

(NOTES TO THE CONDENSED FINANCIAL STATEMENTS)

FOR THE SIX MONTHS ENDED 31 DECEMBER 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 and with the Statement of Standard Accounting Practice ("SSAP") 25 "Interim Financial Reporting" issued by the Hong Kong Society of Accountants ("HKSA").

2. PRINCIPAL ACCOUNTING POLICIES

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

The accounting policies adopted are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 30 June 2003, except as described below.

In the current period, the Group has adopted SSAP 12 (Revised) "Income Taxes" issued by the HKSA. The principal effect of the implementation of SSAP 12 (Revised) is in relation to deferred tax. In previous years, partial provision was made for deferred tax 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 condensed 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. Comparative amounts for 2002 have been restated accordingly. As a result of this change in policy, the opening balance on retained earnings at 1 July 2003 has been decreased by HK\$568,000 (1 July 2002: increased by HK\$917,000). The profit for the six months ended 31 December 2003 has been decreased by HK\$659,000 (six months ended 31 December 2002: HK\$1,458,000).

3. SEGMENT INFORMATION

The business activities of the Group can be categorised into manufacturing business and branded business. Segment information in respect of these activities is as follows:

Business segments

Six months ended 31 December 2003

	Manufacturing business <i>HK\$'000</i>	Branded business <i>HK\$'000</i>	Elimination <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Turnover				
External sales	523,692	10,992	–	534,684
Inter-segment sales	2,111	–	(2,111)	–
Total sales	525,803	10,992	(2,111)	534,684
Results				
Segment results	89,339	(3,559)	–	85,780
Unallocated corporate expenses				(4,836)
Interest income				287
Profit from operations				81,231

Six months ended 31 December 2002

	Manufacturing business <i>HK\$'000</i>	Branded business <i>HK\$'000</i>	Elimination <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Turnover				
External sales	539,280	12,293	–	551,573
Inter-segment sales	3,173	–	(3,173)	–
Total sales	542,453	12,293	(3,173)	551,573
Results				
Segment results	92,179	(6,264)	–	85,915
Unallocated corporate expenses				(4,159)
Interest income				238
Profit from operations				81,994

Geographical segments

The following table provides an analysis of the Group's sales by geographical market:

Six months ended 31 December 2003

	Sales revenue by geographical market <i>HK\$'000</i>	Contribution to profit from operations <i>HK\$'000</i>
United States of America	407,646	76,311
Europe	83,312	6,900
Australia and New Zealand	19,145	3,585
Asia (excluding Hong Kong)	15,397	308
Hong Kong	9,184	(1,324)
	<u>534,684</u>	<u>85,780</u>
Unallocated corporate expenses		(4,836)
Interest income		<u>287</u>
Profit from operations		<u>81,231</u>

Six months ended 31 December 2002

	Sales revenue by geographical market <i>HK\$'000</i>	Contribution to profit from operations <i>HK\$'000</i>
United States of America	428,712	74,624
Europe	78,602	11,895
Australia and New Zealand	12,704	2,248
Asia (excluding Hong Kong)	21,030	475
Hong Kong	10,525	(3,327)
	<u>551,573</u>	<u>85,915</u>
Unallocated corporate expenses		(4,159)
Interest income		<u>238</u>
Profit from operations		<u>81,994</u>

4. OTHER OPERATING INCOME

Other operating income includes:

	For the six months ended 31 December	
	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
Gain on disposal of investments in securities	–	3,108
Interest income	287	238
	<u>287</u>	<u>238</u>

5. PROFIT FROM OPERATIONS

Profit from operations has been arrived at after charging:

	For the six months ended 31 December	
	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
Depreciation of property, plant and equipment	11,298	8,762
Cost of textile quota entitlements	8,661	3,922
	<u>19,959</u>	<u>12,684</u>

6. TAXATION

	For the six months ended 31 December	
	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
Current tax:		
Hong Kong Profits Tax calculated at 17.5% (2002: 16%) on the estimated assessable profit for the period	11,295	8,636
Taxation in other jurisdictions calculated at the rates prevailing in the respective jurisdictions	3,413	1,294
	<u>14,708</u>	<u>9,930</u>
Deferred tax:		
Current year	448	1,458
Attributable to increase in tax rate	211	–
	<u>659</u>	<u>1,458</u>
	<u>15,367</u>	<u>11,388</u>

In June 2003, the Hong Kong Profits Tax rate was increased from 16% to 17.5% with effect from 2003/04 year of assessment. The effect of this increase in tax rate has been reflected in the calculation of current and deferred tax balances as at 31 December 2003.

7. DIVIDEND

	For the six months ended	
	31 December	
	2003	2002
	<i>HK\$'000</i>	<i>HK\$'000</i>
2003 final dividend paid:		
HK\$0.04 (year ended 30 June 2002: nil)		
per share on 1,071,349,957 shares	42,854	–
2003 special dividend paid:		
HK\$0.02 (year ended 30 June 2002: nil)		
per share on 1,071,349,957 shares	21,427	–
	<u>64,281</u>	<u>–</u>

An interim dividend of 2 HK cents (six months ended 31 December 2002: Nil) per share has been proposed by the Directors.

8. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to shareholders of HK\$65,419,000 (six months ended 31 December 2002: HK\$63,910,000) and on the 1,071,349,957 shares (six months ended 31 December 2002: weighted average of 813,230,541 shares) in issue during the period.

The computation of diluted earnings per share is as follows:

	For the six months ended	
	31 December	
	2003	2002
	<i>HK\$'000</i>	<i>HK\$'000</i>
		(restated)
Profit for the purpose of basic earnings		
per share	65,419	63,910
Interest on convertible loan notes	–	2,971
	<u>65,419</u>	<u>66,881</u>

	For the six months ended	
	31 December	
	2003	2002
	<i>Number of shares</i>	
Number of shares for the purpose of basic earnings per share	1,071,349,957	813,230,541
Effect of dilutive potential shares:		
Convertible loan notes	–	308,911,868
Share options	4,352,432	768,609
	<u>1,075,702,389</u>	<u>1,122,911,018</u>

9. PROPERTY, PLANT AND EQUIPMENT

During the period, the additions and disposals of property, plant and equipment amounted to HK\$23,281,000 and HK\$169,000 (for the six months ended 31 December 2002: HK\$28,456,000 and HK\$955,000), respectively.

10. INTERESTS IN ASSOCIATES

Share of net assets of associates of HK\$15,422,000 by the Group were fully impaired in previous years.

11. DEBTORS, DEPOSITS AND PREPAYMENTS

Included in the balance were trade debtors of HK\$81,982,000 (At 30 June 2003: HK\$55,773,000). The Group allows an average credit period of 30 days to its trade customers.

The aging analysis of trade debtors was as follows:

	31 December	30 June
	2003	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within 30 days	76,039	50,890
Over 30 days and under 60 days	4,255	1,841
Over 60 days and under 90 days	469	576
Over 90 days	1,219	2,466
	<u>81,982</u>	<u>55,773</u>

12. CREDITORS AND ACCRUED CHARGES

Included in the balance were trade creditors of HK\$32,992,000 (At 30 June 2003: HK\$19,130,000).

The aging analysis of trade creditors were as follows:

	31 December 2003 <i>HK\$'000</i>	30 June 2003 <i>HK\$'000</i>
Within 30 days	24,365	16,785
Over 30 days and under 60 days	4,872	1,315
Over 60 days and under 90 days	2,458	676
Over 90 days	1,297	354
	<u>32,992</u>	<u>19,130</u>

13. SECURED BANK BORROWINGS AND OTHER LIABILITIES

	31 December 2003 <i>HK\$'000</i>	30 June 2003 <i>HK\$'000</i>
Secured bank borrowings	60,217	20,750
Other unsecured liabilities	407	449
	<u>60,624</u>	<u>21,199</u>
Less: Amount due within one year and shown as current liabilities	<u>(60,298)</u>	<u>(20,832)</u>
Amount due after one year	<u>326</u>	<u>367</u>

14. SHARE CAPITAL

	31 December 2003	30 June 2003	31 December 2003	30 June 2003
	<i>Number of shares</i>		<i>HK\$'000</i>	<i>HK\$'000</i>
Ordinary shares of HK\$0.10 each				
Authorised:				
At beginning and end of period/year	1,500,000,000	1,500,000,000	150,000	150,000
Issued and fully paid:				
At beginning and end of period/year	1,071,349,957	770,521,462	107,135	77,052
Issue of shares upon the conversion of convertible loan notes ("CLNs")	–	300,828,495	–	30,083
At the end of period/year	1,071,349,957	1,071,349,957	107,135	107,135

15. CAPITAL COMMITMENTS

	31 December 2003	30 June 2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Capital expenditure in respect of acquisition of property, plant and equipment contracted for but not provided in the financial statements	503	4,292
Capital expenditure in respect of acquisition of property, plant and equipment authorised but not contracted for	19,904	26,898
	<u>20,407</u>	<u>31,190</u>

16. PLEDGE OF ASSETS

As at 31 December 2003, the Group had pledged certain of its properties with an aggregate carrying value of approximately HK\$814,000 (30 June 2003: HK\$877,000), to secure credit facilities granted to the Group.

17. RELATED PARTY TRANSACTIONS

During the period, the Group had significant transactions with related parties and connected transactions as follows:

Name of related party	Nature of transactions	For the six months ended	
		31 December	
		2003	2002
		HK\$'000	HK\$'000
Van de Velde N.V. ("VdV") (note a)	Sales of finished products (note c)	14,084	9,186
	Interest payable on CLN	–	151
AIG Asia Direct Investment Fund Ltd. ("AIGA") (note b)	Interest payable on CLN	–	976
American International Assurance Co. (Bermuda) Ltd. ("AIA") (note b)	Interest payable on CLN	–	976

Notes:

- (a) On 9 September 2002, Messrs. Herman Van de Velde and Lucas A. M. Laureys, directors of VdV were appointed as Directors of the Company. Since then, VdV became a related party of the Company and it held an interest of 19.17% in the Company as at 31 December 2003. At 31 December 2003, the balance of trade receivable from VdV amounted to HK\$325,000 (At 30 June 2003: HK\$692,000).
- (b) During the period ended 31 December 2002, AIGA and AIA, each held US\$1.7 million of the CLNs issued by the Company. All of these CLNs were converted or redeemed during the year ended 30 June 2003.
- (c) The sales were carried out at market price or, where no market price was available, at cost plus a percentage of profit mark-up.