

Notes to the Condensed Unaudited Consolidated Financial Statements

1. Basis of presentation

The condensed interim financial statements have been prepared in accordance with Statement of Standard Accounting Practice ("SSAP") No. 25 "Interim Financial Reporting" issued by the Hong Kong Society of Accountants ("HKSA"). These interim financial statements also comply with the disclosure requirements set out in Appendix 16 of the Listing Rules.

The accounting policies used in the preparation of the condensed interim financial statements are consistent with those used in the preparation of the Group's annual financial statements of the year ended 31 December 2001, except for the adoption of the following SSAP issued by the HKSA which are effective for accounting periods commencing on or after 1 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 33	:	Discontinuing operations
SSAP 34	:	Employee benefits

The adoption of the above SSAP has no material effect on the prior year financial statements.

2. Comparative figures

The financial information relating to the financial year ended 31 December 2001 included in the interim results does not constitute the Company's statutory accounts for that financial year but is derived from those accounts.

3. Segmental information

Geographical segments:

	Turnover For the six months ended 30 June		Contribution to operating results For the six months ended 30 June	
	2002 Unaudited HK\$'000	2001 Unaudited HK\$'000	2002 Unaudited HK\$'000	2001 Unaudited HK\$'000
US	155,025	133,982	54,877	43,789
Europe	12,606	7,624	4,462	2,492
Others	6,304	6,630	2,232	2,167
	173,935	148,236	61,571	48,448
Unallocated corporate revenues (expenses)				
Other revenue			1,265	2,161
Distribution costs			(2,276)	(3,273)
Administrative expenses			(26,570)	(13,434)
Profit from operations			33,990	33,902

No segmental analysis by business is shown as all the turnover and contribution to operating results are derived from the manufacture and sales of headwear products.

4. Profit before taxation

Profit before taxation is stated after charging:

A. Finance costs

	Six months ended 30 June	
	2002 Unaudited HK\$'000	2001 Unaudited HK\$'000
Interest on bank borrowing	175	8
Finance charge on obligations under hire purchase contract	-	10
	<u>175</u>	<u>18</u>

B. Other items

Staff costs	20,021	12,912
Cost of inventories	110,814	99,788
Amortization of goodwill	729	315
Depreciation	6,415	5,758
	<u>6,415</u>	<u>5,758</u>

5. Taxation

	Six months ended 30 June	
	2002 Unaudited HK\$'000	2001 Unaudited HK\$'000
Hong Kong profits tax	1,779	2,710
PRC income tax	265	55
US corporation tax	1,569	-
	<u>3,613</u>	<u>2,765</u>
Share of associates' taxation	1,517	1,212
	<u>5,130</u>	<u>3,977</u>

Hong Kong profits tax has been provided at the rate of 16% (2001: 16%) on the estimated assessable profits arising in Hong Kong for the Period. Provisions for the taxation of profits of subsidiaries operating overseas have been calculated at the rates applicable in the respective jurisdictions and based on prevailing legislation, interpretations, and practices in respect thereof.

6. Dividends

	30 June 2002 Unaudited HK\$'000	30 June 2001 Unaudited HK\$'000
Interim dividends declared of HK2 cents per share (2001: HK2 cents)	<u>5,608</u>	<u>4,800</u>

The Board recommend the payment of an interim dividend of HK2 cents per share in respect of the Period to all shareholders whose names appear on the register of members on 27 September 2002.

7. Earnings per share

The calculation of basic earnings per share is based on the profit for the six months ended 30 June 2002 attributable to shareholders of HK\$32,613,000 (2001: HK\$32,955,000) and the weighted average number of ordinary shares of 259,771,479 (2001: 240,000,000).

The calculation of diluted earnings per share is based on the profit for the half-year ended 30 June 2002 attributable to shareholders of HK\$32,613,000 and the weighted average number of ordinary shares of 263,430,354 after adjusting for the number of dilutive potential ordinary shares under the employee share option scheme.

8. Addition to property, plant and equipment

During the Period, the Group spent approximately HK\$6 million on addition to manufacturing plant in the PRC, in order to diversify its product range and further upgrade its manufacturing capabilities.

9. Interest in associates

	30 June 2002 Unaudited HK\$'000	31 December 2001 Audited HK\$'000
Share of net assets other than goodwill	–	14,793
Goodwill	–	4,849
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	–	19,642
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The Group further invested in the associates and thus becoming non-wholly owned subsidiaries.

10. Debtors and creditors

The Group's income and expenditure streams are mainly denominated in Hong Kong dollars, US dollars, and China yuans. Forward foreign currency exchange contracts are employed as required to manage risks associated with significant movements in exchange rates.

The Group maintains a defined credit policy with its customers. Credit evaluations of customers are performed from time to time to minimize any credit risk associated with receivables. In addition, upfront cash payments from new customers are sometimes required.

The ageing of trade receivables of the Group at the end of the Period is analyzed as follows:

	30 June 2002 Unaudited HK\$'000	31 December 2001 Audited HK\$'000
0 – 30 days	48,569	30,332
31 – 60 days	42,520	10,639
61 – 90 days	13,438	4,570
Over 90 days	16,338	12,307
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	120,865	57,848
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The ageing of trade payables of the Group at the end of the Period is analyzed as follows:

	30 June 2002 Unaudited HK\$'000	31 December 2001 Audited HK\$'000
0 – 30 days	18,860	12,586
31 – 60 days	11,958	12,037
61 – 90 days	4,816	5,558
Over 90 days	–	2,129
	<hr/> 35,634 <hr/>	<hr/> 32,310 <hr/>

11. Acquisition of subsidiaries

	Six months ended	
	30 June	
	2002	2001
	Unaudited	Unaudited
	HK\$'000	HK\$'000
Net assets acquired:		
Property, plant and equipment	2,409	-
Inventories	21,575	-
Trade and other receivable	79,094	-
Bank balances and cash	3,882	-
Short term bank borrowings	(17,924)	-
Trade and other payable	(41,460)	-
Provision for taxation	(4,300)	-
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	43,276	-
Less: minority interest	(5,675)	-
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	37,601	-
Goodwill on acquisition	6,825	-
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	44,426	-
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Satisfied by:		
Cash consideration	1,899	-
Issuance of consideration shares	22,946	-
Deferred consideration	780	-
Interest in associates	18,801	-
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	44,426	-
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Net cash inflow arising on acquisition:		
Cash consideration	(1,899)	-
Bank balance and cash acquired	3,882	-
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	1,983	-
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12. Related party transactions

The Group had certain transactions with related parties as follows:

	Six months ended	
	30 June	
	2002	2001
	Unaudited	Unaudited
	HK\$'000	HK\$'000
Rental paid in respect of land and building to a director	150	150
Rental paid in respect of land and building to a company controlled by a director	660	660
Sales of goods to associates from January to April 2002	24,339	56,541

13. Contingent liabilities and pledge of assets

At 30 June 2002, the Company has executed certain corporate guarantees amounting to approximately HK\$31 million to secure the general banking facilities granted to its subsidiaries. No facilities were utilized by the subsidiaries as at 30 June 2002. The newly acquired subsidiary has entered into a revolving line-of-credit agreement on 16 April 2002, which will expire on 15 June 2004, with a borrowing capacity of US\$8 million, subject to borrowing base restrictions. The agreement is secured by all assets of the borrowing subsidiary, equivalent to approximately HK\$16 million inventories and approximately HK\$55 million trade receivables included in the Group's condensed consolidated balance sheet. At 30 June 2002, the subsidiary borrowed approximately US\$970,000 under the facility.