

NOTES TO THE CONDENSED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2002

1. BASIS OF PREPARATION

The condensed financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and Statement of Standard Accounting Practice ("SSAP") 25 "Interim Financial Reporting" issued by the Hong Kong Society of Accountants.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed financial statements have been prepared under the historical cost convention as modified for the revaluation of investments properties.

The accounting policies adopted are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 March 2002, except as described below.

In the current period, the Group adopted, for the first time, a number of new and revised SSAPs, which has resulted in the adoption of the following new and revised accounting policies. The adoption of these SSAPs has results in a change in the format of presentation of the cash flow statement, but has no material effect on the results for the current or prior accounting periods. Accordingly, no prior period adjustment is required.

Cash flow statements

In the current period, the Group has adopted SSAP 15 (Revised) "Cash Flow Statements". Under SSAP 15 (Revised), cash flows are classified under three heading - operating, investing and financing, rather than the previous five headings. Interest which was previously presented under a separate heading, is classified as operating cash flows. Cash flows arising from taxes on income are classified as operating activities, unless they can be separately identified with investing or financing activities. Cash flows of overseas operations have been re-translated at the rate prevailing at the dates of the cash flow rather than the rate of exchange ruling on the balance sheet date.

Foreign currencies

The revisions to SSAP 11 "Foreign Currency Translation" have eliminated the choice of translating the income statements of overseas subsidiaries at the closing rate for the period. They are now required to be translated at an average rate. Accordingly, on consolidation, the assets and liabilities of the Group's subsidiaries are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising, if any, are classified as equity and transferred to the Group's translation reserve. Such translation differences are recognised as income or as expenses in the period in which the subsidiary is disposed of. This change in accounting policy has not had any material effect on the results for the current or prior accounting periods.

3. SEGMENT INFORMATION

Business segments

The Group is currently engaged in two business activities – provision of fabric knitting, dyeing and finishing services and trading of garment products. These activities are the basis on which the Group reports its primary segment information.

Segment information about these businesses is presented below:

	Six months ended 30 September 2002			
	Provision of fabric knitting, dyeing and finishing services <i>HK\$'000</i>	Trading of garment products <i>HK\$'000</i>	Eliminations <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
TURNOVER				
External sales	353,037	229,549	-	582,586
Inter-segment sales	14,932	-	(14,932)	-
Total	<u>367,969</u>	<u>229,549</u>	<u>(14,932)</u>	<u>582,586</u>
Inter-segment sales are charged at prevailing market rates.				
RESULT				
Segment result	<u>47,154</u>	<u>15,242</u>	-	<u>62,396</u>
Unallocated corporate income				439
Unallocated corporate expenses				<u>(3,308)</u>
Profit from operations				<u>59,527</u>

3. SEGMENT INFORMATION (continued)

	Six months ended 30 September 2001			
	Provision of fabric knitting, dyeing and finishing services HK\$'000	Trading of garment products HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
TURNOVER				
External sales	290,569	120,005	-	410,574
Inter-segment sales	72	-	(72)	-
	<u>290,641</u>	<u>120,005</u>	<u>(72)</u>	<u>410,574</u>
Total	<u>290,641</u>	<u>120,005</u>	<u>(72)</u>	<u>410,574</u>

Inter-segment sales are charged at prevailing market rates.

RESULT				
Segment result	<u>23,249</u>	<u>2,958</u>	<u>-</u>	<u>26,207</u>
Unallocated corporate income				358
Unallocated corporate expenses				<u>(2,362)</u>
Profit from operations				<u>24,203</u>

4. PROFIT FROM OPERATIONS

	Six months ended 30 September	
	2002 HK\$'000	2001 HK\$'000
Profit from operations has been arrived at after charging (crediting):		
Depreciation of property, plant and equipment	16,870	14,503
Interest income	<u>(90)</u>	<u>(162)</u>

5. TAXATION

	Six months ended 30 September	
	2002	2001
	HK\$'000	HK\$'000
The tax charge comprises:		
Hong Kong Profits Tax calculated at 16% of the estimated assessable profit for the period	2,051	924
Taxation in other jurisdictions	544	549
	<u>2,595</u>	<u>1,473</u>

Taxation arising in jurisdictions other than Hong Kong is calculated at the rates prevailing in the respective jurisdictions.

6. EARNINGS PER SHARE

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

	Six months ended 30 September	
	2002	2001
	HK\$'000	HK\$'000
Earnings		
Earnings for the purposes of basic and diluted earnings per share (net profit for the period)	<u>44,808</u>	<u>16,285</u>
	Number of shares	
	'000	'000
Weighted average number of ordinary shares for the purposes of basic earnings per share	359,776	311,531
Effect of dilutive potential ordinary shares in respect of share options	<u>48,692</u>	<u>N/A</u>
Weighted average number of ordinary shares for the purposes of diluted earnings per share	<u>408,468</u>	<u>311,531</u>

7. ADDITIONS TO PROPERTY, PLANT AND EQUIPMENT

During the period, the Group spent approximately HK\$42,057,000 on additions to property, plant and equipment.

8. INVESTMENT PROPERTIES

At 30 September 2002, the directors have considered the carrying amounts of the Group's investment properties carried at the revalued amounts and have estimated that the carrying amounts as at 30 September 2002 do not differ significantly from the open market value of those properties as at 31 March 2002. Consequently, no revaluation surplus or deficit has been recognised in the current period.

9. TRADE RECEIVABLES

The Group allows an average credit period of 90 days to its trade customers.

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

	30 September 2002 <i>HK\$'000</i>	31 March 2002 <i>HK\$'000</i>
0-60 days	153,473	143,386
61-90 days	50,318	26,388
Over 90 days	40,832	30,980
	<u>244,623</u>	<u>200,754</u>

10. TRADE PAYABLES

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

	30 September 2002 <i>HK\$'000</i>	31 March 2002 <i>HK\$'000</i>
0-60 days	131,345	125,387
61-90 days	15,197	8,345
Over 90 days	19,041	18,028
	<u>165,583</u>	<u>151,760</u>

11. CONTINGENCIES AND CAPITAL COMMITMENTS

	30 September 2002 <i>HK\$'000</i>	31 March 2002 <i>HK\$'000</i>
Bills discounted with recourse	13,356	13,921
Factoring financing facilities with recourse	8,101	10,426
	<u>21,457</u>	<u>24,347</u>
Capital expenditure in respect of acquisition of property, plant and equipment contracted for but not provided in the financial statements	<u>22,551</u>	<u>15,653</u>

12. PLEDGE OF ASSETS

At 30 September 2002, certain property, plant and equipment with an aggregate net book value of approximately HK\$25,923,000 (31 March 2002: HK\$32,287,000), were pledged to banks as security for the credit facilities granted to the Group.

At 31 March 2002, investment properties with an aggregate carrying value of HK\$1,440,000 were pledged to a bank as security for credit facilities granted to the Group. Such security was released during the current period.

13. POST BALANCE SHEET EVENT

On 18 October 2002, the Company issued and allotted 10,753,735 scrip shares of HK\$0.01 each in the Company at par to the shareholders who elected to receive shares in the Company in lieu of cash for the 2002 final dividends pursuant to the scrip dividend scheme adopted by the Company. These shares rank pari passu in all respects with other shares in issue.