



Notes to the Condensed Financial Statements

For the six months ended 28th February, 2001

1. Accounting policies

The condensed financial statements have been prepared under the historical cost convention, as modified for the revaluation of certain properties. The accounting policies adopted are consistent with those followed in the Group's annual financial statements for the year ended 31st August, 2000.

The condensed financial statements have been prepared in accordance with Statement of Standard Accounting Practice 25 "Interim financial reporting" ("SSAP 25") issued by the Hong Kong Society of Accountants, except that comparative figures are not presented either for the condensed consolidated statement of recognised gains and losses or for the condensed consolidated cash flow statement, being the first cash flow statement to be included in the interim financial report relating to accounting period ended on or after 1st July, 2000. Such departures from SSAP 25 are permitted under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

2. Segmental information

An analysis of the Group's turnover and contribution to profit from operations by business segments and geographical segments is as follows:

	Turnover		Contribution to profit from operations	
	Six months ended 28th February, 2001 HK\$'000	Six months ended 29th February, 2000 HK\$'000	Six months ended 28th February, 2001 HK\$'000	Six months ended 29th February, 2000 HK\$'000
<i>Business segments</i>				
Knitting, dyeing, printing and sales of dyed fabrics, sewing threads and dyed yarns	1,961,483	1,578,574	187,057	209,299
Sales of garments	106,193	125,160	1,952	(9,322)
Trading of yarns	22,491	62,421	382	2,917
	<u>2,090,167</u>	<u>1,766,155</u>	<u>189,391</u>	<u>202,894</u>
Unallocated corporate income			4,039	2,295
Profit from operations			<u>193,430</u>	<u>205,189</u>

2. Segmental information (Continued)

	Turnover	
	Six months ended 28th February, 2001 HK\$'000	Six months ended 29th February, 2000 HK\$'000
<i>Geographical segments</i>		
Hong Kong	1,190,170	992,227
Rest of Asia and Australasia	636,120	499,623
Europe	57,141	83,583
North America	206,736	190,722
	<u>2,090,167</u>	<u>1,766,155</u>

Contribution to profit from operations by geographical markets has not been presented as the contribution to profit from operations from each market is substantially in line with the Group's overall ratio of profit from operations to turnover.

3. Finance costs

	Six months ended 28th February, 2001 HK\$'000	Six months ended 29th February, 2000 HK\$'000
Interest on:		
Bank borrowings wholly repayable within five years	55,365	61,963
Finance leases and hire purchase contracts wholly repayable within five years	2,108	2,323
	<u>57,473</u>	<u>64,286</u>
Bank facilities arrangement fees	1,738	10,575
	<u>59,211</u>	<u>74,861</u>



4. Depreciation and amortisation

During the period, depreciation and amortisation of approximately HK\$81,892,000 (1.9.1999 to 29.2.2000: HK\$83,499,000) was charged in respect of the Group's property, plant and equipment.

5. Taxation

The charge comprises:

Hong Kong Profits Tax

Current period

Overprovision in previous years

Overseas taxation

Share of taxation attributable to jointly controlled entities

Six months ended 28th February, 2001 HK\$'000	Six months ended 29th February, 2000 HK\$'000
11,634	9,691
—	(11)
<u>11,634</u>	<u>9,680</u>
2,766	(2,318)
38	38
<u>14,438</u>	<u>7,400</u>

Hong Kong Profits Tax is calculated at 16% of the estimated assessable profit for the period.

Overseas taxation is calculated at the rates prevailing in the respective jurisdictions.

6. Dividends

Interim dividend of HK4.5 cents

(1.9.1999 to 29.2.2000: HK3.5 cents) per share

Overprovision of 2000 final dividend on repurchase
of shares

Six months ended 28th February, 2001 HK\$'000	Six months ended 29th February, 2000 HK\$'000
34,700	27,008
(19)	—
<u>34,681</u>	<u>27,008</u>

7. Earnings per share

The calculation of the basic and diluted earnings per share for the period is based on the following data:

	Six months ended 28th February, 2001 HK\$'000	Six months ended 29th February, 2000 HK\$'000
<i>Profit for the period</i>		
Earnings for the purposes of basic and diluted earnings per share	<u>102,526</u>	<u>101,300</u>
<i>Number of shares</i>		
Number of ordinary shares for the purpose of basic earnings per share	771,453,103	771,658,960
Effect of dilutive potential ordinary shares in respect of share options	<u>538,818</u>	—
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u>771,991,921</u>	<u>771,658,960</u>

No diluted earnings per share for the six months ended 29th February, 2000 has been presented as the Company has no dilutive potential ordinary shares for that period.

8. Additions to property, plant and equipment

During the period, the Group incurred expenditure of approximately HK\$59,218,000 (year ended 31.8.2000: HK\$97,639,000) on additions to property, plant and equipment to expand and upgrade the Group's manufacturing facilities.



9. Inventories

	28th February, 2001 HK\$'000	31st August, 2000 HK\$'000
Raw materials	610,291	534,541
Work in progress	232,718	257,628
Finished goods	232,939	264,388
	<u>1,075,948</u>	<u>1,056,557</u>

Included above are raw materials of approximately HK\$8,825,000 (31.8.2000: HK\$11,707,000), work in progress of approximately HK\$10,131,000 (31.8.2000: HK\$10,554,000) and finished goods of approximately HK\$16,130,000 (31.8.2000: HK\$17,090,000) which are carried at net realisable value at the balance sheet date.

10. Trade and other receivables

The Group allows an average credit period of 75 days to its trade customers.

The following is an aged analysis of trade receivables at the balance sheet date:

	28th February, 2001 HK\$'000	31st August, 2000 HK\$'000
Trade receivables:		
Not yet due	409,376	463,831
Overdue 1 - 30 days	142,038	142,893
Overdue 31 - 60 days	67,615	135,739
Overdue > 60 days	107,184	133,424
	<u>726,213</u>	<u>875,887</u>
Other receivables:		
Post-dated cheques receivable	70,232	76,752
Bills receivable	80,467	169,626
Prepayments	11,395	11,576
Others	293,522	201,326
	<u>455,616</u>	<u>459,280</u>
	<u>1,181,829</u>	<u>1,335,167</u>

11. Trade and other payables

The following is an aged analysis of trade payables at the balance sheet date:

	28th February, 2001 HK\$'000	31st August, 2000 HK\$'000
Trade payables:		
Not yet due	139,526	158,879
Overdue 1 - 30 days	46,373	29,252
Overdue 31 - 60 days	4,427	12,935
Overdue > 60 days	3,973	5,893
	<u>194,299</u>	<u>206,959</u>
Other payables:		
Accrued expenses	73,447	75,152
Others	49,284	47,625
	<u>122,731</u>	<u>122,777</u>
	<u><u>317,030</u></u>	<u><u>329,736</u></u>

12. Share capital

	28th February, 2001 HK\$'000	31st August, 2000 HK\$'000
Authorised:		
1,400,000,000 shares of HK\$0.20 each	<u>280,000</u>	<u>280,000</u>
Issued and fully paid:		
771,118,960 (31.8.2000: 771,658,960) shares of HK\$0.20 each	<u>154,224</u>	<u>154,332</u>



12. Share capital (Continued)

During the period, the Company repurchased its own shares through the Stock Exchange as follows:

Month of repurchase	Number of shares of HK\$0.20 each repurchased	Price per share		Aggregate consideration paid HK\$'000
		Highest	Lowest	
		HK\$	HK\$	
December 2000	540,000	0.58	0.57	312

The repurchased shares were subsequently cancelled upon repurchase and accordingly, the issue share capital of the Company was diminished by the nominal value thereof. The premium payable on repurchase was transferred from the Company's retained profits and an amount equivalent to the nominal value of the shares cancelled was transferred from the Company's retained profits to the capital redemption reserve account.

13. Capital commitments

At the balance sheet date, the Group had commitments for capital expenditure amounting to approximately HK\$100,349,000 (31.8.2000: HK\$12,638,000) in respect of the acquisition of property, plant and equipment contracted for but not provided in the condensed financial statements.

14. Contingent liabilities

	28th February, 2001 HK\$'000	31st August, 2000 HK\$'000
Discounted bills with recourse	2,833	12,959
Invoices factored with recourse	32,086	25,920
	<u>34,919</u>	<u>38,879</u>

15. Related party disclosures

During the period, the Group paid rental expenses amounting to HK\$498,000 (1.9.1999 to 29.2.2000: HK\$531,000) to a company controlled by a director of the Company. The rentals were charged in accordance with the terms of the tenancy agreements entered into between the Group and that company.

At 28th February, 2001, the Group had entered into three loan agreements with banks and financial institutions which require certain specific performance obligations to be complied with by a director of the Company, details of which are set out in the section headed "DISCLOSURE PURSUANT TO PRACTICE NOTE NO. 19 TO THE LISTING RULES".