



NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

31 December 2000

1. Significant accounting policies

Basis of preparation

The unaudited condensed consolidated interim financial statements of the Group have been prepared in accordance with the Statement of Standard Accounting Practice 25 "Interim financial reporting" ("SSAP 25") issued by the Hong Kong Society of Accountants, except that the comparative figures of the condensed consolidated cash flow statement have not been presented as the Company has taken advantage of the transitional provisions set out in 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 are consistent with those used in the Group's annual financial statements for the year ended 30 June 2000.

Long term investments

During the period, the Group has acquired certain long term investments. Long term investments are carried at cost, less provisions for diminutions in values which are expected to be other than temporary.

Comparative figures

The presentation of the financial statements have been changed due to the adoption of the requirements of SSAP 1 (revised) "Presentation of financial statements". As a result, the formats of the profit and loss account and balance sheet have been revised in accordance with the SSAP. Comparative figures have been reclassified to conform with the current period's presentation.

2. Segmental information

Approximately HK\$14,160,000 (1999: HK\$13,102,000) of the Group's turnover was derived in Hong Kong from the trading of garments. The remaining turnover and all the contribution to profit from operating activities were derived from the manufacture and sale of garments to the People's Republic of China (the "PRC").

3. Profit from operating activities

Profit from operating activities for the period is arrived at after charging depreciation of HK\$2,956,000 (1999: HK\$1,301,000) in respect of the Group's property, plant and equipment.



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4. Tax

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.

	31 December	
	2000	1999
	HK\$'000	HK\$'000
Current period provision:		
Hong Kong	4	106
Elsewhere	5,771	4,525
Tax charge for the period	5,775	4,631

No provision for deferred tax has been made as the Group did not have any significant unprovided deferred tax in respect of the period (1999: Nil).

5. 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 approximately HK\$32,090,000 (1999: HK\$35,918,000) and the weighted average of 752,529,086 (1999: 627,428,723) ordinary shares in issue during the period.

The calculation of diluted earnings per share is based on the net profit from ordinary activities attributable to shareholders for the period of approximately HK\$32,090,000 (1999: HK\$35,918,000) and on 763,006,786 (1999: 658,831,334) ordinary shares, being the weighted average number of ordinary shares outstanding during the period adjusted for the effects of dilutive potential ordinary shares outstanding during the period.

6. Long term investments

	31 December	30 June
	2000	2000
	HK\$'000	HK\$'000
Listed equity investments in Hong Kong, at cost	31,284	—
Market value of listed equity investments	28,302	—

7. Trade receivables

The ageing analysis of trade receivables as at 31 December 2000 is as follows:

	31 December	30 June
	2000	2000
	<i>HK\$'000</i>	<i>HK\$'000</i>
0 – 60 days	35,731	25,782
61 – 90 days	11,392	7,540
> 90 days	8,412	6,236
	55,535	39,558

The Group normally allows credit terms to established customers ranging from 30 to 90 days.

8. Trade payables

The ageing analysis of trade payables at 31 December 2000 is as follows:

	31 December	30 June
	2000	2000
	<i>HK\$'000</i>	<i>HK\$'000</i>
0 – 60 days	5,635	928
61 – 90 days	148	1,095
> 90 days	280	1,085
	6,063	3,108



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9. Share capital

	31 December 2000 HK\$'000	30 June 2000 HK\$'000
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Authorised:

1,000,000,000 ordinary shares of HK\$0.10 each	100,000	100,000
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Issued and fully paid:

769,505,200 (30 June 2000: 696,550,200) ordinary shares of HK\$0.10 each	76,951	69,655
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	Number of shares issued '000	Par value HK\$'000
Share capital as at 1 July 2000	696,550	69,655
Issue of new shares	60,000	6,000
Share options exercised	12,955	1,296
	769,505	76,951

10. Reserves

Group	Share premium HK\$'000	Contributed surplus HK\$'000	Fixed asset revaluation reserve HK\$'000	Statutory reserve fund HK\$'000	Exchange fluctuation reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1 July 2000	29,762	5,415	9,438	562	(1,613)	100,236	143,800
Issue of shares	51,000	-	-	-	-	-	51,000
Arising on exercise of share options	5,484	-	-	-	-	-	5,484
Share issue expenses	(338)	-	-	-	-	-	(338)
Net profit for the period	-	-	-	-	-	32,090	32,090
Transfer to statutory reserve fund	-	-	-	277	-	(277)	-
At 31 December 2000	85,908	5,415	9,438	839	(1,613)	132,049	232,036



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11. Capital commitment

	31 December	30 June
	2000	2000
	HK\$'000	HK\$'000
Conditional contracted capital expenditure in respect of capital contributions to a joint venture	24,480	24,480

INTERIM DIVIDEND

The board of directors has decided not to declare an interim dividend for the year ending 30 June 2001.

REVIEW OF OPERATIONS

The Group's clothing business has grown steadily over the period. Despite the increased competition in the garment industry, for the first half of the financial year, it has achieved a turnover of HK\$148,831,000 (1999: HK\$147,823,000) representing an increase of 0.7% while the gross profit was HK\$52,516,000 (1999: HK\$51,646,000) showing an increase of 1.7% over the same period last year, reflecting a slight increase in gross profit ratio from 34.9% to 35.3%. This was a direct result of our continuous marketing effort, stringent cost control and total commitment to the improvement of operating efficiency.

The Group will continue to pursue orders for the design and manufacture of uniforms from government bodies and banking groups in Hong Kong and across mainland China in a bid to strengthen its presence in the uniform markets. At the same time, the Group will also increase its marketing effort in order to further improve the sale of the Group's quality men's and ladies' wear and apparel items. Emphasis will continue to be placed upon the quality assurance and control system so as to enhance its reputation as a high quality manufacturer in the garment industry.

During the period under review, the Group has also engaged in securities investments. However, general market sentiment turned sour and the Group incurred losses amounted to about HK\$2,966,000 in the investment. As a result, the profit before tax decreased by 6.6% as compared to the same period last year.



Pursuant to an agreement entered into between the Group and U-RIGHT International Holdings Limited (“U-RIGHT”) on 10 August 2000, the Group subscribed 24,750,000 shares of U-RIGHT, representing about 9% of the issued share capital of U-RIGHT as enlarged by the subscription and the share offer made at the time of its successful listing. U-RIGHT is principally engaged in the design, distribution and sale of men’s and ladies’ casual wear for the PRC and Hong Kong markets. The Group is one of the major subcontractors of U-RIGHT.

Pursuant to a previous placing agreement, BG Investments Limited, a wholly-owned subsidiary of Zurich Financial Services Group, held 68,010,000 ordinary shares (“Placing Shares”) of the Company throughout the period. Upon the expiry of the lock-up period under the placing agreement, the Company, Golden Prince Group Limited and BG Investments Limited entered into a deed of covenants on 17 November 2000, pursuant to which BG Investments Limited has undertaken not to dispose of the Placing Shares for a period of one year from 17 November 2000.

Pursuant to a conditional agreement dated 1 April 2000, the Group and Hua Jian Electronics Translation Company Limited (“Hua Jian”) agreed to co-operate and develop an online translation software system. However, since certain conditions as set out in the agreement have not been fulfilled, the project has been suspended.

LIQUIDITY AND FINANCIAL RESOURCES

On 3 August 2000, Golden Prince Group Limited, the single largest shareholder of the Group, placed 70,000,000 shares in the share capital of the Company to Goodtop Enterprises Limited, a wholly-owned subsidiary of Cheung Kong (Holdings) Limited. Golden Prince Group Limited also agreed to subscribe 60,000,000 new shares of the Company. The placed shares represented about 9.1% of the enlarged issued share capital of the Company. The net proceeds resulted from the subscription was approximately HK\$57,000,000.

At 31 December 2000, the Group had in aggregate approximately HK\$9,696,000 bank borrowings secured by certain properties, plant and machinery, bank deposits and corporate guarantees given by certain subsidiaries of the Group. The Group’s cash, bank balances and pledged bank deposits amounted to approximately HK\$154,705,000 as at 31 December 2000.



The Group's gearing ratio as at 31 December 2000 was 3.1% (30 June 2000: 4.7%).

EMPLOYEES

At 31 December 2000, more than 900 staff and workers are currently employed in our Putian Factory and approximately 17 staff in the Group's Hong Kong Office. The directors are actively reviewing staffing levels and remuneration packages with a view to maintaining a cost-effective management structure.

PROSPECTS

The Group considers that upon the admission of the PRC into the WTO, the mainland market is set to open, and more opportunities will become available to the Group. However, as the competition will be intense upon the introduction of foreign investment into the mainland market, the Group will seek to foster partnership with foreign companies and consolidate their effort to develop the mainland market.

In order to capitalise on the development of information technology business, the Group was pleased to have Ms. Judy Lau, who has over 20 years of expertise in the information technology business, to join the Group as the Chief Executive Officer on 1 October 2000 and she was also appointed as an executive director on 17 November 2000. Ms. Lau will spearhead the development of information technology and e-commerce business of the Group.