

NOTES TO THE ACCOUNTS

1. Basis of preparation and accounting policies

These unaudited consolidated condensed interim accounts are prepared in accordance with Hong Kong Statement of Standard Accounting Practice ("SSAP") 25, Interim Financial Reporting, issued by the Hong Kong Society of Accountants.

These condensed interim accounts should be read in conjunction with the 2000 annual accounts. The accounting policies and methods of computation used in the preparation of these condensed interim accounts are consistent with those used in the annual accounts for the year ended 31st December, 2000 except that the Group has changed certain of its accounting policies following its adoption of the following SSAPs issued by the Hong Kong Society of Accountants which are effective for accounting periods commencing on or after 1st January, 2001:

SSAP 9 (revised):	Events after the balance sheet date
SSAP 14 (revised):	Leases (effective for the periods commencing on or after 1st July, 2000)
SSAP 26:	Segment reporting
SSAP 30:	Business combinations

The changes to the Group's accounting policies and the effect of adopting these new policies are set out below:

(a) SSAP 9 (revised): Events after the balance sheet date

In accordance with the SSAP 9 (revised), the Group no longer recognizes dividends proposed or declared after the balance sheet date as a liability at the balance sheet date. This change in accounting policy has been applied retrospectively so that the comparatives presented have been restated to conform to the changed policy.

As detailed in Note 10, opening retained earnings at 1st January, 2000 have increased by HK\$25,000,000 which is the reversal of the provision for the 1999 special dividend previously recorded as a current liability as at 31st December, 1999 although not declared until after the balance sheet date. Opening retained earnings at 1st January, 2001 have increased by HK\$40,320,000 which is the reversal of the provision for the 2000 proposed final dividend previously recorded as a current liability as at 31st December, 2000 although not proposed until after the balance sheet date.

A corresponding decrease in current liabilities by HK\$40,320,000 has been reflected in the comparative 31st December, 2000 balance sheet.

(b) SSAP 26: Segment reporting

In Note 2 to these condensed interim accounts, the Group has disclosed segment revenue and results as defined under SSAP 26. In accordance with the Group's internal financial reporting, the Group has determined the geographical segments be presented as the primary reporting format. Comparative information has been given.

(c) SSAP 30: Business combinations

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net assets of the acquired subsidiaries at the date of acquisition. Goodwill on acquisitions occurring on or after 1st January, 2001 is included in intangible assets and is amortised using the straight-line method over its estimated useful life. Goodwill on acquisitions that occurred prior to 1st January, 2001 was written off against reserves. The Group has taken advantage of the transitional provisions in SSAP 30 and such goodwill has not been retroactively capitalised and amortised.

2. Segment information

An analysis of the Group's turnover and contribution to operating profit for the period by geographical segment is as follows:

	Turnover		Contribution to operating profit	
	2001 (Unaudited) HK\$'000	2000 (Unaudited) HK\$'000	2001 (Unaudited) HK\$'000	2000 (Unaudited) HK\$'000
Geographical segment:				
United States of America	437,805	411,763	63,922	62,528
Europe	28,086	21,597	4,215	3,048
Canada	20,341	12,710	3,000	1,832
Southeast Asia	12,938	13,964	1,915	1,821
Other countries	4,078	3,304	609	547
	<u>503,248</u>	<u>463,338</u>	<u>73,661</u>	<u>69,776</u>
Other revenues			2,542	1,637
Unallocated administrative and other operating expenses			(23,524)	(22,180)
Operating profit			52,679	49,233
Unallocated finance costs			(560)	(1,559)
Profit before taxation			52,119	47,674
Unallocated taxation			(4,415)	(4,017)
Profit attributable to shareholders			<u>47,704</u>	<u>43,657</u>

The Group's turnover and operating profit were solely contributed by garment manufacturing business.

3. Operating profit

Operating profit is stated after crediting and charging the following:

	Six months ended 30th June,	
	2001 (Unaudited) HK\$'000	2000 (Unaudited) HK\$'000
<u>Crediting</u>		
Interest income	2,176	1,143
Rental income	366	494
	<u>2,542</u>	<u>1,637</u>
<u>Charging</u>		
Depreciation of fixed assets	8,453	6,196
Amortization of goodwill	643	–
Amortization of permanent textile quota entitlements	1,048	1,777
	<u>10,144</u>	<u>8,073</u>

4. Taxation

Hong Kong profits tax has been provided at the rate of 16% (2000: 16%) on the estimated assessable profit for the period. Taxation on overseas profits has been calculated on the estimated assessable profit for the period at the rates of taxation prevailing in the countries, which the Group operates.

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

	Six months ended 30th June,	
	2001 (Unaudited) HK\$'000	2000 (Unaudited) HK\$'000
Hong Kong profits tax	4,415	3,688
Overseas taxation	1,640	329
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	6,055	4,017
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No provision for deferred taxation has been made in the accounts as the effect of timing differences is not material to the Group.

5. Dividends

	Six months ended 30th June,	
	2001 (Unaudited) HK\$'000	2000 (Unaudited) HK\$'000
2000 final dividend, paid, of 11.2 Hong Kong cents per ordinary share (Note (i))	40,320	–
1999 special dividend paid by a subsidiary of the Company to its then shareholders prior to the public listing of the Company	–	25,000
2001 interim dividend of 6 Hong Kong cents (2000: 5.6 Hong Kong cents) per ordinary share (Note (ii))	21,600	20,160
	61,920	45,160

Notes:

- (i) The previously recorded final dividend proposed and declared after the balance sheet date but accrued in the accounts for the year ended 31st December, 2000 was HK\$40,320,000. Under the Group's new accounting policy as described in Note 1, this has been written back against opening reserve as at 1st January, 2001 in Note 10 and is now charged in the period in which it was proposed.
- (ii) At a meeting held on 30th August, 2001, the directors declared an interim dividend of 6 Hong Kong cents per share. This dividend is not reflected as a dividend payable in these interim condensed accounts, but will be reflected as an appropriation of retained earnings for the year ending 31st December, 2001.

6. Basic earnings per share

The calculation of basic earnings per share is based on the Group's profit attributable to shareholders of HK\$47,704,000 (2000: HK\$43,657,000) and the weighted average of 360,000,000 shares (2000: 324,395,604 shares) in issue during the period. There is no diluted earnings per share since the Company has no dilutive potential shares.

7. Goodwill

Cost

Accumulated amortization

Net book amount

At 30th June, 2001 (Unaudited) HK\$'000	
	6,432
	(643)
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	5,789
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On 9th January, 2001, the Group acquired the entire issued share capital of Charter, SA de CV which is engaged in garment manufacturing. The consideration of US\$2 million (about HK\$15,600,000) was settled in cash. The fair value of the net identifiable assets of Charter, SA de CV at the date of acquisition was HK\$10,099,000. The resulting goodwill of HK\$5,501,000 has been amortized on a straight-line basis over a period of 5 years.

On 1st January, 2001, the Group acquired 70% of the issued share capital of Shinning Century Limited, which is engaged in garment manufacturing. The consideration of HK\$6,937,000 was settled in cash. The proportionate fair value of the net identifiable assets of Shinning Century Limited at the date of acquisition was HK\$6,006,000. The resulting goodwill of HK\$931,000 has been amortized on a straight-line basis over a period of 5 years.

The assets and liabilities arising from the acquisitions are as follows:

	<i>HK\$'000</i>
Fixed assets	16,042
Inventories	3,381
Trade and other receivables	11,384
Bank balances and cash	6,646
Trade and other payables	(18,774)
Minority interests	(2,574)
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	16,105
Goodwill on acquisitions	6,432
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Total purchase consideration	22,537
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8. Trade and other receivables

	At 30th June, 2001 (Unaudited) HK\$'000	At 31st December, 2000 (Audited) HK\$'000
Trade receivables	121,008	130,448
Amount due from a related company	–	8,656
Prepayments, deposits and other receivables	44,129	30,288
	<u>165,137</u>	<u>169,392</u>

The majority of the Group's turnover is on letter of credit at sight to 90 days. The remaining balances of turnover are without specific credit terms. The ageing analysis of trade receivables is as follows:

	At 30th June, 2001 (Unaudited) HK\$'000	At 31st December, 2000 (Audited) HK\$'000
Current	83,330	100,226
31 – 60 days	29,040	20,563
61 – 90 days	2,062	6,001
Over 90 days	6,576	3,658
	<u>121,008</u>	<u>130,448</u>

9. Trade and other payables

	At 30th June, 2001 (Unaudited) HK\$'000	At 31st December, 2000 (Audited) HK\$'000
Trade payables	131,205	90,955
Other payables and accruals	<u>16,627</u>	<u>32,938</u>
	<u>147,832</u>	<u>123,893</u>

The ageing analysis of the trade payables is as follows:

	At 30th June, 2001 (Unaudited) HK\$'000	At 31st December, 2000 (Audited) HK\$'000
Current	75,815	35,948
31 – 60 days	40,833	37,968
61 – 90 days	14,110	9,197
Over 90 days	<u>447</u>	<u>7,842</u>
	<u>131,205</u>	<u>90,955</u>

10. Reserves

	Exchange fluctuation reserve (Unaudited) HK\$'000	Fixed assets revaluation reserve (Unaudited) HK\$'000	Merger reserve (Unaudited) HK\$'000	Share premium (Unaudited) HK\$'000	Retained earnings (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
At 1st January, 2000 as previously reported	(132,306)	65,251	(200)	-	232,994	165,739
Effect of adopting SSAP 9 (revised) (Note 1)	-	-	-	-	25,000	25,000
At 1st January, 2000 as restated 1999 special dividend paid (Note 5)	(132,306)	65,251	(200)	-	257,994	190,739
Premium on new issue of shares	-	-	-	81,000	-	81,000
Share issue expenses	-	-	-	(17,339)	-	(17,339)
Capitalisation issue	-	-	-	(26,800)	-	(26,800)
Exchange differences arising on the translation of the accounts of overseas subsidiaries	(14,655)	-	-	-	(24,690)	(39,345)
Surplus on revaluation	-	14,910	-	-	-	14,910
Surplus realized upon disposals of fixed assets	-	(862)	-	-	862	-
Others	2,957	-	-	-	-	2,957
Profit for the year	-	-	-	-	120,074	120,074
2000 interim dividend paid (Note 5)	-	-	-	-	(20,160)	(20,160)
2000 final dividend proposed	-	-	-	-	(40,320)	(40,320)
At 31st December, 2000 as restated	<u>(144,004)</u>	<u>79,299</u>	<u>(200)</u>	<u>36,861</u>	<u>268,760</u>	<u>240,716</u>
At 1st January, 2001 as previously reported	(144,004)	79,299	(200)	36,861	268,760	240,716
Effect of adopting SSAP 9 (revised) (Note 1)	-	-	-	-	40,320	40,320
At 1st January, 2001 as restated	(144,004)	79,299	(200)	36,861	309,080	281,036
2000 final dividend paid (Note 5)	-	-	-	-	(40,320)	(40,320)
Exchange differences arising on the translation of accounts of overseas subsidiaries	(10,281)	-	-	-	(13,920)	(24,201)
Profit for the period	-	-	-	-	47,704	47,704
2001 interim dividend (Note 5)	-	-	-	-	(21,600)	(21,600)
	<u>(154,285)</u>	<u>79,299</u>	<u>(200)</u>	<u>36,861</u>	<u>280,944</u>	<u>242,619</u>

11. Contingent liabilities

As at 30th June, 2001, the Group had bills discounted to banks with recourse amounting to HK\$23.6 million (31st December, 2000: HK\$19.3 million).

12. Commitments

(a) Capital commitments contracted but not provided for are as follows:

	At 30th June, 2001 (Unaudited) HK\$'000	At 31st December, 2000 (Audited) HK\$'000
Group's interest in a subsidiary	–	15,600
Acquisition of fixed assets	1,038	1,981
	1,038	17,581

(b) Commitments under operating leases

As at 30th June, 2001, the Group had total future aggregate minimum lease payments under non-cancellable operating leases as follows:

	At 30th June, 2001 (Unaudited) HK\$'000	At 31st December, 2000 (Audited) HK\$'000
Within one year	3,895	67
In the second to fifth year inclusive	15,804	9,283
After the fifth year	34,046	45,847
	53,745	55,197

INTERIM DIVIDEND

The board of directors has declared to pay an interim dividend of 6 Hong Kong cents (2000: 5.6 Hong Kong cents) per share totalling HK\$21,600,000 to shareholders whose names appear on the Company's register of members on Tuesday, 25th September, 2001. The interim dividend is expected to be paid to shareholders on Friday, 28th September, 2001.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 24th September, 2001 to Tuesday, 25th September, 2001, both days inclusive, during which period no transfer of shares will be effected.

In order to qualify for the interim dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's share registrar in Hong Kong, Abacus Share Registrars Limited at 5th Floor, Wing On Centre, 111 Connaught Road Central, Hong Kong for registration no later than 4:00 p.m. on Friday, 21st September, 2001.

MANAGEMENT DISCUSSION AND ANALYSIS

Results of operation

For the six months ended 30th June, 2001, turnover recorded an increase of 8.6% as compared with the previous period, amounting to HK\$503.2 million. Profit margin slightly increased from 21.7% to 22.2% and profit attributable to shareholders increased to HK\$47.7 million (2000: HK\$43.7 million), representing a rise of 9.3%.

Knit tops is the key product line of the Group, which accounted for 58.2% (2000: 61.2%) of the total turnover. Woven bottoms and sweater tops accounted for 23.6% (2000: 22.5%) and 18.2% (2000: 16.3%) respectively of the Group's turnover. The individual turnover value of these three product lines increased by 3.4%, 13.6% and 21.5% respectively over the same period of last year.

The Group's factories in Indonesia remained the major production base with an output representing 72.7% of the Group's turnover. The newly acquired knit factory in El Salvador accounted for 19.5% of the Group's turnover while subcontractors in Southeast Asia contributed the remaining balance. The newly acquired factories in Lesotho of sub-Saharan Africa were at their infant stage and contributions to the Group's turnover were insignificant during the first half of the year.

The continued interest rate cut in the United States during the year, coupled with increasing number of layoff and the weak stock market, were seen by many as a sign of economic slowdown. The unfavorable economic climate in the United States together with continued keen competition have put pressure on the unit order price of the customers.

Despite the decrease in average selling price, the Group was able to maintain its turnover and profitability. This was largely attributable to the Group's expertise in production management, resources planning and the ability to take advantage of the economies of scale resulting from the expansion of the production capacity including the acquisition of a production base in El Salvador.

Selling expenses increased from HK\$6.9 million to HK\$12.1 million mainly as a result of the relocation of the Group's sample making facility from Hong Kong to China. The sample making facility in Hong Kong was closed in June, and the total closure costs were fully accounted for in the period under review.

Financial condition

As at 30th June, 2001, bank balances and cash amounted to HK\$74.6 million (31st December, 2000: HK\$64.6 million). The amount of inventories was HK\$175.8 million (31st December, 2000: HK\$133.6 million) and bank loans that comprised trust receipts and packing loans were HK\$111.9 million (31st December, 2000: HK\$47.7 million), which were normally high so as to meet the peak season shipment each year. Substantially all the purchases of the Group are committed upon receipt of orders from customers. The Group's current ratio was 1.5 (31st December, 2000: 1.9) and the gearing ratio of bank loans and overdrafts to shareholders' funds was 37% (31st December, 2000: 15.4%).

The Indonesian Rupiah depreciated to US\$1 to Rp11,440 at 30th June, 2001 (1st January, 2001: US\$1 to Rp9,595). Its depreciation had an unfavorable impact on the shareholders' fund whereas the weak currency led to favorable production cost.

OUTLOOK

The economic climate of the United States has direct impact on the Group's sales. The Directors are aware of the declining garment prices and will continue to focus on the following strategies in keeping the Group's competitiveness.

The Group is committed to increasing the productivity of its existing production bases through better production management. The Group will cautiously expand its production capacity to take advantage of economies of scale.

The Group has recently diversified its production base to Central America and sub-Saharan Africa which offer quota free and duty free trade preferences. By doing so, the Group is able to offer more varieties of garment products and leverage the geographical and specific advantages of various production bases. The Group will consider further diversification should opportunities arise.

Continued cost-saving measures will also be taken to enable the Group to stay competitive.

Under the current difficult environment, it is encouraging that substantial production capacity of the Group in the second half of 2001 was backed up by customers' orders.

DIRECTORS' INTERESTS IN EQUITY OR DEBT SECURITIES

As at 30th June, 2001, the interests of the directors and chief executive of the Company in the equity or debt securities of the Company or its associated corporations (within the meaning of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance")) as recorded in the register of directors' interests kept by the Company under Section 29 of the SDI Ordinance or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies ("Model Code") are as follows:

The Company

Name of director	Number of ordinary shares				Total interests
	Corporate interests (Note)	Personal interests	Family interests	Other interests	
Mr Rusli Hendrawan ("Mr Rusli")	162,000,000	-	-	-	162,000,000
Mr Lee Sheng Kuang, James ("Mr Lee")	162,000,000	-	-	-	162,000,000
Mr Oey Tjje Ho ("Mr Oey")	162,000,000	-	-	-	162,000,000

Note: These shares are held by Respected International Limited ("RIL"), which is ultimately owned as to 37.50%, 45.83% and 16.67%, by Mr Rusli, Mr Lee and Mr Oey respectively through their respective wholly-owned companies.

In addition, Mr Rusli, Mr Lee and Mr Oey are deemed to be interested in the share capital of all of the subsidiaries and associated corporations of the Company by virtue of their interests in the Company.

Save as disclosed above, as at 30th June, 2001, none of the directors or chief executive of the Company were beneficially interested in any equity or debt securities of the Company or any of its associated corporations (within the meaning of the SDI Ordinance) which were required to be recorded in the register kept under Section 29 of the SDI Ordinance or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBT SECURITIES

Under the terms of the Company's share option scheme (the "Scheme"), the directors of the Company are authorized to grant options to full-time employees (including executive directors) of the Company or its subsidiaries to subscribe for shares in the Company at prices to be determined in accordance with the terms of the Scheme. No options have been granted to any of the directors or employees of the Company or its subsidiaries under the Scheme during the period under review.

At no time during the period the directors or chief executive of the Company (including their spouses or children under 18 years of age) had any interest in, or had been granted, or exercised, any right to subscribe for equity or debt securities of the Company.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN EQUITY SECURITIES OF THE COMPANY

As at 30th June, 2001, according to the register of substantial shareholders' interests kept by the Company under Section 16(1) of the SDI Ordinance, and so far as is known to the directors, those shareholders having an interest of 10 per cent or more of the issued share capital of the Company are as follows:

Name of shareholder	Number of ordinary shares	Percentage of issued share capital
RIL (<i>Note 1</i>)	162,000,000	45
Greatwood Investment Trading Limited (<i>Note 2</i>)	108,000,000	30
Mr Susanto (<i>Note 2</i>)	108,000,000	30

Notes:

1. RIL is ultimately owned by Mr Rusli and Mr Lee as to 37.50% and 45.83% respectively. Accordingly, the effective voting power of Mr Rusli and Mr Lee in the Company are deemed to be 16.88% and 20.62% respectively. These interests are the same interests of Mr Rusli and Mr Lee as disclosed in the section headed "Directors' interests in equity or debt securities".
2. These shares are held by Greatwood Investment Trading Limited, which is wholly-owned by Mr Susanto.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

The Company has not redeemed any of its shares during the period. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the period.

COMPLIANCE WITH CODE OF BEST PRACTICE

The Company has complied with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange throughout the period except that the independent non-executive directors are not appointed for a specific term. The independent non-executive directors are subject to retirement by rotation in accordance with the provisions of the Company's Bye-Laws.

APPRECIATION

The dedication of the Group management and staff are important ingredients necessary to meet the challenges and opportunities ahead. On behalf of our shareholders and fellow directors, I wish to record my heartfelt thanks to them all.

On behalf of the Board

Rusli Hendrawan

Chairman

Hong Kong, 30th August, 2001