

Notes:

## 1. Significant accounting policies

### *Basis of preparation*

The condensed consolidated interim financial statements are prepared in accordance with Hong Kong Statement of Standard Accounting Practice (“SSAP”) No. 25 “Interim financial reporting”. The accounting policies and basis of preparation used in the preparation of the interim financial statements are the same as those used in the annual financial statements for the year ended 31 March 2001, except that the Group has changed certain of its accounting policies following the adoption of new and revised SSAPs which became effective for accounting periods commencing on or after 1 January 2001.

The Group has adopted the transitional provisions of SSAP 30 “Business Combinations” such that goodwill previously eliminated against reserves need not be restated and will be charged to the profit and loss account at the time of disposal of the subsidiary/business or at such time the goodwill is determined to be impaired. Goodwill arising on acquisition after 1 April 2001 is capitalised and amortised on a straight-line basis over its estimated useful life. Any impairment of goodwill will be recognised as an expense in the profit and loss account immediately.

The adoption of the other new and revised SSAPs has no significant effect to the results of the Group in the current and prior periods.

## 2. Segment information

An analysis by activity is not presented as the Group is predominantly engaged in the retailing and distribution of garments.

An analysis of the Group’s turnover and contribution to profit/(loss) from operating activities by geographical area of operations for the period ended 30 September 2001, together with the comparative figures for the corresponding period in 2000, is as follows:

	<b>Turnover</b>		<b>Contribution to profit/(loss) from operating activities</b>	
	<b>Six months ended</b>		<b>Six months ended</b>	
	<b>30 September</b>		<b>30 September</b>	
	<b>2001</b>	<b>2000</b>	<b>2001</b>	<b>2000</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>
People's Republic of China				
Hong Kong	<b>405,958</b>	498,436	<b>(24,752)</b>	11,845
Elsewhere	<b>92,296</b>	96,563	<b>(1,380)</b>	(2,715)
Singapore	<b>82,241</b>	80,125	<b>(1,836)</b>	4,518
Taiwan	<b>119,870</b>	15,704	<b>(5,242)</b>	2,254
	<b>700,365</b>	690,828	<b>(33,210)</b>	15,902

### 3. Other revenue

	<b>Six months ended 30 September</b>	
	<b>2001</b>	<b>2000</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Interest income	849	2,700
Royalty income	–	646
Rental income	254	254
Others	1,233	3,978
	<u>2,336</u>	<u>7,578</u>

### 4. Profit/(loss) from operating activities

Profit/(loss) from operating activities is arrived at after charging:

	<b>Six months ended 30 September</b>	
	<b>2001</b>	<b>2000</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Depreciation	27,942	24,954
Amortisation of intangible assets	2,145	2,145
	<u>2,145</u>	<u>2,145</u>

### 5. Finance costs

	<b>Six months ended 30 September</b>	
	<b>2001</b>	<b>2000</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Interest on bank loans, overdrafts and other loans wholly repayable within five years	1,840	821
	<u>1,840</u>	<u>821</u>

### 6. Taxation

No provision for Hong Kong profits tax has been made as the Group had no assessable profits arising in Hong Kong during the period ended 30 September 2001. Hong Kong profits tax was provided at the rate of 16% on the estimated assessable profits arising in Hong Kong during the period ended 30 September 2000. Taxes on profits assessable elsewhere have been calculated at the rates of taxation prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

	<b>Six months ended 30 September</b>	
	<b>2001</b>	<b>2000</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Hong Kong	–	2,235
Elsewhere	201	1,734
	<u>201</u>	<u>1,734</u>
Taxation charge for the period	<u>201</u>	<u>3,969</u>

## 7. Release from revaluation reserve

The revaluation reserve arising from revaluation of fixed assets is realised and transferred directly to retained earnings on a systematic basis, as the corresponding asset is used by the Group. The amount realised is the difference between depreciation based on the revalued carrying amount of the asset and depreciation based on the asset's original cost.

## 8. Basic earnings/(loss) per share

Basic loss per share is calculated based on the net loss attributable to shareholders for the period of HK\$35,251,000 (2000: net profit of HK\$10,646,000) and on 274,297,493 shares (2000: 274,297,493 shares) in issue during the period.

Diluted earnings/(loss) per share for the six months ended 30 September 2001 and 2000 has not been calculated as no diluting events existed during these periods.

## 9. Debtors

Other than cash and credit card sales, the Group normally allows an average credit period of 60 days to its trade customers.

The aged analysis of trade debtors is as follows:

	<b>As at 30 September 2001 HK\$'000</b>	<b>As at 31 March 2001 HK\$'000</b>
0 – 30 days	<b>6,915</b>	4,032
31 – 60 days	<b>9,381</b>	6,401
61 – 90 days	<b>1,951</b>	281
Over 90 days	<b>222</b>	1,359
	<hr/>	<hr/>
Total	<b>18,469</b>	12,073
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## 10. Creditors and accruals

Included in creditors and accruals is a trade creditors balance of HK\$146,216,000 (31 March 2001: HK\$51,827,000).

The aged analysis of trade creditors is as follows:

	<b>As at 30 September 2001 HK\$'000</b>	<b>As at 31 March 2001 HK\$'000</b>
0 – 30 days	<b>109,714</b>	44,261
31 – 60 days	<b>31,995</b>	6,305
61 – 90 days	<b>3,992</b>	4
Over 90 days	<b>515</b>	1,257
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Total	<b>146,216</b>	51,827
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## 11. Share capital

	<b>As at 30 September 2001 HK\$'000</b>	As at 31 March 2001 HK\$'000
Authorised:		
1,000,000,000 (31 March 2001: 500,000,000) ordinary shares of HK\$0.10 each	<u><b>100,000</b></u>	<u>50,000</u>
Issued and fully paid:		
274,297,493 ordinary shares of HK\$0.10 each	<u><b>27,430</b></u>	<u>27,430</u>

Pursuant to an ordinary resolution passed on 31 August 2001, the authorised share capital of the Company was increased from HK\$50,000,000 to HK\$100,000,000 by the creation of an additional 500,000,000 shares of HK\$0.10 each, such shares ranking pari passu in all respects with the existing issued shares of the Company.

## 12. Related party transactions

The Group had the following material transactions with related parties during the period:

		<b>Six months ended 30 September 2001 HK\$'000</b>	2000 HK\$'000
	<i>Notes</i>		
Rental paid for warehouse premises	<i>(i)</i>	<b>620</b>	620
Rental paid for office premises	<i>(ii)</i>	<b>2,161</b>	2,106
Rental paid for a retail outlet	<i>(iii)</i>	<u><b>–</b></u>	<u>648</u>

*Notes:*

- (i) The rental was paid to Laws Fashion Knitters Limited ("Laws Fashion"). Mr. Ka Sing LAW, a director of the Company, has beneficial equity interest in Laws Fashion. The rental was determined by reference to open market rentals at the inception of the tenancy agreement.
- (ii) The rental was paid to First On International Limited ("First On"). Mr. Ka Sing LAW, a director of the Company, has beneficial equity interest in First On. The rental was determined by reference to open market rentals at the inception of the tenancy agreement.
- (iii) The rental for the prior period was paid to Yatin Development Limited ("Yatin"). Mr. Ka Sing LAW, a director of the Company, was also a director of, and had beneficial equity interest in, Yatin during the prior period. The rental was determined by reference to open market rentals at the inception of the tenancy agreement.

## 13. Contingent liabilities

	<b>As at 30 September 2001 HK\$'000</b>	As at 31 March 2001 HK\$'000
Bank guarantees given in lieu of utility and property rental deposits	<u><b>4,036</b></u>	<u>4,405</u>

#### **14. Comparative figures**

Certain comparative figures have been reclassified to conform with the current period's presentation.

#### **15. Approval of the interim financial statements**

The condensed consolidated interim financial statements were approved by the Board on 29 November 2001.