Notes to the condensed consolidated financial statements

(Expressed in Hong Kong dollars)

1. Basis of preparation and accounting policies

These unaudited condensed consolidated interim financial statements ("interim financial statements") have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") No. 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants. ("HKICPA") and the applicable disclosure provision of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

These interim financial statements should be read in conjunction with the 2004/05 annual consolidated financial statements.

The principal accounting policies and methods of computation used in the preparation of these interim financial statements are consistent with those used in the annual consolidated financial statements for the year ended 30 June 2005 except that the Group has changed certain of its accounting policies following its adoption of the applicable new Hong Kong Financial Reporting Standards ("HKFRS"), HKAS and Interpretations ("INT") (collectively "new HKFRSs") which are effective for accounting periods commencing on or after 1 January 2005.

These interim financial statements have been prepared in accordance with those new HKFRSs issued and effective as at the time of preparing these interim financial statements. The HKFRSs that will be applicable at 30 June 2006, 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 adoption these new policies are summarised below:

HKAS 17 Leases ("HKAS 17")

The adoption of HKAS 17 has resulted in a change in accounting policy relating to leasehold land. In prior years, owner-occupied leasehold land and buildings were included in property, plant and equipment and measured using the revaluation model. With the adoption of HKAS 17, the land and buildings elements of a lease of land and buildings are considered separately for the purposes of lease classification, unless the lease payments cannot be allocated reliably between the land and buildings elements, in which case, the entire lease is generally treated as a finance lease. To the extent that the allocation of the lease payments between the land and buildings elements can be made reliably, the leasehold interests in land are reclassified to "Interests in leasehold land held for own use under operating leases", which are carried at cost and amortised over the lease term on a straight-line basis. The related revaluation reserve on the leasehold land is de-recognised and the related deferred taxation reversed. The change in accounting policy is adopted retrospectively and reflected by way of prior period adjustment and restatement of comparative figures.

Alternatively, where the allocation between the land and buildings elements cannot be made reliably, the leasehold interests in land continue to be accounted for as property, plant and equipment.

HKFRS 2: Share-Based Payment ("HKFRS 2")

The adoption of HKFRS 2 has resulted in a change in the accounting policy for share-based payments. HKFRS 2 requires an expense to be recognised where the Group buys goods or obtains services in exchange for shares or rights over shares ("equity-settled transactions"), or in exchange for other assets equivalent in value to a given number of shares or rights over shares ("cash-settled transactions"). The principal impact of HKFRS 2 on the Group is in relation to the expensing of the fair value of directors' and employees' share options of the Company determined at the date of grant of the share options over the vesting period. Prior to the application of HKFRS 2, the Group did not recognise the financial effect of these share options until they were exercised. The Group has applied HKFRS 2 to share options granted on or after 1 January 2005. In relation to share options granted before 1 January 2005, the Group has taken advantage of the transitional provision set out in HKFRS 2, under which the new recognition and measurement policies have not been applied to the following grants of options:

– all options granted to directors and employees on or before 7 November 2002; and

– all options granted to directors and employees after 7 November 2002 but which had been vested before 1 January 2005.

No adjustment to the opening balances as at 1 July 2004 is required as all options existed at that time have been vested before 1 January 2005.

Summary of effects of the changes in accounting policies

The adoption of HKAS 17 resulted in a decrease in opening reserves at 1 July 2005 by HK$1,050,000:

	As at 31 December 2005	As at 30 June 2005
	$'000	*$'000*
Decrease in property, plant and equipment	**(2,393)**	(2,467)
Increase in interests in leasehold land held for own use under operating leases	**1,212**	1,232
Decrease in deferred tax liabilities	**177**	185

	For the year ended 30 June	**Six months ended 31 December**	
	2005	**2005**	2004
	$'000	***$'000***	*$'000*
Decrease in administrative expenses	**(108)**	**(54)**	(54)
Increase in deferred tax expense	**16**	**8**	8
Increase in basic and diluted earnings per share (HK cents)	**–**	**–**	–

The adoption of other applicable new HKFRSs does not result in significant changes to the Group's accounting policies except for certain changes in the presentation and disclosure of financial information.

The comparative figures for 2004 presented have incorporated the effect of adjustments, where applicable, resulting from the adoption of the new HKFRSs referred to above.

2. **Segment information**

Segment information is presented in respect of the Group's business and geographical segments. During the current period, the Group has changed its primary reporting format from geographical segment to business segment because this is more relevant to the Group's internal financial reporting.

Business segments

The Group has the following main business segments:

Apparel manufacturing : Manufacturing, retailing and distribution of apparel

Property development : The development and sale of commercial and residential properties

An analysis of the Group's revenue and results by business segments for the six months ended 31 December 2005, together with the comparative figures for the corresponding period in 2004, is as follows:

	Apparel manufacturing		Property development		Consolidated	
	2005	2004	**2005**	2004	**2005**	2004
(Unaudited)	***$'000***	*$'000*	***$'000***	*$'000*	***$'000***	*$'000*
Segment revenue:						
Turnover	**124,208**	113,459	**5,094**	–	**129,302**	113,459
Other revenue	**3,565**	1,479	**–**	–	**3,565**	1,479
Total segment revenue	**127,773**	114,938	**5,094**	–	**132,867**	114,938
Interest income and other unallocated income					**2,685**	1,644
Total revenue					**135,552**	116,582
Segment results	**4,393**	4,142	**500**	(115)	**4,893**	4,027
Interest income and other unallocated income					**2,685**	1,644
Profit from operations					**7,578**	5,671
Finance costs					**(101)**	(231)
Profit before income tax					**7,477**	5,440
Income tax					**(2,124)**	(2,616)
Profit for the period					**5,353**	2,824

3. Other revenue

	Unaudited	
	Six months ended 31 December	
	2005	2004
	$'000	*$'000*
Interest income	**120**	49
Rental income	**1,133**	1,293
Sub-contracting fee	**1,849**	1,026
Franchising income	**981**	453
Sponsorship income	**735**	–
Compensation income	**365**	–
Exchange differences, net	**721**	–
Others	**346**	302
	6,250	3,123

4. Profit before income tax

Profit before income tax is arrived at after charging/(crediting):

	Unaudited	
	Six months ended 31 December	
	2005	2004
	$'000	*$'000*
		(restated)
Finance costs:		
Interest on bank advances and other borrowings repayable within five years	**101**	231
Amortisation and land lease payments	**46**	20
Depreciation	**4,848**	5,378
Reversal of write-down of inventory obsolescence	**(3,708)**	(3,624)
Impairment losses of trade and other receivables	**836**	2,627

5. **Income tax**

Income tax in the condensed consolidated income statement represents:

	Unaudited	
	Six months ended 31 December	
	2005	2004
	$'000	$'000
		(restated)
Current tax		
– Income tax outside Hong Kong	**740**	268
Deferred tax		
– Origination and reversal of temporary differences	**1,384**	2,348
	2,124	2,616

No provision for Hong Kong profits tax has been made in these interim financial statements (2004: 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 2005 (2004: $Nil).

7. **Basic earnings per share**

The calculation of basic earnings per share is based on the consolidated profit attributable to shareholders of $5,353,000 (2004 (restated): $2,824,000) divided by the weighted average of 1,331,929,000 ordinary shares (2004: 1,194,972,000 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 2005 (2004: Nil).

8. Trade and other receivables

	Unaudited As at 31 December 2005 *$'000*	Audited As at 30 June 2005 *$'000*
Trade debtors	**21,325**	10,333
Prepayments, deposits and other receivables	**25,854**	22,005
Income tax recoverable	**–**	72
	47,179	32,410

All trade receivables are expected to be recovered within one year. The fair values of trade and other receivables approximate their carrying amounts.

The following is an ageing analysis of trade debtors (net of impairment loss):

	Unaudited As at 31 December 2005 *$'000*	Audited As at 30 June 2005 *$'000*
Within 1 month	**12,988**	5,039
1 to 3 months	**5,840**	3,216
More than 3 months but less than 12 months	**2,497**	2,078
Total trade debtors	**21,325**	10,333

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 2005, included in the balance of prepayments, deposits and other receivables was an aggregate balance of deposits and instalments of $15,550,000 (30 June 2005: $15,242,000) 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:

	Unaudited As at 31 December 2005	Audited As at 30 June 2005
	$'000	*$'000*
Within 1 year or on demand	**–**	8,907

The bank loans of the Group were secured by the Group's properties with an aggregate carrying value of $Nil at 31 December 2005 (30 June 2005: $27,831,000).

10. Trade and other payables

	Unaudited As at 31 December 2005	Audited As at 30 June 2005
	$'000	*$'000*
Trade creditors	**17,175**	23,246
Other payables and accrued liabilities	**27,521**	24,733
Property forward sales deposits and instalments received	**–**	3,157
Income tax payable	**459**	–
	45,155	51,136

All the trade and other payables are expected to be settled within one year. The fair values of trade and other payables approximate their carrying amounts.

The following is an ageing analysis of trade creditors:

	Unaudited As at 31 December 2005	Audited As at 30 June 2005
	$'000	*$'000*
Within 1 month or demand	**11,313**	11,395
1 to 3 months	**1,060**	485
More than 3 months but within 6 months	**1,729**	201
Over 6 months	**3,073**	11,165
Total trade creditors	**17,175**	23,246

11. Share capital

	Unaudited As at 31 December 2005	Audited As at 30 June 2005
	$'000	*$'000*
Authorised		
10,000,000,000 ordinary shares of $0.01 each	**100,000**	100,000
Issued and fully paid		
1,331,929,000 (30 June 2005: 1,331,929,000) ordinary shares of $0.01 each	**13,319**	13,319

On 16 August 2005, the Company granted in total 78,000,000 share options for a total consideration of HK$6 to 4 executive directors and 2 senior executives at an exercise price of HK$0.058 per share under the Company's share option scheme approved in 1997 ("Old Share Option Scheme"). All these share options are exercisable on or after 17 February 2006 and will expire on 16 February 2009. Pursuant to an ordinary resolution passed on 16 December 2005, the Old Share Option Scheme was terminated and all the outstanding share options were therefore cancelled. A new share option scheme ("New Share Option Scheme") was adopted on 16 December 2005. Under the New Share Option Scheme, no share options have been granted during the period since its adoption.

The directors considered that the fair value of options granted and cancelled during the six months ended 31 December 2005 was HK$Nil.

At 31 December 2005, there was no outstanding share options.

On 10 January 2006, the Company granted in total 79,800,000 share options for a total consideration of HK$6 to 4 executive directors and 2 senior executives at an exercise price of HK0.05 per share under the New Share Option Scheme.

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:

	Unaudited As at 31 December 2005	Audited As at 30 June 2005
	$'000	*$'000*
Acquisition of land use rights and property development costs:		
Contracted for	**39,683**	21,668

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.

On 3 December 2004, the relevant court in Taiwan judged that the subsidiary of the Company lost the case and was obligated to pay NT$2,239,054 (HK$521,000). However, both plaintiff and the subsidiary disagreed with the judgement and lodged an appeal.

As at the date of approval of these interim financial statements, no final 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. However, in the event that the subsidiary is not successful in its appeal, the claim can be settled against the deposit of NT$6,000,000 (HK$1,395,000) placed with the same court in prior years in respect of another case in which the said subsidiary sued the same plaintiff but was not successful. Full impairment was made against such deposit in prior years. Accordingly, the directors consider that no further provision is necessary.

14. Prior period adjustment

In prior periods, sales at certain retail outlets operated in some department stores were recorded after deducting the relevant rental expenses charged by the department stores. A prior period adjustment has been made to rectify the error. There is no effect on this mis-classification on the results and financial position of the Group. The Group's turnover from apparel manufacturing business and distribution costs for the six months ended 31 December 2004 have been increased by HK$9,481,000 respectively.

15. Approval of the interim financial statements

These interim financial statements were approved and authorised for issue by the Board on 22 March 2006.