

## NOTES TO CONDENSED FINANCIAL STATEMENTS

### 1. BASIS OF PREPARATION

The unaudited condensed consolidated interim financial statements have been prepared in accordance with the Hong Kong Statement of Standard Accounting Practice 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.

### 2. TURNOVER

Turnover represents the aggregate net invoiced value of goods sold, after allowances for goods returned and trade discounts and income from sales of property.

### 3. SEGMENTED INFORMATION

	Turnover		Contribution to loss after finance costs	
	Six months ended 30 September			
	2001	2000	2001	2000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
By principal activity:				
Leather garments	7,020	7,440	1,212	(1,761)
Non-leather garments	43,249	46,027	(168)	(4,111)
Sales of property	5,684	—	153	—
Others	—	—	(17,415)	(9,774)
	<u>55,953</u>	<u>53,467</u>	<u>(16,218)</u>	<u>(15,646)</u>
By geographical area:				
The People's Republic of China ("PRC"):				
Hong Kong	39,464	7,898	(10,814)	(5,996)
Elsewhere	16,489	45,569	(5,404)	(9,650)
	<u>55,953</u>	<u>53,467</u>	<u>(16,218)</u>	<u>(15,646)</u>

**4. OTHER REVENUE**

	<b>Six months ended 30 September</b>	
	<b>2001</b>	<b>2000</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Interest income	<b>498</b>	1,165
Others	<b>13</b>	165
	<b>511</b>	1,330

**5. LOSS FROM OPERATING ACTIVITIES**

The Group's loss from operating activities is arrived at after charging:

	<b>Six months ended 30 September</b>	
	<b>2001</b>	<b>2000</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Depreciation	<b>2,209</b>	4,210

**6. TAX**

No Hong Kong profits tax has been provided for the Company or its subsidiaries as they had no assessable profits for the current period (2000: Nil). No Hong Kong profits tax has been provided for the associates as they had no assessable profits attributable to the Group for the current period.

There were no significant deferred tax liabilities at the balance sheet date (31 March 2001: Nil).

**7. LOSS PER SHARE**

Loss per share is calculated based on the net loss attributable to shareholders for the period of approximately HK\$16,886,000 (2000: loss of HK\$15,642,000) and the weighted average of 17,665,936,000 (2000: 7,066,374,400) ordinary shares in issue during the period.

During last year, the Company made an open offer of new shares to existing shareholders on the basis of three offer shares for every two shares held on 12 October 2000. The open offer was completed on 3 November 2000. No adjustment has been made to the comparative basic loss per share as there is no bonus element inherent in the open offer.

There is no diluted loss per share shown for either period as the effects arising from the exercise of the potential ordinary shares would have been anti-dilutive.

**8. ACCOUNTS RECEIVABLE**

The aged analysis of the Group's accounts receivable is as follows:

	<b>As at</b>	
	<b>30 September 2001 (unaudited) HK\$'000</b>	<b>31 March 2001 (audited) HK\$'000</b>
Current to three months	<b>20,048</b>	16,590
Four to six months	<b>7,416</b>	5,962
Total after provision	<b>27,464</b>	22,552

The normal credit period granted by the Group to customers ranges from 90 days to 180 days.

**9. ACCOUNTS PAYABLE**

The aged analysis of the Group's accounts payable is as follows:

	<b>As at</b>	
	<b>30 September 2001 (unaudited) HK\$'000</b>	<b>31 March 2001 (audited) HK\$'000</b>
Current to three months	<b>10,491</b>	8,513
Four to six months	<b>26</b>	2,099
Seven months to one year	<b>1,146</b>	1,033
	<b>11,663</b>	11,645

**10. SHARE CAPITAL**

	<b>Company</b>	
	<b>30 September 2001 (unaudited) HK\$'000</b>	<b>31 March 2001 (audited) HK\$'000</b>
Authorised:		
50,000,000,000 ordinary shares of HK\$0.01 each	<b>500,000</b>	500,000
Issued and fully paid:		
17,665,936,000 ordinary shares of HK\$0.01 each	<b>176,659</b>	176,659

At the beginning of the period, there were a total of 425,013,857 share options outstanding, of which (i) 55,013,857 share options were granted on 27 June 1997 with an exercise price of HK\$0.537 per share and (ii) 370,000,000 share options were granted on 20 June 2000 with an exercise price of HK\$0.02416 per share. All these share options are exercisable within 10 years from date of grant of options. During the six months ended 30 September 2001, a total of 370,330,293 of these share options were cancelled upon the resignation of certain employees.

On 12 June 2001, a further 530,000,000 share options were granted to certain of the Group's employees entitling them to subscribe for a total of 530,000,000 ordinary shares at a price of HK\$0.01 per share within 10 years from the date of grant of the options. None of these options has been exercised up to the date of approval of these interim financial statements.

#### **11. RELATED PARTY TRANSACTIONS**

The Group held 30% interest in World Pride (H.K.) Limited ("World Pride") through its wholly owned subsidiary Legend World Group Limited.

During the six months ended 30 September 2001, World Pride charged a total royalty fee of HK\$4,276,000 to the Group relating to the sub-licensing of the right to use an international trademark for the Group's products. The royalty fee was charged by World Pride according to the terms of a sub-licensing agreement entered into between the Group and World Pride on 15 September 1998.

#### **12. ACQUISITION OF UNICON SPIRIT GROUP**

On 26 September 2001, the Company announced that China Elegance Holdings Limited ("CEHL"), a wholly-owned subsidiary of the Company, entered into an agreement with an independent third party (the "Vendor") to acquire a 60% interest in the issued share capital of Unicon Spirit Development Ltd. ("Unicon Spirit"), a company incorporated in the British Virgin Islands, for an aggregate consideration of HK\$40,000,000 (the "Agreement"). Unicon Spirit and its subsidiaries (the "Unicon Spirit Group") is principally engaged in the manufacturing of leather products and the trading of leather materials.

Pursuant to the Agreement, the Vendor undertakes and represents to CEHL that the consolidated profit after taxation and minority interests of Unicon Spirit Group (before exceptional and extraordinary items) as shown in its audited accounts for the year ending 30 September 2002 prepared in accordance with the accounting principles generally accepted in Hong Kong will not be less than HK\$10,000,000.

The Agreement was subsequently completed on 10 November 2001.

#### **13. CONTINGENT LIABILITIES**

As at 30 September 2001, the Group had no significant contingent liabilities (31 March 2001: Nil).