

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 2002 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, 2002 except that the Group has changed its accounting policies following its adoption of SSAP 12 (revised): Income Taxes, issued by HKSA which is effective for accounting periods commencing on or after 1st January, 2003.

The principal effect of the implementation of SSAP 12 (revised) is in relation to deferred tax. In prior periods, deferred taxation is accounted for using the income statement liability method, i.e. a liability was recognised in respect of timing differences arising, except where those timing differences were not expected to reverse in the foreseeable future. SSAP 12 (revised) requires the adoption of a balance sheet liability method, whereby deferred tax is recognised in respect of all temporary differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax basis used in the computation of taxable profit, with limited exceptions. In the absence of any specific transitional requirements in SSAP 12 (revised), the new accounting policy has been applied retrospectively. Nevertheless, the adoption of SSAP 12 (revised) has not resulted in any significant changes to the prior periods’ net assets and results and accordingly, no prior period adjustment is required.

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,		Six months ended 30th June,	
	2003 (Unaudited) HK\$'000	2002 (Unaudited) HK\$'000	2003 (Unaudited) HK\$'000	2002 (Unaudited) HK\$'000
Geographical segment:				
United States of America	379,717	404,628	24,352	40,088
Europe	35,904	28,982	2,606	1,398
Canada	31,306	19,522	1,559	1,799
Southeast Asia	12,878	11,027	1,007	943
Other countries	3,193	4,484	278	485
	<u>462,998</u>	<u>468,643</u>	<u>29,802</u>	<u>44,713</u>
Other revenues			555	1,736
Unallocated administrative expenses			(20,622)	(20,213)
Operating profit			9,735	26,236
Finance costs			(881)	(2,399)
Profit before taxation			8,854	23,837
Taxation			(2,012)	(2,859)
Profit after taxation			6,842	20,978
Minority interests			(628)	(759)
Profit attributable to shareholders			<u>6,214</u>	<u>20,219</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,	
	2003	2002
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
<i>Crediting</i>		
Interest income	512	1,370
Rental income	43	366
	<u>555</u>	<u>1,736</u>
<i>Charging</i>		
Depreciation of fixed assets	8,798	10,399
Amortization of goodwill	643	749
Amortization of permanent textile quota entitlements	383	1,081
	<u>9,824</u>	<u>12,229</u>

4. Taxation

Hong Kong profits tax has been provided at the rate of 17.5% (2002: 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,	
	2003	2002
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Hong Kong profits tax	1,038	2,031
Overseas taxation	195	828
Deferred taxation	779	—
	<u>2,012</u>	<u>2,859</u>

5. Earnings per share

The calculation of earnings per share is based on the Group's profit attributable to shareholders of HK\$6,214,000 (2002: HK\$20,219,000) and the weighted average of 360,034,000 shares (2002: 360,000,000 shares) in issue during the period.

The Group would have an anti-dilutive effect on the earnings per share as the exercise price of the Company's outstanding share options was higher than the average market price of the shares for the six months ended 30th June, 2003 (2002: the Company has no dilutive potential ordinary shares).

6. Trade and other receivables

	At 30th June, 2003 (Unaudited) HK\$'000	At 31st December, 2002 (Audited) HK\$'000
Trade receivables	155,476	101,811
Prepayments, deposits and other receivables	<u>19,871</u>	<u>18,467</u>
	<u><u>175,347</u></u>	<u><u>120,278</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, 2003 (Unaudited) HK\$'000	At 31st December, 2002 (Audited) HK\$'000
Within 30 days	111,079	57,249
31 – 60 days	34,497	28,790
61 – 90 days	1,713	9,235
Over 90 days	<u>8,187</u>	<u>6,537</u>
	<u><u>155,476</u></u>	<u><u>101,811</u></u>

7. Trade and other payables

	At 30th June, 2003 (Unaudited) <i>HK\$'000</i>	At 31st December, 2002 (Audited) <i>HK\$'000</i>
Trade payables	127,859	86,660
Other payables and accruals	<u>24,606</u>	<u>17,217</u>
	<u><u>152,465</u></u>	<u><u>103,877</u></u>

The ageing analysis of trade payables is as follows:

	At 30th June, 2003 (Unaudited) <i>HK\$'000</i>	At 31st December, 2002 (Audited) <i>HK\$'000</i>
Within 30 days	96,442	45,539
31 – 60 days	21,497	17,314
61 – 90 days	5,996	5,528
Over 90 days	<u>3,924</u>	<u>18,279</u>
	<u><u>127,859</u></u>	<u><u>86,660</u></u>

8. Contingent liabilities

As at 30th June, 2003, the Group had bills discounted to banks with recourse amounting to HK\$2,765,000 (31st December, 2002 : HK\$23,283,000).

9. Commitments under operating leases

As at 30th June, 2003, the Group had total future aggregate minimum lease payments for land and buildings under non-cancellable operating leases as follows:

	At 30th June, 2003 (Unaudited) HK\$'000	At 31st December, 2002 (Audited) HK\$'000
Within one year	11,997	10,563
In the second to fifth year inclusive	16,023	17,538
After the fifth year	13,286	21,483
	<u>41,306</u>	<u>49,584</u>

On behalf of the board

Rusli Hendrawan

Chairman

Hong Kong, 22nd August, 2003