

# NOTES TO THE CONDENSED INTERIM ACCOUNTS

## 1. ACCOUNTING POLICIES

The unaudited consolidated condensed interim accounts are prepared in accordance with Statement of Standard Accounting Practice (“SSAP”) No. 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.

These condensed interim accounts should be read in conjunction with the 2000/2001 annual report.

The accounting policies and methods of computation used in the preparation of these interim accounts are consistent with those used in the annual accounts for the year ended 31st March, 2001 except for the change in accounting policy for inventories and change in the Group’s accounting policy following the adoption of SSAP 26 issued by the Hong Kong Society of Accountants.

In prior years, the cost of inventories was determined on a first-in, first-out basis. On 1st April, 2001, the directors adopted the weighted average basis for inventory cost determination as they considered that it would be more appropriate to the Group’s circumstances. This basis has been applied prospectively as this change in costing method does not have a material impact on the state of affairs of the Group or its results for the year ended 31st March, 2001 and the six months ended 30th September, 2001.

Moreover, as a result of the Group’s adoption of SSAP No. 26, “Segment reporting”, the Group has disclosed segment revenue and results as defined under SSAP No. 26 in Note 2 to these condensed interim accounts. In accordance with the Group’s internal financial reporting, the Group has determined that business segments be presented as the primary reporting format and geographical as the secondary reporting format. Comparative information has been given.

## 2. TURNOVER AND SEGMENT INFORMATION

The Group is principally engaged in the sourcing, subcontracting, marketing and selling of outerwear garments and providing technical support services for website development during the period. In October, 2001, the Group terminated the services for the provision of technical support for website development and this activity is no longer considered to be a principal operation of the Group subsequent to the period end date. Revenues recognised during the period are as follows:

### By business segment:

	<b>Six months ended 30th September, 2001 HK\$'000</b>			
	<b>Sales of outerwear garments</b>	<b>E-business</b>	<b>Other operations</b>	<b>Total</b>
Revenue				
Turnover	164,658	–	–	<b>164,658</b>
Income from sample sales	43	–	–	<b>43</b>
Rental income	–	–	296	<b>296</b>
	<u>164,701</u>	<u>–</u>	<u>296</u>	<u><b>164,997</b></u>
Segment results	<u>5,561</u>	<u>(1,555)</u>	<u>(292)</u>	<b>3,714</b>
Interest income				<b>466</b>
Unallocated costs				<u>(139)</u>
Operating profit				<b>4,041</b>
Finance costs				<u>(2,892)</u>
Share of profit of a jointly controlled entity				<u>137</u>
Profit before taxation				<b>1,286</b>
Tax credit				<u>404</u>
Profit attributable to shareholders				<u><b>1,690</b></u>

Six months ended  
30th September, 2000  
*HK\$'000*

	Sales of outerwear garments	E-business	Other operations	Total
Revenue				
Turnover	419,011	–	–	419,011
Income from sample sales	189	–	–	189
	<u>419,200</u>	<u>–</u>	<u>–</u>	<u>419,200</u>
Segment results	<u>31,628</u>	<u>(355)</u>	<u>(787)</u>	30,486
Interest income				1,695
Unallocated costs				<u>(105)</u>
Operating profit				32,076
Finance costs				<u>(7,352)</u>
Share of loss of a jointly controlled entity				<u>(1,165)</u>
Profit before taxation				23,559
Tax charge				<u>(2,792)</u>
Profit attributable to shareholders				<u>20,767</u>

There are no sales or other transactions between the business segments. Unallocated costs represent corporate expenses.

**By geographical segment:**

	Turnover		Operating profit/(loss)	
	Six months ended 30th September		Six months ended 30th September	
	2001	2000	2001	2000
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
United States of America	<b>133,975</b>	388,882	<b>3,364</b>	29,703
Europe	<b>16,063</b>	23,260	<b>585</b>	1,236
Canada	<b>12,745</b>	6,212	<b>359</b>	357
Others	<b>1,875</b>	657	<b>(594)</b>	(810)
	<u><b>164,658</b></u>	<u>419,011</u>	<u><b>3,714</b></u>	<u>30,486</u>
Interest income			<b>466</b>	1,695
Unallocated costs			<b>(139)</b>	<u>(105)</u>
			<u><b>4,041</b></u>	<u>32,076</u>

### 3. OPERATING PROFIT

Operating profit is stated after crediting and charging the following:

	Six months ended 30th September	
	2001	2000
	HK\$'000	HK\$'000
<b>Crediting</b>		
Interest income	<u>466</u>	<u>1,695</u>
<b>Charging</b>		
Amortisation of trademarks	83	83
Depreciation	<u>1,079</u>	<u>1,448</u>

### 4. TAXATION

The amount of taxation charged to the condensed consolidated profit and loss account represents:

	Six months ended 30th September	
	2001	2000
	HK\$'000	HK\$'000
Hong Kong profits tax		
Current period ( <i>note 4(a)</i> )	–	2,521
Overprovision in prior year	<u>(371)</u>	<u>(4)</u>
	<u>(371)</u>	<u>2,517</u>
Overseas taxation		
Current period ( <i>note 4(b)</i> )	37	275
Overprovision in prior year	<u>(70)</u>	<u>–</u>
	<u>(33)</u>	<u>275</u>
	<u>(404)</u>	<u>2,792</u>

- (a) No provision for Hong Kong profits tax has been made in the accounts as subsidiaries operating in Hong Kong either have no assessable profit for the period or have tax losses brought forward from prior year which can be utilised to offset the assessable profit for the period (note 4(c)).
- (b) Overseas taxation represents income taxes provided by certain subsidiaries, calculated at the tax rates prevailing in the countries in which the subsidiaries operate.

- (c) A potential deferred tax asset, which represents mainly timing difference arising from tax losses for the prior year, has not been recognised in the accounts as, in the opinion of the directors, it is uncertain that such asset will be realised in the foreseeable future. At 30th September, 2001, the potential deferred tax asset amounted to approximately HK\$7,086,000 (31st March, 2001: HK\$6,082,000).

## 5. INTERIM DIVIDEND

The directors do not recommend the payment of an interim dividend for the six months ended 30th September, 2001 (2000: HK\$Nil).

## 6. EARNINGS PER SHARE

The calculation of basic and diluted earnings per share is based on the Group's profit attributable to shareholders of HK\$1,690,000 (2000: HK\$20,767,000) for the period.

The basic earnings per share is based on the weighted average number of 395,139,344 (2000: 374,600,000) ordinary shares in issue during the period. Diluted earnings per share for the six months ended 30th September, 2001 is not shown as there is no dilutive potential ordinary shares during the period. The diluted earnings per share for the six months ended 30th September, 2000 is based on 374,600,000 ordinary shares which is the weighted average number of ordinary shares in issue during the period plus the weighted average number of 16,575,472 ordinary shares deemed to be issued at no consideration if all outstanding options had been exercised.

## 7. TRADE RECEIVABLES

- (a) At 30th September, 2001, the ageing analysis of trade receivables was as follows:

	<b>30th September, 2001</b>	31st March, 2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current	<b>25,858</b>	7,588
1 to 3 months	<b>3,424</b>	1,503
4 to 6 months	<b>66</b>	63
7 to 9 months	<b>298</b>	145
10 to 12 months	–	3
Over 1 year	<b>28</b>	229
	<hr/> <b>29,674</b>	<hr/> 9,531
Less: Provision for doubtful debts	<b>(88)</b>	(66)
	<hr/> <b>29,586</b> <hr/>	<hr/> 9,465 <hr/>

The majority of the Group's sales are on letter of credit. The remaining sales which were not covered by letter of credit are with credit terms of 30 days.

- (b) As at 30th September, 2001, trade receivables included amounts totalling HK\$6,151,000 (31st March, 2001: HK\$6,662,000) which were factored to a bank in the ordinary course of business and the recourse element of the proceeds is included as trust receipt and export packing loans under current liabilities.

## 8. TRADE PAYABLES

At 30th September, 2001, the ageing analysis of trade payables was as follows:

	<b>30th September, 2001</b>	31st March, 2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current	453	239
1 to 3 months	258	530
4 to 6 months	24	422
7 to 9 months	349	245
10 to 12 months	2	–
Over 1 year	667	653
	<u>1,753</u>	<u>2,089</u>

## 9. SHARE CAPITAL

	<b>Ordinary shares of HK\$0.1 each</b>	
	<u>No. of shares</u>	<u>HK\$'000</u>
Authorised:		
At 31st March, 2000, 31st March, 2001 and 30th September, 2001	<u>1,000,000,000</u>	<u>100,000</u>
Issued and fully paid:		
At 1st April, 2000	374,600,000	37,460
Issue of shares upon exercise of share options	21,400,000	2,140
At 31st March, 2001	<u>396,000,000</u>	<u>39,600</u>
At 1st April, 2001	396,000,000	39,600
Repurchase of shares ( <i>note 9(a)</i> )	(4,500,000)	(450)
At 30th September, 2001	<u>391,500,000</u>	<u>39,150</u>
(a) On 27th August, 2001, 4,500,000 ordinary shares of HK\$0.1 each were repurchased by the Company at HK\$0.4 per share at a total consideration of approximately HK\$1,807,000. These shares have been duly cancelled.		

## 10. RESERVES

	Share premium <i>HK\$'000</i>	Exchange fluctuation reserve <i>HK\$'000</i>	Reserve on consolidation <i>HK\$'000</i>	Retained profits <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1st April, 2000	41,742	46	3,214	84,438	129,440
Premium on exercise of share options	4,280	–	–	–	4,280
Exchange gains arising on translation of accounts of overseas subsidiaries and a jointly controlled entity	–	49	–	–	49
Loss attributable to shareholders	–	–	–	(69,836)	(69,836)
At 31st March, 2001	<u>46,022</u>	<u>95</u>	<u>3,214</u>	<u>14,602</u>	<u>63,933</u>
At 1st April, 2001	46,022	95	3,214	14,602	63,933
Profit attributable to shareholders	–	–	–	1,690	1,690
Repurchase of shares	(1,350)	–	–	–	(1,350)
At 30th September, 2001	<u>44,672</u>	<u>95</u>	<u>3,214</u>	<u>16,292</u>	<u>64,273</u>

## 11. LONG-TERM LIABILITIES

	30th September, 2001 <i>HK\$'000</i>	31st March, 2001 <i>HK\$'000</i>
Bank loans – secured ( <i>note 11(a)</i> )	27,708	35,000
Obligations under finance leases wholly repayable within five years ( <i>note 11(b)</i> )	682	902
Less: Current portion of long-term liabilities	<u>(9,909)</u>	<u>(16,432)</u>
	18,481	19,470
Deferred taxation	226	226
	<u>18,707</u>	<u>19,696</u>

- (a) At 30th September, 2001 and 31st March, 2001, the Group's bank loans are repayable as follows:

	<b>30th September, 2001</b>	31st March, 2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within one year	9,240	16,042
In the second year	9,240	17,500
In the third to fifth year inclusive	9,228	1,458
	<u>27,708</u>	<u>35,000</u>

- (b) Finance lease liabilities – minimum lease payments

	<b>30th September, 2001</b>	31st March, 2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within one year	734	481
In the second year	16	390
In the third to fifth year inclusive	–	390
	<u>750</u>	<u>1,261</u>
Future finance charges on finance leases	<u>(68)</u>	<u>(359)</u>
Present value of finance lease liabilities	<u>682</u>	<u>902</u>
The present value of finance lease liabilities is as follows:		
Within one year	669	390
In the second year	13	390
In the third to fifth year	–	122
	<u>682</u>	<u>902</u>

## 12. CASH AND CASH EQUIVALENTS

	<b>30th September 2001</b>	2000
	<i>HK\$'000</i>	<i>HK\$'000</i>
Cash and bank balances	60,363	129,099
Bank overdrafts – secured	(73)	(1,373)
Trust receipt and export packing loans	(54,655)	(166,126)
Bank loans – secured	(27,708)	(35,000)
Less: Trust receipt, export packing and other bank loans repayable more than three months from the date of advance	<u>82,363</u>	<u>85,949</u>
	<u>60,290</u>	<u>12,549</u>



### **13. BANKING FACILITIES**

As at 30th September, 2001, the Group's banking facilities amounting to HK\$334,400,000 (31st March, 2001: HK\$324,110,000) were secured by the following:

- (a) charges on bank deposits of the Group amounting to HK\$3,000,000 (31st March, 2001: HK\$24,650,000);
- (b) first legal charge over properties held by a subsidiary with an aggregate carrying value of approximately HK\$27,102,000 (31st March, 2001: HK\$27,400,000); and
- (c) corporate guarantees from the Company and certain subsidiaries of the Group.

### **14. CONTINGENT LIABILITIES**

As at 30th September, 2001, bills of exchange discounted with various banks with recourse amounted to approximately HK\$46,516,000 (31st March, 2001: HK\$Nil) for the Group.

### **15. ULTIMATE HOLDING COMPANY**

The directors regard Wangkin Investments Inc., a company incorporated in the British Virgin Islands, as being the ultimate holding company.

By Order of the Board  
**Wong Tek Sun, Takson**  
*Chairman*

Hong Kong, 11th December, 2001