

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 Institute of Certified Public 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 2004.

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 2004, together with the comparative figures for the corresponding period in 2003, is as follows:

	Mainland China		Japan		Consolidated	
	2004	2003	2004	2003	2004	2003
(Unaudited)	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Segment revenue:						
Sales to external customers	100,045	90,938	3,933	3,096	103,978	94,034
Other revenue	2,772	3,224	—	—	2,772	3,224
Total segment revenue	<u>102,817</u>	<u>94,162</u>	<u>3,933</u>	<u>3,096</u>	<u>106,750</u>	<u>97,258</u>
Interest income and other unallocated income					351	164
Total revenue					<u>107,101</u>	<u>97,422</u>
Segment results	<u>7,129</u>	<u>2,547</u>	<u>(1,863)</u>	161	<u>5,266</u>	2,708
Interest income and other unallocated income					351	164
Profit from operating activities					<u>5,617</u>	2,872
Finance costs					<u>(231)</u>	(380)
Profit from ordinary activities before taxation					<u>5,386</u>	2,492
Taxation					<u>(2,608)</u>	(1,229)
Net profit attributable to shareholders					<u>2,778</u>	<u>1,263</u>

3. Other revenue

	Six months ended	
	31 December	
	2004	2003
	(Unaudited)	(Unaudited)
	\$'000	\$'000
Interest income	49	28
Rental income	1,293	982
Sub-contracting fee	1,026	1,857
Franchising income	453	385
Others	302	136
	<u>3,123</u>	<u>3,388</u>

4. Profit from ordinary activities before taxation

Profit from ordinary activities before taxation is arrived at after charging/(crediting):

	Six months ended	
	31 December	
	2004	2003
	(Unaudited)	(Unaudited)
	\$'000	\$'000
Finance costs:		
Interest on bank advances and other borrowings		
repayable within five years	231	380
Depreciation	5,452	5,572
Provision for inventory obsolescence	(3,624)	938
Provision for bad and doubtful debts	2,627	1,464
	<u>2,627</u>	<u>1,464</u>



5. Taxation

Taxation in the condensed consolidated income statement represents:

	Six months ended	
	31 December	
	2004	2003
	(Unaudited)	(Unaudited)
	\$'000	\$'000
Current tax		
– Taxation outside Hong Kong	268	164
Deferred tax		
– Origination and reversal of temporary differences	2,340	1,065
	2,608	1,229

No provision for Hong Kong profits tax has been made in the financial statements (2003: Nil) as companies operating in Hong Kong within the Group have available tax losses for offsetting assessable profits for the period.

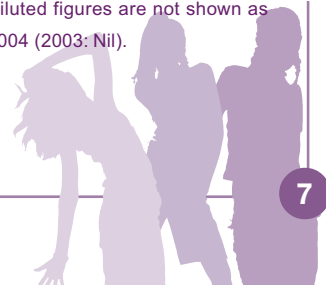
Taxation for the Group's operations outside Hong Kong is provided at the applicable current rates of taxation on the estimated assessable profits arising in the relevant jurisdiction during the period.

6. Dividends

No interim dividend has been declared in respect of the interim period ended 31 December 2004 (2003: Nil).

7. Basic earnings per share

The calculation of basic earnings per share is based on the consolidated profit attributable to shareholders of \$2,778,000 (2003: \$1,263,000) divided by the weighted average of 1,194,972,000 ordinary shares (2003: 1,029,375,000 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 2004 (2003: Nil).



8. Trade and other receivables

	As at 31 December 2004 (Unaudited) \$'000	As at 30 June 2004 (Audited) \$'000
Trade debtors	16,387	14,609
Prepayments, deposits and other receivables	<u>25,646</u>	<u>25,013</u>
	<u>42,033</u>	<u>39,622</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 2004 (Unaudited) \$'000	As at 30 June 2004 (Audited) \$'000
Within 1 month	11,961	3,394
1 to 3 months	1,841	4,745
More than 3 months but less than 12 months	<u>2,585</u>	<u>6,470</u>
Total trade debtors	<u>16,387</u>	<u>14,609</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.

At 31 December 2004, included in the balance of prepayments, deposits and other receivables was an aggregate balance of deposits and instalments of \$19,865,000 (30 June 2004: \$19,147,000) for the acquisition of certain land use rights in Zhangzhou City, the PRC, in respect of certain property development projects.

9. Bank loans – secured

The bank loans of the Group were repayable as follows:

	As at 31 December 2004 (Unaudited) \$'000	As at 30 June 2004 (Audited) \$'000
Within 1 year or on demand	<u>8,915</u>	<u>9,896</u>

The bank loans of the Group are secured by the Group's properties with an aggregate carrying value of \$30,934,000 at 31 December 2004 (30 June 2004: \$30,651,000).

10. Trade and other payables

	As at 31 December 2004 (Unaudited) \$'000	As at 30 June 2004 (Audited) \$'000
Trade creditors	12,335	21,377
Other payables and accrued liabilities	28,037	27,229
Tax payable	<u>194</u>	<u>56</u>
	<u>40,566</u>	<u>48,662</u>

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 2004 (Unaudited) \$'000	As at 30 June 2004 (Audited) \$'000
Within 1 month or demand	7,866	5,630
1 to 3 months	–	436
More than 3 months but within 6 months	–	162
Over 6 months	<u>4,469</u>	<u>15,149</u>
Total trade creditors	<u>12,335</u>	<u>21,377</u>

11. Share capital

	As at 31 December 2004 (Unaudited) \$'000	As at 30 June 2004 (Audited) \$'000
Authorised		
10,000,000,000 ordinary shares of \$0.01 each	<u>100,000</u>	<u>100,000</u>
Issued and fully paid		
1,331,929,000 (30 June 2004: 1,131,929,000) ordinary shares of \$0.01 each	<u>13,319</u>	<u>11,319</u>

During the period, pursuant to a placing agreement dated 14 October 2004, a total of 200,000,000 new ordinary shares of \$0.01 each, ranking pari passu with the existing shares of the Company, were placed through a placing agent on best effort basis at a placing price of \$0.042 per share. The closing market price was \$0.048 per share as quoted on The Stock Exchange of Hong Kong Limited on 14 October 2004.

During the period, 11,200,000 options lapsed and expired. These options were granted by the Company on 31 January 2001 at an exercise price of HK\$0.16 per share and had not been exercised by the relevant option holders. Except for afore-mentioned, no share options were granted, exercised, cancelled or lapsed during the period.

At 31 December 2004, there was no outstanding options.

12. Capital commitments

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

	As at 31 December 2004 (Unaudited) \$'000	As at 30 June 2004 (Audited) \$'000
Acquisition of land use rights and property development costs:		
Contracted for	<u>21,895</u>	<u>23,925</u>

13. Outstanding litigations

On 10 March 2004, a plaintiff brought a civil action against a subsidiary of the Company in a court in Taiwan in respect of an overpayment of a consideration for the acquisition of a former subsidiary of the Company. The plaintiff claimed for an amount of NT\$16,630,837 (HK\$3,864,000) together with interest thereon at 5% per annum plus legal costs of the action.

As at the date of approval of these interim financial statements, no judgement has been passed by the relevant court in Taiwan. Based on legal advice, the directors are of the opinion that the action is unlikely to succeed on the merits of the case and therefore no provision has been made in respect of this action.

14. Approval of the interim financial statements

The condensed consolidated interim financial statements were approved and authorised for issue by the Board on 18 March 2005.