

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 ("HKSA"). These condensed accounts should be read in conjunction with the 2001 annual accounts. The accounting policies used in the preparation of these condensed interim accounts are consistent with those used in the annual accounts for the year ended 31st December, 2001 except that the Group has changed certain of its accounting policies following its adoption of the following new or revised SSAPs issued by the HKSA which are effective for accounting periods commencing on or after 1st January, 2002:

SSAP 1 (revised)	:	Presentation of financial statements
SSAP 11 (revised)	:	Foreign currency translation
SSAP 15 (revised)	:	Cash flow statements
SSAP 25 (revised)	:	Interim financial reporting
SSAP 34	:	Employee benefits

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

(a) SSAP 11 (revised): Foreign currency translation

The balance sheets of subsidiaries expressed in foreign currencies are translated at the rates of exchange ruling at the balance sheet date whilst the profit and loss is translated at an average rate. Exchange differences are dealt with as a movement in reserves.

In prior periods, the profit and loss of foreign enterprises was translated at closing rate. Despite a change in accounting policy, the translation of the profit and loss of foreign enterprises in prior periods has not been restated as the effect of this change is not material to the current and prior periods.

(b) SSAP 15 (revised): Cash flow statements

The presentation and classification of items in the condensed consolidated cash flow statement have been changed due to the adoption of the SSAP 15 (revised). As a result, cash flows for the six months ended 30th June, 2002 have been classified by operating, investing and financing activities. For the six months ended 30th June, 2001, interest received of approximately HK\$2,176,000, dividend paid of HK\$40,320,000 and net cash outflow from taxation of approximately HK\$1,065,000 have been reclassified as operating cash flows, whereas interest paid of approximately HK\$3,050,000 has been reclassified as financing cash flow.

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	
	Six months ended 30th June, 2002 (Unaudited) HK\$'000	2001 (Unaudited) HK\$'000	Six months ended 30th June, 2002 (Unaudited) HK\$'000	2001 (Unaudited) HK\$'000
Geographical segment:				
United States of America	404,628	437,805	40,088	67,630
Europe	28,982	28,086	1,398	4,372
Canada	19,522	20,341	1,799	3,150
Southeast Asia	11,027	12,938	943	2,017
Other countries	4,484	4,078	485	656
	<u>468,643</u>	<u>503,248</u>	<u>44,713</u>	<u>77,825</u>
Other revenues			1,736	2,542
Unallocated administrative expenses			(20,213)	(23,524)
Operating profit			26,236	56,843
Finance costs			(2,399)	(3,050)
Profit before taxation			23,837	53,793
Taxation			(2,859)	(6,055)
Profit after taxation			20,978	47,738
Minority interests			(759)	(34)
Profit attributable to shareholders			<u>20,219</u>	<u>47,704</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,	
	2002	2001
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
<u>Crediting</u>		
Interest income	1,370	2,176
Rental income	366	366
	<u>1,736</u>	<u>2,542</u>
<u>Charging</u>		
Depreciation of fixed assets	10,399	8,453
Amortization of goodwill	749	643
Amortization of permanent textile quota entitlements	1,081	1,048
	<u>12,229</u>	<u>10,144</u>

4. Taxation

Hong Kong profits tax has been provided at the rate of 16% (2001: 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,	
	2002	2001
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Hong Kong profits tax	2,031	4,415
Overseas taxation	828	1,640
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	2,859	6,055
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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. Basic earnings per share

The calculation of basic earnings per share is based on the Group's profit attributable to shareholders of HK\$20,219,000 (2001: HK\$47,704,000) and the weighted average of 360,000,000 shares (2001: 360,000,000 shares) in issue during the period. There is no diluted earnings per share since the Company has no dilutive potential ordinary shares.

6. Trade and other receivables

	At 30th June, 2002 (Unaudited) <i>HK\$'000</i>	At 31st December, 2001 (Audited) <i>HK\$'000</i>
Trade receivables	169,980	104,593
Prepayments, deposits and other receivables	<u>19,641</u>	<u>21,233</u>
	<u><u>189,621</u></u>	<u><u>125,826</u></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, 2002 (Unaudited) <i>HK\$'000</i>	At 31st December, 2001 (Audited) <i>HK\$'000</i>
Within 30 days	122,215	65,072
31 – 60 days	24,894	21,196
61 – 90 days	7,893	10,665
Over 90 days	<u>14,978</u>	<u>7,660</u>
	<u><u>169,980</u></u>	<u><u>104,593</u></u>

7. Trade and other payables

	At 30th June, 2002 (Unaudited) HK\$'000	At 31st December, 2001 (Audited) HK\$'000
Trade payables	102,112	75,063
Other payables and accruals	<u>26,847</u>	<u>27,652</u>
	<u><u>128,959</u></u>	<u><u>102,715</u></u>

The ageing analysis of trade payables is as follows:

	At 30th June, 2002 (Unaudited) HK\$'000	At 31st December, 2001 (Audited) HK\$'000
Within 30 days	73,274	39,225
31 – 60 days	22,133	14,559
61 – 90 days	6,629	14,268
Over 90 days	<u>76</u>	<u>7,011</u>
	<u><u>102,112</u></u>	<u><u>75,063</u></u>

8. Contingent liabilities

As at 30th June, 2002, the Group had bills discounted to banks with recourse amounting to HK\$9,318,000 (31st December, 2001: HK\$19,241,000).

9. Commitments

(a) Capital commitments for acquisition of fixed assets are as follows:

	At 30th June, 2002 (Unaudited) HK\$'000	At 31st December, 2001 (Audited) HK\$'000
Authorised but not contracted for	<u>1,206</u>	<u>-</u>

(b) Commitments under operating leases

As at 30th June, 2002, the Group had total future aggregate minimum lease payments for land and buildings under non-cancellable operating leases as follows:

	At 30th June, 2002 (Unaudited) HK\$'000	At 31st December, 2001 (Audited) HK\$'000
Within one year	10,721	8,856
In the second to fifth year inclusive	18,668	20,767
After the fifth year	<u>18,766</u>	<u>19,813</u>
	<u>48,155</u>	<u>49,436</u>