NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of preparation

These unaudited condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

These condensed consolidated financial statements should be read in conjunction with the 2004 annual financial statements.

The accounting policies and methods of computation used in the preparation of these condensed consolidated financial statements are consistent with those used in the annual financial statements for the year ended 31 December 2004 except that the Group has changed certain of its accounting policies following its adoption of new/revised Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards ("new HKFRS") which are effective for accounting periods commencing on or after 1 January 2005.

These interim financial statements have been prepared in accordance with those HKFRS standards and interpretations issued and effective as at the time of preparing these financial statements. The HKFRS standards and interpretations that will be applicable at 31 December 2005, including those that will be applicable on an optional basis, are not known with certainty at the time of preparing these interim financial statements.

The changes to the Group's accounting policies and the effect of adopting these new policies are set out in Note 2 below.

2. Changes in accounting policies

(a) Effect of adopting new HKFRS

In 2005, the Group adopted the new/revised standards of HKFRS below, which are relevant to its operations. The 2004 comparatives have been amended as required, in accordance with the relevant requirements.

HKAS 1	Presentation of Financial Statements
HKAS 2	Inventories
HKAS 7	Cash Flow Statements
HKAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
HKAS 10	Events after the Balance Sheet Date
HKAS 16	Property, Plant and Equipment
HKAS 17	Leases
HKAS 21	The Effects of Changes in Foreign Exchange Rates
HKAS 23	Borrowing Costs
HKAS 24	Related Party Disclosures
HKAS 27	Consolidated and Separate Financial Statements
HKAS 28	Investments in Associates
HKAS 31	Investments in Joint Ventures
HKAS 32	Financial Instruments: Disclosures and Presentation
HKAS 33	Earnings per Share
HKAS 36	Impairment of Assets
HKAS 38	Intangible Assets
HKAS 39	Financial Instruments: Recognition and Measurement
HKAS Int 15	Operating Leases – Incentives
HKFRS 2	Share-based Payments
HKFRS 3	Business Combinations

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2. Changes in accounting policies (Continued)

(a) Effect of adopting new HKFRS (Continued)

The adoption of new/revised HKASs 1, 2, 7, 8, 10, 16, 21, 23, 24, 27, 28, 31, 33 and HKAS-Int 15 did not result in substantial changes to the Group's accounting policies. In summary:

– HKAS 1 has affected the presentation of minority interest, share of net after-tax results of associates and other disclosures.

– HKASs 2, 7, 8, 10, 16, 23, 27, 28, 31, 33 and HKAS-Int 15 had no material effect on the Group's policies.

– HKAS 21 had no material effect on the Group's policy. The functional currency of each of the consolidated entities has been re-evaluated based on the guidance to the revised standard.

– HKAS 24 has affected the identification of related parties and some other related-party disclosures.

The adoption of revised HKAS 17 has resulted in a change in the accounting policy relating to the reclassification of leasehold land and land use rights from property, plant and equipment to operating leases. The up-front prepayments made for the leasehold land and land use rights are expensed in the income statement on a straight-line basis over the period of the lease or where there is impairment, the impairment is expensed in the income statement. In prior years, the leasehold land was accounted for at cost less accumulated amortisation and accumulated impairment. Apart from certain presentational changes with comparatives restated, this change in accounting policy does not have any material effect on the financial statements.

The adoption of HKASs 32 and 39 has resulted in a change in the accounting policy relating to the classification of available-for-sale financial assets. On 1 January 2005, the long-term investment amounting to US$1,409,000 was reclassified as available-for-sale financial assets.

The adoption of HKFRS 2 has resulted in a change in the accounting policy for share-based payments. Until 31 December 2004, the provision of share options to employees did not result in an expense in the income statement. Effective on 1 January 2005, the Group shall expense the cost of share option provisions in the income statement. This change in accounting policy does not have any material effect on the financial statements.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2. Changes in accounting policies (Continued)

(a) Effect of adopting new HKFRS (Continued)

The adoption of HKFRS 3, HKAS 36 and HKAS 38 results in a change in the accounting policy for goodwill. Until 31 December 2004, goodwill was:

– Amortised on a straight line basis over a period of 10 years; and

– Assessed for an indication of impairment at each balance sheet date.

In accordance with the provisions of HKFRS 3 (Note 2.4 and 2.5):

– The Group ceased amortisation of goodwill from 1 January 2005;

– Accumulated amortisation as at 31 December 2004 amounting to approximately US$1,124,000 has been eliminated with a corresponding decrease in the cost of goodwill;

– From the year ending 31 December 2005 onwards, goodwill is tested annually for impairment, as well as when there is an indication of impairment.

All changes in the accounting policies have been made in accordance with the transition provisions in the respective standards. All standards adopted by the Group require retrospective application other than:

– HKAS 16 – the initial measurement of an item of property, plant and equipment acquired in an exchange of assets transaction is accounted at fair value prospectively only to future transactions;

– HKAS 21 – prospective accounting for goodwill and fair value adjustments as part of foreign operations;

– HKAS 39 – does not permit to recognise, derecognise and measure financial assets and liabilities in accordance with this standard on a retrospective basis. The Group applied the previous SSAP 24 "Accounting for investments in securities" to long-term investments for the 2004 comparative information. The adjustments required for the accounting differences between SSAP 24 and HKAS 39 are determined and recognised at 1 January 2005;

– HKAS-Int 15 – does not require the recognition of incentives for leases beginning before 1 January 2005;

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2. Changes in accounting policies (Continued)

(a) Effect of adopting new HKFRS (Continued)

– HKFRS 2 – only retrospective application for all equity instruments granted after 7 November 2002 and not vested at 1 January 2005; and

– HKFRS 3 – prospectively after the adoption date.

No early adoption of the following new Standards or Interpretations that have been issued but are not yet effective. The adoption of such Standards or Interpretations will not result in substantial changes to the Group's accounting policies.

HKAS 19 (Amendment)	Actuarial Gains and Losses, Group Plans and Disclosures
HKFRS 6	Exploration for and Evaluation of Mineral Resources
HKFRS-Int 3	Emission Rights
HKFRS-Int 4	Determining whether an Arrangement contains A Lease
HKFRS-Int 5	Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds

(b) New Accounting Policies

The accounting policies used for these condensed consolidated financial statements for the six months ended 30 June 2005 are the same as those set out in Note 2 to the 2004 annual financial statements except for the following:

2.1 Acquisition of subsidiaries and associates

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

An investment in an associate is accounted for using the equity method from the date on which it becomes an associate. On acquisition of the investment, the measurement and recognition of goodwill is same as that of goodwill arising from the acquisition of subsidiaries. Goodwill relating to an associate is included in the carrying amount of the investment. Appropriate adjustments to the investor's share of the profits or losses after acquisition are made to account based on their fair values at the date of acquisition.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2. Changes in accounting policies (Continued)

(b) New Accounting Policies (Continued)

2.2 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which each entity operates ("the functional currency"). The consolidated financial statements are presented in US dollars, which is the Company's functional and presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in equity as qualifying cash flow hedges or qualifying net investment hedges.

Translation differences on non-monetary items, such as equity instruments held at fair value through profit or loss, are reported as part of the fair value gain or loss. Translation difference on non-monetary items, such as equities classified as available-for-sale financial assets, are included in the fair value reserve in equity.

(c) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(ii) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

(ii) all resulting exchange differences are recognised as a separate component of equity.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2. Changes in accounting policies (Continued)

(b) New Accounting Policies (Continued)

2.2 Foreign currency translation (Continued)

(c) Group companies (Continued)

On consolidation, exchange differences arising from the translation of the net investment in foreign entities, and of borrowings and other currency instruments designated as hedges of such investments, are taken to shareholders' equity. When a foreign operation is sold, such exchange differences are recognised in the income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

2.3 Property, plant and equipment

Cost may include transfers from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

2.4 Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary/associate/jointly controlled entity at the date of acquisition. Goodwill on acquisitions of subsidiaries and jointly controlled entities is included in intangible assets. Goodwill on acquisitions of associates is included in investments in associates. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2. Changes in accounting policies (Continued)

(b) New Accounting Policies (Continued)

2.5 Impairment of assets

Assets that have an indefinite useful life are not subject to amortisation, which are at least tested annually for impairment, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

2.6 Investments

From 1 January 2004 to 31 December 2004:

The Group classified its investments in securities, other than subsidiaries, associates and jointly controlled entities, as long-term investments.

Long-term investments are stated at cost less any provision for impairment losses. The carrying amounts of individual investments are reviewed at each balance sheet date to assess whether the fair values have declined below the carrying amounts. When a decline other than temporary has occurred, the carrying amount of such investment will be reduced to its fair value.

The impairment loss is recognised as an expense in the consolidated income statement. This impairment loss is written back to the consolidated income statement when the circumstances and events that led to the write-downs or write-offs cease to exist and there is persuasive evidence that the new circumstances and events will persist for the foreseeable future.

From 1 January 2005 onwards:

The Group classifies its investments in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates this designation at every reporting date.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2. Changes in accounting policies (Continued)

(b) New Accounting Policies (Continued)

2.6 Investments (Continued)

(a) Financial assets at fair value through profit or loss

This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if they are either held for trading or are expected to be realised within 12 months of the balance sheet date.

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivable. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. Loans and receivables are included in trade and other receivables in the balance sheet.

(c) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity.

(d) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2. Changes in accounting policies (Continued)

(b) New Accounting Policies (Continued)

2.6 Investments (Continued)

(d) Available-for-sale financial assets (Continued)

Purchases and sales of investments are recognised on trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Investments are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method. Realised and unrealised gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss category are included in the income statement in the period in which they arise. Unrealised gains and losses arising from changes in the fair value of non-monetary securities classified as available-for-sale are recognised in equity. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments are included in the income statement as gains or losses from investment securities.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models refined to reflect the issuer's specific circumstances.

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the income statement – is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2. Changes in accounting policies (Continued)

(b) New Accounting Policies (Continued)

2.7 Inventories

Cost of inventories includes the transfer from equity of any gains/losses on qualifying cash flow hedges relating to purchases of raw materials

2.8 Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the income statement.

2.9 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability, including fees and commissions paid to agents, advisers, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

2.10 Share-based compensation

The Group operates an equity-settled, share-based compensation plan. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each balance sheet date, the entity revises its estimates of the number of options that are expected to become exercisable. It recognises the impact of the revision of original estimates, if any, in the income statement, and a corresponding adjustment to equity over the remaining vesting period.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

3. Financial Risk Management

The Group's activities expose it to currency risk, interest rate risk, credit risk and liquidity risk.

(a) Currency risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures. Most of the Group's operating activities are denominated in United States dollars and Hong Kong dollars. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations.

To manage the foreign exchange risk arising from future commercial transactions and recognised assets and liabilities, the Group enters into foreign exchange forward contracts to reduce foreign exchange risk.

(b) Interest rate risk

As the Group has no significant interest-bearing assets, the Group's income and operating cash flows are substantially independent of changes in market interest rates. The Group's interest rate risk arises from bank borrowings. As at 30 June 2005, borrowings were primarily at floating rates. The Group generally has not used interest rate swaps to hedge its exposure to interest rate risk.

(c) Credit risk

The carrying amount of accounts receivable included in the condensed consolidated balance sheet represents the Group's maximum exposure to credit risk in relation to its financial assets. The Group has put in place policies to ensure that sales of products are made to customers with an appropriate credit history and the Group performs periodic credit evaluations of its customers. The Group's historical experience in collection of trade and other receivables falls within the recorded allowances and the Directors are of the opinion that adequate provision for uncollectible accounts receivable has been made in the condensed consolidated financial statements.

(d) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of available credit facilities. The management aims to maintain flexibility in funding by keeping credit lines available.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

4. Critical Accounting Estimates and Judgements

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Estimated impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment in accordance with the accounting policy stated in Note 2.4. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates.

(b) Income taxes

The Group is subject to income taxes in various jurisdictions. Significant judgment is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

In prior years, certain overseas subsidiaries had made provisions for tax liabilities based on their estimated taxable profits arising from their respective operating countries outside Hong Kong. The Directors have undertaken a review of the Group's tax provisions as at 30 June 2005 and have determined that a provision for tax of US$3,338,000 would no longer be required and should be derecognised. Consequently, the amount of US$3,338,000 was taken to the consolidated income statement for the six months ended 30 June 2005.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

5. Turnover, revenues and segment information

(a) The Group is principally engaged in the manufacturing and trading of garment and textile products, the provision of freight forwarding and logistics and system consultancy services. Revenues recognised during the period are as follows:

	Six months ended 30 June	
	2005	2004
	US$'000	*US$'000*
	(Unaudited)	(Unaudited)
Turnover –		
Sales of garment and textile products		
– third parties	**258,422**	263,595
– a jointly controlled entity *(Note 25)*	**2,939**	626
Provision of freight forwarding and logistics services		
– third parties	**5,902**	5,724
– related companies *(Note 25)*	**194**	129
– a jointly controlled entity *(Note 25)*	**9**	–
– an associated company *(Note 25)*	**18**	–
Provision of system consultancy services	**–**	295
	267,484	270,369
Other revenues –		
Interest income on bank deposits	**850**	64
Management income from		
– an associated company *(Note 25)*	**110**	72
– a jointly controlled entity *(Note 25)*	**155**	–
– a third party	**–**	117
Rental income from		
– related companies *(Note 25)*	**88**	99
– a third party	**–**	4
Commission income from		
– a related company *(Note 25)*	**402**	515
– a third party	**92**	21
	1,697	892
Total revenues	**269,181**	271,261

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

5. Turnover, revenues and segment information (Continued)

(b) Segment information

(i) Primary reporting format – business segments

	For the six months ended 30 June 2005				
	Garment US$'000 (Unaudited)	Freight forwarding/ logistics services US$'000 (Unaudited)	System consultancy US$'000 (Unaudited)	Elimination US$'000 (Unaudited)	Group Total US$'000 (Unaudited)
Segment revenues					
External revenue	261,361	6,123	–	–	267,484
Inter segment revenue	–	909	–	(909)	–
	261,361	7,032	–	(909)	267,484
Segment results	14,664	1,219	–	–	15,883
Finance costs	(1,396)	–	–		(1,396)
Share of loss of associated companies	–	(1,745)	–		(1,745)
Share of profit of jointly controlled entities	31	–	–		31
Profit before taxation					12,773
Taxation					(88)
Profit for the period					12,685
Minority interest					(180)
Profit attributable to equity holders of the Company					12,505

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

5. Turnover, revenues and segment information (Continued)

(b) Segment information (Continued)

(i) Primary reporting format – business segments (Continued)

	For the six months ended 30 June 2004				
	Garment *US$'000* (Unaudited)	Freight forwarding/ logistics services *US$'000* (Unaudited)	System consultancy *US$'000* (Unaudited)	Elimination *US$'000* (Unaudited)	Group Total *US$'000* (Unaudited)
Segment revenues					
External revenue	264,221	5,853	295	–	270,369
Inter segment revenue	–	3,073	819	(3,892)	–
	264,221	8,926	1,114	(3,892)	270,369
Segment results	15,337	2,482	62	–	17,881
Finance costs	(428)	–	–		(428)
Share of profit of associated companies	–	343	–		343
Share of loss of jointly controlled entities	(275)	–	–		(275)
Profit before taxation					17,521
Taxation					(4,394)
Profit for the period					13,127
Minority interest					(7)
Profit attributable to equity holders of the Company					13,120

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

5. Turnover, revenues and segment information (Continued)

(b) Segment information (Continued)

(ii) Secondary reporting segments – geographical segments

The Group's revenue is mainly derived from customers located in the United States, Asia and Europe, while the Group's business activities are conducted predominantly in Hong Kong, the People's Republic of China (the "PRC"), Commonwealth of Northern Mariana Islands, the Philippines and the United States.

The following table provides an analysis of the Group's sales by geographical location of customers:

	Six months ended 30 June	
	2005	2004
	US$'000	*US$'000*
	(Unaudited)	(Unaudited)
The United States	**184,930**	200,158
Europe	**30,661**	20,452
Commonwealth of Northern Mariana Islands	**3,200**	2,461
Japan	**27,211**	24,748
Canada	**1,663**	2,357
Hong Kong	**1,788**	1,963
Korea	**1,868**	2,274
The Philippines	**598**	855
Australia	**1,281**	888
Mexico	**1,295**	645
Cambodia	**62**	130
Others	**12,927**	13,438
	267,484	270,369

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

6. Operating profit

Operating profit is stated after crediting and charging the following:

	Six months ended 30 June	
	2005	2004
	US$'000	*US$'000*
	(Unaudited)	(Unaudited)
Crediting		
Exchange gains, net	**490**	2,272
Gain on disposal of property, plant and equipment	**28**	283
Write-back of other payables *(Note a)*	**5,407**	–
Write-back of provision for inventory obsolescence	**1,054**	–
Charging		
Amortisation of leasehold land and land use rights	**39**	17
Amortisation of goodwill	**–**	203
Amortisation of intangible assets	**122**	–
Depreciation of property, plant and equipment	**5,351**	4,320
Operating leases		
– office premises and warehouses	**2,824**	2,254
– plant and equipment	**48**	91
Provision for doubtful debts	**282**	180
Provision for claims	**365**	746
Provision for inventory obsolescence	**–**	26
Quota expenses	**159**	3,974
Repair and maintenance on property, plant and equipment	**1,358**	884
Staff costs	**52,830**	55,998

Note a: In prior years, the Group had made provision of approximately US$5,407,000 for certain expenses. As at 30 June 2005, the Directors have undertaken an updated review and have determined that the provision of such payment of expenses of approximately US$5,407,000 would no longer be required and should be derecognised. Consequently, the amount of approximately US$5,407,000 was taken to the consolidated income statement for the six months ended 30 June 2005.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

7. Finance costs

	Six months ended 30 June	
	2005	2004
	US$'000	*US$'000*
	(Unaudited)	(Unaudited)
Interest expense on bank loans and overdrafts	**1,396**	428

8. Taxation

Hong Kong profits tax has been provided at the rates of 17.5% (2004: 17.5%) on the estimated assessable profit for the period. Taxation on overseas profits has been calculated on the estimated assessable profit for the period at the rates of taxation prevailing in the countries in which the Group operates.

The amount of taxation charged to the consolidated income statement represents:

	Six months ended 30 June	
	2005	2004
	US$'000	*US$'000*
	(Unaudited)	(Unaudited)
Current taxation:		
– Hong Kong profits tax	**609**	610
– Overseas taxation		
– Current period	**2,538**	3,964
– Over-provision in prior years *(Note 4(b))*	**(3,338)**	–
Deferred taxation relating to the origination and reversal of temporary differences	**279**	(180)
	88	4,394

Share of taxation attributable to jointly controlled entities for the six months ended 30 June 2005 of approximately US$4,000 (2004: US$4,000) is included in the consolidated income statement as share of profits of jointly controlled entities.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

9. Dividends

	Six months ended 30 June	
	2005	2004
	US$'000	*US$'000*
	(Unaudited)	(Unaudited)
Dividends paid by the subsidiaries to their then shareholders before the Reorganisation *(Note a)*	**–**	7,400
Proposed interim dividend – US 0.244 cent (or equivalent to HK1.9 cents) (2004: Nil) per share	**2,422**	–
	2,422	7,400

(a) During 2004 and prior to the completion of the initial public offering reorganisation (the "Reorganisation"), certain wholly owned subsidiaries of the Company declared dividends of US$7,400,000 to their then shareholders. As part of the Reorganisation, such amounts were capitalised by the then shareholders.

The rates of dividend and the number of shares ranking for dividends paid by the subsidiaries to their then shareholders before the Reorganisation are not presented as such information is not meaningful having regard to the purpose of these financial statements.

10. Earnings per share

The basic earnings per share is calculated based on the Group's profit attributable to equity holders of the Company of approximately US$12,505,000 (2004: US$13,120,000) and weighted average number of 974,061,326 (2004: 674,999,075) ordinary shares. The weighted average number of ordinary shares for the six months ended 30 June 2004 was based on the assumption that the Reorganisation had been completed on 1 January 2004.

There was no dilutive effect on earnings per share since all outstanding share options were anti-dilutive.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

11. Capital expenditure

	Intangible assets					
	Goodwill	**Other intangible assets**	**Total intangible assets**	**Property, plant and equipment**	**Leasehold land and land use rights**	**Total**
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Cost						
At 1 January 2005	3,965	–	3,965	126,904	4,344	135,213
Additions	–	–	–	14,530	785	15,315
Acquisition of a subsidiary	4,711	10,279	14,990	1,774	–	16,764
Disposals of property, plant and equipment	–	–	–	(3,154)	–	(3,154)
Exchange differences	–	–	–	(43)	–	(43)
At 30 June 2005	8,676	10,279	18,955	140,011	5,129	164,095
Accumulated depreciation/ amortisation						
At 1 January 2005	–	–	–	(54,709)	(188)	(54,897)
Charge for the period	–	(122)	(122)	(5,351)	(39)	(5,512)
Disposals of property, plant and equipment	–	–	–	1,866	–	1,866
Exchange differences	–	–	–	4	–	4
At 30 June 2005	–	(122)	(122)	(58,190)	(227)	(58,539)
Net book value						
At 30 June 2005	**8,676**	**10,157**	**18,833**	**81,821**	**4,902**	**105,556**
At 31 December 2004	3,965	–	3,965	72,195	4,156	80,316

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

12. Interests in associated companies

	As at 30 June 2005 *US$'000* (Unaudited)	As at 31 December 2004 *US$'000* (Audited)
Share of net assets	**1,172**	2,927

13. Interests in jointly controlled entities

	As at 30 June 2005 *US$'000* (Unaudited)	As at 31 December 2004 *US$'000* (Audited)
Share of net assets	**229**	208
Loan to a jointly controlled entity	**644**	644
	873	852

Loan to a jointly controlled entity is unsecured, non-interest bearing and not repayable within the next twelve months.

14. Long-term investments

	As at 30 June 2005 *US$'000* (Unaudited)	As at 31 December 2004 *US$'000* (Audited)
Unlisted club debentures, at cost	**–**	1,556
Less: provision for impairment losses	**–**	(147)
	–	1,409

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

15. Available-for-sale financial assets

	As at 30 June 2005 ***US$'000*** **(Unaudited)**	As at 31 December 2004 *US$'000* (Audited)
Club debentures	**1,404**	–

16. Other non-current assets

Other non-current assets mainly represent refundable rental and utility deposits not refundable within the next twelve months.

17. Trade receivables

	As at 30 June 2005 ***US$'000*** **(Unaudited)**	As at 31 December 2004 *US$'000* (Audited)
Trade receivables	**81,133**	77,520
Less: provision for impairment of receivables	**(2,687)**	(2,405)
	78,446	75,115

The Group normally granted credit terms to its customers ranging from 30 to 60 days. The ageing analysis of the trade receivables is as follows:

	As at 30 June 2005 ***US$'000*** **(Unaudited)**	As at 31 December 2004 *US$'000* (Audited)
Current	**53,374**	38,390
0 to 30 days	**15,917**	20,396
31 to 60 days	**2,914**	8,996
61 to 90 days	**837**	3,018
Over 91 days	**5,404**	4,315
	78,446	75,115

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

18. Trade and bills payables

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

	As at 30 June 2005	As at 31 December 2004
	US$'000	*US$'000*
	(Unaudited)	(Audited)
Current	**27,522**	19,890
0 to 30 days	**5,601**	5,253
31 to 60 days	**2,578**	1,956
61 to 90 days	**426**	811
Over 91 days	**2,419**	2,156
	38,546	30,066

19. Bank borrowings

	As at 30 June 2005	As at 31 December 2004
	US$'000	*US$'000*
	(Unaudited)	(Audited)
Bank loans	**58,837**	55,600
Trust receipts bank loans	**34,741**	29,164
Bank overdrafts	**6,794**	12,628
	100,372	97,392
Less: non-current portion of long-term bank loans	**(1,200)**	(54,000)
	99,172	43,392

As at 30 June 2005, the Group's bank loans were secured by the corporate guarantee provided by the Company and certain related parties *(Note 25(d)).*

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

19. Bank borrowings (Continued)

All bank loans are wholly repayable within five years. The Group's bank loans are repayable as follows:

	As at 30 June 2005 ***US$'000*** **(Unaudited)**	As at 31 December 2004 *US$'000* (Audited)
Within one year	**57,637**	1,600
In the second year	**1,200**	54,000
	58,837	55,600

The effective interest rates at the balance sheet date were as follows:

	As at 30 June 2005	As at 31 December 2004
Bank loans	**4.08**	4.08
Trust receipts bank loans	**4.35**	3.47
Bank overdrafts	**5.75**	5.00

The carrying amounts of the borrowings approximately equal their fair value.

20. Share capital

	Number of shares	**Nominal value** *US$'000*
Authorised – ordinary shares of US$0.01 each		
At 31 December 2004 and 30 June 2005	1,500,000,000	15,000
Issued and fully paid – ordinary shares of US$0.01 each		
At 1 January 2005	902,300,000	9,023
New issue of shares *(Note (a))*	90,200,000	902
At 30 June 2005	992,500,000	9,925

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

20. Share capital (Continued)

Note:

(a) On 7 February 2005, the Company issued 90,200,000 new ordinary shares at approximately HK$4.070 (equivalent to approximately US$0.52) per share pursuant to the Subscription and Placing Agreements signed on 24 January 2005. This resulted in a net proceed of approximately US$46.21million.

21. Share option

The Company's share option scheme (the "Scheme") was adopted for a period of 10 years commencing on 27 June 2004 pursuant to a written resolution of the then sole shareholder of the Company on 27 June 2004.

Under the Scheme, the Company may grant options to selected full-time employees and directors of the Company and its subsidiaries, to subscribe for shares in the Company. Additionally, the Company may, from time to time, grant share options to eligible advisors and consultants to the Company and its subsidiaries at the discretion of the Board of Directors.

The total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 10% of the shares of the Company in issue as at the date of the listing of the shares, without prior approval from the Company's shareholders. The number of shares issued and to be issued in respect of which options granted and may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at the date of such grant, without prior approval from the Company's shareholders.

Options may be exercised at any time within the relevant exercise period. The exercise price is determined by the highest of i) the closing price of the Company's shares on the date of grant, (ii) the average closing price of the shares for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Company's share.

Movements of share options during the period ended 30 June 2005 were:

			Number of shares			
Date of grant	**Exercise period**	**Subscription price per share**	**Beginning of period**	**Granted**	**Exercised**	**End of period**
			'000	*'000*	*'000*	*'000*
28 December 2004	From 28 December 2004 to 27 December 2007	HK$4.1	7,757	–	–	7,757
			7,757	–	–	7,757

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

22. Reserves

	Share premium	Capital reserve *(Note (a))*	Other reserve	Exchange reserve	Share issuance cost	Retained earnings	Total
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
As at 1 January 2004	–	4,322	–	(4,101)	–	55,438	55,659
Reserve from the Reorganisation	–	7,400	–	–	–	–	7,400
Disposal of subsidiaries by way of a distribution in specie *(Note (b))*	–	–	–	–	–	7,007	7,007
Share issuance costs	–	–	–	–	(3,502)	–	(3,502)
Profit attributable to equity holders of the Company	–	–	–	–	–	13,120	13,120
Dividends	–	–	–	–	–	(7,400)	(7,400)
Exchange differences arising on translation of foreign subsidiaries	–	–	–	348	–	–	348
As at 30 June 2004	–	11,722	–	(3,753)	(3,502)	68,165	72,632
As at 1 January 2005	**71,686**	**11,722**	**-**	**(3,609)**	**-**	**85,406**	**165,205**
Net proceeds from issuance of new shares *(Note 20)*	**45,312**	**-**	**-**	**-**	**-**	**-**	**45,312**
Profit attributable to equity holders of the Company	**-**	**-**	**-**	**-**	**-**	**12,505**	**12,505**
Recognition of financial liability arisen from acquisition of a subsidiary *(Note 24)*	**-**	**-**	**(5,536)**	**-**	**-**	**-**	**(5,536)**
Dividends	**-**	**-**	**-**	**-**	**-**	**(5,163)**	**(5,163)**
Exchange differences arising on translation of foreign subsidiaries	**-**	**-**	**-**	**89**	**-**	**-**	**89**
As at 30 June 2005	**116,998**	**11,722**	**(5,536)**	**(3,520)**	**-**	**92,748**	**212,412**

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

22. Reserves (Continued)

Notes:

(a) The capital reserve of the Group represents the difference between the nominal value of the shares of the subsidiaries acquired pursuant to the Reorganisation and the nominal value of the Company's shares issued in exchange thereof.

(b) As part of the Reorganisation, the Group disposed of its entire interest in the Mexican Operations and the System Consultancy Operations to its then shareholders by way of distribution in specie in May 2004. At the date of the distribution, the Mexican Operations and the System Consultancy Operations were in net deficit position. As a result, an amount of approximately US$7,007,000 resulting from such distribution in specie was transferred to retained earnings.

23. Commitments

(a) Capital commitments for property, plant and equipment

	As at 30 June 2005 *US$'000* **(Unaudited)**	As at 31 December 2004 *US$'000* (Audited)
Contracted but not provided for	**9,319**	5,643
Authorised but not contracted for	**–**	–
	9,319	5,643

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

23. Commitments (Continued)

(b) Commitments under operating leases

The Group had future aggregate minimum lease payments under non-cancellable operating leases as follows:

	As at 30 June 2005 **US$'000** **(Unaudited)**	As at 31 December 2004 *US$'000* (Audited)
Land and buildings		
– Not later than one year	**3,506**	2,703
– Later than one year and not later than five years	**6,924**	6,333
– Later than five years	**5,017**	3,132
	15,447	12,168
Facilities and equipment		
– Not later than one year	**152**	65
– Later than one year and not later than five years	**244**	37
	396	102

24. Business Combination

On 3 May 2005, the Group acquired 71% of the entire issued capital of Partner Joy Group Limited ("Partner Joy"), a company incorporated in the British Virgin Islands and is principally engaged in the business of manufacturing and trading of sweaters through its three wholly owned subsidiaries in Hong Kong, namely Tien-Hu Knitters Limited, Tien-Hu Knitting Factory (HK) Limited and Tien-Hu Trading (HK) Limited ("Tien-Hu group"). The acquired business contributed revenues of approximately US$15,210,000 and net profit of approximately US$454,000 to the Group for the period from 3 May 2005 to 30 June 2005. If the acquisition had occurred on 1 January 2005, turnover of the Group and profit attributable to equity holders of the Company would have been approximately US$278,876,000 and US$14,345,000 respectively.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

24. Business Combination (Continued)

Details of net assets acquired and goodwill are as follows:

	2005
	US$'000
	(Unaudited)
Purchase consideration:	
– Cash paid	**7,959**
– Deferred consideration	**5,889**
Total purchase consideration	**13,848**
Fair value of net assets acquired	**(9,137)**
Goodwill *(Note 11)*	**4,711**

The goodwill is attributable to the high profitability of the acquired business and the significant synergies expected to arise after the Group's acquisition of Partner Joy.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

24. Business Combination (Continued)

The assets and liabilities arising from the acquisitions are as follows:

	Fair value	**Acquiree's carrying amount**
Cash and cash equivalents	2,226	2,226
Property, plant and equipment	1,774	1,985
Restricted bank deposits	4,448	4,448
Inventories	11,605	11,605
Trade receivables	8,977	8,977
Deposits, prepayments and other receivables	1,451	1,451
Intangible assets	10,279	–
Trade and other payables	(9,005)	(9,005)
Amounts due to related companies	(6,503)	(6,503)
Bank borrowings	(11,848)	(11,848)
Taxation payable	(531)	(531)
Deferred tax liabilities	(4)	(4)
Net assets	12,869	2,801
Minority interest (29%)	(3,732)	
Net assets acquired	9,137	
Purchase consideration settled in cash		7,959
Cash and cash equivalents in the subsidiary acquired		(2,226)
Cash outflow on acquisition		5,733

Certain call options were granted to the Group in connection with the acquisition of Partner Joy which allow the Group to acquire the remaining 29% of the entire share capital of Partner Joy from the minority shareholders of Partner Joy under certain terms and conditions as stipulated in the shareholders' agreement. In addition, certain put options were granted to the minority shareholders of Partner Joy which allow the minority shareholders to sell their 29% of equity interests in Partner Joy to the Group under similar terms and conditions as stipulated in the shareholders' agreement. These options are recognised as financial liability which is reclassified from equity *(Note 22)*.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

25. Related party transactions

As at 30 June 2005, Capital Glory Limited, a company incorporated in the British Virgin Islands, owns 61.89% of the Company's shares. The ultimate holding company of the Group is Helmsley Enterprises Limited, a company incorporated in Bahamas.

(a) Transactions with related parties

Mr. Tan Siu Lin, Mr. Tan Henry, Mr. Tan Willie and Mr. Tan Cho Lung, Raymond, Executive Directors of the Company, together with their close family members are collectively referred to as the Tan's Family.

During the period, the Group had the following significant transactions with related companies, associated companies and jointly controlled entities. The following related companies are beneficially owned by the Tan's Family.

	Six months ended 30 June	
	2005	2004
	US$'000	*US$'000*
	(Unaudited)	(Unaudited)
Management fee income from		
– an associated company	**110**	72
– a jointly controlled entity	**155**	–
	265	72
Commission income from a related company	**402**	515
Freight forwarding and logistics service income from		
– related companies	**194**	129
– a jointly controlled entity	**9**	–
– an associated company	**18**	–
	221	129
Sales to a jointly controlled entity	**2,939**	626
Subcontracting income from a jointly-controlled entity	**36**	101
Rental income from related companies	**88**	99

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

25. Related party transactions (Continued)

(a) Transactions with related parties (Continued)

	Six months ended 30 June	
	2005	2004
	US$'000	*US$'000*
	(Unaudited)	(Unaudited)
Manpower resources service fee charged by related companies	**2,851**	4,874
Rental expenses for occupying office premises, warehouses and staff quarters charged by		
– related companies	**402**	565
– an associated company	**–**	2
	402	567
Food supplies charged by related companies	**179**	246
Packaging expenses charged by a related company	**519**	825
Insurance expenses charged by related companies	**421**	462
Traveling expenses charged by related companies	**489**	402
Professional and technological support service fees to related companies	**1,033**	526
Repair and maintenance expenses charged by a related company	**103**	151
Subcontracting fees charged by jointly controlled entities	**1,315**	889

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

25. Related party transactions (Continued)

(a) Transactions with related parties (Continued)

The above related party transactions were carried out in accordance with the terms mutually agreed by the respective parties.

As at 30 June 2005, a jointly controlled entity, namely Yuen Thai Industrial Company Limited, has utilised the Group's banking facilities of approximately US$3,081,000. Moreover, the Group has recharged certain material costs and other expenses to this jointly controlled entity with a total amount of approximately US$1,125,000.

(b) Amounts due from/(to) related companies, jointly controlled entities and associated companies

As at 30 June 2005, the outstanding balances with the related companies, jointly controlled entities and associated companies are unsecured, non-interest bearing and with no pre-determined repayment terms.

(c) Directors' emoluments

	Six months ended 30 June	
	2005	2004
	US$'000	*US$'000*
	(Unaudited)	(Unaudited)
Salaries and allowances	**524**	347
Others	**2**	2
	526	349

(d) Banking facilities

As at 30 June 2005, certain banking facilities of certain subsidiaries of the Group were secured by the following:

(i) Personal guarantees to the extent of US$54,082,000 given by certain directors of the subsidiaries of the Group;

(ii) Corporate guarantees to the extent of US$54,519,000 given by Tien-Hu Enterprises Limited, a company beneficially owned by certain directors of the subsidiaries of the Group;

(iii) Charges over certain properties owned by Tien-Hu Enterprises Limited and Lap King Investment Limited, companies beneficially owned by certain directors of the subsidiaries of the Group and one of their family members; and

(iv) Charge over certain investment funds owned by a director of the subsidiaries of the Group.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

26. Contingent liabilities and litigation

(a) The Group is involved in various labour lawsuits and claims arising from the normal course of business. The Directors believe that the Group has substantial legal and factual bases for their position and are of the opinion that losses arising from these lawsuits, if any, will not have a material adverse impact on the results of the operations or the financial position of the Group. Accordingly, no provision for such liabilities has been made in the financial statements. In addition, an estimate of the financial effect is not disclosed as it is not practicable to do so.

(b) Certain subsidiaries of the Group have given guarantees to a bank in respect of general banking facilities granted to a company beneficially owned by certain directors of the subsidiaries of the Group amounting to US$6,877,000.

27. Post balance sheet event

On 3 September 2005, CTSI Holdings Limited ("CTSI Holdings"), a wholly owned subsidiary of the Company, entered into and completed a Sale and Purchase Agreement with Luen Thai Direct Investment Limited, a company beneficially owned by Tan's Family, for the transfer of CTSI Holdings' 45% equity interest in Mariana Express Lines Ltd., an associated company, at a cash consideration of US$661,140.

28. Approval of interim financial statements

These interim financial statements were approved by the Board of Directors on 22 September 2005.