NOTES ON THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars)

1 Basis of preparation

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with Hong Kong Accounting Standard ("HKAS") 34 "Interim financial reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). It was authorised for issuance on 22 December 2005.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the annual financial statements for the year ended 31 March 2005, except for the accounting policy changes that are expected to be reflected in the annual financial statements for the year ending 31 March 2006. Details of these changes in accounting policies are set out in note 2.

The preparation of an interim financial report in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the annual financial statements for the year ended 31 March 2005. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs", which term collectively includes HKASs and Interpretations).

The interim financial report is unaudited and has been reviewed by the audit committee of the Company.

The financial information relating to the financial year ended 31 March 2005 that is included in the interim financial report as being previously reported information does not constitute the Company's statutory financial statements for that financial year but is derived from those financial statements. Statutory financial statements for the year ended 31 March 2005 are available from the Company's registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 26 July 2005.

2 Changes in accounting policies

The HKICPA has issued a number of new and revised HKFRSs that are effective or available for early adoption for accounting periods beginning on or after 1 January 2005. The board of directors has determined the accounting policies to be adopted in the preparation of the Group's annual financial statements for the year ending 31 March 2006, on the basis of HKFRSs currently in issue.

The HKFRSs that will be effective or are available for voluntary early adoption in the annual financial statements for the year ending 31 March 2006 may be affected by the issue of additional interpretation(s) or other changes announced by the HKICPA subsequent to the date of issuance of this interim financial report. Therefore the accounting policies that will be applied in the Group's financial statements for that period cannot be determined with certainty at the date of issuance of this interim financial report.

The following sets out further information on the changes in accounting policies for the annual accounting periods beginning on 1 April 2005 which have been reflected in this interim financial report.

(a) Summary of the effect of changes in the accounting policies

(i) Effect on opening balance of total equity at 1 April 2005 (as adjusted)

The following table sets out the adjustments that have been made to the opening balances at 1 April 2005. These are the aggregate effect of retrospective adjustments to the net assets as at 31 March 2005 and the opening balance adjustments made as at 1 April 2005.

	Note	Retained earnings $'000	Capital and other reserves $'000	Total equity $'000
Effect of new policy (increase/(decrease) in equity)				
Prior period adjustments:				
HKAS 17				
Leasehold land and buildings held for own use	*2(b)*	1,820	(6,592)	(4,772)
Total increase/(decrease) in equity before opening balance adjustments		1,820	(6,592)	(4,772)
Opening balance adjustments:				
HKAS 39				
Financial instruments	*2(c)*	(4,641)	58,549	53,908
		(4,641)	58,549	53,908
Total effect at 1 April 2005		(2,821)	51,957	49,136

2 Changes in accounting policies *(continued)*

(a) Summary of the effect of changes in the accounting policies (continued)

(ii) Effect on opening balance of total equity at 1 April 2004 (as adjusted)

The following table sets out only those adjustments that have been made to the opening balances at 1 April 2004.

	Note	**Retained earnings** *$'000*	**Capital and other reserves** *$'000*	**Total equity** *$'000*
Effect of new policy (increase/ (decrease) in equity)				
HKAS 17				
Leasehold land and buildings held for own use	2(b)	1,170	(6,592)	(5,422)
Total effect at 1 April 2004		1,170	(6,592)	(5,422)

2 Changes in accounting policies *(continued)*

(a) *Summary of the effect of changes in the accounting policies (continued)*

(iii) Effect on profit after taxation for the six months ended 30 September 2005 (estimated) and 30 September 2004 (as adjusted)

In respect of the six months ended 30 September 2005, the following table provides estimates of the extent to which the profit for that period are higher or lower than they would have been had the previous policies still been applied in the interim period, where it is practicable to make such estimates.

In respect of the six months ended 30 September 2004, the table discloses the adjustments that have been made to the profit as previously reported for that period, in accordance with the transitional provisions of the respective HKFRSs. As retrospective adjustments have not been made for all changes in policies, as explained in note 2(c) and (d), the amounts shown for the six month period ended 30 September 2004 may not be comparable to the amounts shown for the current interim period.

		Six months ended 30 September	
		2005	2004
	Note	***$'000***	*$'000*
Effect of new policy (increase/ (decrease) in profit)			
HKAS 17			
Leasehold land and buildings held for own use	*2(b)*	**–**	325
HKAS 39			
Financial instruments	*2(c)*	**(5,163)**	–
Total effect for the period		**(5,163)**	325
Effect on earnings per share			
– basic		**(0.34) cent**	0.02 cent
– diluted		**(0.29) cent**	0.02 cent

2 Changes in accounting policies *(continued)*

(b) Leasehold land and buildings held for own use (HKAS 17 "Leases")

In prior years, leasehold land and buildings held for own use were stated at revalued amounts less accumulated depreciation and accumulated impairment losses. Movements of revaluation surpluses or deficits were normally taken to the land and buildings revaluation reserve.

With the adoption of HKAS 17 as from 1 April 2005, the leasehold interest in the land held for own use is accounted for as being held under an operating lease where the fair value of the interest in any buildings situated on the leasehold land could be separately identified from the fair value of the leasehold interest in the land at the time the lease was first entered into by the Group, or taken over from the previous lessee, or at the date of construction of those buildings, if later.

Such leasehold land will no longer be revalued. Instead, any pre-paid land premiums for acquiring the land leases, or other lease payments, are amortised on a straight line basis over the lease term. The amortisation charge for the period is recognised in the income statement immediately.

Any buildings held for own use which are situated on such land leases continue to be presented as part of fixed assets. However, as from 1 April 2005 the buildings are also stated at cost less accumulated depreciation, rather than at fair value, to be consistent with the new policy required to be adopted for the land element.

The new accounting policies have been adopted retrospectively, with the opening balances of retained earnings and the land and buildings revaluation reserve and the comparative information adjusted for the amounts relating to prior periods as disclosed in note 2(a) and the consolidated statement of changes in equity. In respect of the six months ended 30 September 2005 it is not practicable to estimate the extent to which the profit for that period, or the income or expenses taken directly to equity, are higher or lower than they would have been had the previous policy still been applied in the interim period.

2 Changes in accounting policies *(continued)*

(c) Financial instruments (HKAS 32 "Financial instruments: Disclosure and presentation" and HKAS 39 "Financial instruments: Recognition and measurement")

Changes in accounting policies relating to financial instruments are as follows:

In prior years, the accounting policies for certain financial instruments were as follows:

– equity investments, other than investments in subsidiaries, held on a continuing basis for an identifiable long-term purpose were classified as investment securities and stated at cost less provision; and

– Convertible bonds issued were stated at amortised cost (including transaction costs)

With effect from 1 April 2005, and in accordance with HKAS 39, the following new accounting policies are adopted for the financial instruments mentioned above:

– Non-trading investments are classified as available-for-sale securities and carried at fair value. Changes in fair value are recognised in equity, unless there is objective evidence that an individual investment has been impaired. If there is objective evidence that an individual investment has been impaired, any amount held in the fair value reserve in respect of the investment is transferred to the income statement for period in which the impairment is identified. Any subsequent increase in the fair value of available-for-sale equity securities is recognised directly in equity.

  The adoption of this new accounting policy did not have a significant impact on the Group's results for the period.

– Convertible bonds issued are split into their liability and equity components at initial recognition by recognising the liability component at its fair value and attributing to the equity component the difference between the proceeds from the issue and the fair value of the liability component. The liability component is subsequently carried at amortised cost. The equity component is recognised in the capital reserve until the bond is either converted (in which case it is transferred to share premium) or the bond is redeemed (in which case it is released directly to retained earnings).

  The change was adopted by way of an adjustment to the opening balance of the retained earnings and capital reserve at 1 April 2005 of $4,641,000 and $58,549,000 respectively. Comparative amounts have not been restated as this is prohibited by the transitional arrangements in HKAS 39.

  As a result of adoption of this new accounting policy, the Group's profit for the six months ended 30 September 2005 decreased by $5,163,000.

2 Changes in accounting policies *(continued)*

(d) Employee share option scheme (HKFRS 2 "Share-based payment")

In prior years, no amounts were recognised when employees (which term includes directors) were granted share options over shares in the Company. If the employees chose to exercise the options, the nominal amount of share capital and share premium were credited only to the extent of the option's exercise price receivable.

With effect from 1 April 2005, in order to comply with HKFRS 2, the Group recognises the fair value of such share options as an expense in the income statement, or as an asset, if the cost qualifies for recognition as an asset under the Group's accounting policies. A corresponding increase is recognised in a capital reserve within equity.

Where the employees are required to meet vesting conditions before they become entitled to the options, the group recognises the fair value of the options granted over the vesting period. Otherwise, the Group recognises the fair value in the period in which the options are granted.

If an employee chooses to exercise options, the related capital reserve is transferred to share capital and share premium, together with the exercise price. If the options lapse unexercised the related capital reserve is transferred directly to retained earnings.

A retrospective application of the new accounting policy is required with restatement of comparatives in accordance with HKFRS 2, except that the Group has taken advantage of the transitional provisions set out in paragraph 53 of HKFRS 2 under which the new recognition and measurement policies have not been applied to the following grants of options:

(a) all options granted to employees on or before 7 November 2002; and

(b) all options granted to employees after 7 November 2002 but which had vested before 1 January 2005.

As the Group has taken advantage of the above-mentioned transitional provisions, the adoption of HKFRS 2 did not have a significant impact on the Group's results for the period.

Details of the employee share option scheme can be found in the company's annual report for the financial year ended 31 March 2005 and the section "Additional information provided in accordance with the Listing Rules" in this interim report.

3 Segmental information

No business segment analysis of the Group is presented as the Group has been operating in a single business segment, i.e. manufacturing and sale of garments. An analysis of the Group's turnover by geographical location of the customers is set out below:

	Group turnover Six months ended 30 September	
	2005	2004
	$'000	*$'000*
North America	**587,823**	575,150
Europe	**131,561**	119,512
Other regions	**54,067**	52,286
	773,451	746,948

4. Profit before taxation

Profit before taxation is arrived at after charging:

	Six months ended 30 September	
	2005	2004
	$'000	*$'000*
(a) Finance costs:		
Interest on bank and other borrowings wholly repayable within five years	**14,226**	9,933
(b) Other items:		
Cost of goods sold	**591,095**	565,293
Depreciation of fixed assets	**19,503**	16,624

5. Income tax

	Six months ended 30 September	
	2005	2004
	$'000	*$'000*
Provision for Hong Kong Profits Tax for the period	**3,913**	4,480
Provision for overseas tax	**849**	743
Deferred tax expense relating to the origination and reversal of temporary differences	**257**	–
	5,019	5,223

Provision for Hong Kong Profits Tax is calculated at 17.5% (2004: 17.5%) of the estimated assessable profits for the period. Taxation for subsidiaries outside Hong Kong is charged at the appropriate current rates of taxation ruling in the relevant countries.

The Group's subsidiary in the People's Republic of China ("PRC"), Luoding Hua Tian Long Garment Ltd. is subject to PRC income tax at 33%.

The Group's subsidiaries in Cambodia are subject to Cambodia income tax at a rate of 9%. Pursuant to the tax exemption certificate dated 15 June 2000 issued by the relevant tax authorities, Tack Fat Garment (Cambodia) Ltd. was exempted from Cambodia income tax for the period from 15 June 2000 to 14 June 2004 and is subject to Cambodia income tax at 9% starting from 15 June 2004. Pursuant to the tax exemption certificate dated 8 July 2004 issued by the relevant tax authorities, Supertex Limited is exempted from Cambodia income tax for the period from 8 July 2004 to 7 July 2008.

6. Dividends

(a) *Dividends attributable to the period*

	Six months ended 30 September	
	2005	2004
	$'000	*$'000*
Interim dividend declared of 1.2 cents per share (2004: 1.2 cents)	**18,200**	18,134

The interim dividend of 1.2 cents per share or $18,200,000 in total proposed after the balance sheet date has not been recognised as a liability at the balance sheet date.

(b) *Dividends attributable to the previous year, approved and accrued during the period*

	Six months ended 30 September	
	2005	2004
	$'000	*$'000*
Final dividend in respect of the previous year, approved and accrued during the period of 2 cents per share (2004: 2 cents)	**30,333**	28,545

7. Earnings per share

(a) *Basic earnings per share*

The calculation of basic earnings per share for the period ended 30 September 2005 is based on the profit attributable to equity holders of the Company of $70,935,000 (2004 as restated: $61,093,000) and the weighted average number of ordinary shares of 1,516,664,000 shares (2004: 1,412,843,000 shares) in issue during the period.

(b) *Diluted earnings per share*

The calculation of diluted earnings per share for the period ended 30 September 2005 is based on the adjusted profit attributable to equity holders of the Company of $75,194,000 (2004 as restated: $61,234,000) and the weighted average number of ordinary shares of 1,765,398,000 shares (2004: 1,484,080,000 shares) after adjusting for the effects of all dilutive potential ordinary shares.

8 Fixed assets

Additions to fixed assets during the six months ended 30 September 2005 comprise:

	$'000
Land and buildings	7,462
Plant and machinery	26,801
Furniture, fixtures and office equipment	4,106
Motor vehicles	882
	39,251

The Group's land and buildings in Hong Kong were revalued by professional valuers at 31 January 2002. The directors of the Company, who are not qualified valuers, have reviewed the carrying value of the land and buildings as at 30 September 2005 with reference to the relevant market indices. In their opinion, there have been no significant changes in the value of land and buildings since 31 March 2005.

9 Trade and other receivables

	At 30 September 2005 $'000	At 31 March 2005 $'000
Trade receivables	**230,607**	228,374
Deposits with subcontractors for manufacturing of garments	**34,172**	33,853
Refundable acquisition deposit	**–**	491,400
Other prepayments and receivables	**62,077**	60,939
	326,856	814,566

Credit terms granted by the Group to customers generally range from one to three months. Included in trade receivables are balances (stated after provisions for doubtful debts) with the following ageing analysis:

	At 30 September 2005 $'000	At 31 March 2005 $'000
Within 3 months	**230,607**	228,374

All the trade and other receivables are expected to be recovered within one year.

10 Trade and other payables

	At 30 September 2005 $'000	At 31 March 2005 $'000
Bills payable	**12,862**	11,651
Trade payables	**48,359**	45,375
Accrued expenses and other payables	**15,312**	15,525
	76,533	72,551

The credit terms obtained by the Group generally range from 30 days to 180 days. Included in trade payables are balances with the following ageing analysis:

	At 30 September 2005 $'000	At 31 March 2005 $'000
Due within 1 month or on demand	**23,382**	21,511
Due after 1 month but within 3 months	**17,254**	16,453
Due after 3 months but within 6 months	**7,723**	7,411
	48,359	45,375

All of the above balances are expected to be settled within one year.

11 Share capital

The following is a summary of the authorised and issued share capital of the Company:

	Number of ordinary shares of $0.1 each	Par value $'000
Authorised:		
At 31 March/30 September 2005	**2,000,000,000**	**200,000**
Issued and fully paid:		
As at 31 March/30 September 2005	**1,516,664,000**	**151,666**

12 Reserves

	Share premium	Land and buildings revaluation reserve	Contributed surplus	PRC statutory reserve	Retained earnings	Total
	$'000	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*
At 1 April 2004						
– as previously reported	37,411	13,350	6,400	19	344,759	401,939
– prior period adjustments for leasehold land and buildings held for own use	–	(6,592)	–	–	1,170	(5,422)
– as restated	37,411	6,758	6,400	19	345,929	396,517
Dividend approved in respect of previous year	–	–	–	–	(28,545)	(28,545)
Share premium on conversion of convertible bonds	16,792	–	–	–	–	16,792
Share premium on exercise of share subscription rights	5,062	–	–	–	–	5,062
Share premium on exercise of share options	21,900	–	–	–	–	21,900
Bonds issue costs	(6,466)	–	–	–	–	(6,466)
Profit for the year (restated)	–	–	–	–	155,369	155,369
Profit appropriation to reserve funds	–	–	–	21	(21)	–
Dividend declared in respect of the current year	–	–	–	–	(18,134)	(18,134)
At 31 March 2005	74,699	6,758	6,400	40	454,598	542,495

12 Reserves *(continued)*

	Share premium $'000	Land and buildings revaluation reserve $'000	Contributed surplus $'000	Capital reserve $'000	PRC statutory reserve $'000	Retained earnings $'000	Total $'000
At 1 April 2005							
– as previously reported	74,699	13,350	6,400	–	40	452,778	547,267
– prior period adjustments in respect of leasehold land and buildings held for own use	–	(6,592)	–	–	–	1,820	(4,772)
– as restated	74,699	6,758	6,400	–	40	454,598	542,495
– opening balance adjustments in respect of financial instruments	–	–	–	58,549	–	(4,641)	53,908
– as restated, after opening balance adjustment	74,699	6,758	6,400	58,549	40	449,957	596,403
Dividend approved in respect of previous year	–	–	–	–	–	(30,333)	(30,333)
Profit for the period	–	–	–	–	–	70,935	70,935
At 30 September 2005	**74,699**	**6,758**	**6,400**	**58,549**	**40**	**490,559**	**637,005**

13 Material related party transactions

During the period, the following significant related party transactions took place:

	Six months ended 30 September	
	2005	2004
	$'000	*$'000*
Expenses paid to related parties:		
Warehouse rentals	**186**	186
Directors' quarters rentals	**816**	816
Guangzhou office rentals	**243**	243

The directors of the Company are of the opinion that the above transactions with related parties were conducted on normal commercial terms in the ordinary course of business of the Group.

14 Post balance sheet event

After the balance sheet date, the directors of the Company proposed an interim dividend, details of which are disclosed in note 6.