CROCODILE GARMENTS

CROCODILE
SINCE 1952

Crocodile Garments Limited

(Stock code: 122)

Interim Report 2005-2006

Contents

Crocodile Garments Limited
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Stock code on Hong Kong Stock Exchange: ***122***

CORPORATE INFORMATION

Place of Incorporation

Hong Kong

Board of Directors

Lam Kin Ming *(Chairman and Chief Executive Officer)* (re-designated on 17th February, 2006)
Lam Kin Ngok, Peter
Lam Kin Hong, Matthew
Lam Wai Shan, Vanessa *(Deputy Chief Executive Officer)* (appointed on 17th February, 2006)
Shiu Kai Wah
Chiu Wai
Wan Yee Hwa, Edward *
Yeung Sui Sang *
Chow Bing Chiu *

* *Independent non-executive directors*

Madam U Po Chu resigned as a director on 6th October, 2005

Secretary and Registered Office

Yeung Kam Hoi
11th Floor
Lai Sun Commercial Centre
680 Cheung Sha Wan Road
Kowloon, Hong Kong

The directors of the Company present herein the Interim Report together with the audited financial statements of the Company and of the Group for the six months ended 31st January, 2006.

MANAGEMENT DISCUSSION AND ANALYSIS

Overview of Operating Results

For the 6 months ended 31st January, 2006, turnover for the Group decreased from HK$212,656,000 in 2005 to HK$198,240,000 in 2006, representing a period-on-period drop of 6.8%. Despite retail sales in Hong Kong seeing an increase of 10% over the period, this was not enough to offset a drop in sales on the Mainland of 24.8% due to intense competition in that market.

The Group achieved an encouraging profit before tax of HK$155,458,000 for the 6 months ended 31st January, 2006 (2005: HK$22,602,000). Income from our property investment business accounted for a major part of this profit, which was mainly attributable to a net revaluation surplus for the investment properties of HK$146,593,000 (2005: Nil).

Profit attributable to equity holders of the parent company increased by 632.3% to HK$132,772,000 compared with the last corresponding period.

Operations in Hong Kong

The Group currently operates 19 Crocodile outlets and 7 Lacoste outlets in Hong Kong. In order to further strengthen the image of the new Crocodile logo, ongoing promotional campaigns including billboard advertising and event sponsorships were undertaken during the period. The Lacoste line, which offers stylish and fashionable high-end products, also recorded an increase in sales during the period under review.

The rebound in the Hong Kong property market has brought a significant revaluation surplus to the Group during the six months ended 31st January, 2006, however, it has also driven up the rental expenses of our retail shops. Rental expenses relating to our retail shops in Hong Kong increased by 30% compared with the last corresponding period despite the fact that we held back on renting outlets with unacceptably high rents.

The Group has accepted an offer from the Lands Department in respect of the lease modification of our investment property in Kwun Tong from industrial to non-industrial use at a land premium of HK$274,070,000. Subject to certain conditions being fulfilled, the Group plans to jointly develop the property with Lai Sun Garment (International) Limited into a retail and office commercial complex.

Operations in China

During the period under review, the Group continued to expand its own retail network in major cities of the Mainland in order to complement its nationwide franchising strategy. Overall sales dropped by 24.8% due to intense competition in the market. Furthermore, sales generated from our new retail outlets could not offset the decrease in sales due to the closing of a number of outlets operated by our franchisees.

Operations in China *(continued)*

The number of retail outlets run by the Group increased from 11 as at 31st July, 2005 to approximately 36 as at 31st January, 2006. These retail outlets, incorporating a new image in line with the new Crocodile logo, will certainly promote brand awareness.

Other income, representing mainly royalty income from licensees, decreased as a result of the termination of a licensee's rights to produce polyamide garments during the second half of the last financial year. The annual increment in royalties paid by other licensees was partly negated by the decrease in royalties as a result of the termination.

Currently, there are a total of approximately 520 sales outlets on the Mainland, including self-operated retail outlets and those operated by our franchisees.

Prospects

The continuing improvement in the unemployment rate in Hong Kong and a general rise in salaries have indicated that recovery of the Hong Kong economy is gathering pace. The positive market sentiments and the general increase in purchasing power of citizens are favorable to our retail operations in Hong Kong. If the trend continues, the Group is optimistic about achieving better results.

In China, the retail market and consumer spending power continue to grow at a remarkable speed. The Group is well positioned to benefit from China's growing fashion market and it is opening new self-operated outlets in Beijing, Tianjin and Shandong province. Nonetheless, the Group will strike a balance between self-operated and franchised sales outlets on the Mainland.

In order to maintain the high quality standards of our products and to maximize business opportunities in garment production, the Group intends to upgrade its production facilities and increase its production capacity on the Mainland.

The appointment of Hong Kong celebrity Mr. Miu Kiu Wai as the Crocodile spokesmodel in 2005 strengthens the Crocodile brand in the minds of our customers in both Hong Kong and the Mainland. The appointment continues to be very successful and serves as a strong endorsement of our products.

The recovery of the Hong Kong property market has provided the Group with an excellent opportunity to capitalize on its property investments. The investment property of the Group in Kwun Tong will be re-developed into a completely new commercial complex. If the property market continues to improve, the new commercial complex is expected to contribute significantly in both rental revenue and profit to the Group in the future.

Contingent Liabilities

There is no material change in contingent liabilities since the last annual report date.

Liquidity, Financial Resources, Gearing, Charges on Assets and Capital Commitments

Cash and cash equivalents held by the Group amounted to HK$243,348,000 as at 31st January, 2006 and were mainly denominated in Hong Kong dollars, Renminbi and United States dollars.

Liquidity, Financial Resources, Gearing, Charges on Assets and Capital Commitments *(continued)*

As at 31st January, 2006, total bank borrowings of the Group amounted to HK$36,965,000 which were due for renewal within one year. Of the total bank borrowings, HK$20,000,000 represented secured short term bank loans, HK$14,185,000 was trust receipt loans and the balance was secured overdrafts. Interest on bank borrowings is charged at floating rates. All of the Group's bank borrowings are denominated in Hong Kong dollars. No financial instruments for hedging purposes were employed by the Group during the period under review.

The Group's gearing was considered to be at a reasonable level, as the debt to equity ratio at 31st January, 2006 was only 6.4%, expressed as a percentage of total bank borrowings to total net assets.

As at 31st January, 2006, the Group had pledged investment properties with carrying values of HK$335,000,000 to its bankers to secure banking facilities granted to the Group.

The Group had contracted capital commitments of HK$246,663,000 as at 31st January, 2006.

Employees and Remuneration Policies

The total number of employees of the Group, including part-time sales staff, was 991 as at 31st January, 2006. Pay rate of the employees is largely based on industry practice and the performance of individual employee. In addition to salary and bonus payments, other staff benefits include subsidised medical care, free hospitalisation insurance plans, provident fund benefits, subsidised meals, staff discount on purchases, internal training for sales staff and external training programme subsidies.

INTERIM DIVIDEND

The Board has resolved not to pay an interim dividend for the six months ended 31st January, 2006 (2005: Nil).

DIRECTORS' INTERESTS

As at 31st January, 2006, the following directors and chief executive of the Company were interested, or were deemed to be interested in the following long and short positions in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of the Securities and Futures Ordinance ("SFO")) which (a) were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO; or (b) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein (the "Register"); or (c) were required, pursuant to the Code for Securities Transactions by Directors adopted by the Company, to be notified to the Company and the Stock Exchange:

(1) Company

	Long positions in the shares					
Name of Director	**Personal Interests**	**Family Interests**	**Corporate Interests**	**Capacity**	**Total**	**Percentage**
Lam Kin Ngok, Peter	Nil	Nil	338,982,809 *(Note)*	Beneficial owner	338,982,809	54.93%

Note: Lai Sun Garment (International) Limited ("LSG") and its wholly-owned subsidiary beneficially owned 338,982,809 shares in the Company. Mr. Lam Kin Ngok, Peter was deemed to be interested in 338,982,809 shares in the Company by virtue of his personal interest of 124,644,319 shares in LSG and his 50% interest in Wisdoman Limited which held 484,991,750 shares in LSG, representing in aggregate approximately 37.69% of the issued share capital of LSG.

DIRECTORS' INTERESTS *(continued)*

(2) Associated Corporation

Lai Sun Garment (International) Limited ("LSG")

	Long positions in the shares of LSG					
Name of Director	**Personal Interests**	**Family Interests**	**Corporate Interests**	**Capacity**	**Total**	**Percentage**
Lam Kin Ming	5,008,263	Nil	Nil	Beneficial owner	5,008,263	0.31%
Lam Kin Ngok, Peter	124,644,319	Nil	484,991,750 *(Note)*	Beneficial owner	609,636,069	37.69%
Chiu Wai	199,600	Nil	Nil	Beneficial owner	199,600	0.01%

Note: Mr. Lam Kin Ngok, Peter was deemed to be interested in 484,991,750 LSG shares by virtue of his 50% interest in Wisdoman Limited which owned those shares in LSG.

Save as disclosed above, as at 31st January, 2006, none of the directors or chief executive of the Company were interested, or were deemed to be interested in the long and short positions in the shares, underlying shares and debentures of the Company or any associated corporation which were required to be notified to the Company and the Stock Exchange or recorded in the Register as aforesaid.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS

As at 31st January, 2006, the following persons, some of whom are directors or chief executive of the Company, had an interest in the following long positions in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO:

		Long positions in the shares		
Name	**Capacity**	**Nature of Interests**	**Number of shares**	**Percentage**
Joy Mind Limited	Beneficial owner	Corporate	336,316,809 *(Note 1)*	54.50%
Lai Sun Garment (International) Limited ("LSG")	Beneficial owner	Corporate	338,982,809 *(Note 1)*	54.93%
Lam Kin Ngok, Peter	Beneficial owner	Corporate	338,982,809 *(Note 2)*	54.93%

Notes:

1. Joy Mind Limited was a wholly-owned subsidiary of LSG. Its interest in the Company constituted part of the interest held by LSG in the Company.

2. Mr. Lam Kin Ngok, Peter was deemed to be interested in 338,982,809 shares in the Company by virtue of his personal interest of 124,644,319 shares in LSG and his 50% interest in Wisdoman Limited which held 484,991,750 shares in LSG, representing in aggregate approximately 37.69% of the issued share capital of LSG.

Save as disclosed above, no other person was recorded in the register required to be kept under section 336 of the SFO as having an interest or short position in the shares and underlying shares of the Company as at 31st January, 2006.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the six months ended 31st January, 2006, there was no purchase, sale or redemption by the Company, or any of its subsidiaries, of the Company's listed securities.

CORPORATE GOVERNANCE

None of the directors of the Company is aware of any information that would reasonably indicate that the Company is not, or was not for any part of the period covered by the Interim Report of the Company for the six months ended 31st January, 2006, in compliance with the Code on Corporate Governance Practices as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), except for the following deviations from the code provisions A.2.1 and A.4.1:

Code Provision A.2.1

Given the current corporate structure, there is no separation between the roles of Chairman and Chief Executive Officer.

Code Provision A.4.1

The non-executive directors of the Company were not appointed for a specific term as they are subject to retirement by rotation and re-election at the Company's Annual General Meeting in accordance with the Articles of Association of the Company.

CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code for securities transactions by directors (the "Code") on terms no less exacting than the standard set out in the Model Code in Appendix 10 of the Listing Rules. The Company has made specific enquiry of all directors who have confirmed their compliance with the required standard set out in the Code during the six months ended 31st January, 2006.

REVIEW OF INTERIM REPORT

The Interim Report of the Company for the six months ended 31st January, 2006 has been reviewed by the audit committee of the Company. The audit committee comprises the three independent non-executive directors of the Company, namely, Mr. Wan Yee Hwa, Edward, Mr. Yeung Sui Sang and Mr. Chow Bing Chiu.

By Order of the Board
Lam Kin Ming
Chairman and Chief Executive Officer

Hong Kong, 7th April, 2006

ERNST & YOUNG
安永會計師事務所

To the board of directors
Crocodile Garments Limited
(Incorporated in Hong Kong with limited liability)

We have audited the financial statements on pages 9 to 49 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

Respective responsibilities of directors and auditors

The Company's directors are responsible for the preparation of financial statements which give a true and fair view. In preparing financial statements which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently. It is our responsibility to form an independent opinion, based on our audit, on those financial statements and to report our opinion solely to you, as a body, in accordance with agreed terms, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Basis of opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. An audit includes an examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's and the Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the financial statements are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31st January, 2006 and of the profit and cash flows of the Group for the six months ended 31st January, 2006.

Without qualifying our opinion above, we draw attention to the fact that the financial statements of the Company and of the Group for the six month period ended 31st January, 2005, which form the basis for the comparative amounts presented in the current period's financial statements of the Company and of the Group, were not audited.

Ernst & Young
Certified Public Accountants

Hong Kong
7th April, 2006

CONSOLIDATED INCOME STATEMENT

Six months ended 31st January, 2006

	Notes	Six months ended 31st January, **2006** *HK$'000*	2005 *HK$'000* (Unaudited)
REVENUE	*6*	**198,240**	212,656
Cost of sales		**(81,220)**	(103,376)
Gross profit		**117,020**	109,280
Other income and gains	*6*	**16,368**	16,774
Selling and distribution costs		**(95,236)**	(78,812)
Administrative expenses		**(27,886)**	(24,012)
Other operating expenses	*7*	**(599)**	(157)
Fair value gains on investment properties	*14*	**146,593**	—
Finance costs	*9*	**(802)**	(471)
PROFIT BEFORE TAX	*7*	**155,458**	22,602
Tax	*10*	**(22,686)**	(4,472)
PROFIT FOR THE PERIOD ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT	*11*	**132,772**	18,130
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
— basic	*12*	**21.51 HK cents**	2.94 HK cents

CONSOLIDATED BALANCE SHEET

31st January, 2006

	Notes	31st January, 2006 HK$'000	31st July, 2005 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	**28,316**	26,903
Investment properties	14	**335,000**	161,000
Rental and utility deposits		**12,578**	14,745
Deferred tax assets	15	**—**	—
Total non-current assets		**375,894**	202,648
CURRENT ASSETS			
Inventories	17	**84,769**	68,007
Trade receivables, deposits and prepayments	18	**29,857**	28,503
Amount due from the ultimate holding company	29(b)	**5**	—
Cash and cash equivalents	19	**243,348**	276,796
Total current assets		**357,979**	373,306
CURRENT LIABILITIES			
Short term borrowings	20	**36,965**	43,867
Trade and other payables	21	**79,425**	71,656
Amount due to the ultimate holding company	29(b)	**—**	6
Amounts due to related companies	29(b)	**159**	9
Current tax payable		**10,551**	10,551
Total current liabilities		**127,100**	126,089
NET CURRENT ASSETS		**230,879**	247,217
TOTAL ASSETS LESS CURRENT LIABILITIES		**606,773**	449,865
NON-CURRENT LIABILITIES			
Provision for long service payments	22	**4,442**	2,992
Deferred tax liabilities	15	**28,063**	5,377
Total non-current liabilities		**32,505**	8,369
Net assets		**574,268**	441,496
EQUITY			
Equity attributable to equity holders of the parent:			
Issued capital	23	**154,282**	154,282
Reserves	24	**337,210**	337,210
Retained profits/(accumulated losses)		**82,776**	(49,996)
Total equity		**574,268**	441,496

Lam Kin Ming
Director

Lam Kin Ngok, Peter
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Six months ended 31st January, 2006

	Attributable to equity holders of the parent					
	Issued capital	Share premium account	Exchange fluctuation reserve	Asset revaluation reserve *(note (i))*	Retained profits/ (accumulated losses)	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1st August, 2005	154,282	164,921	179	172,110	(49,996)	441,496
Net profit for the period	—	—	—	—	132,772	132,772
At 31st January, 2006	**154,282**	**164,921***	**179***	**172,110***	**82,776**	**574,268**
At 1st August, 2004	154,282	164,921	—	172,110	(177,201)	314,112
Net profit for the period (unaudited)	—	—	—	—	18,130	18,130
At 31st January, 2005 (unaudited)	154,282	164,921	—	172,110	(159,071)	332,242

Note:

(i) The Group's asset revaluation reserve represents a frozen revaluation surplus in relation to certain leasehold land and buildings which were transferred to investment properties in prior years.

* *These reserve accounts comprise the consolidated reserves of HK$337,210,000 (31st July, 2005: HK$337,210,000) in the consolidated balance sheet.*

CONSOLIDATED CASH FLOW STATEMENT

Six months ended 31st January, 2006

	Notes	Six months ended 31st January, 2006 HK$'000	2005 HK$'000 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**155,458**	22,602
Adjustments for:			
Finance costs	9	**802**	471
Interest income	6	**(2,951)**	(466)
Depreciation	7	**5,808**	3,205
Loss/(gain) on disposals/write-offs of items of property, plant and equipment, net	7	**14**	(14)
Impairment on accounts receivable		**—**	59
Write-back of provision for slow-moving inventories, net (included in cost of sales)	7	**(2,922)**	(4,266)
Fair value gains on investment properties	14	**(146,593)**	—
Operating profit before working capital changes		**9,616**	21,591
Increase in inventories		**(13,840)**	(7,537)
(Increase)/decrease in trade receivables, deposits and prepayments		**813**	(634)
Increase/(decrease) in trade and other payables		**7,769**	(11,388)
Movements in balance with the ultimate holding company		**(11)**	59
Movements in balances with related companies		**150**	113
Increase in provision for long service payments		**1,450**	—
Cash generated from operations		**5,947**	2,204
Interest paid		**(802)**	(471)
Net cash inflow from operating activities		**5,145**	1,733
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		**2,951**	466
Purchases of items of property, plant and equipment		**(7,235)**	(9,429)
Proceeds from disposal of items of property, plant and equipment		**—**	32
Increase in investment properties		**(27,407)**	—
Net cash outflow from investing activities		**(31,691)**	(8,931)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of bank loan		**(4,250)**	—
Repayment of trust receipt loans		**(3,007)**	(7,271)
Net cash outflow from financing activities		**(7,257)**	(7,271)
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(33,803)**	(14,469)
Cash and cash equivalents at beginning of period		**274,371**	154,245
CASH AND CASH EQUIVALENTS AT END OF PERIOD		**240,568**	139,776
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	19	**145,696**	142,658
Non-pledged time deposits with original maturity of less than three months when acquired	19	**97,652**	—
Bank overdrafts, secured	20	**(2,780)**	(2,882)
		240,568	139,776

BALANCE SHEET

31st January, 2006

	Notes	**31st January, 2006 HK$'000**	31st July, 2005 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	**13,466**	12,430
Investment properties	14	**240,000**	63,000
Deferred tax assets	15	**—**	—
Interests in subsidiaries	16	**112,037**	99,278
Rental and utility deposits		**11,657**	14,348
Total non-current assets		**377,160**	189,056
CURRENT ASSETS			
Inventories	17	**47,147**	43,232
Trade receivables, deposits and prepayments	18	**12,306**	7,762
Amount due from the ultimate holding company	29(b)	**5**	—
Cash and cash equivalents	19	**133,877**	179,324
Total current assets		**193,335**	230,318
CURRENT LIABILITIES			
Short term borrowings	20	**34,185**	41,442
Trade and other payables	21	**24,741**	20,203
Amount due to the ultimate holding company	29(b)	**—**	6
Amounts due to related companies	29(b)	**159**	9
Total current liabilities		**59,085**	61,660
NET CURRENT ASSETS		**134,250**	168,658
TOTAL ASSETS LESS CURRENT LIABILITIES		**511,410**	357,714
NON-CURRENT LIABILITIES			
Provision for long service payments	22	**4,442**	2,992
Deferred tax liabilities	15	**23,204**	—
Total non-current liabilities		**27,646**	2,992
Net assets		**483,764**	354,722
EQUITY			
Issued capital	23	**154,282**	154,282
Reserves	24	**274,011**	274,011
Retained profits/(accumulated losses)	24	**55,471**	(73,571)
Total equity		**483,764**	354,722

Lam Kin Ming
Director

Lam Kin Ngok, Peter
Director

1. CORPORATE INFORMATION

The Company is a company incorporated in Hong Kong with limited liability. The registered office of the Company is located at 11th Floor, Lai Sun Commercial Centre, 680 Cheung Sha Wan Road, Kowloon, Hong Kong.

During the period, the Group was involved in the manufacture and sale of garments and property investment and letting.

In the opinion of the directors, the parent and ultimate holding company of the Group is Lai Sun Garment (International) Limited, which is incorporated in Hong Kong.

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which also include Hong Kong Accounting Standards ("HKASs") and Interpretations ("Int")) issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and accounting principles generally accepted in Hong Kong. They have been prepared under the historical cost convention, except for investment properties which have been measured at fair value as further explained in note 4. These financial statements are presented in Hong Kong dollars ("HK$") and all values are rounded to the nearest thousand except when otherwise indicated.

The unaudited comparative financial information of the Group, which comprises the consolidated results and consolidated cash flows for the six months ended 31st January, 2005, was prepared in accordance with Statements of Standard Accounting Practice issued by the HKICPA and accounting principles generally accepted in Hong Kong. The directors of the Company considered that the adoption of the new and revised HKFRSs which are effective for the accounting periods beginning on or after 1st January, 2005, have no material impact on the results of operations of the Group for the six months ended 31st January, 2005.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the six months ended 31st January, 2006. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All significant intercompany transactions and balances within the Group are eliminated on consolidation.

2.2 IMPACT OF ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following applicable new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements. Unless otherwise stated, these HKFRSs are effective for annual periods beginning on or after 1st January, 2006:

HKAS 1 Amendment	Capital Disclosures
HKAS 21 Amendment	Net Investment in a Foreign Operation
HKAS 39 Amendment	The Fair Value Option
HKAS 39 & HKFRS 4 Amendments	Financial Guarantee Contracts
HKFRS 7	Financial Instruments: Disclosures
HK(IFRIC)-Int 4	Determining whether an Arrangement contains a Lease

The HKAS 1 Amendment shall be applied for annual periods beginning on or after 1st January, 2007. The revised standard will affect the disclosures about qualitative information about the Group's objective, policies and processes for managing capital; quantitative data about what the Company regards capital, and compliance with any capital requirements and the consequences of any non-compliance.

2.2 IMPACT OF ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS *(continued)*

HKFRS 7 incorporates the disclosure requirements of HKAS 32 relating to financial instruments. This HKFRS shall be applied for annual periods beginning on or after 1st January, 2007.

In accordance with the amendments to HKAS 39 regarding financial guarantee contracts, financial guarantee contracts are initially recognised at fair value and are subsequently measured at the higher of (i) the amount determined in accordance with HKAS 37 and (ii) the amount initially recognised, less, when appropriate, cumulative amortisation recognised in accordance with HKAS 18.

Except as stated above, the Group expects that the adoption of the pronouncements listed above will not have any significant impact on the Group's financial statements in the period of initial application.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

(a) Impairment of assets

In determining an asset is impaired or the event previously causing the impairment no longer exists, management has to exercise judgement in the area of asset impairment, particularly in assessing (i) whether an event has occurred that may affect asset value or such event affecting the asset value has not been in existence; (ii) whether the carrying value of an asset can be supported by the net present value of future cash flows which are estimated based upon the continued use of the asset or derecognition; and (iii) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate.

(b) Income tax

Deferred tax is provided using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax assets are recognised for unused tax losses carried forward to the extent it is probable (i.e., more likely than not) that future taxable profits will be available against which the unused tax losses can be utilised, based on all available evidence. Recognition primarily involves judgement regarding the future performance of the particular legal entity or tax group in which the deferred tax asset has been recognised. A variety of other factors are also evaluated in considering whether there is convincing evidence that it is probable that some portion or all of the deferred tax assets will ultimately be realised, such as the existence of taxable temporary differences, group relief, tax planning strategies and the periods in which the estimated tax losses can be utilised.

(c) Provision for obsolete and slow-moving inventories

The Group's inventories are stated at the lower of cost and net realisable value. The Group makes provisions based on estimates of the realisable value with reference to the age and conditions of the inventories, together with the economic circumstances on the marketability of such inventories. Inventories are reviewed annually for obsolescence provisions, if appropriate.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(continued)*

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, 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) *Estimate of fair value of investment properties*

The best evidence of fair value is current prices in an active market for similar lease and other contracts. In the absence of such information, management determines the amount within a range of reasonable fair value estimates. In making such estimation, management considers information from current prices in an active market for properties of different nature, condition or locations. This conclusion is supported by an independent professional valuer who was engaged by the Group to perform a valuation on the Group's investment properties.

(b) *Impairment testing of assets*

Management determines whether an asset is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units. Estimating the value in use requires management to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. Changing the assumptions selected by management to determine the level of impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could materially affect the net present value used in the impairment test.

(c) *Income tax*

The carrying amount of deferred tax assets and related financial models and budgets are reviewed by management at each balance sheet date. To the extent that there is insufficient convincing evidence that sufficient taxable profits will be available within the utilisation periods to allow utilisation of the tax losses carried forward, the asset balance will be reduced and charged to the income statement.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

A subsidiary is a company in which the Company, directly or indirectly, controls more than half of its voting power or issued share capital or controls the composition of its board of directors.

The results of subsidiaries are included in the Company's income statement to the extent of dividends received and receivable. The Company's interests in subsidiaries are stated at cost less any impairment losses.

Joint venture

A joint venture is an entity set up by contractual arrangement, whereby the Group and other parties undertake an economic activity. The joint venture operates as a separate entity in which the Group and the other parties have an interest.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Joint venture *(continued)*

The joint venture agreement between the venturers stipulates the capital contributions of the joint venture parties, the duration of the joint venture entity and the basis on which the assets are to be realised upon its dissolution. The profits and losses from the joint venture's operations and any distributions of surplus assets are shared by the venturers, either in proportion to their respective capital contributions, or in accordance with the terms of the joint venture agreement.

A joint venture company is treated as a subsidiary when the Group has unilateral control, directly or indirectly, over the joint venture.

Impairment of assets (other than financial assets)

An assessment is made at each balance sheet date of whether there is any indication of impairment of any asset, or whether there is any indication that an impairment loss previously recognised for an asset in prior years may no longer exist or may have decreased. If any such indication exists, the asset's recoverable amount is estimated. An asset's recoverable amount is calculated as the higher of the asset's or cash-generating unit's fair value less costs to sell and its value in use, and is determined on an individual asset basis, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the income statement in the period in which it arises, unless the asset is carried at a revalued amount, when the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount of an asset, however not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation), had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is credited to the income statement in the period in which it arises, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

Property, plant and equipment and depreciation

Property, plant and equipment, other than investment properties, are stated at cost less accumulated depreciation and any impairment losses.

The cost of an item of property, plant and equipment comprises its purchase price, any directly attributable costs of bringing the asset to its working condition and location for its intended use and the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located. Expenditure incurred after the assets have been put into operation, such as repairs and maintenance, is normally charged to the income statement in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the items of property, plant and equipment, the expenditure is capitalised as an additional cost of that asset or as a replacement.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Property, plant and equipment and depreciation *(continued)*

Depreciation is calculated on the straight-line basis to write off the cost of each asset over its estimated useful life. The principal annual rates used for this purpose are as follows:

Leasehold land and buildings	4.5%
Plant and machinery	10%
Furniture and fixtures, including	10% to 20%
leasehold improvements	Over the lease terms
Computer equipment	20%
Motor vehicles	20%

Upon a transfer of an asset to investment properties, a valuation is performed to determine the fair value of the asset to be transferred. Any revaluation surplus/deficit so arising, being the difference between the valuation and the net carrying value of the asset at the date of transfer, is credited/charged to the asset revaluation reserve of the related asset. The remaining asset revaluation reserve attached to that asset, if any, is frozen and remains as an asset revaluation reserve until that asset is sold.

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately.

Residual values, useful lives and depreciation method are reviewed and adjusted if appropriate, at each balance sheet date.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. The gain or loss on disposal or retirement of an item of property, plant and equipment recognised in the income statement is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Investment properties

Investment properties are interests in land and buildings (including the leasehold interest under an operating lease for property which would otherwise meet the definition of an investment property) in respect of which construction work and development have been completed and which are owned by the Group or held by Group under finance leases to earn rentals or for capital appreciation or both. Such properties are not depreciated, and are measured initially at cost including all transaction costs and, after initial recognition, carried at fair values, being their open market values on the basis of annual professional valuations performed at the end of each financial year. Changes in the fair values of investment properties are recognised in the income statement in the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. The gain or loss arising from the retirement or disposal of an investment property, calculated as the differences between the net disposal proceeds and the carrying amount of the investment property, is recognised in the income statement in the period of the retirement or disposal.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial assets

Financial assets in the scope of HKAS 39 are classified as either financial assets at fair value through profit or loss, loans and receivables, and available-for-sale financial assets, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus directly attributable transaction costs. The Group determines the classification of its financial assets after the initial recognition and, where allowed and appropriate, re-evaluates this designation at the balance sheet date.

All regular way purchases and sales of financial assets are recognised on the trade date, i.e., the date that the Group commits to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest method. Gains and losses are recognised in the income statement when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

Fair value

The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business at the balance sheet date. For investment where there is no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument which is substantially the same; a discounted cash flow analysis; and option pricing models.

Impairment of financial assets

The Group assesses at each balance sheet date whether there is any objective evidence that a financial asset or a group of financial assets is impaired.

Assets carried at amortised cost

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced either directly or through the use of an allowance account. The amount of the impairment loss is recognised in profit or loss.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment of financial assets *(continued)*

Assets carried at amortised cost (continued)

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in the income statement, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- the rights to receive cash flows from the asset have expired;
- the Group retains the rights to receive cash flows from the asset, but has assumed an obligation to pay in full without material delay to a third party under a "pass-through" arrangement; or
- the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Where continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the Group's continuing involvement is the amount of the transferred asset that the Group may repurchase, except in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, where the extent of the Group's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets and rentals receivable under the operating leases are credited to the income statement on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under the operating leases are charged to the income statement on the straight-line basis over the lease terms.

When the land lease payments cannot be allocated reliably between the land and buildings elements, the entire lease payments are included in the cost of the land and buildings as a finance lease in property, plant and equipment.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Inventories

Inventories are stated at the lower of cost and net realisable value after making due allowances for obsolete or slow-moving items. Cost includes the cost of materials computed using the first-in, first-out method and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate portion of production overheads. Net realisable value is determined by reference either to the net sales proceeds of items in the ordinary course of business subsequent to the balance sheet date, or to management estimates based on the prevailing market conditions.

Bank and other borrowings

All banks and other borrowings are initially recognised at cost, being the fair value of the consideration received net of issue costs associated with the borrowings.

After initial recognition, bank and other borrowings are subsequently measured at amortised cost using the effective interest method.

Borrowing costs

Borrowing costs represented interest on bank overdrafts, short term and long term borrowings. Borrowing costs are recognised as an expense in the period in which they are incurred.

Cash and cash equivalents

For the purpose of the consolidated cash flow statement, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the balance sheet, cash and cash equivalents comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the balance sheet date of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the income statement.

Income tax

Income tax comprises current and deferred tax. Income tax is recognised in the income statement, or in equity if it relates to items that are recognised in the same or a different period directly in equity.

Deferred tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Tax rates enacted or substantively enacted by the balance sheet date are used to determine deferred tax.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Income tax *(continued)*

Deferred tax liabilities are provided in full on all taxable temporary differences while deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised, except:

- where the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries and joint venture, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Conversely, previously unrecognised deferred tax assets are reassessed at each balance sheet date and are recognised to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(a) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;

(b) rental income, on the straight-line basis over the terms of the lease;

(c) royalty income, when the right to receive the income has been established and on the straight-line basis over the terms of the relevant agreement; and

(d) interest income, on an accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Employee benefits

Paid leave carried forward

The Group provides paid annual leave to its employees under their employment contracts on a calendar year basis. Under certain circumstances, such leave which remains untaken as at the balance sheet date is permitted to be carried forward and utilised by the respective employees in the following year. An accrual is made at the balance sheet date for the expected future cost of such paid leave earned during the year by the employees and carried forward.

Employment Ordinance long service payments

Certain of the Group's employees have completed the required number of years of service to the Group in order to be eligible for long service payments under the Hong Kong Employment Ordinance in the event of the termination of their employment. The Group is liable to make such payments in the event that such a termination of employment meets the circumstances specified in the Employment Ordinance. A provision is recognised in respect of the probable future long service payments expected to be made. The provision is based on the best estimate of the probable future payments which have been earned by the employees from their service to the Group to the balance sheet date.

Pension schemes

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance, for all of its employees in Hong Kong. Contributions are made based on a percentage of the employees' basic salaries and are charged to the income statement as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

Employees of subsidiaries operating in Mainland of China are members of the Central Pension Scheme operated by the PRC government. The subsidiaries are required to contribute a certain percentage of their covered payroll to the Central Pension Scheme to fund the benefits. The only obligation of the Group with respect to the Central Pension Scheme is to make the required contributions, which are charged to the income statement in the year to which they relate.

Foreign currencies

These financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

Foreign currency transactions are initially recorded using the functional currency rates ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet date. All differences are taken to the income statement. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Foreign currencies *(continued)*

The functional currencies of certain overseas subsidiaries are currencies other than the Hong Kong dollars. As at the balance sheet date, the assets and liabilities of these entities are translated into the presentation currency of the Company (i.e., Hong Kong dollars) at the exchange rates ruling at the balance sheet date and, their income statements are translated into Hong Kong dollars at the weighted average exchange rates for the year. The resulting exchange differences are included in the exchange fluctuation reserve. On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the income statement.

For the purpose of the consolidated cash flow statement, the cash flows of overseas subsidiaries are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the period are translated into Hong Kong dollars at the weighted average exchange rates for the period.

Related parties

A party is related to the Group if:

(a) the party, directly, or indirectly through one or more intermediaries:

- (i) controls, is controlled by, or is under common control with, the Group;
- (ii) has an interest in the Group that gives it significant influence over the Group; or
- (iii) has joint control over the Group;

(b) the party is a joint venture in which the entity is a venturer;

(c) the party is an associate;

(d) the party is a member of the key management personnel of the Group or its parent;

(e) the party is a close member of the family of any individual referred to in (a) or (d);

(f) the party is an entity that is controlled, jointly-controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e); or

(g) the party is a post-employment benefit plan for the benefit of employees of the Group, or of any entity that is a related party of the Group.

5. SEGMENT INFORMATION

Segment information is presented by way of two segment formats: (i) on a primary segment reporting basis, by business segment; and (ii) on a secondary segment reporting basis, by geographical segment.

The Group's operating businesses are structured and managed separately, according to the nature of their operations and the products and services they provide. Each of the Group's business segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of the other business segments. Summary details of the business segments are as follows:

(a) the garment and related accessories segment engages in the manufacture and sale of garments and related accessories;

(b) the property investment segment invests in land and buildings for its rental income potential; and

(c) the corporate and others segment comprises the Group's corporate income and expense items and other segment income and segment expense items.

In determining the Group's geographical segments, revenues are attributed to the segments based on the location of the customers, and assets are attributed to the segments based on the location of the assets.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

5. SEGMENT INFORMATION *(continued)*

Business segments

The following tables present revenue, profit and certain asset, liability and expenditure information for the Group's business segments for the six months ended 31st January, 2006 and 2005.

Six months ended 31st January, 2006

Group

	Garment and related accessories *HK$'000*	Property investment *HK$'000*	Corporate and others *HK$'000*	Eliminations *HK$'000*	Consolidated *HK$'000*
Segment revenue:					
Sales to/income from external customers	194,588	3,652	—	—	198,240
Other revenue	13,310	107	—	—	13,417
Total	207,898	3,759	—	—	211,657
Segment results	4,119	149,201	(11)	—	153,309
Interest income					2,951
Finance costs					(802)
Profit before tax					155,458
Tax					(22,686)
Profit for the period attributable to equity holders of the parent					132,772
Assets and liabilities:					
Segment assets	154,486	336,039	—	—	490,525
Unallocated assets					243,348
Total assets					733,873
Segment liabilities	82,018	1,998	10	—	84,026
Unallocated liabilities					75,579
Total liabilities					159,605
Other segment information:					
Depreciation	5,718	90	—	—	5,808
Write-back of provision for slow-moving inventories, net (included in cost of sales)	(2,922)	—	—	—	(2,922)
Capital expenditure	7,235	—	—	—	7,235
Loss on disposals/write-offs of items of property, plant and equipment	14	—	—	—	14
Fair value gains on investment properties	—	(146,593)	—	—	(146,593)

5. SEGMENT INFORMATION *(continued)*

Business segments *(continued)*

Six months ended 31st January, 2005 (unaudited)

Group

	Garment and related accessories *HK$'000*	Property investment *HK$'000*	Corporate and others *HK$'000*	Eliminations *HK$'000*	Consolidated *HK$'000*
Segment revenue:					
Sales to/income from external customers	206,860	5,796	—	—	212,656
Intersegment sales	—	12	—	(12)	—
Other revenue	16,198	110	—	—	16,308
Total	223,058	5,918	—	(12)	228,964
Segment results	18,377	4,789	(559)	—	22,607
Interest income					466
Finance costs					(471)
Profit before tax					22,602
Tax					(4,472)
Profit for the period attributable to equity holders of the parent					18,130
Other segment information:					
Depreciation	3,115	90	—	—	3,205
Impairment on accounts receivable	—	59	—	—	59
Write-back of provision for slow-moving inventories, net (included in cost of sales)	(4,266)	—	—	—	(4,266)
Gain on disposals/write-offs of items of property, plant and equipment	(14)	—	—	—	(14)

5. SEGMENT INFORMATION *(continued)*

Geographical segments

The following table presents revenue, certain asset and capital expenditure information for the Group's geographical segments for the six months ended 31st January, 2006 and 2005.

Six months ended 31st January, 2006

Group

	Hong Kong *HK$'000*	**Mainland of China** *HK$'000*	**Consolidated** *HK$'000*
Segment revenue:			
Sales to/income from external customers	**126,877**	**71,363**	**198,240**
Other revenue	**145**	**13,272**	**13,417**
Total	**127,022**	**84,635**	**211,657**
Other segment information:			
Segment assets	**423,683**	**66,842**	**490,525**
Unallocated assets			**243,348**
Total assets			**733,873**
Capital expenditure	**4,788**	**2,447**	**7,235**

Six months ended 31st January, 2005 (unaudited)

Group

	Hong Kong *HK$'000*	Mainland of China *HK$'000*	Consolidated *HK$'000*
Segment revenue:			
Sales to/income from external customers	117,799	94,857	212,656
Other revenue	730	15,578	16,308
Total	118,529	110,435	228,964

6. REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Group's turnover represents the net invoiced value of goods supplied to customers after allowances for returns, trade discounts and value-added tax, and rental income.

An analysis of revenue, other income and gains is as follows:

		Group Six months ended 31st January, 2006	2005
	Note	***HK$'000***	*HK$'000*
			(Unaudited)
Revenue			
Sale of goods		**194,588**	206,860
Gross rental income	*7*	**3,652**	5,796
		198,240	212,656
Other income and gains			
Royalty income		**11,532**	14,653
Interest income		**2,951**	466
Sale of miscellaneous materials		**249**	343
Sale of export quotas		**—**	345
Others		**1,636**	967
		16,368	16,774

7. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

		Group Six months ended 31st January,	
		2006	2005
	Note	***HK$'000***	*HK$'000*
			(Unaudited)
Cost of inventories sold		**84,142**	107,642
Depreciation		**5,808**	3,205
Auditors' remuneration		**836**	—
Lease payments in respect of land and buildings:			
Minimum lease payments under operating leases		**37,286**	28,254
Contingent rents		**2,894**	2,539
		40,180	30,793
Employee benefits expense (including directors' remuneration — *note 8*):			
Wages and salaries		**38,436**	30,893
Pension scheme contributions		**1,076**	956
Write-back of provision against long service payments		**(550)**	—
		38,962	31,849
Gross Rental income	*6*	**(3,652)**	(5,796)
Less: Outgoings		**751**	867
Net rental income		**(2,901)**	(4,929)
Write-back of provision for slow-moving inventories, net (included in cost of sales)		**(2,922)**	(4,266)
Other operating expenses/(income):			
Severance payments		**503**	70
Foreign exchange differences, net		**82**	101
Loss/(gain) on disposals/write-offs of items of property, plant and equipment, net		**14**	(14)
		599	157

8. DIRECTORS' REMUNERATION

Directors' remuneration for the period, disclosed pursuant to the Listing Rules and Section 161 of the Companies Ordinance, is as follows:

	Group			
	Executive directors Six months ended 31st January,		**Non-executive directors Six months ended 31st January,**	
	2006	2005	**2006**	2005
	HK$'000	*HK$'000* (Unaudited)	***HK$'000***	*HK$'000* (Unaudited)
Fees	**15**	15	**84**	79
Other emoluments:				
Salaries, allowances and benefits in kind	**2,492**	2,485	**—**	—
Pension scheme contributions	**6**	6	**—**	—
	2,498	2,491	**—**	—
	2,513	2,506	**84**	79

The above balances included the remuneration paid to a director who resigned during the period and a director who passed away in February, 2005.

Directors' remuneration paid to independent non-executive directors during the period amounted to HK$72,000 (Six months ended 31st January, 2005 (unaudited): HK$64,000).

There was no arrangement under which a director waived or agreed to waive any remuneration during the period.

9. FINANCE COSTS

	Group Six months ended 31st January,	
	2006	2005
	HK$'000	*HK$'000* (Unaudited)
Interest on bank loans and overdrafts	**802**	471

10. TAX

No Hong Kong profits tax has been provided as the Group had no assessable profits arising in Hong Kong during the period (31st January, 2005 (unaudited): Nil). The current and prior periods' tax charge represented deferred tax.

A reconciliation of the tax expense applicable to profit before tax using the statutory tax rates for the places in which the Group are domiciled to the tax position at the effective tax rates, and a reconciliation of the statutory tax rates to the effective tax rates, are as follows:

Six months ended 31st January, 2006

Group

	Hong Kong		**Mainland of China**		**Total**	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*
Profit before tax	**147,771**		**7,687**		**155,458**	
Tax at the statutory tax rate	**25,860**	**17.5**	**2,075**	**27.0***	**27,935**	**18.0**
Income not subject to tax	**(617)**	**(0.4)**	**—**	**—**	**(617)**	**(0.4)**
Expenses not deductible for tax	**69**	**—**	**3,728**	**48.5**	**3,797**	**2.4**
Tax losses utilised	**—**	**—**	**(4,749)**	**(61.8)**	**(4,749)**	**(3.1)**
Decrease in unprovided deferred tax assets	**(2,626)**	**(1.8)**	**(1,054)**	**(13.7)**	**(3,680)**	**(2.3)**
Tax charge at the Group's effective rate	**22,686**	**15.3**	**—**	**—**	**22,686**	**14.6**

Six months ended 31st January, 2005 (unaudited)

Group

	Hong Kong		Mainland of China		Total	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*
Profit before tax	22,537		65		22,602	
Tax at the statutory tax rate	3,944	17.5	18	27.0*	3,962	17.5
Income not subject to tax	(2,393)	(10.6)	—	—	(2,393)	(10.6)
Expenses not deductible for tax	269	1.2	3,439	5,290.8	3,708	16.4
Write-off of deferred tax assets	2,475	11.0	—	—	2,475	11.0
Tax losses utilised	—	—	(2,593)	(3,989.0)	(2,593)	(11.5)
Increase/(decrease) in unprovided deferred tax assets	177	0.7	(864)	(1,328.8)	(687)	(3.0)
Tax charge at the Group's effective rate	4,472	19.8	—	—	4,472	19.8

* The Group's operations in the Coastal Open Economic Zones of Mainland of China are entitled to a preferential tax rate of 27%.

11. PROFIT FOR THE PERIOD ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT

The profit for the six months ended 31st January, 2006 attributable to equity holders of the parent dealt with in the financial statements of the Company was HK$129,042,000 (Six months ended 31st January, 2005 (unaudited): HK$22,445,000) *(note 24)*.

12. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of basic earnings per share is based on the profit attributable to equity holders of the parent for the period of HK$132,772,000 (Six months ended 31st January, 2005 (unaudited): HK$18,130,000) and the weighted average of 617,127,130 (Six months ended 31st January, 2005 (unaudited): 617,127,130) ordinary shares in issue throughout the period.

Diluted earnings per share amounts for the six months ended 31st January, 2006 and 2005 have not been calculated because no diluting events existed during these periods.

13. PROPERTY, PLANT AND EQUIPMENT

Group

	Leasehold land and buildings* HK$'000	Plant and machinery HK$'000	Furniture and fixtures, including leasehold improvements HK$'000	Computer equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
Cost:						
At 1st August, 2004	17,778	18,119	47,926	16,108	3,204	103,135
Additions	—	75	14,401	1,860	3,070	19,406
Disposals/write-offs	—	(88)	(3,730)	(4,530)	(1,333)	(9,681)
Exchange realignments	—	48	62	15	10	135
At 31st July, 2005	17,778	18,154	58,659	13,453	4,951	112,995
At 1st August, 2005	17,778	18,154	58,659	13,453	4,951	112,995
Additions	—	567	6,043	625	—	7,235
Disposals/write-offs	—	(544)	(506)	(86)	—	(1,136)
At 31st January, 2006	**17,778**	**18,177**	**64,196**	**13,992**	**4,951**	**119,094**
Accumulated depreciation and impairment:						
At 1st August, 2004	9,350	16,129	43,512	15,363	2,474	86,828
Provided during the year	800	624	6,183	548	647	8,802
Disposals/write-offs	—	(72)	(3,677)	(4,519)	(1,333)	(9,601)
Exchange realignments	—	31	25	4	3	63
At 31st July, 2005	10,150	16,712	46,043	11,396	1,791	86,092
At 1st August, 2005	10,150	16,712	46,043	11,396	1,791	86,092
Provided during the period	400	292	4,436	319	361	5,808
Disposals/write-offs	—	(532)	(506)	(84)	—	(1,122)
At 31st January, 2006	**10,550**	**16,472**	**49,973**	**11,631**	**2,152**	**90,778**
Net book value:						
At 31st January, 2006	**7,228**	**1,705**	**14,223**	**2,361**	**2,799**	**28,316**
At 31st July, 2005	7,628	1,442	12,616	2,057	3,160	26,903

* Since the land lease payment cannot be allocated reliably between the land and buildings elements, the entire lease payment is included in the cost of land and buildings as a finance lease in property, plant and equipment.

13. PROPERTY, PLANT AND EQUIPMENT *(continued)*

Company

	Furniture and fixtures, including leasehold improvements *HK$'000*	**Computer equipment** *HK$'000*	**Motor vehicles** *HK$'000*	**Total** *HK$'000*
Cost:				
At 1st August, 2004	31,262	15,726	1,909	48,897
Additions	12,170	1,256	2,670	16,096
Disposals/write-offs	(3,665)	(4,517)	(1,333)	(9,515)
At 31st July, 2005	39,767	12,465	3,246	55,478
At 1st August, 2005	39,767	12,465	3,246	55,478
Additions	4,597	191	—	4,788
Disposals/write-offs	(506)	(82)	—	(588)
At 31st January, 2006	**43,858**	**12,574**	**3,246**	**59,678**
Accumulated depreciation and impairment:				
At 1st August, 2004	29,134	15,264	1,909	46,307
Provided during the year	5,268	454	534	6,256
Disposals/write-offs	(3,665)	(4,517)	(1,333)	(9,515)
At 31st July, 2005	30,737	11,201	1,110	43,048
At 1st August, 2005	30,737	11,201	1,110	43,048
Provided during the period	3,284	201	267	3,752
Disposals/write-offs	(506)	(82)	—	(588)
At 31st January, 2006	**33,515**	**11,320**	**1,377**	**46,212**
Net book value:				
At 31st January, 2006	**10,343**	**1,254**	**1,869**	**13,466**
At 31st July, 2005	9,030	1,264	2,136	12,430

The leasehold land and buildings of the Group are situated in the Mainland of China and are held under long term leases.

14. INVESTMENT PROPERTIES

	Group		Company	
	31st January, 2006	31st July, 2005	**31st January, 2006**	31st July, 2005
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
At beginning of period/year, at valuation	**161,000**	190,700	**63,000**	58,000
Additions during the period/year	**27,407**	—	**27,407**	—
Disposed of during the period/year	**—**	(66,000)	**—**	—
Fair value gains on revaluation	**146,593**	36,300	**149,593**	5,000
At end of period/year, at valuation	**335,000**	161,000	**240,000**	63,000

At 31st January, 2006, the investment properties were stated at their aggregate open market value of HK$335,000,000 (31st July, 2005: HK$161,000,000) based on their existing use with reference to a valuation performed by Savills Valuation and Professional Services Limited, the independent chartered surveyors. The revaluation surplus of HK$146,593,000 (31st July, 2005: HK$36,300,000) so arising for the Group was credited to the income statement.

On 14th January, 2006, the Company accepted the offer made by the District Lands Office of Kowloon East of the Lands Department for the lease modification of an investment property situated at 79 Hoi Yuen Road, Kwun Tong, Kowloon. The lease modification will permit a change of use of the property from industrial to non-industrial purposes. The total amount of land premium for the lease modification amounted to HK$274,070,000. On 14th January, 2006, the Company paid a 10% deposit which amounted to HK$27,407,000 and subsequent to the balance sheet date, on 28th March, 2006, the Company paid the remaining 90% of the land premium.

The investment properties are situated in Hong Kong. Apart from a property with a market value of HK$12,000,000 (31st July, 2005: HK$11,000,000) which is held under long term lease, other investment properties are held under medium term leases.

The investment properties are leased to third parties under operating leases, further summary details of which are included in note 26(a) to the financial statements.

The Group's investment properties are pledged to secure the Group's bank borrowings, as further detailed in note 20 to the financial statements.

In the prior year, the Group disposed of one of its properties to an independent third party for a cash consideration of HK$145,000,000. A gain of approximately HK$77,009,000, after deducting expenses, was recognised upon disposal.

Further details of the Group's and the Company's investment properties are disclosed on page 50 of this interim report.

15. DEFERRED TAX

The movements in deferred tax liabilities and assets during the period/year are as follows:

Group

	Losses available for offsetting against future taxable profits	Accelerated capital allowance	Revaluation of properties	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 1st August, 2004	13,398	—	—	13,398
Deferred tax charged during the year	(12,544)	(404)	(5,827)	(18,775)
Net deferred tax assets/(liabilities) at 31st July, 2005 and 1st August, 2005	854	(404)	(5,827)	(5,377)
Deferred tax credited/(charged) during the period	16,147	(14)	(38,819)	(22,686)
Net deferred tax assets/(liabilities) at 31st January, 2006	**17,001**	**(418)**	**(44,646)**	**(28,063)**

Company

	Losses available for offsetting against future taxable profits	Revaluation of properties	Total
	HK$'000	*HK$'000*	*HK$'000*
At 1st August, 2004	13,398	—	13,398
Deferred tax charged during the year	(13,398)	—	(13,398)
Net deferred tax liabilities at 31st July, 2005 and 1st August, 2005	—	—	—
Deferred tax credited/(charged) during the period	16,140	(39,344)	(23,204)
Net deferred tax assets/(liabilities) at 31st January, 2006	**16,140**	**(39,344)**	**(23,204)**

15. DEFERRED TAX *(continued)*

The Group has tax losses arising in Hong Kong and the PRC of HK$78,135,000 (31st July, 2005: HK$168,545,000) and HK$7,256,000 (31st July 2005: HK$24,845,000), respectively. Tax losses in Hong Kong are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. Tax losses in Mainland of China are available for a period of five years for offsetting against future taxable profits of the respective Group companies in which the losses arose.

The Company has no tax loss arising in Hong Kong (31st July, 2005: HK$91,894,000) that are available for offsetting against future taxable profits of the Company in which losses arose.

Deferred tax assets have not been recognised, to the extent that, in the directors' opinion, it is uncertain that future taxable profits would arise to offset against these losses.

At 31st January, 2006, there was no significant unrecognised deferred tax liability (31st July, 2005: Nil) for taxes that would be payable on the unremitted earnings of certain of the Group's subsidiaries as the Group has no liability to additional tax should such amounts be remitted.

16. INTERESTS IN SUBSIDIARIES

	Company	
	31st January, 2006	31st July, 2005
	HK$'000	*HK$'000*
Unlisted shares, at cost	**4,050**	4,050
Amounts due from subsidiaries	**278,582**	267,019
Amounts due to subsidiaries	**(31,218)**	(32,414)
	251,414	238,655
Provision for impairment	**(139,377)**	(139,377)
	112,037	99,278

The amounts with the subsidiaries included in the Company's balance sheet are unsecured, interest-free and have no fixed terms of repayment. Included therein are amounts due from subsidiaries of HK$16,115,000 (31st July, 2005: HK$16,008,000), which bear interest at Hong Kong dollar prime rate plus 2% per annum (31st July, 2005: Hong Kong dollar prime rate plus 2% per annum). The carrying amounts of these amounts due from and to subsidiaries approximate to their fair values.

16. INTERESTS IN SUBSIDIARIES *(continued)*

Particulars of the principal subsidiaries at the balance sheet date are as follows:

Name of company	Place of incorporation/ registration and operations	Nominal value of issued ordinary share capital	Percentage of equity attributable to the Company 31st January, 2006	31st July, 2005	Principal activities
Crocodile (China) Limited	Hong Kong	HK$4	**100**	100	Garment trading
Crocodile Garments (Zhong Shan) Limited*	Mainland of China	HK$17,200,000	**90**	90	Garment manufacturing and trading
Dackart Trading Company Limited	Hong Kong	HK$20	**100**	100	Property investment
Shenton Investment Limited	Hong Kong	HK$2	**100**	100	Property investment

* This subsidiary is a joint venture and is indirectly held by the Company. The paid-up capital represents the registered capital in Mainland of China. The subsidiary is registered as a sino-foreign owned enterprise under the law of the PRC.

Except for Crocodile Garments (Zhong Shan) Limited, all other subsidiaries are directly held by the Company.

The above summary lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the period or formed a substantial portion of the net assets and liabilities of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

17. INVENTORIES

	Group		Company	
	31st January, 2006	31st July, 2005	**31st January, 2006**	31st July, 2005
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Raw materials	**7,809**	9,511	**2,537**	2,051
Work in progress	**301**	342	**—**	—
Finished goods	**76,659**	58,154	**44,610**	41,181
	84,769	68,007	**47,147**	43,232

18. TRADE RECEIVABLES, DEPOSITS AND PREPAYMENTS

Other than cash sales made at retail outlets of the Group, trading terms with wholesale customers are largely on credit, except for new customers, where payment in advance is normally required. Invoices are normally payable within 30 days of issuance, except for certain well-established customers, where the term is extended to 90 days. Each customer has a maximum credit limit.

The Group seeks to maintain strict control over its outstanding receivables to minimise the credit risk. Overdue balances are regularly reviewed by senior management.

An aged analysis of trade receivables, net of provisions, based on the overdue date, and the balance of deposits and prepayments are as follows:

	Group		Company	
	31st January, 2006	31st July, 2005	**31st January, 2006**	31st July, 2005
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Trade receivables:				
Current to 90 days	**8,561**	6,028	**1,107**	646
91 days to 180 days	**3,463**	5,239	**31**	2
181 days to 365 days	**79**	201	**79**	—
	12,103	11,468	**1,217**	648
Deposits and prepayments	**17,754**	17,035	**11,089**	7,114
	29,857	28,503	**12,306**	7,762

19. CASH AND CASH EQUIVALENTS

	Group		Company	
	31st January, 2006	31st July, 2005	**31st January, 2006**	31st July, 2005
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Cash and bank balances	**145,696**	94,019	**36,225**	25,347
Time deposits	**97,652**	182,777	**97,652**	153,977
	243,348	276,796	**133,877**	179,324

At the balance sheet date, cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to HK$108,549,000 (31st July, 2005: HK$65,748,000). In the prior year, the time deposits of the Group denominated in RMB amounted to HK$28,800,000. RMB is not freely convertible into other currencies. However, under the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies in respect of approved transactions through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between one week and one month depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The carrying amounts of the cash and cash equivalents approximate to their fair values.

20. SHORT TERM BORROWINGS

		Group		Company	
	Effective interest rates (%) p.a.	**31st January, 2006**	31st July, 2005	**31st January, 2006**	31st July, 2005
		HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Current					
Bank overdrafts, secured	6.8 - 7.8	**2,780**	2,425	**—**	—
Bank loans, secured	5.1 - 7.3	**20,000**	24,250	**20,000**	24,250
Trust receipt loans — Secured	4.5 - 6.3	**4,976**	9,881	**4,976**	9,881
Trust receipt loans — Unsecured	5.4 - 6.8	**9,209**	7,311	**9,209**	7,311
		36,965	43,867	**34,185**	41,442

At the balance sheet date, bank borrowings of the Group were secured by its investment properties *(note 14)* with an aggregate carrying amount of HK$335,000,000 (31st July, 2005: HK$161,000,000).

All of the short term borrowings of the Group and the Company bear interest at floating interest rates and are denominated in Hong Kong dollars. The carrying amounts of the Group's and the Company's short term borrowings approximate to their fair values.

21. TRADE AND OTHER PAYABLES

An aged analysis of trade payables, based on the date of receipt of the goods and services purchased, and the balance of deposits received and accruals and other payables are as follows:

	Group		Company	
	31st January, 2006	31st July, 2005	**31st January, 2006**	31st July, 2005
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Trade payables:				
Current to 90 days	**20,179**	17,576	**10,298**	9,328
91 days to 180 days	**1,733**	1,180	**759**	677
181 days to 365 days	**332**	1,049	**77**	—
Over 365 days	**4,182**	3,826	**952**	1,021
	26,426	23,631	**12,086**	11,026
Deposits received	**28,334**	22,619	**762**	738
Accruals and other payables	**24,665**	25,406	**11,893**	8,439
	79,425	71,656	**24,741**	20,203

The trade payables are non-interest-bearing and are normally settled between 30 to 60 days.

22. PROVISION FOR LONG SERVICE PAYMENTS

	Group and Company	
	31st January, 2006	31st July, 2005
	HK$'000	*HK$'000*
At beginning of period/year	**2,992**	3,088
Amount provided during the period/year	**2,000**	869
Amounts utilised during the period/year	**—**	(965)
Write-back of provision against long service payments	**(550)**	—
At end of period/year	**4,442**	2,992

The Group provides for probable future long service payments expected to be made to employees under the Hong Kong Employment Ordinance, as further explained under the heading "Employee benefits" in note 4 to the financial statements. The provision is based on the best estimate of the probable future payments which have been earned by the employees from their service to the Group at the balance sheet date. Including in the above balance was also the provision for the gratuity payment payable to an executive which will be due between 2007 and 2008.

23. SHARE CAPITAL

	Company	
	31st January, 2006	31st July, 2005
	HK$'000	*HK$'000*
Authorised:		
800,000,000 ordinary shares of HK$0.25 each	**200,000**	200,000
Issued and fully paid:		
617,127,130 ordinary shares of HK$0.25 each	**154,282**	154,282

24. RESERVES

(a) Group

The amounts of the Group's reserves and the movements therein for the both current and prior periods are presented in the consolidated statement of changes in equity on page 11 of the financial statements.

24. RESERVES *(continued)*

(b) Company

	Share premium account	Asset revaluation reserve	Retained profits/ (accumulated losses)	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 1st August, 2005	164,921	109,090	(73,571)	200,440
Net profit for the period	—	—	129,042	129,042
At 31st January, 2006	**164,921***	**109,090***	**55,471**	**329,482**
At 1st August, 2004	164,921	109,090	(115,276)	158,735
Net profit for the period (unaudited)	—	—	22,445	22,445
At 31st January, 2005 (unaudited)	164,921	109,090	(92,831)	181,180

The Company's asset revaluation reserves represent a frozen revaluation surplus in relation to leasehold land and buildings which were transferred to investment properties in prior years.

* These reserve accounts comprised the reserves of HK$274,011,000 (31st July, 2005: HK$274,011,000) in the Company's balance sheet.

25. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise bank loans, cash and short term time deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial instruments such as trade receivables and trade and bills payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, commodity price risk, credit risk and liquidity risk. The directors of the Company meet periodically to analyse and formulate measures to manage the Group's exposure to these risks. Generally, the Group introduces conservative strategies on its risk management. As the Group's exposure to these risks is kept to a minimum, the Group has not used any derivatives and other instruments for hedging purposes. The Group does not hold or issue derivative financial instruments for trading purposes. The directors review and agree policies for managing each of these risks and they are summarised as follows:

(i) Fair value and cash flow interest rate risk

Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group is exposed to both interest rate risks. The Group's exposure to market risk for changes in interest rates relates primarily to the Group's short term debt obligations with floating interest rates.

25. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

(i) Fair value and cash flow interest rate risk *(continued)*

Short term bank and other borrowings, note payable, cash and bank balances, and short term time deposits are stated at cost and are not revalued on a periodic basis. Floating rate interest income and expenses are charged to the income statement as incurred.

(ii) Foreign currency risk

A portion of the Group's revenue is denominated in Renminbi ("RMB") and the Group is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the Hong Kong dollars. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations.

The Group does not expect any significant movements in the exchange rate of RMB to Hong Kong dollar.

(iii) Commodity price risk

The Group's exposure to commodity price risk is minimal.

(iv) Credit risk

The Group has no significant concentrations of credit risk. It has policies in place to ensure that the wholesale sales of products are made to customers with an appropriate credit history. Sales to retail customers are made in cash or via major credit cards.

(v) Liquidity risk

The Group's objective is to maintain a balance between the continuity of funding and the flexibility through the use of bank overdrafts and bank loans. In addition, banking facilities have been put in place for contingency purposes.

26. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group and the Company lease their investment properties (note 14) under operating lease arrangements, with leases negotiated for terms ranging from one to six years. The terms of the leases generally also require the tenants to pay security deposits.

26. OPERATING LEASE ARRANGEMENTS *(continued)*

(a) As lessor *(continued)*

At the balance sheet date, the Group and the Company had total future minimum lease receivables under non-cancellable operating leases with their tenants falling due as follows:

	Group		Company	
	31st January, 2006	31st July, 2005	**31st January, 2006**	31st July, 2005
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Within one year	**4,172**	5,309	**482**	1,229
In the second to fifth years, inclusive	**8,663**	9,669	**—**	—
After five years	**—**	644	**—**	—
	12,835	15,622	**482**	1,229

(b) As lessee

The Group and the Company lease their office properties, warehouses and retail outlets under operating lease arrangements. Leases for properties are negotiated for terms ranging from one to five years.

At the balance sheet date, the Group and the Company had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group		Company	
	31st January, 2006	31st July, 2005	**31st January, 2006**	31st July, 2005
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Within one year	**69,063**	72,935	**62,316**	66,200
In the second to fifth years, inclusive	**41,458**	65,670	**35,360**	60,369
	110,521	138,605	**97,676**	126,569

The operating lease rentals of certain retail shops are based on the higher of a fixed rental and a contingent rent based on sales of the retail shops pursuant to the terms and conditions as set out in the respective rental agreements. As the future sales of these retail shops could not be accurately determined, the relevant contingent rent has not been included above and only the minimum lease commitment has been included in the above table.

27. COMMITMENTS

In addition to the operating lease commitments detailed in note 26(b) above, the Group and the Company had the following capital commitments at the balance sheet date:

	Group and Company	
	31st January, 2006	31st July, 2005
	HK$'000	*HK$'000*
Contracted, but not provided for:		
Land and buildings *(note 30)*	**246,663**	—

28. CONTINGENT LIABILITIES

At the balance sheet date, contingent liabilities not provided for in the financial statements were as follows:

	Group		Company	
	31st January, 2006	31st July, 2005	**31st January, 2006**	31st July, 2005
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Guarantees given to banks in connection with facilities granted to a subsidiary	**—**	—	**3,000**	3,000

As at 31st January, 2006, the banking facilities granted to a subsidiary subject to guarantee given to the banks by the Company were utilised to the extent of approximately HK$2.78 million (31st July, 2005: HK$2.43 million).

29. RELATED PARTY TRANSACTIONS

(a) Transactions with related parties

In addition to the transactions and balances detailed elsewhere in these financial statements, the Group had the following transactions with related parties during the period:

		Six months ended 31st January,	
		2006	2005
	Notes	***HK$'000***	*HK$'000*
			(Unaudited)
Rental expenses and building management fee paid and payable to:			
Lai Sun Textiles Company Limited	*(i)*	**1,060**	1,060
A related company	*(ii)*	**1,270**	1,270

Notes:

(i) Lai Sun Textiles Company Limited is a company beneficially owned by certain directors of the Company. Rental expenses and building management fee were paid to this related company pursuant to the respective lease agreements.

(ii) Rental expenses and building management fee were paid to this related company, of which certain directors of the Company are also the directors of this related company, based on terms stated in the respective lease agreements.

The Company's directors consider that the above transactions have been conducted in the ordinary and usual course of the Group's business.

(b) Outstanding balances with related parties

	Group and Company	
	31st January, 2006	31st July, 2005
	HK$'000	*HK$'000*
Amount due from the ultimate holding company		
Lai Sun Garment (International) Limited	**5**	—
Amounts due to:		
Ultimate holding company		
Lai Sun Garment (International) Limited	**—**	6
Related companies	**159**	9

The balances were derived from normal business activities and are unsecured, interest-free and repayable on terms similar to those granted to major customers or by major suppliers of the Group.

29. RELATED PARTY TRANSACTIONS *(continued)*

(c) Compensation of key management personnel of the Group

		Six months ended 31st January,	
		2006	2005
	Note	***HK$'000***	*HK$'000*
			(Unaudited)
Short term employee benefits		**2,507**	2,500
Post-employment benefits		**6**	6
	8	**2,513**	2,506

(d) Apart from the above, subsequent to the balance sheet date, the Company entered into a conditional development agreement (the "Agreement") with Lai Sun Garment (International) Limited ("LSG"), the ultimate holding company, which also constitutes the related party transaction. Further details of the Agreement are set out in note 30 to the financial statements.

30. POST BALANCE SHEET EVENTS

(a) On 28th February, 2006, the Company's ultimate holding company, LSG and Joy Mind Limited ("Joy Mind"), a wholly-owned subsidiary of LSG, entered into a conditional share purchase agreement with Rich Promise Limited (the "Purchaser"), a company wholly-owned by Mr. Lam Kin Ming, and Mr. Lam Kin Ming, acting as the guarantor of the Purchaser. Pursuant to the conditional share purchase agreement, LSG and Joy Mind agree to sell and the Purchaser agrees to purchase 314,800,000 ordinary shares of the Company, representing approximately 51.01% of the issued share capital of the Company, for a cash consideration of HK$192,028,000 (the "CGL Disposal"). Since Mr. Lam Kin Ming is a director of LSG and the Purchaser and the Purchaser is a wholly-owned company of Mr. Lam Kin Ming, the CGL Disposal constitutes a connected transaction of LSG under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules"). The completion of the CGL Disposal is subject to, inter alia, the approval of the independent shareholders of LSG at an extraordinary general meeting.

(b) On 28th February, 2006, the Company, LSG and Unipress Investments Limited ("Unipress"), a wholly-owned subsidiary of LSG, entered into a conditional development agreement (the "Development Agreement") in connection with the redevelopment of a property at 79 Hoi Yuen Road, Kwun Tong, Kowloon, Hong Kong (the "Property"), which is currently owned by the Company and used for industrial purposes. The redeveloped building (the "New Building") on the Property is currently envisaged to be a commercial/office building.

Under the Development Agreement:

(i) The Company shall be responsible for payment to the relevant government authority of the land premium of HK$274,070,000 in respect of a lease modification granted by the relevant government authority and accepted on 14th January, 2006. 10% of the land premium has been paid upon acceptance of the lease modification and subsequent to the balance sheet date, on 28th March, 2006, the Company paid the remaining 90% of the land premium;

(ii) Subject to the Development Agreement becoming unconditional, Unipress shall pay the Company a sum of HK$137,035,000, representing 50% of the land premium;

30. POST BALANCE SHEET EVENTS *(continued)*

(b) *(continued)*

Under the Development Agreement: *(continued)*

(iii) The Company grants to Unipress the exclusive right to develop the Property;

(iv) Unipress shall be responsible for demolishing the existing building and constructing the New Building in accordance with the preliminary plans for the development of the Property as agreed by Unipress and the Company and shall bear all development and construction costs and project management fee in connection with the construction and completion of the New Building;

(v) If construction finance is required by Unipress for financing the development and construction cost, the Company has agreed to provide or procure such security over or in relation to the Property as may reasonably be required by the relevant lending institution(s) and LSG is expected to provide a corporate guarantee as security for such finance; and

(vi) In consideration of the Company contributing the Property as security for the construction finance, Unipress shall make a quarterly payment of HK$2,130,000 to the Company during the period from delivery of vacant possession of the Property to completion of construction of the New Building.

On completion of the construction of the New Building, the ownership of the New Building shall be allocated and distributed between Unipress and the Company in proportion of 1 to 1.4 in terms of the gross floor area. Assuming a total gross floor area of 240,000 square feet of the New Building as currently anticipated, Unipress shall be entitled to the ownership of such portion of the New Building with 100,000 square feet gross floor area, comprised mainly retail and restaurant space, and the Company shall be entitled to the remaining portion of the New Building with 140,000 square feet gross floor area, comprised mainly office space. In addition, the Company shall assign the ownership of all car parking spaces to an investment holding company which will be owned in equal shares by the Company and LSG.

The Development Agreement is conditional on, inter alia, the completion of the CGL Disposal as mentioned in note (a) above. Following the completion of the CGL Disposal, the Company will be owned by the Purchaser as to approximately 51.01% and therefore will be an associate of the Purchaser which is owned by Mr. Lam Kin Ming under the Listing Rules. By virtue of Mr. Lam Kin Ming currently being a director of LSG, the Company will be a connected person of LSG following the completion of the CGL Disposal. Since LSG is also currently holding a 54.93% equity interests in the Company and is a substantial shareholder and a connected person of the Company, the Development Agreement also constitutes a connected transaction of the Company. Therefore, the Development Agreement is subject to approval of the respective independent shareholders of the Company and LSG at their respective extraordinary general meetings.

31. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 7th April, 2006.

PARTICULARS OF INVESTMENT PROPERTIES

31st January, 2006

Details of the Group's investment properties are disclosed as follows:

Location	Use	Lease term	Attributable interest of the Group
The whole basement, Shop No. 24 on Ground and Mezzanine Floors, Shop No. 33B on Ground and Mezzanine Floors, Tsimshatsui Mansion, Nos. 83-97 Nathan Road, Nos. 36-50 Lock Road, Tsimshatsui, Kowloon, Hong Kong	Commercial rental	Medium	100%
Crocodile Building, No. 79 Hoi Yuen Road, Kwun Tong, Kowloon, Hong Kong	Industrial rental*	Medium	100%
Shops 3 & 8 on G/F, Coronet Court, Nos. 321-333 King's Road, Nos. 1,3,5,7,7A, 9 & 9A North Point Road, Hong Kong	Commercial rental	Long	100%

* *To be modified to non-industrial rental*