

Notes to the condensed consolidated financial statements

(Expressed in Hong Kong dollars)

1. Basis of preparation and significant accounting policies

The unaudited condensed consolidated interim financial statements are prepared in accordance with Statement of Standard Accounting Practice ("SSAP") No. 25 "Interim Financial Reporting" issued by the Hong Kong Society of Accountants. The accounting policies and basis of preparation used in the preparation of these interim financial statements are the same as those used in the preparation of the audited financial statements for the year ended 30 June 2003, except as disclosed below.

SSAP 12 (Revised) "Income Taxes" (revised in August 2002) has been adopted for the first time in the preparation of these interim financial statements. SSAP 12 (Revised) principally prescribes the accounting treatment and disclosures for deferred tax. In prior years, deferred tax was provided using the income statement liability method on all significant timing differences to the extent it was probable that the liability would crystallise in the foreseeable future. SSAP 12 (Revised) requires the adoption of the balance sheet liability method, whereby deferred tax is recognised in respect of all temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, with limited exceptions. The new accounting policy has been applied retrospectively.

As a result of the adoption of this accounting policy, the Group's revaluation reserve and accumulated losses as at 1 July 2003 have been decreased by \$5,023,000 and \$9,427,000 respectively, with a corresponding net increase in deferred tax assets of \$4,404,000. The Group's profit for the period has been decreased by \$1,065,000 (2002: decreased by \$776,000).

Comparative figures for the period ended 31 December 2002 and as at 30 June 2003 have been restated accordingly.

2. Segment information

An analysis of the Group's revenue and results by business segment is not presented as the Group's revenue and results are predominantly derived from manufacturing, retailing and trading of apparel.



An analysis of the Group's revenue and results by geographical segment for the interim period ended 31 December 2003, together with the comparative figures for the corresponding period in 2002, is as follows:

(Unaudited)	Mainland China		Japan		Consolidated	
	2003	2002	2003	2002	2003	2002
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
						(Restated)
Segment revenue:						
Sales to external customers	90,938	78,541	3,096	3,148	94,034	81,689
Other revenue	3,224	2,770	—	—	3,224	2,770
Total segment revenue	94,162	81,311	3,096	3,148	97,258	84,459
Interest income and other unallocated income					164	33
Total revenue					97,422	84,492
Segment results	2,547	2,403	161	156	2,708	2,559
Interest income and other unallocated income					164	33
Profit from operating activities					2,872	2,592
Finance costs					(380)	(709)
Profit from ordinary activities before taxation					2,492	1,883
Taxation					(1,229)	(1,017)
Net profit attributable to shareholders					1,263	866

Certain comparative figures for segment information and other revenue have been reclassified to conform with the current period's presentation.

3. Other revenue

	Six months ended	
	31 December	
	2003	2002
	(Unaudited)	(Unaudited)
	\$'000	\$'000
Interest income	28	27
Rental income	982	1,338
Sub-contracting fee	1,857	1,121
Franchising income	385	311
Others	136	6
	<u>3,388</u>	<u>2,803</u>

4. Profit from ordinary activities before taxation

Profit from ordinary activities before taxation is arrived at after charging:

	Six months ended	
	31 December	
	2003	2002
	(Unaudited)	(Unaudited)
	\$'000	\$'000
Finance costs:		
Interest on bank advances and other borrowings repayable within five years	380	709
Depreciation	<u>5,572</u>	<u>5,310</u>



5. Taxation

Taxation in the condensed consolidated income statement represents:

	Six months ended	
	31 December	
	2003	2002
	(Unaudited)	(Unaudited)
	\$'000	\$'000
		(Restated)
Current tax		
– Taxation outside Hong Kong	164	241
Deferred tax		
– Origination and reversal of temporary differences	1,065	776
	<u>1,229</u>	<u>1,017</u>

No provision for Hong Kong profits tax has been made as the Group had no assessable profits arising in Hong Kong during the interim period ended 31 December 2003 (2002: Nil).

Taxation for the Group's operations outside Hong Kong is provided at the applicable rates of taxation on the estimated assessable profits arising in the relevant jurisdiction during the period.

6. Dividends

No interim dividend has been declared in respect of the interim period ended 31 December 2003 (2002: Nil).

7. Basic earnings per share

The calculation of basic earnings per share is based on the consolidated profit attributable to shareholders of \$1,263,000 (2002: \$866,000, restated) divided by the weighted average of 1,029,375,000 ordinary shares (2002: 961,929,000 ordinary shares) in issue during the period. Diluted figures are not shown as there is no dilutive effect for the interim period ended 31 December 2003 (2002: Nil).

8. Trade and other receivables

	As at 31 December 2003 (Unaudited) \$'000	As at 30 June 2003 (Audited) \$'000
Trade debtors	14,051	8,825
Prepayments, deposits and other receivables	<u>23,370</u>	<u>12,486</u>
	<u>37,421</u>	<u>21,311</u>

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

The following is an ageing analysis of trade debtors (net of specific allowances for bad and doubtful debts):

	As at 31 December 2003 (Unaudited) \$'000	As at 30 June 2003 (Audited) \$'000
Within 1 month	8,050	3,151
1 to 3 months	5,492	5,634
More than 3 months but less than 12 months	<u>509</u>	<u>40</u>
Total trade debtors	<u>14,051</u>	<u>8,825</u>

The credit terms given to the customers vary and are generally based on the financial strengths of individual customers. In order to effectively manage the credit risks associated with trade debtors, credit evaluations of customers are performed periodically.



9. Bank loans – secured

The bank loans of the Group were repayable as follows:

	As at 31 December 2003 (Unaudited) \$'000	As at 30 June 2003 (Audited) \$'000
Within 1 year or on demand	9,850	2,354

The bank loans of the Group are secured by the Group's properties with an aggregate carrying value of \$34,025,000 at 31 December 2003 (30 June 2003: secured by the Group's properties with an aggregate carrying value of \$17,993,000).

10. Trade and other payables

	As at 31 December 2003 (Unaudited) \$'000	As at 30 June 2003 (Audited) \$'000
Trade creditors	18,697	19,512
Other payables and accrued liabilities	32,135	28,355
Tax payable	268	130
	51,100	47,997

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

The following is an ageing analysis of trade creditors:

	As at 31 December 2003 (Unaudited) \$'000	As at 30 June 2003 (Audited) \$'000
Within 1 month or demand	8,875	3,754
1 to 3 months	9	114
More than 3 months but within 6 months	–	15
Over 6 months	9,813	15,629
	<hr/> 18,697	<hr/> 19,512
Total trade creditors	18,697	19,512

11. Share capital

	As at 31 December 2003 (Unaudited) \$'000	As at 30 June 2003 (Audited) \$'000
<i>Authorised</i>		
10,000,000,000 ordinary shares of \$0.01 each	100,000	100,000
	<hr/> 100,000	<hr/> 100,000
<i>Issued and fully paid</i>		
1,131,929,000 (30 June 2003: 961,929,000) ordinary shares of \$0.01 each	11,319	9,619
	<hr/> 11,319	<hr/> 9,619

During the period, pursuant to a placing agreement dated 25 September 2003, a total of 170,000,000 new ordinary shares of \$0.01 each, ranking pari passu with the existing shares of the Company, were placed through a placing agent on a fully underwritten basis at a placing price of \$0.048 per share. The closing market price was \$0.06 per share as quoted on The Stock Exchange of Hong Kong Limited on 24 September 2003.



At 31 December 2003, the outstanding options are summarised as follows:

Date option granted	Period during which options exercisable	Exercise price	Number of options outstanding at the period end
31 January 2001	1 August 2001 to 31 July 2004	\$0.16	11,200,000

During the period, 19,833,000 options lapsed and expired. These options were granted by the Company on 23 February 2000 at an exercise price of HK\$0.4496 per share and had not been exercised by the relevant option holders on or before 23 August 2003. Except for afore-mentioned, no share options were granted, exercised, cancelled or lapsed during the period.

12. Capital commitments

The Group's capital commitments outstanding at the balance sheet date not provided for in the financial statements were as follows:

	As at 31 December 2003 (Unaudited) \$'000	As at 30 June 2003 (Audited) \$'000
Contracted for	863	1,808

13. Outstanding litigation

A previous landlord of a subsidiary, Benefashion Limited ("Benefashion"), disagreed with the early termination of an operating lease on a commercial property and has obtained a judgement against Benefashion. The previous landlord claimed compensation for early termination of approximately \$7 million. The Company has not provided any undertaking or guarantee in respect of this lease. Since August 1998, Benefashion has had no assets and operations. The shareholders of Benefashion decided to put Benefashion into liquidation. Accordingly, no provision for the compensation claimed has been included in these interim financial statements.

14. Post balance sheet event

On 11 March 2004, the Group entered into an agreement with third parties for the acquisition of 100% of the fully paid-up registered capital of Zhangzhou City Gao Hui Property Development Company Limited (漳州市高輝房地產開發有限公司) ("ZCG"), which is a limited liability company incorporated in the People's Republic of China ("PRC"), at a consideration of RMB3,280,000. The completion of the acquisition will take place on 15 April 2004. ZCG will be engaged in property development and management in Zhangzhou, PRC. At the date of signing of the agreement, ZCG had capital commitment of RMB34,091,901 in respect of an acquisition of a piece of land in Zhangzhou, PRC.

15. Approval of the interim financial statements

The condensed consolidated interim financial statements were approved and authorised for issue by the Board on 19 March 2004.