

# 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 2003 as follows:

## Condensed Consolidated Profit and Loss Account

		Six months ended 30th September	
	Notes	2003 (Unaudited) HK\$'000	2002 (Unaudited) HK\$'000
<b>TURNOVER</b>	3	<b>2,878,344</b>	<b>2,535,676</b>
Cost of sales		<u>(2,088,967)</u>	<u>(1,714,499)</u>
Gross profit		<b>789,377</b>	<b>821,177</b>
Other revenue and gains		<b>10,116</b>	<b>10,826</b>
Selling and distribution costs		<b>(433,808)</b>	<b>(361,059)</b>
Administrative expenses		<b>(176,346)</b>	<b>(159,940)</b>
Other operating expenses		<u><b>(3,958)</b></u>	<u><b>(1,694)</b></u>
<b>PROFIT FROM OPERATING ACTIVITIES</b>		<b>185,381</b>	<b>309,310</b>
Share of profit of an associate		<b>18,325</b>	<b>24,873</b>
Finance costs		<u><b>(1,739)</b></u>	<u><b>(1,528)</b></u>
<b>PROFIT BEFORE TAX</b>		<b>201,967</b>	<b>332,655</b>
Tax	5	<u><b>(20,859)</b></u>	<u><b>(26,770)</b></u>
<b>PROFIT BEFORE MINORITY INTERESTS</b>		<b>181,108</b>	<b>305,885</b>
Minority interests		<u><b>(971)</b></u>	<u><b>(2,690)</b></u>
<b>NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS</b>		<u><u><b>180,137</b></u></u>	<u><u><b>303,195</b></u></u>

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## Condensed Consolidated Profit and Loss Account

(continued)

		Six months ended 30th September	
	Notes	2003 (Unaudited) HK\$'000	2002 (Unaudited) HK\$'000
Proposed interim dividend		<u>105,996</u>	<u>145,601</u>
Proposed interim dividend per share (HK cents)		<u>8.0</u>	<u>11.0</u>
Earnings per share (HK cents)	6		
Basic		<u>13.6</u>	<u>22.9</u>
Diluted		<u>13.5</u>	<u>22.9</u>

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## Condensed Consolidated Balance Sheet

		At 30th September 2003 (Unaudited) HK\$'000	At 31st March 2003 (Audited) HK\$'000
	Notes		
<b>NON-CURRENT ASSETS</b>			
Fixed assets		1,135,887	1,070,035
Investment properties		35,710	35,710
Construction in progress		129,605	52,485
Trademarks		37,416	38,814
Interest in an associate		133,934	136,265
Long term rental deposits		88,889	67,068
		<u>1,561,441</u>	<u>1,400,377</u>
<b>CURRENT ASSETS</b>			
Inventories		816,268	853,492
Trade and bills receivables	7	541,779	381,830
Prepayments, deposits and other receivables		221,349	247,853
Cash and cash equivalents		505,778	484,781
		<u>2,085,174</u>	<u>1,967,956</u>
<b>CURRENT LIABILITIES</b>			
Due to an associate		99,875	68,635
Trade and bills payables	8	745,331	680,637
Other payables and accrued liabilities		170,285	153,386
Tax payable		57,699	52,401
Dividend payable		185,437	—
Interest-bearing bank borrowings		18,249	17,901
		<u>1,276,876</u>	<u>972,960</u>

# Financial Information

## Condensed Consolidated Balance Sheet *(continued)*

	At 30th September 2003 (Unaudited) HK\$'000	At 31st March 2003 (Audited) HK\$'000
<b>NET CURRENT ASSETS</b>	<b>808,298</b>	<b>994,996</b>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>	<b>2,369,739</b>	<b>2,395,373</b>
<b>NON-CURRENT LIABILITIES</b>		
Interest-bearing bank loans	13,246	22,011
Provision for long service payments	5,538	4,941
Deferred tax	2,000	2,000
	<b>20,784</b>	<b>28,952</b>
<b>MINORITY INTERESTS</b>	<b>35,710</b>	<b>50,710</b>
	<b>2,313,245</b>	<b>2,315,711</b>
<b>CAPITAL AND RESERVES</b>		
Issued share capital	66,234	66,208
Reserves	2,141,015	2,064,066
Proposed interim/final dividend	105,996	185,437
	<b>2,313,245</b>	<b>2,315,711</b>

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## Condensed Consolidated Statement of Changes in Equity

	Issued share 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 (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
<b>At 1st April 2003</b>	66,208	333,628	1,587	3,986	(110,603)	(12,317)	8,960	7,840	1,830,985	185,437	2,315,711
Foreign exchange adjustments	—	—	—	—	—	151	—	—	—	—	151
Exercise of share options	26	2,657	—	—	—	—	—	—	—	—	2,683
Net profit for the period	—	—	—	—	—	—	—	—	180,137	—	180,137
Final 2002/2003 dividend declared	—	—	—	—	—	—	—	—	—	(185,437)	(185,437)
Proposed 2003/2004 interim dividend	—	—	—	—	—	—	—	—	(105,996)	105,996	—
<b>At 30th September 2003</b>	66,234	336,285	1,587	3,986	(110,603)	(12,166)	8,960	7,840	1,905,126	105,996	2,313,245
<b>At 1st April 2002</b>	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
Net profit for the period	—	—	—	—	—	—	—	—	303,195	—	303,195
Final 2001/2002 dividend paid	—	—	—	—	—	—	—	—	—	(158,838)	(158,838)
Proposed 2002/2003 interim dividend	—	—	—	—	—	—	—	—	(145,601)	145,601	—
<b>At 30th September 2002</b>	66,183	331,168	1,587	3,986	(110,603)	(12,414)	7,238	7,840	1,729,096	145,601	2,169,682

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## Condensed Consolidated Cash Flow Statement

	Six months ended 30th September	
	2003 (Unaudited) HK\$'000	2002 (Unaudited) HK\$'000 (Restated)
NET CASH INFLOW FROM OPERATING ACTIVITIES	280,490	187,907
NET CASH USED IN INVESTING ACTIVITIES	(251,334)	(98,516)
NET CASH USED IN FINANCING ACTIVITIES	<u>(7,821)</u>	<u>(170,836)</u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	21,335	(81,445)
Cash and cash equivalents at 1st April	484,414	556,195
Foreign exchange adjustments	<u>(686)</u>	<u>88</u>
CASH AND CASH EQUIVALENTS AT 30TH SEPTEMBER	<u><u>505,063</u></u>	<u><u>474,838</u></u>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	224,588	124,981
Time deposits	281,190	356,438
Less: Bank overdrafts	<u>(715)</u>	<u>(6,581)</u>
	<u><u>505,063</u></u>	<u><u>474,838</u></u>

# 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 Statements 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 adopted in the preparation of these unaudited condensed consolidated interim financial statements are consistent with those used in the Group’s audited financial statements for the year ended 31st March 2003 except the adoption of SSAP 12 (Revised): “Income taxes” which is effective for the first time for the accounting period commencing on or after 1st January 2003.

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 financial statements and the corresponding tax basis 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. However, the adoption of the SSAP 12 (Revised) has had no material effect on the Group’s net assets and results for the current or prior accounting periods. Accordingly, no prior period adjustment is required.

### 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.

# Financial Information

The Group's operating businesses 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) "Others" comprises principally the Group's motor and generator repair and maintenance and trading segment and the franchise services segment.

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

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.



# Financial Information

## (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		Others		Eliminations		Consolidated	
	2003 (Unaudited) HK\$'000	2002 (Unaudited) HK\$'000	2003 (Unaudited) HK\$'000	2002 (Unaudited) HK\$'000	2003 (Unaudited) HK\$'000	2002 (Unaudited) HK\$'000	2003 (Unaudited) HK\$'000	2002 (Unaudited) HK\$'000	2003 (Unaudited) HK\$'000	2002 (Unaudited) HK\$'000
Segment revenue:										
Sales to external customers	1,819,964	1,553,371	1,036,759	961,174	21,621	21,131	—	—	2,878,344	2,535,676
Intersegment sales	—	—	—	—	967	935	(967)	(935)	—	—
Other revenue	6,071	5,343	2,587	1,497	535	501	(584)	(592)	8,609	6,749
Total	1,826,035	1,558,714	1,039,346	962,671	23,123	22,567	(1,551)	(1,527)	2,886,953	2,542,425
Segment results	164,727	290,381	9,553	8,941	6,540	7,262	3,054	(1,351)	183,874	305,233
Interest income									1,507	4,077
Profit from operating activities									185,381	309,310
Share of profit of an associate									18,325	24,873
Finance costs									(1,739)	(1,528)
Profit before tax									201,967	332,655
Tax									(20,859)	(26,770)
Profit before minority interests									181,108	305,885
Minority interests									(971)	(2,690)
Net profit from ordinary activities attributable to shareholders									180,137	303,195

## (b) Geographical segments

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

	USA		Japan		Mainland China		Hong Kong		Others		Consolidated	
	2003 (Unaudited) HK\$'000	2002 (Unaudited) HK\$'000	2003 (Unaudited) HK\$'000	2002 (Unaudited) HK\$'000	2003 (Unaudited) HK\$'000	2002 (Unaudited) HK\$'000	2003 (Unaudited) HK\$'000	2002 (Unaudited) HK\$'000	2003 (Unaudited) HK\$'000	2002 (Unaudited) HK\$'000	2003 (Unaudited) HK\$'000	2002 (Unaudited) HK\$'000
Segment revenue:												
Sales to external customers	1,189,828	945,211	190,889	170,912	753,123	749,365	377,205	353,693	367,299	316,495	2,878,344	2,535,676

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## 4. Depreciation and amortisation

During the period, depreciation of fixed assets and amortisation of trademarks of the Group amounted to HK\$87,880,000 and HK\$1,460,000 (2002: HK\$75,602,000 and HK\$1,454,000), respectively.

## 5. Tax

Hong Kong profits tax has been provided at the rate of 17.5% (2002: 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	
	2003 (Unaudited) HK\$'000	2002 (Unaudited) HK\$'000
Hong Kong and the People's Republic of China (the "PRC") taxes:		
Current period provision	19,203	23,840
Deferred tax	—	809
	<u>19,203</u>	<u>24,649</u>
Share of tax attributable to an associate	<u>1,656</u>	<u>2,121</u>
Tax charge for the period	<u><u>20,859</u></u>	<u><u>26,770</u></u>

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## 6. Earnings per share

### (a) Basic earnings per share

The calculation of basic earnings per share is based on the net profit from ordinary activities attributable to shareholders for the period of HK\$180,137,000 (2002: HK\$303,195,000) and the weighted average number of 1,324,398,924 (2002: 1,323,648,104) 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	
	2003 (Unaudited) HK\$'000	2002 (Unaudited) HK\$'000
Net profit from ordinary activities attributable to shareholders	<u>180,137</u>	<u>303,195</u>
	Number of Shares	Number of Shares
Weighted average number of shares in issue during the period used in the calculation of basic earnings per share	1,324,398,924	1,323,648,104
Weighted average number of shares deemed to be issued for no consideration on deemed exercise of all share options outstanding during the period	<u>5,522,014</u>	<u>330,944</u>
Weighted average number of shares used in the calculation of diluted earnings per share	<u>1,329,920,938</u>	<u>1,323,979,048</u>

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## 7. Trade and bills receivable

An aged analysis of trade and bills receivables, net of provisions, is as follows:

	At 30th September 2003 (Unaudited) HK\$'000	At 31st March 2003 (Audited) HK\$'000
Within 90 days	511,132	373,630
Over 90 days	<u>30,647</u>	<u>8,200</u>
	<u>541,779</u>	<u>381,830</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.

## 8. Trade and bills payables

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

	At 30th September 2003 (Unaudited) HK\$'000	At 31st March 2003 (Audited) HK\$'000
Within 90 days	714,151	667,934
Over 90 days	<u>31,180</u>	<u>12,703</u>
	<u>745,331</u>	<u>680,637</u>

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## 9. Related party transactions

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

		Six months ended 30 September	
	Notes	2003 (Unaudited) HK\$'000	2002 (Unaudited) HK\$'000
Sales to Megawell Industrial Limited ("Megawell")	(i)	126,342	199,570
Purchases from Megawell	(ii)	<u>109,961</u>	<u>105,149</u>

*Notes:*

- (i) The sales to Megawell, the associate of the Group, were made according to the prices and conditions offered to the major customers of the Group.
- (ii) The directors consider 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 interim financial statements.

- (b) As at 30th September 2003, Nice Dyeing Factory Limited, a wholly-owned subsidiary of the Company, has provided advances of HK\$304,736,000 (31st March 2003: HK\$245,651,000) to Baleno Kingdom Limited, a non wholly-owned subsidiary, at prime rate minus 1.25% (31st March 2003: 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 Baleno Kingdom Limited.

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## 10. Contingent liabilities

- (a) Contingent liabilities not provided for in the interim financial statements were:

	At 30th September 2003 (Unaudited) HK\$'000	At 31st March 2003 (Audited) HK\$'000
Bank guarantees given in lieu of property rental deposits	3,902	2,358
Guarantees of banking facilities granted to an associate	12,500	14,000
Export bills discounted with recourse	140,365	158,672
	<u>156,767</u>	<u>175,030</u>

- (b) In respect of possible future long service payments to employees under the Hong Kong Employment Ordinance, the Group has made a provision of HK\$5,538,000 (31st March 2003: HK\$4,941,000) and has a further contingent liability with a maximum possible amount of HK\$8,431,000 as at 30th September 2003 (31st March 2003: HK\$5,855,000).

## 11. 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.

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At 30th September 2003, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	At 30th September 2003 (Unaudited) HK\$'000	At 31st March 2003 (Audited) HK\$'000
Within one year	2,927	3,596
In the second to fifth years, inclusive	704	1,214
	<u>3,631</u>	<u>4,810</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 2003, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	At 30th September 2003 (Unaudited) HK\$'000	At 31st March 2003 (Audited) HK\$'000
Within one year	466,624	359,436
In the second to fifth years, inclusive	592,511	536,479
After five years	500,678	307,863
	<u>1,559,813</u>	<u>1,203,778</u>

# Financial Information

## 12. Commitments

In addition to the operating lease commitments detailed in note 11 above, the Group had the following commitments at the balance sheet date:

### (a) Capital commitments

	At 30th September 2003 (Unaudited) HK\$'000	At 31st March 2003 (Audited) HK\$'000
In respect of fixed assets, contracted, but not provided for	74,402	81,507
In respect of fixed assets, authorised, but not contracted for	360,040	375,600
In respect of investment in subsidiaries in the PRC, contracted, but not provided for	925,699	493,390
	<u>1,360,141</u>	<u>950,497</u>

### (b) Commitments under forward foreign exchange contracts

	At 30th September 2003 (Unaudited) HK\$'000	At 31st March 2003 (Audited) HK\$'000
Forward foreign exchange contracts	<u>1,790,454</u>	<u>—</u>



# Financial Information

## 13. Post balance sheet event

- (a) In October 2003, the Group obtained two long term bank loans of aggregate amount HK\$300 million, with maturity due within two years, mainly for the additions of capital expenditure.
- (b) On 1st December 2003, 90,000 share options were exercised by certain employees of the Group and 90,000 new shares were issued by the Company.