

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30 September 2004

1. BASIS OF PREPARATION

The condensed financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 (in force immediately before its revision became effective on 31 March 2004) 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 No. 25 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public 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 2004.

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 2004		
	Production and sale of knitted fabric and dyed yarn HK\$'000	Trading of garment products and provision of quality inspection services HK\$'000	Consolidated HK\$'000
TURNOVER			
External sales	910,618	373,814	1,284,432
RESULT			
Segment result	107,022	24,136	131,158
Unallocated corporate income			297
Unallocated corporate expenses			(5,459)
Profit from operations			125,996

3. SEGMENT INFORMATION (Continued)

Business segments (Continued)

	Six months ended 30 September 2003		Consolidated HK\$'000
	Production and sale of knitted fabric and dyed yarn HK\$'000	Trading of garment products and provision of quality inspection services HK\$'000	
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

4. PROFIT FROM OPERATIONS

	Six months ended 30 September	
	2004 HK\$'000	2003 HK\$'000
Profit from operations has been arrived at after charging (crediting):		
Depreciation of property, plant and equipment	31,310	19,346
Impairment loss recognised on property, plant and equipment	1,000	-
Interest income	(22)	(491)




5. TAXATION

	Six months ended 30 September	
	2004 HK\$'000	2003 HK\$'000
The tax charge comprises:		
Current tax:		
Hong Kong	5,265	3,600
Other jurisdictions	1,141	384
Taxation attributable to the Company and its subsidiaries	<u>6,406</u>	<u>3,984</u>

Hong Kong Profits Tax is calculated at 17.5% of the estimated assessable profit for the period.

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 HK5.5 cents (2004: HK4.5 cents) per share, which is in cash form with a scrip dividend option, should be paid to shareholders of the Company whose names appeared in the Company's Register of Members on 7 January 2005.

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	
	2004 HK\$'000	2003 HK\$'000
Earnings		
Earnings for the purposes of basic and diluted earnings per share (net profit for the period)	<u>102,964</u>	<u>73,065</u>
Number of shares	'000	'000
Weighted average number of ordinary shares for the purposes of basic earnings per share	558,225	492,679
Effect of dilutive potential ordinary shares in respect of share options	<u>7,850</u>	<u>11,083</u>
Weighted average number of ordinary shares for the purposes of diluted earnings per share	<u>566,075</u>	<u>503,762</u>

8. PROPERTY, PLANT AND EQUIPMENT

During the period, the Group spent approximately HK\$191 million on additions to property, plant and equipment. Certain property, plant and equipment of the Group with an aggregate net book value of approximately HK\$21,637,000 (31 March 2004: HK\$22,663,000) were pledged to banks as security for the credit facilities granted to the Group.

9. INVESTMENT PROPERTIES

During the period, the Group acquired investment properties at a cost of approximately HK\$26,063,000. At 30 September 2004, the directors have considered the carrying amounts of the Group's investment properties and have estimated that the carrying amounts as at 30 September 2004 do not differ significantly from that which would be determined using open market values at the balance sheet date. Consequently, no revaluation surplus or deficit has been recognised in the current period. Certain investment properties of the Group with an aggregate net book value of approximately HK\$11,000,000 (31 March 2004: HK\$11,000,000) were pledged to banks as security for the credit facilities granted to the Group.

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 2004 HK\$'000	31 March 2004 HK\$'000
0-60 days	258,645	279,230
61-90 days	95,867	61,597
91-120 days	68,360	27,142
Over 120 days	25,254	24,988
	<u>448,126</u>	<u>392,957</u>

11. TRADE PAYABLES

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

	30 September 2004 HK\$'000	31 March 2004 HK\$'000
0-60 days	180,445	210,662
61-90 days	46,470	36,088
over 90 days	43,748	19,688
	<u>270,663</u>	<u>266,438</u>



12. BANK BORROWINGS

	30 September 2004 <i>HK\$'000</i>	31 March 2004 <i>HK\$'000</i>
Bank loans	412,946	420,472
Import loans and trust receipts	407,714	282,553
Mortgage loans	4,563	4,838
	<u>825,223</u>	<u>707,863</u>
Less: Amount due within one year included in current liabilities	<u>(584,608)</u>	<u>(451,498)</u>
Amount due after one year	<u>240,615</u>	<u>256,365</u>

During the period, the Group obtained bank loans in the amount of HK\$46 million, of which HK\$20 million bears interest at HIBOR plus 0.75% and is repayable in instalments over a period of 10 years and the remaining amount of HK\$26 million bears interest at HIBOR plus 1.125% and is repayable in instalments over a period of 4 years. The proceeds were used for general corporate funding requirements of the Company and its subsidiaries, including capital expenditure on a fabric dyeing facility in Xinhui, the People's Republic of China and purchase of land and buildings in Hong Kong.

13. CONTINGENCIES AND CAPITAL COMMITMENTS

	30 September 2004 <i>HK\$'000</i>	31 March 2004 <i>HK\$'000</i>
Bills discounted with recourse	2,461	457
Factoring financing facilities utilised with recourse	66,457	31,591
	<u>68,918</u>	<u>32,048</u>
Capital expenditure in respect of acquisition of property, plant and equipment contracted for but not provided in the financial statements	<u>47,522</u>	<u>124,389</u>

14. POST BALANCE SHEET EVENTS

On 15 October 2004, the Company has paid out the 2004 final dividend of HK4.5 cents per share amounting to HK\$12,582,674 by way of cash dividend and HK\$12,537,326 by way of scrip alternative to the shareholders.

The Group has entered into a syndicated loan facility agreement of HK\$688 million on 2 December 2004. The proceeds will be used to refinance the existing indebtedness and to provide general corporate funding to the Group.