

# NOTES TO THE CONDENSED FINANCIAL STATEMENTS

June 30, 2002

## 1. PRINCIPAL ACCOUNTING POLICIES

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 (the "HKSA").

The condensed interim financial statements should be read in conjunction with the 2001 annual financial statements.

The accounting policies and the basis of preparation adopted are consistent with those used in the Group's annual financial statements for the year ended December 31, 2001, except that the Group has changed certain of its accounting policies following its adoption of the following Statements of Standard Accounting Practice ("SSAPs") issued by the HKSA which are effective for accounting periods commencing on or after January 1, 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 significant changes in the Group's accounting policies resulting from the adoption of the above accounting standards are set out below:

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

The balance sheets of subsidiaries and associates 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 certain foreign enterprises was translated at closing rate. Despite a change in accounting policy, however, the translation of the profit and loss of these 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 June 30, 2002 have been classified by operating, investing and financing activities.

For the six months ended June 30, 2001, interest and dividends received of approximately HK\$3,182,000, dividend paid of approximately HK\$31,607,000, interest paid of approximately HK\$1,894,000 and net cash outflow from taxation of approximately HK\$4,136,000 have been reclassified as operating cash flows.

(c) **SSAP 34: Employee benefits**

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity or paternity leave are not recognised until the time of leave.

In prior periods, no provision was made for employee annual leave entitlements. The effect of this change in accounting policy is not material to the Group.

## 2. SEGMENT INFORMATION

An analysis of the Group's turnover and contribution to (loss) profit from operations by principal business activities and geographical markets is as follows:

	Turnover		(Loss) Profit from operations	
	Six Months Ended		Six Months Ended	
	Jun 30, 2002	Jun 30, 2001	Jun 30, 2002	Jun 30, 2001
	(HK\$'000)	(HK\$'000)	(HK\$'000)	(HK\$'000)
By principal business activities:				
Garment manufacturing	557,770	656,833	(25,907)	8,236
Trading	216,195	258,298	6,090	20,349
Retailing	48,652	52,475	(1,467)	681
	<u>822,617</u>	<u>967,606</u>	<u>(21,284)</u>	<u>29,266</u>
By principal geographical markets:				
The United States	525,905	649,377		
Asia	145,274	203,298		
Europe	151,438	114,931		
	<u>822,617</u>	<u>967,606</u>		

### 3. DEPRECIATION

During the period, depreciation of HK\$21,408,103 (2001 - HK\$22,073,957) was charged in respect of the Group's fixed assets.

### 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 profit has been calculated on the estimated assessable profit for the period at the rates prevailing in the respective jurisdictions.

	Six Months Ended	
	Jun 30, 2002	Jun 30, 2001
	HK\$	HK\$
Company and subsidiaries:		
Hong Kong profits tax	316,526	858,310
Overseas taxation	342,248	798,593
	<u>658,774</u>	<u>1,656,903</u>
Associates:		
Overseas taxation	—	1,370,502
	<u>658,774</u>	<u>3,027,405</u>

### 5. (LOSS) EARNINGS PER SHARE

Basic loss per share (2001 - earnings per share) is calculated based on the consolidated loss attributable to shareholders for the period of HK\$24,221,296 (2001 - Profit of HK\$26,404,979) and the 268,735,253 (2001 - 263,867,159) weighted average number of ordinary shares in issue throughout the period ended June 30, 2002.

As the impact of share options is anti-dilutive, the basic and diluted loss per share figures are the same for the period ended June 30, 2002. The diluted earnings per share for the period ended June 30, 2001 was based on the consolidated profit attributable to shareholders for the period of HK\$26,404,979 and the 267,468,498 ordinary shares which was the weighted average number of ordinary shares in issue during the period ended June 30, 2001 plus the weighted average of 3,601,339 ordinary shares deemed to be issued at no consideration if all outstanding options had been exercised.

### 6. DIVIDENDS

	Six Months Ended	
	Jun 30, 2002	Jun 30, 2001
	HK\$	HK\$
2001 final dividend paid, of HK\$0.10 (2000 - HK\$0.12) per ordinary share	<u>26,873,525</u>	<u>31,606,830</u>

The Directors have resolved not to declare an interim dividend for the six months ended June 30, 2002 (2001 - HK\$0.04 per ordinary share).

### 7. BILLS RECEIVABLE AND ACCOUNTS RECEIVABLE

Analysis of aging of bills receivable and accounts receivable of the Group is as follows:

	Jun 30, 2002	Jun 30, 2001	Dec 31, 2001
	HK\$	HK\$	HK\$
Not over 3 months	245,915,272	294,906,063	257,751,412
Over 3 months to 6 months	5,279,746	4,707,317	8,644,262
Over 6 months to 1 year	506,336	6,855,184	126,635
Over 1 year	2,842,223	9,388,579	3,423,560
	<u>254,543,577</u>	<u>315,857,143</u>	<u>269,945,869</u>
Less: Provision for bad debts	(3,348,559)	(13,242,055)	(5,731,697)
	<u>251,195,018</u>	<u>302,615,088</u>	<u>264,214,172</u>

The payment terms with overseas customers are largely on letters of credit, where the instruction of payment is executed at site or on receipt of inspection certificates.

### 8. BILLS PAYABLE AND ACCOUNTS PAYABLE

Analysis of aging of bills payable and accounts payable of the Group is as follows:

	Jun 30, 2002	Jun 30, 2001	Dec 31, 2001
	HK\$	HK\$	HK\$
Not over 3 months	210,144,516	220,778,460	121,178,142
Over 3 months to 6 months	18,103,633	33,294,235	20,954,757
Over 6 months to 1 year	9,897,101	10,461,282	5,878,585
Over 1 year	5,858,310	5,736,783	9,256,076
	<u>244,003,560</u>	<u>270,270,760</u>	<u>157,267,560</u>

Payment terms with suppliers are on letters of credit and open accounts. Certain suppliers grant a credit period ranging from 30 to 60 days to the Group.

## 9. RETAINED PROFITS

	<i>HK\$</i>
At Jan 1, 2001	143,330,316
2000 final dividend paid ( <i>Note 6</i> )	(31,606,830)
Profit for the year	91,022,138
Transfer to reserves	(2,192,288)
2001 interim dividend paid	(10,749,410)
	<u>189,803,926</u>
At Dec 31, 2001	<u>189,803,926</u>
Representing:	
Retained profits	162,930,401
2001 final dividend proposed ( <i>Note 6</i> )	26,873,525
	<u>189,803,926</u>
At Jan 1, 2001	143,330,316
2000 final dividend paid ( <i>Note 6</i> )	(31,606,830)
Profit for the period	26,404,979
Transfer to reserves	(159,928)
	<u>137,968,537</u>
At Jun 30, 2001	<u>137,968,537</u>
Representing:	
Retained profits	127,219,127
2001 interim dividend proposed ( <i>Note 6</i> )	10,749,410
	<u>137,968,537</u>
At Jan 1, 2002	189,803,926
2001 final dividend paid ( <i>Note 6</i> )	(26,873,525)
Loss for the period	(24,221,296)
	<u>138,709,105</u>
At Jun 30, 2002	<u>138,709,105</u>
Representing:	
Retained profits	138,709,105
	<u>138,709,105</u>

## 10. BANKING FACILITIES

As at June 30, 2002, the Group had aggregate banking facilities of approximately HK\$1,076,000,000 (Jun 30, 2001 - HK\$973,000,000 and Dec 31, 2001 - HK\$1,017,000,000) for loans, overdrafts, trade financing and forward contracts. Unused facilities as at the same date amounted to approximately HK\$758,000,000 (Jun 30, 2001 - HK\$660,000,000 and Dec 31, 2001 - HK\$918,000,000). These facilities were secured by corporate guarantees given by the Company of approximately HK\$1,076,000,000 (Jun 30, 2001 - HK\$954,000,000 and Dec 31, 2001 - HK\$999,000,000) for general banking facilities granted to subsidiaries.

## 11. COMMITMENTS

### a. Operating lease commitments

The total future aggregate minimum lease payments under non-cancelable operating leases as at June 30, 2002 are as follows:

	<b>Jun 30, 2002</b>	<b>Jun 30, 2001</b>	<b>Dec 31, 2001</b>
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
Land and buildings			
- within one year	28,610,643	41,432,375	33,540,955
- in the second to fifth years inclusive	43,596,155	46,382,652	38,441,082
- after the fifth year	65,319,067	79,256,593	77,808,560
	<u>137,525,865</u>	<u>167,071,620</u>	<u>149,790,597</u>

### b. Capital commitments

As at June 30, 2002, the Group had no capital commitment. As at June 30, 2001 and December 31, 2001, the Group had the following capital commitments in relation to office renovation and purchase of equipment:

	<b>Jun 30, 2002</b>	<b>Jun 30, 2001</b>	<b>Dec 31, 2001</b>
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
Authorized and contracted for	—	—	499,013
Authorized but not contracted for	—	583,648	—
	<u>—</u>	<u>583,648</u>	<u>499,013</u>