

# Notes on the Financial Statements

(Expressed in Hong Kong Dollars)

## 1 Status of the company

### (a) The company

The company was incorporated in the Cayman Islands on 12 March 2001 as an exempted company with limited liability under the Companies Law (Revised) of Cayman Islands.

During the period from 12 March 2001 (date of incorporation) to 31 March 2002, the company did not carry on any business.

### (b) Reorganisation

Pursuant to a reorganisation scheme (the "reorganisation") to rationalise the group in preparation for listing of the company's shares on the Main Board of The Stock Exchange of Hong Kong Limited (the "SEHK") in April 2002, the company became the holding company of the companies now comprising the group on 11 April 2002. This was accomplished by the company acquiring the entire issued share capital of Ever Century Holdings Limited ("Ever Century"), the then holding company of other subsidiaries, as set out in note 14 on the proforma financial information. Further details of the reorganisation and the subsidiaries acquired pursuant thereto are set out in notes 14 and 26 on the proforma financial information and in the company's prospectus dated 16 April 2002.

### (c) Basis of preparation

As the reorganisation took place on 11 April 2002, in accordance with Statement of Standard Accounting Practice 27 "Accounting for group reconstructions" issued by the Hong Kong Society of Accountants the effect of the reorganisation is not reflected in the company's financial statements for the year ended 31 March 2002. However, since all of the entities which took part in the reorganisation were owned by the same group of ultimate shareholders before and immediately after the reorganisation and, consequently, there was a continuation of the risks and benefits to the ultimate shareholders that existed prior to the reorganisation, additional proforma financial information, prepared using the merger basis of accounting, has been prepared on pages 32 to 63, as if the group had always been in existence. Further details concerning the basis of presentation of the proforma financial information is set out on page 31.

The measurement basis used in the preparation of the financial statements is historical cost.

## 2 Statement of compliance

These financial statements have been prepared in accordance with all applicable Statements of Standard Accounting Practice and Interpretations issued by Hong Kong Society of Accountants, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance.

## 3 Income statement

The company did not earn any income during the period from the date of its incorporation to 31 March 2002.

Auditors' remuneration of \$100,000 for the year ended 31 March 2002 (2001: \$Nil) has been borne by Tack Fat Swimwear Manufacturing Limited, a wholly owned subsidiary of the company after the reorganisation, which has waived its right of recovery thereof.

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## 4 Taxation

No provision for Hong Kong profits tax has been made as no income assessable to Hong Kong profits tax was earned from the date of incorporation to 31 March 2002.

## 5 Directors' remuneration

Directors' remuneration pursuant to section 161 of the Hong Kong Companies Ordinance is as follows:

	2002 \$'000	Period from 12 March 2001 (date of incorporation) to 31 March 2001 \$'000
Fees	—	—
Salaries, allowance and benefit in kind	—	—
Retirement benefits	—	—
Bonuses	—	—

## 6 Amount due to related company

The amount is payable to Tack Fat Swimwear Manufacturing Limited for prepayment of the listing expenses on its behalf.

The amount is unsecured, interest-free and has no fixed terms of repayment.

## 7 Share capital

	2002 \$'000	2001 \$'000
<b>Authorised:</b>		
3,800,000 ordinary shares of \$0.1 each	380	380
<b>Issued and nil paid:</b>		
1,000,000 ordinary shares of \$0.1 each	—	—

- (a) On 12 March 2001, the company was incorporated with an authorised share capital of \$380,000 divided into 3,800,000 ordinary shares of \$0.1 each.
- (b) On 26 March 2001, one share was allotted and issued nil paid to the initial subscriber and then transferred to Efulfilment Enterprises Limited. On the same date, an aggregate of 999,999 shares were allotted and issued nil paid as to 679,999 shares to Efulfilment Enterprises Limited, 160,000 shares to Wisehead Group Limited and 160,000 shares to Sharp Asset Holdings Limited.

## 7 Share capital *(continued)*

- (c) On 11 April 2002, pursuant to written resolutions of all the shareholders of the company, the authorised share capital of the company was increased from \$380,000 to \$200,000,000 by the creation of 1,996,200,000 additional ordinary shares of \$0.1 each, ranking *pari passu* in all respects with the existing ordinary shares of the company.
- (d) On 11 April 2002, pursuant to the reorganisation described in note 1(b) to the financial statements, the company allotted and issued 65,000,000 ordinary shares of \$0.1 each, credited as fully paid, and also credited as fully paid the 1,000,000 nil paid ordinary shares of \$0.1 each as set out in (b) above, in consideration for the acquisition of the entire issued share capital of Ever Century.
- (e) On 26 April 2002, 256,000,000 ordinary shares of \$0.1 each were issued to the public at \$0.385 each for a total cash consideration of \$98,560,000 before the related issue expenses.
- (f) On 11 April 2002, conditional on the share premium account of the company being credited as a result of the issue of new ordinary shares to the public as mentioned in (e) above, a total of 958,000,000 ordinary shares of \$0.1 each were allotted as fully paid at par to the shareholders whose names appeared on the register of members of the company at that date, in proportion to their respective shareholdings by way of capitalisation of the sum of \$95,800,000 standing to the credit of the share premium account of the company.
- (g) On 15 May 2002, the over-allotment option granted by the company referred to in the prospectus has been exercised in full, so that 48,000,000 additional new shares of \$0.1 each were issued at \$0.385 each to meet the over-allocations in the placing.

A summary of the above movements in the issued share capital of the company is as follows:

	Note	Number of ordinary shares issued	Par value \$'000
Ordinary shares issued nil paid on incorporation and subsequently credited as fully paid as part of the consideration for the acquisition of the entire issued share capital of Ever Century	(b)	1,000,000	100
Ordinary shares issued as the remaining consideration for the acquisition of the entire issued share capital of Ever Century	(d)	65,000,000	6,500
New issue on public offer and placing	(e)	256,000,000	25,600
Capitalisation of share premium account for 958,000,000 ordinary shares credited as fully paid	(f)	958,000,000	95,800
Exercise of over-allotment option	(g)	48,000,000	4,800
Share capital as at the date of approval of the financial statements		1,328,000,000	132,800

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## 8 Material related party transactions

Pursuant to the reorganisation to rationalise the structure of the group in preparation for the listing of the company's shares on the SEHK, the company became the holding company of the subsidiaries now comprising the group on 11 April 2002.

The reorganisation was accomplished by acquiring the entire issued share capital of Ever Century, the then holding company of other subsidiaries, as set out in note 14 on the proforma financial information. Further details of the reorganisation and the subsidiaries acquired pursuant thereto are set out in notes 14 and 26 on the proforma financial information and in the company's prospectus dated 16 April 2002.

## 9 Post balance sheet events

The following events took place subsequent to 31 March 2002:

- (a) Subsequent to 31 March 2002, there were movements in share capital as set out in note 7 on the financial statements.
- (b) On 11 April 2002, the company has completed the reorganisation and become the holding company of the group.
- (c) A share option scheme was established on 11 April 2002, further details of which are set out in the prospectus of the company dated 16 April 2002.
- (d) Pursuant to the listing of the shares of the company on the SEHK on 29 April 2002, 256,000,000 new shares of the company were issued for cash of \$0.385 per share.
- (e) On 15 May 2002, 48,000,000 new shares of the company were issued at \$0.385 upon the exercise of the over-allotment option granted by the company.

## 10 Ultimate holding company

The directors of the company consider Efulfilment Enterprises Limited, a company incorporated in the British Virgin Islands, to be the ultimate holding company at 31 March 2002.