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	Turnover	
	For the six months	
	ended 30 September	
	2000	1999
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
By geographical area:		
The People's Republic of China:		
Hong Kong	11,832	14,563
Elsewhere	12,396	8,018
United States of America	17,588	19,399
Spain	8,218	5,518
Germany	5,995	5,983
Korea	1,220	1,354
Other countries	3,990	4,478
	<u>61,239</u>	<u>59,313</u>

The contribution to trading results by geographical area is substantially in line with the overall rate of contribution to turnover and, accordingly, a geographical analysis of contribution is not presented.

4. Profit/(Loss) from Operating Activities

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

	For the six months	
	ended 30 September	
	2000	1999
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Cost of inventories sold (including inventory provision)	44,548	44,966
Depreciation	924	1,004
Auditors' remuneration	329	351
Operating lease rentals in respect of land and buildings	194	288
Foreign exchange (gains)/losses, net	(363)	303
Staff costs (including directors' remuneration)	6,501	5,460
Bank interest income	<u>(1,284)</u>	<u>(1,068)</u>

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5. Finance Costs

	For the six months ended 30 September	
	2000	1999
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest expense on bank borrowings	<u>2,099</u>	<u>2,100</u>

6. 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	–	–
Elsewhere	<u>35</u>	<u>8</u>
Tax charge for the period	<u>35</u>	<u>8</u>

No provision for Hong Kong tax has been made as the Group had no assessable profits arising in Hong Kong during the period. Taxes on profits assessable elsewhere had been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, practices and interpretations in respect thereof.

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\$123,000 (1999: HK\$3,758,000) and the weighted average of 317,035,700 (1999: 267,035,700) ordinary shares in issue during the period.

Diluted loss per share for the period ended 30 September 2000 and 1999 has not been calculated because no diluting events existed during the period.

8. Long Term Investments

	30 September	31 March
	2000	2000
	(Unaudited)	(Audited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Unlisted equity investments, at cost	<u>5,117</u>	<u>5,117</u>

9. Trade and Bills Receivables

The total trade and bills receivables of HK\$34,011,000 (at 31 March 2000: HK\$23,194,000) includes net trade receivables of HK\$30,342,000 (at 31 March 2000: HK\$19,707,000). An ageing analysis is as follows:

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	30 September	31 March
	2000	2000
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current to 30 days	8,643	9,631
31 to 60 days	3,462	1,925
61 to 90 days	16,404	3,862
91 to 120 days	673	3,412
Over 120 days	4,866	4,461
Less: provision	(3,706)	(3,584)
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Net trade receivables	30,342	19,707
Bills receivables	3,669	3,487
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	34,011	23,194
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10. Trade and Bills Payables

The total trade and bills payables of HK\$20,899,000 (at 31 March 2000: HK\$16,000,000) includes trade payables of HK\$19,189,000 (at 31 March 2000: HK\$13,992,000). An ageing analysis is as follows:

	30 September	31 March
	2000	2000
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current to 30 days	8,214	7,656
31 to 60 days	4,264	1,597
61 to 90 days	6,249	3,177
91 to 120 days	252	1,026
Over 120 days	210	536
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	19,189	13,992
Bills payables	1,710	2,008
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	20,899	16,000
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11. Share Capital

There were no movements in the share capital of the Company in either the current or the prior period.

12. Share Options

No share options were granted during the current period or the prior period and there were no share options outstanding at the balance sheet date.

13. Pledge of Assets

At the balance sheet date, the bank facilities of the Group were secured by the Group's bank deposits and leasehold land and buildings with carrying values of HK\$40,453,000 (at 31 March 2000: HK\$39,106,000) and HK\$7,280,000 (at 31 March 2000: HK\$7,280,000), respectively; guarantees given by the Company and Char On Man, a director of the Company; and personal properties held by Char On Man.

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14. Contingent Liabilities

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

	As at	
	30 September 2000 (Unaudited) HK\$'000	31 March 2000 (Audited) HK\$'000
(a) Bills discounted with recourse	—	6,035
(b) At the balance sheet date, certain of the Group's employees had completed the required number of years of service under the Hong Kong Employment Ordinance (the "Ordinance") to be eligible for long service payments on termination of their employment. The Group is only liable to make such payments if the termination of employment meets the circumstances specified in the Ordinance. Had the employment of all these eligible employees been terminated under the circumstances specified by the Ordinance, the Group's liability at 30 September 2000, which has not been provided for in the financial statements, would have been approximately HK\$1,863,000 (at 31 March 2000: HK\$1,718,000).		
(c) The Company has given guarantees to banks in connection with facilities granted to a subsidiary amounting to HK\$86,560,000 (at 31 March 2000: HK\$86,560,000), of which HK\$34,224,000 (at 31 March 2000: HK\$36,723,000) had been utilised at the balance sheet date.		

15. Commitments

At the balance sheet date, the Group had commitments under non-cancellable operating leases in respect of land and buildings to make payments in the following year as follows:

	As at	
	30 September 2000 (Unaudited) HK\$'000	31 March 2000 (Audited) HK\$'000
Leases expiring:		
Within one year	27	103
In the second to fifth years, inclusive	—	—
	<u>27</u>	<u>103</u>

At the balance sheet date, the Company did not have any significant commitments.