

NOTES ON THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars)

1 Basis of preparation

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim financial reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). It was authorised for issuance on 18 December 2006.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the annual financial statements for the year ended 31 March 2006.

The preparation of an interim financial report in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the annual financial statements for the year ended 31 March 2006. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”, which term collectively includes HKASs and Interpretations).

The interim financial report is unaudited and has been reviewed by the audit committee of the Company.

The financial information relating to the financial year ended 31 March 2006 that is included in the interim financial report as being previously reported information does not constitute the Company’s statutory financial statements for that financial year but is derived from those financial statements. Statutory financial statements for the year ended 31 March 2006 are available from the Company’s registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 27 July 2006.

2 Segmental information

No business segment analysis of the Group is presented as the Group operated principally in a single business segment, i.e. manufacturing and sale of garments throughout the period.

An analysis of the Group's turnover by geographical location of the customers is set out below:

	Group turnover	
	Six months ended	
	30 September	
	2006	2005
	\$'000	\$'000
North America	698,551	587,823
Europe	137,564	131,561
Other regions	74,508	54,067
	910,623	773,451

3 Profit before taxation

Profit before taxation is arrived at after charging:

	Six months ended	
	30 September	
	2006	2005
	\$'000	\$'000
(a) <i>Finance costs:</i>		
Interest on bank and other borrowings wholly repayable within five years	20,654	14,226
(b) <i>Other items:</i>		
Cost of goods sold	686,852	591,095
Depreciation of fixed assets	24,257	19,503

4 Income tax

	Six months ended 30 September	
	2006 \$'000	2005 \$'000
Provision for Hong Kong Profits Tax for the period	5,498	3,913
Provision for overseas tax	4,307	849
Deferred tax (benefit)/expense relating to the origination and reversal of temporary differences	(274)	257
	9,531	5,019

Provision for Hong Kong Profits Tax is calculated at 17.5% (2005: 17.5%) of the estimated assessable profits for the period. Taxation for subsidiaries outside Hong Kong is charged at the appropriate current rates of taxation ruling in the relevant countries.

The Group's subsidiaries in the People's Republic of China ("PRC") are subject to PRC income tax at 33%.

The Group's subsidiaries in Cambodia are subject to Cambodia income tax at a rate of 9%. Pursuant to the tax exemption certificate dated 8 July 2004 issued by the relevant tax authorities, Supertex Limited is exempted from Cambodia income tax for the period from 8 July 2004 to 7 July 2008.

5 Dividends

(a) *Dividends attributable to the period*

	Six months ended 30 September	
	2006 \$'000	2005 \$'000
Interim dividend declared of 1.2 cents per share (2005: 1.2 cents)	21,117	18,200

The interim dividend of 1.2 cents per share or \$21,117,000 in total proposed after the balance sheet date has not been recognised as a liability at the balance sheet date.

(b) *Dividends attributable to the previous year, approved and accrued during the period*

	Six months ended 30 September	
	2006 \$'000	2005 \$'000
Final dividend in respect of the previous year, approved and accrued during the period of 1.8 cents per share (2005: 2 cents)	31,851	30,333

6 Earnings per share

(a) *Basic earnings per share*

The calculation of basic earnings per share for the period ended 30 September 2006 is based on the profit attributable to equity holders of the Company of \$90,587,000 (2005: \$70,935,000) and the weighted average number of ordinary shares of 1,733,110,000 shares (2005: 1,516,664,000 shares) in issue during the period.

(b) *Diluted earnings per share*

The calculation of diluted earnings per share for the period ended 30 September 2006 is based on the adjusted profit attributable to equity holders of the Company of \$96,436,000 (2005: \$75,194,000) and the weighted average number of ordinary shares of 1,996,288,000 shares (2005: 1,765,398,000 shares) after adjusting for the effects of all dilutive potential ordinary shares.

7 Fixed assets

Additions to fixed assets during the six months ended 30 September 2006 comprise:

	\$'000
Land and buildings held for own use	16,574
Plant and machinery	52,058
Furniture, fixtures and office equipment	13,620
Motor vehicles	1,725
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	83,977

8 Trade and other receivables

	At 30 September 2006 \$'000	At 31 March 2006 \$'000
Trade receivables	356,941	491,857
Deposits with subcontractors for manufacturing of garments	39,706	33,188
Other prepayments and receivables	64,618	45,814
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	461,265	570,859

Credit terms granted by the Group to customers generally range from one to three months. Included in trade receivables are balances (stated after provisions for doubtful debts) with the following ageing analysis:

	At 30 September 2006 \$'000	At 31 March 2006 \$'000
Within 3 months	326,299	264,673
More than 3 months but less than 6 months	30,642	227,184
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	356,941	491,857

All the trade and other receivables are expected to be recovered within one year.

9 Trade and other payables

	At 30 September 2006 \$'000	At 31 March 2006 \$'000
Bills payable	22,586	21,768
Trade payables	55,561	49,437
Accrued expenses and other payables	13,273	11,268
	91,420	82,473

The credit terms obtained by the Group generally range from 30 days to 180 days.

Included in trade and bills payables are balances with the following ageing analysis:

	At 30 September 2006 \$'000	At 31 March 2006 \$'000
Due within 1 month or on demand	30,790	25,722
Due after 1 month but within 3 months	38,624	37,207
Due after 3 months but within 6 months	8,733	8,276
	78,147	71,205

All the trade and other payables are expected to be settled within one year.

10 Capital and reserves

	Share capital \$'000	Share premium \$'000	Capital reserve \$'000	Exchange reserve \$'000	Contributed surplus \$'000	PRC statutory reserve \$'000	Retained earnings \$'000	Total \$'000
At 1 April 2005	151,666	81,165	56,931	-	6,400	40	449,713	745,915
Dividend approved in respect of previous year	-	-	-	-	-	-	(30,333)	(30,333)
Equity settled share-based transactions	-	-	5,670	-	-	-	-	5,670
Exchange difference on translation of financial statements of overseas subsidiaries	-	-	-	2,522	-	-	-	2,522
Profit for the year	-	-	-	-	-	-	132,626	132,626
Profit appropriation to reserve funds	-	-	-	-	-	34	(34)	-
Dividend declared in respect of the current year	-	-	-	-	-	-	(18,200)	(18,200)
At 31 March 2006	151,666	81,165	62,601	2,522	6,400	74	533,772	838,200
At 1 April 2006	151,666	81,165	62,601	2,522	6,400	74	533,772	838,200
Issue of new shares (Note)	22,750	206,631	-	-	-	-	-	229,381
Conversion of convertible bonds	1,556	14,000	(3,903)	-	-	-	-	11,653
Dividend approved in respect of previous year	-	-	-	-	-	-	(31,851)	(31,851)
Profit for the period	-	-	-	-	-	-	90,587	90,587
At 30 September 2006	175,972	301,796	58,698	2,522	6,400	74	592,508	1,137,970

10 Capital and reserves (Continued)

The following is a summary of movements in the authorised and issued share capital of the Company during the period:

	Number of shares	Amount \$'000
<i>Authorised:</i>		
Ordinary shares of \$0.1 each		
At 1 April 2005, 31 March 2006 and 30 September 2006	2,000,000,000	200,000
<i>Issued and fully paid:</i>		
At 1 April 2005 and 31 March 2006	1,516,664,000	151,666
At 1 April 2006	1,516,664,000	151,666
Issue of new shares (Note)	227,500,000	22,750
Conversion of convertible bonds	15,555,600	1,556
At 30 September 2006	1,759,719,600	175,972

Note: On 10 April 2006, Efulfilment Enterprises Limited, the controlling shareholder of the Company entered into a placing agreement to place 227,500,000 existing shares of the Company to independent investors at a placing price of HK\$1.03 per share. On the same date, Efulfilment Enterprises Limited entered into a subscription agreement to subscribe for 227,500,000 new shares of the Company at a subscription price of HK1.03 per share. The Company's net proceeds from the share subscription amounted to HK\$229,381,000.

11 Contingent liabilities

There have been no material adverse changes in contingent liabilities of the Group subsequent to 31 March 2006, details of which are disclosed in its annual financial statements for the year ended 31 March 2006.

12 Material related party transactions

During the period, the following significant related party transactions took place:

	Six months ended 30 September	
	2006 \$'000	2005 \$'000
Sales to related parties	244,282	208,832
Expenses paid to related parties:		
Warehouse rentals	184	186
Directors' quarters rentals	816	816
Guangzhou office rentals	243	243

The directors of the Company are of the opinion that the above transactions with related parties were conducted on normal commercial terms in the ordinary course of business of the Group.

13 Post balance sheet event

After the balance sheet date, the directors of the Company proposed an interim dividend, details of which are disclosed in note 5.