

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30 September 2001

1. BASIS OF PREPARATION

The Company was incorporated as an exempted company with limited liability in Bermuda under the Companies Act 1981 of Bermuda on 4 January 2001. Through a group reorganisation on 9 November 2001, the Company became the holding company of the Group which is principally engaged in manufacture of knitted and non-knitted garments. Details of the group reorganisation have been fully in the paragraph headed "Corporate reorganisation" in Appendix V of the prospectus of the Company dated 23 November 2001 (the "Prospectus").

The condensed financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with Statement of Standard Accounting Practice No. 25 "Interim Financial Reporting".

The condensed financial statements incorporate the effects of the group reorganisation completed on 9 November 2001. The reorganisation has been accounted for by using merger accounting. This treatment is not in accordance with the requirements of Statement of Standard Accounting Practice No. 27 "Accounting for Group Reconstructions" ("SSAP 27") because, although the group reorganisation meets the definition of a group reconstruction under SSAP 27, SSAP 27 specifies that financial statements should not incorporate a combination which occurs after the date of the most recent balance sheet included in the financial statements. However, the directors consider that, as the annual financial statements will be prepared using merger accounting in compliance with SSAP 27, the interim financial statements prepared on a similar basis provide the most relevant information to the shareholders of the Company.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS *(continued)**For the six months ended 30 September 2001***2. PRINCIPAL ACCOUNTING POLICIES**

The condensed financial statements have been prepared under the historical cost convention.

The accounting policies adopted are consistent with those followed in the preparation of the Prospectus.

3. TURNOVER AND CONTRIBUTION TO PROFIT FROM OPERATIONS

The Group's turnover and contribution to profit from operations for the six months ended 30 September 2001 by business segment and geographical market are as follows:

By business segment:

	Six months ended 30 September			
	Turnover		Contribution to profit from operations	
	2001	2000	2001	2000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Sales of knitted garments	232,660	235,401	30,819	27,915
Sales of non-knitted garments	19,654	15,244	3,901	3,501
Subcontracting income	6,824	13,714	1,144	3,055
	259,138	264,359	35,864	34,471

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (continued)

For the six months ended 30 September 2001

3. TURNOVER AND CONTRIBUTION TO PROFIT FROM OPERATIONS

(continued)

By geographical market:

	Six months ended 30 September			
	Turnover		Contribution to profit from operations	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
United States of America	240,060	220,902	31,840	24,974
Europe	9,179	21,574	1,879	5,421
Asia	4,785	14,680	721	2,644
Australia	1,866	2,690	401	507
South America	108	408	39	100
Others	3,140	4,105	984	825
	259,138	264,359	35,864	34,471

4. OTHER REVENUE

	Six months ended 30 September	
	2001 HK\$'000	2000 HK\$'000
Exchange gain	371	—
Gain on disposal of property, plant and equipment	157	—
Interest income	252	273
Sundry income	1,604	254
	2,384	527

NOTES TO THE CONDENSED FINANCIAL STATEMENTS *(continued)**For the six months ended 30 September 2001***5. PROFIT FROM OPERATIONS**

During the period, depreciation of approximately HK\$2,642,000 (2000: HK\$2,990,000) was charged in respect of the Group's property, plant and equipment and amortisation of approximately HK\$410,000 (2000: HK\$410,000) was charged in respect of the Group's intangible asset.

6. FINANCE COSTS

The finance costs represent interest on bank borrowings wholly repayable within five years.

7. TAXATION

	Six months ended 30 September	
	2001 HK\$'000	2000 HK\$'000
The charge comprises:		
Hong Kong Profits Tax	2,867	2,458
Deferred taxation	—	(35)
	2,867	2,423

Hong Kong Profits Tax is calculated at 16% on the estimated assessable profit in both periods.

The associate did not have any estimated assessable profit in both periods.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS *(continued)**For the six months ended 30 September 2001***8. DIVIDENDS**

No dividends have been paid or declared by the companies now comprising the Group during both periods.

9. EARNINGS PER SHARE

The calculation of earnings per share is based on the Group's profit for the period of HK\$31,298,000 (2000: HK\$29,599,000) and on 186,000,000 ordinary shares (2000: 186,000,000) in issue and issuable as a result of the group reorganisation as mentioned in note 1 and as if all these shares had been in issue since 1 April 2000.

Diluted earnings per share has not been presented for either period because the Company does not have any dilutive potential ordinary shares.

10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 September 2001, the Group acquired property, plant and equipment at a cost of approximately HK\$6,145,000 (year ended 31 March 2001: HK\$14,337,000).

NOTES TO THE CONDENSED FINANCIAL STATEMENTS *(continued)**For the six months ended 30 September 2001***11. TRADE DEBTORS**

The Group allows an average credit period of 30 days to its trade customers.

The following is an aged analysis of trade debtors:

	At 30 September 2001 HK\$'000	At 31 March 2001 HK\$'000
0-30 days	45,064	12,366
31-60 days	18,529	2,831
61-90 days	555	1,094
> 90 days	1,720	1,140
	65,868	17,431

12. AMOUNT DUE FROM A DIRECTOR

The amount was unsecured, interest free and was fully repaid subsequent to 30 September 2001.

13. TRADE CREDITORS

The following is an aged analysis of trade creditors:

	At 30 September 2001 HK\$'000	At 31 March 2001 HK\$'000
0-30 days	7,523	7,727
31-60 days	6,783	7,976
61-90 days	4,261	2,616
> 90 days	127	—
	18,694	18,319

NOTES TO THE CONDENSED FINANCIAL STATEMENTS *(continued)**For the six months ended 30 September 2001***14. AMOUNT DUE TO A DIRECTOR**

The balance at 30 September 2001 includes an amount of HK\$25,000,000 (31 March 2001: HK\$25,000,000) which is subordinated to the amount payable to a bank for secured bank facilities granted to a principal subsidiary of the Company by that bank. The amount is unsecured, interest free and has no fixed repayment terms.

As set out in note 19(a), an amount of HK\$29,000,000 was assigned to Addlink Limited, a subsidiary of the Company, in consideration of 12,000 new shares in Addlink Limited and the remaining balance of HK\$17,896,000 was fully repaid to the director subsequent to 30 September 2001.

15. BANK BORROWINGS

	At 30 September 2001 HK\$'000	At 31 March 2001 HK\$'000
Unsecured trust receipt loans	14,019	1,947

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (continued)

For the six months ended 30 September 2001

16. CAPITAL AND RESERVES

	At 30 September 2001 HK\$'000	At 31 March 2001 HK\$'000
Paid in capital	3,880	3,880
Negative goodwill		
Balance at beginning of the period/year	1,232	1,220
Negative goodwill arising on acquisition of a subsidiary	—	12
Balance at end of the period/year	1,232	1,232
Exchange reserve		
Balance at beginning of the period/year	(458)	147
Exchange differences arising on translation of overseas operations	448	(605)
Balance at end of the period/year	(10)	(458)
Retained profits		
Balance at beginning of the period/year	121,216	82,082
Profit for the period/year	31,298	39,134
Balance at end of the period/year	152,514	121,216

Note: The paid in capital represented the aggregate amount of share capital and share premium of Addlink Limited and Pak Tak Knitting and Garment Factory (Thailand) Company Limited as at 30 September 2001.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (continued)

For the six months ended 30 September 2001

17. CAPITAL COMMITMENTS

	At 30 September 2001 HK\$'000	At 31 March 2001 HK\$'000
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided for in the financial statements	175	90

18. PLEDGE OF ASSETS

At the balance sheet date, the Group has pledged certain assets as security for general credit facilities granted as follows:

	At 30 September 2001 HK\$'000	At 31 March 2001 HK\$'000
Land and buildings, at net book value	6,123	6,193

19. POST BALANCE SHEET EVENTS

- (a) On 4 October 2001, 12,000 shares in Addlink Limited were allotted and issued, credited as fully paid to Cheng Chi Tai in consideration of Cheng Chi Tai assigning a debt in the sum of HK\$29,000,000 due from Pak Tak Knitting & Garment Factory Limited ("Pak Tak Knitting") to Addlink Limited.
- (b) In preparing for the listing of the Company's shares on the main board of The Stock Exchange of Hong Kong Limited, the companies comprising the Group underwent a reorganisation to rationalise the group structure. As a result of the reorganisation, the Company became the holding company of the Group on 9 November 2001. The details of this reorganisation are set out in paragraph headed "Corporate reorganisation" in Appendix V of the Prospectus.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS *(continued)**For the six months ended 30 September 2001***19. POST BALANCE SHEET EVENTS** *(continued)*

- (c) Dealings in the shares of the Company commenced on 6 December 2001.
- (d) On 19 December 2001, the Underwriters as defined in the Prospectus exercised the over-allotment option in part in respect of 8,402,000 additional new shares of the Company at an issue price of HK\$0.88 per share. The additional net proceeds of approximately HK\$7.39 million will be applied by the Company in accordance with the use of proceeds as described under the paragraph headed "Use of proceeds" of the "Future plans and prospect" section of the Prospectus.

20. RELATED PARTY TRANSACTIONS

Name of related party	Nature of transaction	Six months ended 30 September	
		2001 HK\$'000	2000 HK\$'000
Pak Tak (Kwong Tai)	Sales of goods <i>(Note d)</i>	1,851	11,530
Knitting Factory Limited ("Pak Tak Kwong Tai") <i>(Note a)</i>	Subcontracting income received <i>(Note d)</i>	97	16
	Interest income received <i>(Note e)</i>	115	94
	Property purchased from <i>(Note f)</i>	—	900
Admiralty Pty Limited <i>(Note b)</i>	Sales of goods <i>(Note d)</i>	1,850	2,116
普寧市高埔毛織製衣有限公司 <i>(Note c)</i>	Subcontracting fee paid <i>(Note g)</i>	3,033	3,206

NOTES TO THE CONDENSED FINANCIAL STATEMENTS *(continued)**For the six months ended 30 September 2001***20. RELATED PARTY TRANSACTIONS** *(continued)**Notes:*

- (a) Pak Tak Kwong Tai is an associate of the Company.
- (b) Admiralty Pty Limited is owned by relatives of Cheng Chi Tai and Cheng Kwai Chun, John, the directors of the Company.
- (c) 普寧市高埔毛織製衣有限公司 is a sino-foreign enterprise of which Lin Chick Kwan and Lin Wing Chau, directors of the Company, have beneficial interest.
- (d) The transactions were carried out at cost plus a percentage profit mark-up.
- (e) Interest income received was calculated with reference to the prevailing market rate.
- (f) The property transaction was based on estimated market value.
- (g) The processing fee paid was determined at amounts mutually agreed by parties involved.

In addition to the above, Cheng Chi Tai has given personal guarantees and other assets to certain banks to secure the banking facilities granted to Pak Tak Knitting. Cheng Chi Tai and Cheng Kwai Chun, John have also provided joint and several guarantees to a bank to secure the banking facilities granted to Pak Tak Knitting.