

# Financial Information

The Board of Directors of Texwinca Holdings Limited (the “Company”) has pleasure in presenting the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 30th September 2002 as follows:

## Condensed Consolidated Profit and Loss Account

		Six months ended 30th September	
		2002 (Unaudited) HK\$'000	2001 (Unaudited) HK\$'000
	Notes		
<b>TURNOVER</b>	3	<b>2,535,676</b>	<b>2,484,440</b>
Cost of sales		<b>(1,714,499)</b>	<b>(1,747,033)</b>
Gross profit		<b>821,177</b>	<b>737,407</b>
Other revenue and gains		<b>10,826</b>	<b>13,482</b>
Selling and distribution costs		<b>(361,059)</b>	<b>(319,298)</b>
Administrative expenses		<b>(159,940)</b>	<b>(154,494)</b>
Other operating expenses		<b>(1,694)</b>	<b>(1,086)</b>
<b>PROFIT FROM OPERATING ACTIVITIES</b>		<b>309,310</b>	<b>276,011</b>
Share of profit of an associate		<b>24,873</b>	<b>34,647</b>
Finance costs		<b>(1,528)</b>	<b>(4,455)</b>
<b>PROFIT BEFORE TAX</b>		<b>332,655</b>	<b>306,203</b>
Tax	5	<b>(26,770)</b>	<b>(33,219)</b>
<b>PROFIT BEFORE MINORITY INTERESTS</b>		<b>305,885</b>	<b>272,984</b>
Minority interests		<b>(2,690)</b>	<b>(2,362)</b>
<b>NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS</b>		<b>303,195</b>	<b>270,622</b>
Proposed interim dividend		<b>145,601</b>	<b>101,812</b>
Proposed interim dividend per share (HK cents)		<b>11.0</b>	<b>8.0</b>
Earnings per share (HK cents)	6	<b>22.9</b>	<b>21.2</b>
Basic		<b>22.9</b>	<b>21.2</b>
Diluted		<b>22.9</b>	<b>20.6</b>

# Financial Information

## Condensed Consolidated Balance Sheet

	Notes	At 30th September 2002 (Unaudited) HK\$'000	At 31st March 2002 (Audited) HK\$'000
<b>NON-CURRENT ASSETS</b>			
Fixed assets		900,290	851,470
Investment properties		29,260	29,260
Construction in progress		114,754	124,971
Trademarks		40,157	41,478
Interest in an associate		129,648	126,897
Rental deposits		68,646	65,905
		<u>1,282,755</u>	<u>1,239,981</u>
<b>CURRENT ASSETS</b>			
Inventories		617,128	528,013
Trade and bills receivables	7	486,595	334,921
Prepayments, deposits and other receivables		279,395	134,068
Cash and cash equivalents		481,419	556,592
		<u>1,864,537</u>	<u>1,553,594</u>
<b>CURRENT LIABILITIES</b>			
Due to an associate		58,535	21,945
Trade and bills payables	8	642,618	437,942
Other payables and accrued liabilities		126,539	147,368
Tax payable		25,982	37,506
Interest-bearing bank borrowings		24,081	19,455
		<u>877,755</u>	<u>664,216</u>

# Financial Information

## Condensed Consolidated Balance Sheet *(continued)*

	At 30th September 2002 (Unaudited) HK\$'000	At 31st March 2002 (Audited) HK\$'000
<b>NET CURRENT ASSETS</b>	<b>986,782</b>	<b>889,378</b>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>	<b>2,269,537</b>	<b>2,129,359</b>
<b>NON-CURRENT LIABILITIES</b>		
Interest-bearing bank loans	30,625	39,538
Deferred tax	29,000	28,191
	<b>59,625</b>	<b>67,729</b>
<b>MINORITY INTERESTS</b>	<b>40,230</b>	<b>36,971</b>
	<b>2,169,682</b>	<b>2,024,659</b>
<b>CAPITAL AND RESERVES</b>		
Issued capital	66,183	66,183
Reserves	1,957,898	1,799,638
Proposed interim/final dividend reserve	145,601	158,838
	<b>2,169,682</b>	<b>2,024,659</b>

# Financial Information

## Condensed Consolidated Statement of Changes in Equity

	Issued capital (Unaudited) HK\$'000	Share premium account (Unaudited) HK\$'000	Capital redemption reserve (Unaudited) HK\$'000	Contributed surplus (Unaudited) HK\$'000	Goodwill on acquisition (Unaudited) HK\$'000	Exchange fluctuation reserve (Unaudited) HK\$'000	Investment property revaluation reserve (Unaudited) HK\$'000	Asset revaluation reserve (Unaudited) HK\$'000	Retained profits (Unaudited) HK\$'000	Proposed dividend reserve (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
At 1st April 2002	66,183	331,168	1,587	3,986	(110,603)	(13,080)	7,238	7,840	1,571,502	158,838	2,024,659
Foreign exchange adjustments	—	—	—	—	—	666	—	—	—	—	666
Retained profits for the period	—	—	—	—	—	—	—	—	303,195	—	303,195
Final dividend paid for 2001/2002	—	—	—	—	—	—	—	—	—	(158,838)	(158,838)
Proposed interim dividend for 2002/2003	—	—	—	—	—	—	—	—	(145,601)	145,601	—
<b>At 30th September 2002</b>	<b>66,183</b>	<b>331,168</b>	<b>1,587</b>	<b>3,986</b>	<b>(110,603)</b>	<b>(12,414)</b>	<b>7,238</b>	<b>7,840</b>	<b>1,729,096</b>	<b>145,601</b>	<b>2,169,682</b>
At 1st April 2001	63,662	305,960	1,228	3,986	(110,603)	(10,360)	7,238	7,840	1,302,404	114,903	1,686,258
Foreign exchange adjustments	—	—	—	—	—	(124)	—	—	—	—	(124)
Exercise of share options	330	4,670	—	—	—	—	—	—	—	—	5,000
Transfer on repurchase of own shares	(259)	(11,930)	259	—	—	—	—	—	(259)	—	(12,189)
Retained profits for the period	—	—	—	—	—	—	—	—	270,622	—	270,622
Final dividend paid for 2000/2001	—	—	—	—	—	—	—	—	—	(114,903)	(114,903)
Proposed interim dividend for 2001/2002	—	—	—	—	—	—	—	—	(101,812)	101,812	—
<b>At 30th September 2001</b>	<b>63,733</b>	<b>298,700</b>	<b>1,487</b>	<b>3,986</b>	<b>(110,603)</b>	<b>(10,484)</b>	<b>7,238</b>	<b>7,840</b>	<b>1,470,955</b>	<b>101,812</b>	<b>1,834,664</b>

# Financial Information

## Condensed Consolidated Cash Flow Statement

Six months ended 30th September

	2002 (Unaudited) HK\$'000	2001 (Unaudited) HK\$'000
<b>NET CASH INFLOW FROM OPERATING ACTIVITIES</b>	<b>187,907</b>	304,134
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(98,516)</b>	(182,540)
<b>NET CASH USED IN FINANCING ACTIVITIES</b>	<b>(169,387)</b>	(110,137)
<b>INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(79,996)</b>	11,457
Cash and cash equivalents at 1st April	554,746	354,562
Foreign exchange adjustments	88	(717)
<b>CASH AND CASH EQUIVALENTS AT 30TH SEPTEMBER</b>	<b>474,838</b>	365,302
<b>ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS</b>		
Cash and bank balances	124,981	104,993
Time deposits	356,438	262,336
Less: Bank overdrafts	(6,581)	(2,027)
	<b>474,838</b>	365,302

# Financial Information

## Notes to the Condensed Consolidated Financial Statements

### 1. Basis of preparation

The unaudited interim financial statements have been prepared in accordance with the Statement of Standard Accounting Practice (the “SSAP”) 25 “Interim Financial Reporting” issued by the Hong Kong Society of Accountants (the “HKSA”) and Appendix 16 of the Listing Rules of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

### 2. Principal accounting policies

The principal accounting policies and methods of computation adopted in the preparation of the unaudited interim financial statements are consistent with those followed in the latest audited annual financial statements, except the following new/revised SSAPs have been adopted for the first time in the preparation of the current period’s interim financial statements:

- SSAP 1 (Revised) : “Presentation of financial statements”
- SSAP 11 (Revised) : “Foreign currency translation”
- SSAP 15 (Revised) : “Cash flow statements”
- SSAP 25 (Revised) : “Interim financial reporting”
- SSAP 34 : “Employee benefits”

A summary of their major effects is as follows:

SSAP 1 (Revised) “Presentation of financial statements” prescribes the basis for the presentation of financial statements and sets out guidelines for their structure and minimum requirements for the content thereof. The main revision to this SSAP is to change the requirements from presenting a statement of recognised gains and losses to a statement of changes in equity. The condensed consolidated statement of changes in equity for the current interim period and comparative figures have been presented in accordance with the revised SSAP.

SSAP 11 (Revised) “Foreign currency translation” prescribes the basis for the translation of foreign currency transactions and financial statements. The main revision to this SSAP is that the profit and loss account of subsidiaries and associates operating in Mainland China and overseas are translated at an average rate for the period on consolidation, rather than translated at the applicable rates of exchange ruling at the balance sheet date as was previously

# Financial Information

required. This revised SSAP has had no major impact on the preparation of these interim financial statements.

SSAP 15 (Revised) “Cash flow statements” prescribes the provision of information about the historical changes in cash and cash equivalents by means of a cash flow statement which classifies cash flow during the period into operating, investing and financing activities. The condensed consolidated cash flow statement for the current interim period and the comparative figures have been presented in accordance with the revised SSAP.

SSAP 25 (Revised) “Interim financial reporting” prescribes the presentation and disclosures following changes in SSAP 1 (Revised) and SSAP 15 (Revised). The condensed consolidated financial statements for the current interim period and comparative figures have been presented in accordance with these revised SSAPs.

SSAP 34 “Employee benefits” prescribes the accounting treatment and disclosures for employee benefits. This SSAP has had no major impact on the preparation of these interim financial statements.

### 3. Segment information

Segment information is presented by way of two segment formats: (i) on a primary segment reporting basis, by business segment; and (ii) on a secondary segment reporting basis, by geographical segment.

The Group’s operating business are structured and managed separately, according to the nature of their operations and the products and services they provide. Each of the Group’s business segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of other business segments. Summary details of the business segments are as follows:

- (a) the production, dyeing and sale of knitted fabric and yarn segment;
- (b) the casual apparel and accessory retailing and distribution segment; and
- (c) the corporate and other segment comprises the motor and generator repair and maintenance and trading segment and the franchise services segment.

In determining the Group’s geographical segments, revenues and results are attributed to the segments based on the location of the market.

# Financial Information

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

## (a) Business segments

The following table presents revenue and profit information for the Group's business segments:

	Production, dyeing and sale of knitted fabric and yarn		Casual apparel and accessory retailing and distribution		Corporate and other		Eliminations		Consolidated	
	2002 (Unaudited) HK\$'000	2001 (Unaudited) HK\$'000	2002 (Unaudited) HK\$'000	2001 (Unaudited) HK\$'000	2002 (Unaudited) HK\$'000	2001 (Unaudited) HK\$'000	2002 (Unaudited) HK\$'000	2001 (Unaudited) HK\$'000	2002 (Unaudited) HK\$'000	2001 (Unaudited) HK\$'000
Segment revenue:										
Sales to external customers	1,553,371	1,526,524	961,174	926,094	21,131	31,822	—	—	2,535,676	2,484,440
Intersegment sales	—	—	—	—	935	2,611	(935)	(2,611)	—	—
Other revenue	5,343	6,950	1,497	1,298	501	28	(592)	(60)	6,749	8,216
Total	1,558,714	1,533,474	962,671	927,392	22,567	34,461	(1,527)	(2,671)	2,542,425	2,492,656
Segment results	290,381	256,413	8,941	5,189	7,262	12,366	(1,351)	(3,223)	305,233	270,745
Interest income									4,077	5,266
Profit from operating activities									309,310	276,011
Share of profit of an associate									24,873	34,647
Finance costs									(1,528)	(4,455)
Profit before tax									332,655	306,203
Tax									(26,770)	(33,219)
Profit before minority interests									305,885	272,984
Minority interests									(2,690)	(2,362)
Net profit from ordinary activities attributable to shareholders									303,195	270,622



# Financial Information

## (b) Geographical segments

The following table presents revenue and profit information for the Group's geographical segments:

	USA		Mainland China		Japan		Hong Kong		Corporate and other		Eliminations		Consolidated	
	2002 (Unaudited) HK\$'000	2001 (Unaudited) HK\$'000	2002 (Unaudited) HK\$'000	2001 (Unaudited) HK\$'000	2002 (Unaudited) HK\$'000	2001 (Unaudited) HK\$'000	2002 (Unaudited) HK\$'000	2001 (Unaudited) HK\$'000	2002 (Unaudited) HK\$'000	2001 (Unaudited) HK\$'000	2002 (Unaudited) HK\$'000	2001 (Unaudited) HK\$'000	2002 (Unaudited) HK\$'000	2001 (Unaudited) HK\$'000
Segment revenue:														
Sales to external customers	945,211	785,112	749,365	741,033	170,912	374,386	353,693	300,506	316,495	283,403	—	—	2,535,676	2,484,440
Segment results	176,694	131,878	57,068	63,462	31,950	62,886	29,727	6,567	11,145	9,175	(1,351)	(3,223)	305,233	270,745

## 4. Depreciation and amortisation

During the period, depreciation of fixed assets and amortisation of trademarks of the Group amounted to HK\$75,602,000 and HK\$1,454,000 (2001: HK\$ 72,857,000 and HK\$1,450,000), respectively.

# Financial Information

## 5. Tax

Hong Kong profits tax has been provided at the rate of 16.0% (2001 : 16.0%) on the estimated assessable profits arising in Hong Kong for the period.

Taxes on profits in respect of subsidiaries operating overseas have been calculated at the rates of tax prevailing in the respective tax jurisdictions in which they operate based on existing legislation, interpretations and practices in respect thereof.

	Six months ended 30th September	
	2002 (Unaudited) HK\$'000	2001 (Unaudited) HK\$'000
Hong Kong and The PRC taxes:		
Current period provision	23,840	26,549
Deferred tax	809	3,712
	<u>24,649</u>	<u>30,261</u>
Share of tax attributable to an associate	2,121	2,958
	<u>26,770</u>	<u>33,219</u>

# Financial Information

## 6. Earnings per share

### (a) Basic earnings per share

The calculation of basic earnings per share was based on the net profit from ordinary activities attributable to shareholders of HK\$303,195,000 (2001: HK\$270,622,000) and the weighted average number of 1,323,648,104 (2001: 1,276,310,956) shares in issue during the period.

### (b) Diluted earnings per share

The calculation of diluted earnings per share was based on the followings:

	Six months ended 30th September	
	2002 (Unaudited) HK\$'000	2001 (Unaudited) HK\$'000
Net profit from ordinary activities attributable to shareholders	<u>303,195</u>	<u>270,622</u>
Weighted average number of ordinary shares used in calculation of basic earnings per share	1,323,648,104	1,276,310,956
Deemed issue of ordinary shares for no consideration arising from share options	<u>330,944</u>	<u>38,152,447</u>
Weighted average number of ordinary shares used in calculation of diluted earnings per share	<u>1,323,979,048</u>	<u>1,314,463,403</u>

# Financial Information

## 7. Trade and bills receivables

	At 30th September 2002 (Unaudited) HK\$'000	At 31st March 2002 (Audited) HK\$'000
Trade and bills receivables	491,394	339,737
Less: Provision for doubtful debts	(4,799)	(4,816)
	<u>486,595</u>	<u>334,921</u>
Trade and bills receivables	<u>486,595</u>	<u>334,921</u>
The aged analysis of trade and bills receivables, net of provisions, is as follows:		
Within 90 days	471,765	331,808
Over 90 days	14,830	3,113
	<u>486,595</u>	<u>334,921</u>

The trading terms with customers are largely on credit. Invoices are normally payable within 90 days of issue, except for certain well-established customers, where the terms are extended up to 120 days, subject to the approval of directors. The Group seeks to maintain strict control over its outstanding receivables and has a credit control policy to minimize credit risk. Overdue balances are regularly reviewed by directors.

# Financial Information

## 8. Trade and bills payables

The aged analysis of trade and bills payables is as follows:

	At 30th September 2002 (Unaudited) HK\$'000	At 31st March 2002 (Audited) HK\$'000
Within 90 days	587,968	409,630
Over 90 days	54,650	28,312
	<u>642,618</u>	<u>437,942</u>

## 9. Related party transactions

- (a) During the period, the Group had the following transactions with its associate:

		Six months ended 30th September 2002 (Unaudited) HK\$'000	2001 (Unaudited) HK\$'000
	Notes		
Sales to Megawell Industrial Limited ("Megawell")	(i)	199,570	283,974
Purchases from Megawell	(ii)	105,149	104,682

Notes:

- (i) The sales to Megawell were made according to the prices and conditions offered to the major customers of the Group.

# Financial Information

- (ii) The directors considered that the purchases from Megawell were made according to the prices and conditions similar to those offered to other customers of the associate.

In addition, the Group have provided certain guarantees of banking facilities granted to the associate, as detailed in note 10 to the financial statements.

- (b) As at 30th September 2002, Nice Dyeing Factory Limited, a wholly-owned subsidiary of the Company, has provided advances of HK\$240,809,000 (31st March 2002: HK\$228,484,000) to Baleno Kingdom Limited, a non wholly-owned subsidiary, at prime rate minus 1.25% (31st March 2002: prime rate minus 1.25%) per annum. The advances are unsecured and have no fixed terms of repayment. The principal purpose of these advances is to finance the operations of the non wholly-owned subsidiary.

## 10. Contingent liabilities

	At 30th September 2002 (Unaudited) HK\$'000	At 31st March 2002 (Audited) HK\$'000
Guarantees of banking facilities granted to an associate	14,000	14,000
Export bills discounted with recourse	111,132	86,219
	<u>125,132</u>	<u>100,219</u>

At 30th September 2002, irrevocable and unconditional guarantees aggregating HK\$1,103 million (31st March 2002: HK\$1,133 million) have been given by the Company in respect of certain subsidiaries' and an associate's banking facilities and borrowings, aggregating HK\$54,706,000 (31st March 2002: HK\$58,324,000).

# Financial Information

## 11. Capital commitments

	At 30th September 2002 (Unaudited) HK\$'000	At 31st March 2002 (Audited) HK\$'000
In respect of fixed assets, authorised but not contracted for contracted for but not provided for	375,600 46,921	— 116,891
In respect of investment in subsidiaries in The PRC, contracted for but not provided for	639,349	388,613
	<u>1,061,870</u>	<u>505,504</u>

## 12. Operating lease arrangements

### (a) As Lessor

The Group leases its investment properties under operating lease arrangements, with leases negotiated for terms ranging from two to three years. The terms of the leases generally also require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions.

# Financial Information

At 30th September 2002, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	At 30th September 2002 (Unaudited) HK\$'000	At 31st March 2002 (Audited) HK\$'000
Within one year	3,642	3,765
In the second to fifth year, inclusive	1,950	3,831
	<u>5,592</u>	<u>7,596</u>

(b) *As Lessee*

The Group leases certain of its land for factories, retail stores, plant and machinery, and staff and directors' quarters under operating lease arrangements. Such leases are negotiated for terms not more than 50 years.

At 30th September 2002, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	At 30th September 2002 (Unaudited) HK\$'000	At 31st March 2002 (Audited) HK\$'000
Within one year	367,150	323,797
In the second to fifth year, inclusive	485,429	490,476
After five years	287,907	143,818
	<u>1,140,486</u>	<u>958,091</u>