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Chairman's Statement

Results

Turnover for the 12 months period amounted to HK\$1.6 billion, down 29%. Unaudited net loss attributable to shareholders for the 12 months ended 30th September, 2002 was about HK\$27 million, compared with a profit of HK\$102 million last year, or HK\$43 million after writing off Theme's goodwill of HK\$59 million.

The board of directors declared the second interim dividend of one Hong Kong cent per share.

Private Label and Manufacturing Operations

The terrorist attack of September 11 accelerated the US economy downdraft. Competition throughout the apparel industry intensified. Business in the moderate and high end market, notably silk apparel, was particularly difficult. We suffered from abrupt reduction in price, profit margin and order quantities. The Group's export business was badly hit. Turnover dropped by 38% for the six months to September compared to the same period last year.

Despite this set back, the Group's core manufacturing export business recorded a profit, thanks to our solid foundation and the initiatives we had taken over the years to shield us against shocks in the market. In response to volatile market environments, we quickly renovated our marketing and sales strategies. We took initiatives to further slash the overheads across our company and further delay our company. Orders on hand for 2003 has increased by 20% compared with the corresponding period.

Branded Label

Inevitably, the terrorist attack of September 11 had an adverse impact on the performance of August Silk. August Silk Inc suffered from intensified pressure on price, profit margin as well as order quantities. It recorded an operation loss. We quickly adopted a 'great value strategy' in terms of innovative products, design and pricing to generate new business. Orders on hand for 2003 has grown by 40% compared to the corresponding period. We anticipate that August Silk Inc will have a profitable year of 2003.

Chairman's Statement

Retail Business

The performance of our retail operation was disappointing. Operating loss from our retail business totaled HK\$59 million. Theme accounted for HK\$24 million.

In response to the radical changes of domestic economy of our retail markets, we took decisive actions to correct our entire retail operations. We put an end to our U-campus operation. We withdrew from the Wahaha children wear joint venture due to difference of corporate culture and values with our Chinese partner. Full provision was made for the losses and preliminary expenses of U-campus and Wahaha. We focus on leveraging Theme's established base to capture the huge retail business potential in China. Theme's core management was changed and reorganized. We relentlessly slashed our overheads and downsized our operation in Hong Kong. We are confident that we can quickly contain the loss of Theme and turn it around.

Prospects

More than ever, and in spite of a fragile economic climate, we leverage on our unique resources and deepened our partnership with our customers by proactively customizing our products and services of enhanced value to propel our mutual business. Our aggressive marketing and product initiatives readily ensure us a reasonable profit bottom line.

Appreciation

On behalf of the Board, I would like to take this opportunity to extend my sincere thanks to our customers, suppliers and shareholders for their continuous co-operation and support to the Group. I wish to thank the management and staff for their devotion and hard work.

Lam Foo Wah

Executive Chairman

Hong Kong, 17th December, 2002

Management Discussion and Analysis

Results

We have changed our financial year-end date to 31st December to be coterminous with our subsidiaries in the PRC. The current accounting period will cover a period of 15 months. This is our second interim report on the first twelve months of the accounting period. Turnover for the 12 months period amounted to HK\$1.6 billion, down 29% from the previous year. Unaudited net loss attributable to shareholders for the twelve months ended 30th September, 2002 was about HK\$27 million, compared with a reported profit of HK\$102 million (after writing off Theme's goodwill of HK\$59 million, the adjusted profit was HK\$43 million) last year. Basic loss per share was 8.6 HK cents. The net asset value per share was HK\$1.75.

Segmental Information

For the six-month period since our last interim report, turnover and the loss attributable to shareholders were HK\$735 million and HK\$38 million respectively. The segmental information for this six-month period is as follows:

	For the six months ended 30th September,				Change %	
	2002	2001	2002	2001	Turnover	Contribution
	Turnover		Contribution			
	HK\$'000	<i>HK\$'000</i>	HK\$'000	<i>HK\$'000</i>		
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)		
By principal activity:						
Manufacturing and trading	631,741	1,026,145	1,816	92,512	(38)	(98)
Retailing	102,830	96,487	(32,664)	(16,039)	7	(104)
	734,571	1,122,632	(30,848)	76,473	(35)	(140)
By geographical area:						
United States of America	544,517	853,291	(4,672)	70,007	(36)	(107)
Europe	80,176	76,226	(5,410)	3,075	5	(276)
Greater China	106,070	175,196	(18,281)	1,049	(39)	(1,843)
Others	3,808	17,919	(2,485)	2,342	(79)	(206)
	734,571	1,122,632	(30,848)	76,473	(35)	(140)

Our core manufacturing and trading business, though suffered from a significant decrease in turnover of 38% for the six months to September 2002, reported a small operating profit. The retail business recorded an increase of 7% in turnover. Nevertheless, it reported an operating loss of about HK\$33 million.

Management Discussion and Analysis

Review of Operation

Private Labels and Manufacturing Operations

The Group's export business was badly hit as a result of the September 11 incident. Our business suffered from abrupt reduction in price, profit margin and order quantities. Despite this set back, the Group's core manufacturing export business recorded a profit, attributable to our solid foundation and the initiatives we had taken over the years to shield us against shocks in the market. We quickly renovated our marketing and product strategies, took initiatives to further slash the overheads across our company and to further delay our company. Orders on hand have increased by 20% over the corresponding period.

Branded Labels and Retail Business

The terrorist attack of September 11 inevitably had an adverse impact on the performance of August Silk Inc., our marketing office in USA. It suffered from decreased turnover, order quantities, gross margin and reported a loss for the period. It has since taken initiatives to rejuvenate its product lines with competitive pricing in response to changed market needs. Orders on hand for 2003 has increased by 40% compared to the corresponding period. We anticipate August Silk Inc will have a profitable year of 2003.

We ceased our U-campus operation. Full provision was made for losses incurred from this operation.

Owing to difference in corporate culture and values with our Chinese partner, we withdrew from Wahaha joint venture. Our project development expenses were fully written off during the period.

Theme had a disappointing spring/summer season, as a result of the difficult retail environment in Hong Kong and Taiwan and provision for excessive inventories. The development of PRC franchise operation was slower than expected due to change of core management staff. Theme reported a loss of HK\$ 16 million for the six-month period.

We sharpened our focus on Theme to capture the vast retail market in the PRC. We are confident that we can quickly contain the loss of Theme and turn it around.

Management Discussion and Analysis

Liquidity and Financial Resources

The Group secured medium term banking facilities of about HK\$200 million, fully drawn during the period. These facilities with lower interest rate were mainly used to replace the Group's short-term banking facilities. The Group's total outstanding bank borrowings were approximately HK\$360 million at the period end date. The Group's cash and bank balances totalled HK\$149 million at the balance sheet date.

Our gearing ratio of non-current liabilities to shareholders' funds was 22% at the balance sheet date. The current ratio was maintained at a healthy level of 1.5.

The Group has sufficient working capital and liquidity to meet its operating needs.

The Group's receivables were mainly denominated in US dollars. Bank borrowings were denominated in US dollars, Hong Kong dollars and Renminbi. Since the Hong Kong dollar is pegged to the US dollar, the Group considers that its foreign exchange risk is minimal.

The Group has no material contingent liabilities other than trade bills discounted in the ordinary course of business. Apart from the pledge of trade receivables of certain subsidiaries of HK\$51 million and a subsidiary's property mortgage loan of HK\$1.6 million, there are no other charges on the Group's assets.

The increase in deposits, prepayments and other receivables was mainly due to the increase of refundable Value Added Tax in the PRC.

Capital Expenditure

The acquisition of High Fashion Kaidi, made in June 2001 and reported in our 2001 annual report, was completed in April 2002. The transaction resulted in the decrease of about HK\$80 million cash and a corresponding increase in fixed assets. Apart from this transaction, there was no material capital expenditure during the period.

General

The total number of employees of the Group including jointly-controlled entities was downsized from 13,000 to 10,500 at 30th September, 2002, down 19%.

Condensed Consolidated Financial Statements

The Board of Directors of High Fashion International Limited (the "Company") announces the unaudited consolidated interim results of the Company and its subsidiaries (the "Group") for the twelve months ended 30th September, 2002 together with the comparative figures are set out as follows:-

Condensed Consolidated Profit and Loss Account

		Twelve months ended 30th September,	
		2002	2001
		(Unaudited) HK\$'000	(Audited and restated) HK\$'000
	<i>Notes</i>		
TURNOVER	3	1,641,481	2,325,666
Cost of sales		(1,152,549)	(1,656,376)
Gross profit		488,932	669,290
Other revenue		20,518	29,925
Selling and distribution expenses		(216,852)	(234,041)
Administrative expenses		(285,500)	(307,270)
PROFIT FROM OPERATING ACTIVITIES	3, 4	7,098	157,904
Finance costs	5	(28,005)	(37,604)
		(20,907)	120,300
Loss on disposal of subsidiaries, associate and jointly-controlled entities		(6,672)	-
Write back/(Provision against) of investments in and amounts due from jointly-controlled entities	6	3,284	(14,003)
Impairment of goodwill	2	-	(58,672)
Share of profits less losses of:			
Jointly-controlled entities		1,562	1,182
Associates		(1,016)	2,009
PROFIT/(LOSS) BEFORE TAX		(23,749)	50,816
Tax	7	(2,789)	(6,892)
PROFIT/(LOSS) BEFORE MINORITY INTERESTS		(26,538)	43,924
Minority interests		(633)	(716)
NET PROFIT/(LOSS) FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS		(27,171)	43,208
DIVIDENDS		6,473	46,789
EARNINGS/(LOSS) PER SHARE			
Basic	8	(8.6 cents)	13.9 cents
Diluted		N/A	13.4 cents

Condensed Consolidated Financial Statements

Condensed Consolidated Statement of Recognised Gains and Losses

	2002	2001
	(Unaudited)	(Audited
	HK\$'000	and restated)
		<i>HK\$'000</i>
Revaluation surplus on investment properties	-	213
Exchange differences on translation of the financial statements of foreign entities	1,484	935
Net gains not recognised in the profit and loss account	1,484	1,148
Net profit/(loss) for the period attributable to shareholders	(27,171)	43,208
Total recognised gains and losses	(25,687)	44,356
Capital reserve/(goodwill) credited to reserves	-	64,002
	(25,687)	108,358

Condensed Consolidated Financial Statements

Condensed Consolidated Balance Sheet

	<i>Notes</i>	30th September, 2002 (Unaudited) HK\$'000	30th September, 2001 (Audited and restated) HK\$'000
NON-CURRENT ASSETS			
Fixed assets		318,910	266,606
Investment properties		29,000	29,000
Trademarks		6,226	6,917
Interests in jointly-controlled entities		27,892	19,006
Interests in associates		(608)	9,503
Long term investments		13,793	13,793
		395,213	344,825
CURRENT ASSETS			
Cash and bank balances		147,601	153,795
Time deposits		1,167	118,811
Banking bonds and certificate of deposits		33,447	23,452
Bills receivable		13,839	5,560
Trade receivables	9	205,073	260,422
Inventories		289,498	302,478
Deposits, prepayments and other receivables		220,316	155,358
Amounts due from jointly-controlled entities		-	1,109
		910,941	1,020,985
CURRENT LIABILITIES			
Bank loans and overdrafts		242,353	306,284
Finance lease and hire purchase contract payables		310	433
Bills payable		4,414	35,970
Trade payables and accrued purchases	10	197,841	198,007
Other payables and accruals		152,059	157,798
Tax payable		8,064	7,539
Amounts due to associates		-	4,038
Amounts due to jointly-controlled entities		2,611	8,688
		607,652	718,757

Condensed Consolidated Financial Statements

Condensed Consolidated Balance Sheet (Continued)

	<i>Notes</i>	30th September, 2002 (Unaudited) HK\$'000	30th September, 2001 (Audited and restated) HK\$'000
NET CURRENT ASSETS		303,289	302,228
TOTAL ASSETS LESS CURRENT LIABILITIES		698,502	647,053
NON-CURRENT LIABILITIES			
Bank loans		118,120	22,000
Finance lease and hire purchase contract payables		367	307
Deferred tax		3,430	3,430
		121,917	25,737
MINORITY INTERESTS		9,541	19,762
		567,044	601,554
CAPITAL AND RESERVES			
Issued capital		32,390	31,192
Reserves	<i>11</i>	531,411	545,407
Proposed dividend	<i>2, 11</i>	3,243	24,955
		567,044	601,554

Condensed Consolidated Financial Statements

Condensed Consolidated Cash Flow Statement

	Twelve months ended 30th September,	
	2002 (Unaudited) HK\$'000	2001 (Audited) HK\$'000
Net cash inflow/(outflow) from operating activities	(94,696)	137,996
Net cash outflow from returns on investments and servicing of finance	(35,190)	(87,540)
Taxes paid	(1,512)	(4,917)
Net cash outflow from investing activities	(122,550)	(126,657)
Net cash outflow before financing activities	(253,948)	(81,118)
Net cash inflow from financing activities	157,311	57,255
Decrease in cash and cash equivalents	(96,637)	(23,863)
Cash and cash equivalents at beginning of period	235,531	258,288
Effect of foreign exchange rate changes, net	1,606	1,106
Cash and cash equivalents at end of period	140,500	235,531
Analysis of balances of cash and cash equivalents		
Cash and bank balances	147,601	153,795
Time deposits with original maturity of less than three months when acquired	1,167	118,811
Bank overdrafts	(2,728)	(1,086)
Trust receipt loans	(5,540)	(35,989)
	140,500	235,531

Condensed Consolidated Financial Statements

Notes to Condensed Consolidated Financial Statements

1. Accounting policies

- (a) The unaudited condensed consolidated interim financial statements are prepared in accordance with Hong Kong Statement of Standard Accounting Practice ("SSAP") No. 25 "Interim Financial Reporting". The accounting policies and basis of preparation used in the preparation of the interim financial statements are the same as those used in the annual financial statements for the year ended 30th September, 2001 except that the Group has changed certain of its accounting policies following its adoption of the SSAPs issued by the Hong Kong Society of Accountants which for the Group became effective as of 1st October, 2001.

The major changes to the Group's accounting policies are set out below:

(i) *SSAP 9 (revised) – Events after the balance sheet date*

In accordance with the revised SSAP 9, the Group no longer recognised dividends proposed or declared after the balance sheet date as a liability at the balance sheet date. This change in accounting policy has been applied retrospectively so that the comparatives presented have been restated to conform to the changed policy.

(ii) *SSAP 29 – Intangibles*

Trademarks are stated at cost and amortised on the straight-line basis over their estimated useful lives of 10 years.

(iii) *SSAP 30 – Business combinations*

SSAP 30 prescribes the treatment of business combinations, including the determination of the date of acquisition and the fair values of the assets and liabilities acquired, and the treatment of goodwill or negative goodwill on acquisition. The SSAP requires the disclosure of goodwill or negative goodwill on future acquisition in the non-current assets section of the balance sheet, and that such goodwill or negative goodwill is amortized to or recognized in the profit and loss account over its estimated useful life, and has had no major impact on these financial statement. Interpretation 13 prescribes the application of SSAP 30 to goodwill arising from acquisition in previous years which remains eliminated against reserves. The Group has adopted the transitional provisions of SSAP 30 and the Interpretation. A prior period adjustment has been applied retrospectively in accordance with SSAP 2 "Net profit or loss for the period, fundamental errors and changes in accounting policies", further details of which are included in note 2 to the financial statements.

(iv) *SSAP 31 – Impairment of assets*

SSAP 31 prescribes the recognition and measurement criteria for impairment of assets, together with disclosure requirements. Interpretation 12 prescribes the application of SSAP 31 to subsequent adjustment of fair values and goodwill initially reported. The adoption of SSAP 31 and the interpretation in conjunction with the transitional provisions of SSAP 30 have resulted in a prior period adjustment regarding the impairment of goodwill described above. The impact of this SSAP is set out in note 2 to the financial statements.

Condensed Consolidated Financial Statements

(b) Comparative figures

Certain comparative figures for the twelve months ended 30th September, 2002 were reclassified as in the opinion of the directors, such reclassification would produce a more appropriate presentation of the Group's operating results.

2. Prior period adjustment

(i) Dividends

The previously recorded dividend proposed and declared after the balance sheet date but accrued in the accounts for the period ended 30th September, 2001 was HK\$24,955,000. Under the Group's new accounting policy as described in note 1(a), these have been written back to the opening reserves as at 1st October, 2001 in note 11 and are now charged in the period in which they were proposed.

(ii) Goodwill

In accordance with the requirements of SSAP 31 "Impairment of assets" and the transitional provisions of SSAP 30 "Business combinations", an adjustment has been made concerning the impairment of goodwill arising prior to the adoption of SSAP 30 which was eliminated against retained profits. The adjustment, which represents a change in accounting policy, has been applied retrospectively in accordance with SSAP 2 "Net profit or loss for the period, fundamental errors and changes in accounting policies". Accordingly, goodwill in the amount of HK\$58,672,000 which was impaired in the prior year has been recognized directly in the prior year's profit and loss account for the year ended 30th September, 2001.

3. Segmental information

	Twelve months ended 30th September,			
	2002	2001	2002	2001
	Turnover		Contribution	
	HK\$'000 (Unaudited)	HK\$'000 (Audited)	HK\$'000 (Unaudited)	HK\$'000 (Audited)
By principal activity:				
Manufacturing and trading	1,414,034	2,110,344	65,873	179,081
Retailing	227,447	215,322	(58,775)	(21,177)
	<u>1,641,481</u>	<u>2,325,666</u>	<u>7,098</u>	<u>157,904</u>
By geographical area:				
United States of America	1,228,415	1,798,954	51,666	137,831
Europe	148,213	169,015	(4,210)	7,997
Greater China	246,851	322,072	(37,260)	7,881
Others	18,002	35,625	(3,098)	4,195
	<u>1,641,481</u>	<u>2,325,666</u>	<u>7,098</u>	<u>157,904</u>

Condensed Consolidated Financial Statements

4. Profit from operating activities

The Group's profit from operating activities is arrived at after charging:

	Twelve months ended 30th September,	
	2002 (Unaudited) HK\$'000	2001 (Audited) HK\$'000
Depreciation of fixed assets	37,564	28,480
Amortisation of trademarks	691	-
	<u>38,255</u>	<u>28,480</u>

5. Finance costs

	Twelve months ended 30th September,	
	2002 (Unaudited) HK\$'000	2001 (Audited) HK\$'000
Interest on bank loans, overdrafts and other loans wholly repayable within five years	17,646	25,205
Interest on finance leases and hire purchase contracts	222	331
Factoring expenses	4,000	5,778
Bank charges	6,137	6,290
	<u>28,005</u>	<u>37,604</u>

6. Write back/(Provision against) of investments in and amounts due from jointly-controlled entities

Being write back or specific provision for investments in and amounts due from two manufacturing jointly-controlled entities in Guangdong of China.

	Twelve months ended 30th September,	
	2002 (Unaudited) HK\$'000	2001 (Audited) HK\$'000
Provision against investments in and amounts due from jointly-controlled entities	(4,560)	(14,003)
Write back of provision against investments in and amounts due from jointly-controlled entities	7,844	-
	<u>3,284</u>	<u>(14,003)</u>

Condensed Consolidated Financial Statements

7. Tax

	Twelve months ended 30th September,	
	2002 (Unaudited) HK\$'000	2001 (Audited) HK\$'000
Group:		
Hong Kong	630	2,970
Elsewhere	2,164	2,234
Overprovision in prior years	(69)	(326)
Deferred	-	1,230
	2,725	6,108
Share of tax attributable to:		
Jointly-controlled entities	64	775
Associates	-	9
	64	784
Tax charge for the period	2,789	6,892

Hong Kong profits tax has been provided at the rate of 16% (2001: 16%) on the estimated assessable profits arising in Hong Kong during the period under review. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

8. Earnings/(loss) per share

The calculation of basic loss per share is based on the net loss attributable to shareholders for the period of HK\$27,171,000 (2001: net profit of HK\$43,208,000) and the weighted average of 316,811,546 (2001: 311,940,758) ordinary shares in issue during the period.

The diluted loss per share for the period has not been calculated as the Company's share options would have had an anti-dilutive effect.

The calculation of prior period's diluted earnings per share was based on the net profit attributable to shareholders of HK\$43,208,000. The weighted average number of ordinary shares used in the calculation was 311,940,758 ordinary shares in issue during the period, as used in the basic earnings per share calculation, and the weighted average of 10,458,802 ordinary shares assumed to have been issued at no consideration on the deemed exercise of all share options during the period.

Condensed Consolidated Financial Statements

9. Trade receivables

	30th September, 2002 (Unaudited) HK\$'000	30th September, 2001 (Audited) HK\$'000
Current to 90 days	197,675	250,952
91 to 180 days	4,377	5,809
181 to 360 days	1,018	2,849
Over 360 days	2,003	812
	<hr/> 205,073 <hr/>	<hr/> 260,422 <hr/>

The Group allows an average credit period of 30 to 60 days to its trade debtors.

10. Trade payables and accrued purchases

	30th September, 2002 (Unaudited) HK\$'000	30th September, 2001 (Audited) HK\$'000
Trade payables:		
Current to 90 days	113,710	106,077
91 to 180 days	14,150	12,820
181 to 360 days	6,989	9,763
Over 360 days	5,630	8,299
	<hr/> 140,479 <hr/>	<hr/> 136,959 <hr/>
Accrued purchases	57,362	61,048
	<hr/> 197,841 <hr/>	<hr/> 198,007 <hr/>

Condensed Consolidated Financial Statements

11. Reserves

	Share premium account <i>HK\$'000</i>	Exchange fluctuation reserve <i>HK\$'000</i>	Reserve funds <i>HK\$'000</i>	Capital reserve/ (goodwill) <i>HK\$'000</i>	Capital redemption reserve <i>HK\$'000</i>	Investment properties revaluation reserve <i>HK\$'000</i>	Retained profits <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 30th September, 2001 as previously reported	275,941	(2,093)	11,607	(52,611)	4,703	213	307,647	545,407
Effect of SSAP 31 with respect to impairment of goodwill	-	-	-	58,672	-	-	(58,672)	-
Effect of SSAP 9 (revised) with respect to declaration of 2000/2001 final dividend	-	-	-	-	-	-	24,955	24,955
At 30th September, 2001 as restated	275,941	(2,093)	11,607	6,061	4,703	213	273,930	570,362
Exchange realignments	-	1,484	-	-	-	-	-	1,484
Loss for the period	-	-	-	-	-	-	(27,171)	(27,171)
2000/2001 final dividend paid	-	-	-	-	-	-	(24,955)	(24,955)
2001/2002 interim dividend paid	-	-	-	-	-	-	(3,230)	(3,230)
Scrip dividend issued	15,267	-	-	-	-	-	-	15,267
Exercise of share options	729	-	-	-	-	-	-	729
Disposal of subsidiaries, associates and jointly-controlled entities	-	2,168	(6,712)	-	-	-	6,712	2,168
At 30th September, 2002	291,937	1,559	4,895	6,061	4,703	213	225,286	534,654
Representing:								
At 30th September, 2002 after proposed interim dividend								531,411
2002 interim dividend proposed								3,243
								534,654

Condensed Consolidated Financial Statements

12. Related party transactions

The Group had the following transactions with related parties during the period:

	Twelve months ended 30th September,	
	2002 (Unaudited) HK\$'000	2001 (Audited) HK\$'000
Purchases of raw materials and finished goods from jointly-controlled entities	34,712	314,433
Purchases of raw materials and finished goods from an associate	3,774	5,321
Professional fees paid to Wilkinson & Grist	682	388

13. Contingent liabilities

	30th September, 2002 (Unaudited) HK\$'000	30th September, 2001 (Audited) HK\$'000
Bank guarantees given in lieu of utility, property rental and other service deposits	1,081	1,081
Bills discounted with recourse	6,388	30,456
Trade receivables factored with recourse	197	187
Guarantees given to banks in connection with facilities granted to third party	5,660	21,226
	13,326	52,950

Other Information

Dividend

The Board of Directors declared the second interim dividend of 1 HK cent (2001: final dividend in the form of a scrip dividend of 1 new share for every 20 shares with a conditional cash option of 8 HK cents) per share on the shares in issue aggregating a total of HK\$3,243,000 (2001: HK\$24,955,000), which will be payable on or about 20th January, 2003 to shareholders whose names appear on the Register of Members on 10th January, 2003. The Board of Directors has declared an interim dividend of 1 HK cent (2001: 7 HK cents) for the six months ended 31st March, 2002 on 27th June, 2002.

Closure of Register of Members

The Register of Members will be closed from 7th January, 2003 (Tuesday) to 10th January, 2003 (Friday), both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the interim dividend, all transfer of shares accompanied by the relevant share certificates must be lodged with the Company's sub-registrar and transfer agent in Hong Kong, Secretaries Limited of 5th Floor, Wing On Centre, 111 Connaught Road Central, Hong Kong for registration by no later than 4:00 p.m. on Monday, 6th January, 2003.

Purchase, Sale or Redemption of Listed Securities

During the twelve months ended 30th September, 2002, the Company has not redeemed any of the Company's listed securities, neither the Company, nor any of its subsidiaries has purchased or sold any of the Company's listed securities.

Code of Best Practice

None of the directors is aware of information that would reasonably indicate that the Company is not, or was not for any part of the twelve months ended 30th September, 2002, in compliance with Appendix 14.

Other Information

Directors' Interests in Shares

As at 30th September, 2002, the interests of the directors in the share capital of the Company and its subsidiaries as recorded in the register maintained by the Company pursuant to Section 29 of the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance") were as follows:

(i) The Company

Name of Director	Notes	Number of ordinary shares held and nature of interest		
		Personal	Family	Other
Lam Foo Wah	1,2,3	-	-	120,807,986
Ip Weng Kun	4	-	-	5,627,848
So Siu Hang, Patricia		1,508,809	-	-
Hui Yip Wing		-	2,652,007	-
Wong Shing Loong, Raymond		2,600,000	-	-
Jack Weinstock		1,178,600	-	-

(ii) Subsidiary - High Fashion Knitters Limited

Name of Director	Note	Nature of interest	Number of ordinary shares held
Lam Foo Wah	5	Corporate	5,339,431

Notes:

- Mr. Lam Foo Wah is deemed to have an interest in 10,672,797 ordinary shares which are beneficially owned by Annick Investment Limited, the entire issued share capital of which is held under a related discretionary trust.
- Mr. Lam Foo Wah is deemed to have an interest in 77,963,622 ordinary shares which are beneficially owned by Hinton Company Limited, the entire issued share capital of which is held under a related discretionary trust.
- Mr. Lam Foo Wah is deemed to have interests in 32,171,567 ordinary shares which is beneficially owned by High Fashion Charitable Foundation Limited, the entire issued share capital of which is held under a related discretionary trust.
- Mr. Ip Weng Kun is deemed to have an interest in 5,627,848 shares which are beneficially owned by Major Rank Holdings Limited, the entire issued share capital of which is held under a related discretionary trust.
- These shares are held through three companies beneficially owned by Mr. Lam Foo Wah.

Other Information

The interests of the directors in the share options of the Company are separately disclosed in the section "Share Option".

Save as disclosed above, none of the Directors, chief executives or their associates had any personal, family, corporate or other interests in the equity or debt securities of the Company, its subsidiaries or any of its associated corporations as defined in the SDI Ordinance as at 30th September, 2002.

Share Option

Pursuant to the Company's share option scheme, the Company granted options on the Company's ordinary shares in favour of certain directors and employees on 5th May, 1999, the details of which are as follows:

Name of director and employees	Outstanding at beginning of the period	Exercised during the period	Exercise price	Weighted average closing price*	Outstanding at end of the period
			<i>HK\$</i>	<i>HK\$</i>	
Lam Foo Wah	3,800,000	-	-	-	3,800,000
Ip Weng Kun	1,500,000	-	-	-	1,500,000
So Siu Hang, Patricia	1,200,000	-	-	-	1,200,000
Wong Shing Loong, Raymond	1,000,000	-	-	-	1,000,000
Jack Weinstock	500,000	200,000	0.505	0.97	300,000
Aggregate figures for employees	<u>7,200,000</u>	<u>2,080,000</u>	0.505	1.52	<u>5,120,000</u>
	<u>15,200,000</u>	<u>2,280,000</u>			<u>12,920,000</u>

Note: 40% of the options granted are exercisable during the period from 5th May, 2002 to 4th May, 2009, 30% of the options granted are exercisable during the period from 5th May, 2003 to 4th May, 2009 and the remaining 30% are exercisable during the period from 5th May, 2004 to 4th May, 2009.

* *The weighted average closing price of the shares immediately before the dates on which the options were exercised.*

Save as disclosed above, no options were granted, exercised, cancelled or lapsed under the existing share option scheme during the period.

Other Information

Apart from the Company's share option scheme, during the twelve months ended 30th September, 2002 no rights were granted to the Directors, chief executives of the Company, or any of their spouses or children under eighteen years of age to subscribe for equity or debt securities of the Company.

Substantial Shareholders

As at 30th September, 2002, the following interests in 10% or more of the issued share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 16(1) of the SDI Ordinance.

Name	Number of ordinary shares held	%
Hinton Company Limited	77,963,622	About 24

The interests of Hinton Company Limited has also been disclosed as the interests of Mr. Lam Foo Wah under the section "Directors' interests in shares".

Save as disclosed above, no person, other than the directors of the Company, whose interests are set out in the section "Directors' interests in shares", had registered an interest in the share capital of the Company that was required to be recorded under Section 16(1) of the SDI Ordinance.