

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30 September 2003

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") No. 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 investment 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 2003, except for the effect of the adoption of SSAP No. 12 (Revised) "Income Taxes" ("SSAP 12 (Revised)") as described in the following paragraph.

In the current period, the Group has adopted SSAP 12 (Revised). The principal effect of the implementation of SSAP 12 (Revised) is in relation to deferred tax. 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 amounts of assets and liabilities in the financial statements and the corresponding tax bases 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.

The effect of the changes in accounting policy on the results for the current and prior period and for the year ended 31 March 2003 is not significant.

3. SEGMENT INFORMATION

Business segments

The Group is currently engaged in two business activities – (i) production and sale of knitted fabric and dyed yarn and (ii) trading of garment products and provision of quality inspection services. 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 2003		
	Production and sale of knitted fabric and dyed yarn	Trading of garment products and provision of quality inspection services	Consolidated
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
TURNOVER			
External sales	489,233	313,630	802,863
RESULT			
Segment result	73,271	21,757	95,028
Unallocated corporate income			386
Unallocated corporate expenses			(4,171)
Profit from operations			91,243

3. SEGMENT INFORMATION *(Continued)*

	Six months ended 30 September 2002			
	Production and sale of knitted fabric <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	367,969	229,549	(14,932)	582,586

Inter-segment sales are charged at prevailing market rates.

RESULT

Segment result	47,154	15,242	–	62,396
Unallocated corporate income				439
Unallocated corporate expenses				(3,308)
Profit from operations				59,527

4. PROFIT FROM OPERATIONS

Six months ended	
30 September	
2003	2002
<i>HK\$'000</i>	<i>HK\$'000</i>

Profit from operations has been arrived at
after charging (crediting):

Depreciation of property, plant and equipment	19,346	16,870
Interest income	(491)	(90)

5. TAXATION

Six months ended 30 September	
2003	2002
HK\$'000	HK\$'000

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The tax charge comprises:

Current tax:

Hong Kong	3,600	2,051
Other jurisdictions	384	544
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Taxation attributable to the Company and its subsidiaries	3,984	2,595
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Hong Kong Profits Tax is calculated at 17.5% (2002: 16%) of the estimated assessable profit for the periods.

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

6. DIVIDENDS

The directors have determined that an interim dividend of HK4.5 cents (2002: HK3.0 cents) per share, which is in cash form with a scrip dividend, should be paid to shareholders of the Company whose names appear in the Company's Register of Members on 8 January 2004.

7. EARNINGS PER SHARE

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

	Six months ended	
	30 September	
	2003	2002
	HK\$'000	HK\$'000
Earnings		
Earnings for the purposes of basic and diluted earnings per share (net profit for the period)	73,065	44,808
	'000	'000
Number of shares		
Weighted average number of ordinary shares for the purposes of basic earnings per share	492,679	359,776
Effect of dilutive potential ordinary shares in respect of share options	11,083	48,692
Weighted average number of ordinary shares for the purposes of diluted earnings per share	503,762	408,468

8. ADDITIONS TO PROPERTY, PLANT AND EQUIPMENT

During the period, the Group spent approximately HK\$178,953,000 on additions to property, plant and equipment.

9. INVESTMENT PROPERTIES

At 30 September 2003, 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 2003 do not differ significantly from the open market value of those properties as at 31 March 2003. Consequently, no revaluation surplus or deficit has been recognised in the current period.

10. TRADE RECEIVABLES

The Group allows an average credit period of 90 to 120 days to its trade customers.

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

	30 September 2003	31 March 2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
0-60 days	210,284	177,132
61-90 days	81,991	33,318
91-120 days	32,396	16,656
Over 120 days	21,774	29,450
	<hr/> 346,445	<hr/> 256,556

11. TRADE PAYABLES

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

	30 September 2003	31 March 2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
0-60 days	133,409	124,565
61-90 days	21,010	8,611
91-120 days	13,789	8,600
Over 120 days	3,301	1,380
	<hr/> 171,509	<hr/> 143,156

12. BORROWINGS

During the period, the Group obtained a syndicated bank loan in the amount of HK\$288 million. The loan bears interest at HIBOR plus 0.7% per annum and is repayable by instalments over a period of three and a half years. The proceeds were used for general corporate funding requirements of the Company and its subsidiaries, including capital expenditure on a new yarn-dyeing facility in Xinhui, the People's Republic of China and refinancing of existing debts.

13. CONTINGENCIES AND CAPITAL COMMITMENTS

	30 September 2003	31 March 2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Bills discounted with recourse	4,507	13,721
Factoring financing facilities with recourse	79,037	18,585
	83,544	32,306
Capital expenditure in respect of acquisition of property, plant and equipment contracted for but not provided in the financial statements	88,964	114,444