LAI SUN GARMENT

LAI SUN GARMENT (INTERNATIONAL) LIMITED

(Stock code: 191)

Interim Report 2005-2006

Contents

Lai Sun Garment (International) Limited
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Stock code on Hong Kong Stock Exchange: ***191***

CORPORATE INFORMATION

Place of Incorporation

Hong Kong

Board of Directors

Lam Kin Ming *(Chairman)*
Lam Kin Ngok, Peter *(Deputy Chairman)*
Shiu Kai Wah
Lee Po On
Lam Kin Hong, Matthew
U Po Chu
Chiu Wai
Lai Yuen Fong
Lam Wai Kei, Vicky#
Wan Yee Hwa, Edward*
Leung Shu Yin, William*
Chow Bing Chiu*

\# *Alternate Director to Madam Lai Yuen Fong*
* *Independent Non-executive Directors*

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

Business Review

The Group's turnover in the first half of the financial year ending 31st July, 2006 fell 27% to approximately HK$209 million. The decline is due to the cessation of the garment operation of the Company and to the 7% drop in turnover of our listed subsidiary, Crocodile Garments Limited. An improved gross profit margin limited the decline in gross profit to 16%. The Group's audited consolidated net profit attributable to equity holders of the parent amounted to approximately HK$100 million for the half year under review, down from HK$261 million (unaudited and restated) in the corresponding period of the last financial year.

Lai Fung Holdings Limited ("Lai Fung")

Lai Fung, in which the Group currently holds a 45.13% interest, reported an unaudited consolidated net profit attributable to shareholders of HK$69 million in the six months ended 31st January, 2006, compared with a net profit of HK$43 million for the corresponding period of the last financial year. The bulk of the profit was derived from operating activities. Turnover increased by 137% to HK$593 million, which was mainly due to the recognition of the sale of 924 apartments at Regents Park Phase I in Shanghai. These apartments had been pre-sold for HK$494 million. There was also a 32% increase in property investment income largely due to the contribution from May Flower Plaza, a commercial property of Lai Fung in Guangzhou, which was completed last year.

Crocodile Garments Limited ("CGL")

CGL reported an audited consolidated net profit attributable to shareholders of HK$133 million for the half year, up from HK$18 million recorded in the first half of the last financial year. The sharp jump in net profits was due to a surplus of HK$147 million on revaluation of investment properties. At the operating level, turnover fell by 7% to HK$198 million but gross profit margin improved from 51% to 59% during the period.

Lai Sun Development Company Limited ("LSD")

The Group currently owns 12.42% of LSD which in turn owns 34.83% of eSun Holdings Limited ("eSun"). LSD reported an unaudited consolidated net profit of HK$231 million for the half year, compared with the net loss of HK$1,171 million for the previous corresponding period. eSun reported an audited consolidated net profit of HK$210 million for 2005, compared with the loss (restated) of HK$146 million recorded for 2004.

Prospects

As mentioned in note 35 to the interim financial statements, since the balance sheet date, the Group has entered into three conditional agreements. On completion of the conditional sale of 51.01% of the issued share capital of CGL to Rich Promise Limited, the Group will cease to engage in the

Prospects *(continued)*

garment business. However, it will continue to have an interest in CGL's property at 79 Hoi Yuen Road, Kwun Tong under the terms of the Development Agreement. Management is confident that this project will be beneficial to the Group and will represent a significant addition to its portfolio of investment properties boosting its rental income base. As also mentioned in the aforesaid note 35, the Group has conditionally agreed to sell its interest in a property under development in Shanghai to Lai Fung. Immediately upon completion of this sale, the Group's equity interest in Lai Fung will be increased to 49.95%.

Lai Fung remains optimistic of the economic growth in the Yangtze and Pearl River deltas in the Mainland and will therefore maintain its focus on property investment and development projects mainly in Shanghai and Guangzhou, adding to its land bank as opportunities arise. As also mentioned in aforesaid note 35 there is a proposed issue of new Lai Fung shares to CapitaLand China Holdings Pte Ltd. While the new shares issue will dilute the Group's equity interest in Lai Fung to 39.96%, the entry of the CapitaLand Group as a strategic shareholder in Lai Fung will strengthen Lai Fung's position in the China property market.

Lai Fung's investment properties should continue to contribute steady rental income. On the development front, Lai Fung expects to start construction of Phase II of Regents Park comprising 466 residential units in six towers in the middle of 2006 with completion expected in the second half of 2007. In Guangzhou, Lai Fung is currently developing Phase IV of Eastern Place which is scheduled to be completed by the end of 2006.

LSD's property investment income and income from hotel operations are expected to continue growing steadily. It also aims to improve the return on its Hong Kong property investment portfolio and its hotel assets. In particular, it is assessing the redevelopment potential of the Ritz-Carlton Hong Kong in the light of the strong demand for and limited new supply of prime office accommodation in Central.

LSD's associate, eSun, is finalizing a Master Development Plan which will be subject to the approval from the Macau authorities for its site in Cotai, Macau which it intends to develop in joint venture with one or more partners. The Master Development Plan which has the following elements: 2 hotels with a total of around 1,150 rooms, hotel residences with a total gross floor area of around 145,000 square metres, retail space of approximately 90,000 square metres and entertainment facilities of around 125,000 square metres in total. Phase I involves the construction of some 340,000 square metres of gross floor area and Phase II approximately 215,000 square metres of gross floor area.

Liquidity and Financial Resources

As at 31st January, 2006, total bank and other borrowings (comprising the note payable of HK$195 million and a loan of HK$32 million payable to the late Mr. Lim Por Yen, a loan of HK$67 million payable to Mr. Lam Kin Ngok, Peter and bank borrowings of HK$37 million) amounted to HK$331 million. As at that date, consolidated net assets of the Group (excluding minority interests) amounted to HK$2,977 million. The debt to equity ratio as expressed as a percentage of total bank and other borrowings to net assets (excluding minority interests) as at that date was approximately 11%.

The note payable of HK$195 million and the loan of HK$32 million payable to the late Mr. Lim Por Yen have maturity dates on 30th April, 2006 and 30th November 2005, respectively. The Group has received confirmation from the executor of the estate of the late Mr. Lim Por Yen that such note payable and loan are not repayable within one year from the balance sheet date. The loan payable to Mr. Lam Kin Ngok, Peter is not repayable within one year from the balance sheet date. The remaining bank borrowings of HK$37 million were repayable or renewable within one year.

Liquidity and Financial Resources *(continued)*

The Group's bank borrowings were mainly denominated in HK dollar thereby avoiding any unnecessary exchange risk exposure. Cash and cash equivalents held by the Group were mainly denominated in HK dollar, Renminbi and US dollar. The majority of the bank and other borrowings was maintained as floating rate debts. Attention will be paid to the interest rate movements. Hedging instruments will be employed when necessary to hedge against unanticipated interest rate volatilities.

As at 31st January, 2006, certain investment properties with carrying value of approximately HK$434 million were pledged to banks to secure banking facilities granted to the Group. In addition, 115,000,000 ordinary shares of Lai Fung and 96,000,000 ordinary shares of CGL held by the Group were pledged to a bank to secure banking facilities granted to the Group.

Cash and bank balances and short-term listed investments held by the Group as at 31st January, 2006 amounted to HK$280 million and HK$27 million, respectively, which was considered adequate to cover the working capital requirement of the Group.

Employees and Remuneration Policies

The Group employed a total of approximately 1,000 (as at 31st July, 2005: 1,000) employees as at 31st January, 2006. Total staff costs for the six months ended 31st January, 2006 amounted to approximately HK$50 million. Pay rates of employees are maintained at competitive levels and salary adjustments are made on a performance related basis. Other staff benefits included a number of mandatory provident fund schemes for all the eligible employees, a free hospitalization insurance plan, subsidized medical care and subsidies for external educational and training programmes.

Contingent Liabilities

As at 31st January, 2006, the Company and the Group did not have any material contingent liabilities. There is no material change in contingent liabilities since the last annual report date.

INTERIM DIVIDEND

The directors do not recommend the payment of an interim dividend for the financial year ending 31st July, 2006. No interim dividend was declared in respect of the previous corresponding period.

DISCLOSURE PURSUANT TO CHAPTER 13 OF THE LISTING RULES ("CHAPTER 13")

As at 31st January, 2006, there were 1,617,423,423 shares of the Company in issue. Based on the average closing price of HK$0.532 as stated in daily quotation sheets of The Stock Exchange of Hong Kong Limited for the 5 trading days immediately preceding 31st January, 2006, the total market capitalisation (the "Total Market Capitalisation") of the Company was HK$860,469,261.

On 15th November, 2005, Starfeel Hong Kong Limited ("Starfeel"), a wholly-owned subsidiary of the Company, Proven Honour Investments Limited ("Proven Honour") and Capital Wealth Corporation Limited ("Capital Wealth") entered into a loan facility agreement (the "Loan Facility Agreement"). Pursuant to the Loan Facility Agreement, Starfeel and Proven Honour agreed to provide a revolving loan facility of HK$100,000,000 to Capital Wealth for a period of three years commencing as of 28th July, 2005. An amount up to HK$70,000,000 of the revolving loan facility is to be provided by Starfeel. In compliance with paragraph 13.20 of Chapter 13, as the HK$70,000,000 revolving facility granted by Starfeel has exceeded 8% of the Total Market Capitalisation, details of the advances to Capital Wealth are set out below:

	As at 31st January, 2006		
Name of entity	**Facility amount**	**Outstanding amount**	**Unutilised amount**
Capital Wealth Corporation Limited	HK$70,000,000	HK$44,300,000	HK$25,700,000

The advance is interest bearing at 27% per annum and is secured by, inter-alia, (i) fixed and floating charges over the assets of Capital Wealth and its subsidiaries and (ii) charge over the share of Capital Wealth.

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 of equity derivatives 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) The Company

	Long positions in the shares					
Name of Director	**Personal Interests**	**Family Interests**	**Corporate Interests**	**Capacity**	**Total**	**Percentage**
Lam Kin Ngok, Peter	124,644,319	Nil	484,991,750 *(Note)*	Beneficial owner	609,636,069	37.69%
Lam Kin Ming	5,008,263	Nil	Nil	Beneficial owner	5,008,263	0.31%
U Po Chu	4,127,625	Nil	484,991,750 *(Note)*	Beneficial owner	489,119,375	30.24%
Chiu Wai	199,600	Nil	Nil	Beneficial owner	199,600	0.01%

Note:

Mr. Lam Kin Ngok, Peter and Madam U Po Chu were deemed to be interested in 484,991,750 shares each by virtue of their respective 50% interest in the issued share capital of Wisdoman Limited which directly owned 484,991,750 shares in the Company.

(2) Associated Corporations

(a) Lai Fung Holdings Limited ("Lai Fung")

	Long positions in the shares of Lai Fung					
Name of Director	**Personal Interests**	**Family Interests**	**Corporate Interests**	**Capacity**	**Total**	**Percentage**
Lam Kin Ngok, Peter	Nil	Nil	2,650,688,037 *(Note)*	Beneficial owner	2,650,688,037	45.13%

Note:

The Company and its wholly-owned subsidiary beneficially owned 2,650,688,037 shares in Lai Fung. Mr. Lam Kin Ngok, Peter was deemed to be interested in 2,650,688,037 shares in Lai Fung by virtue of his 37.69% interest in the issued share capital of the Company.

(b) Crocodile Garments Limited ("CGL")

	Long positions in the shares of CGL					
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:

The Company and its wholly-owned subsidiary beneficially owned 338,982,809 shares in CGL. Mr. Lam Kin Ngok, Peter was deemed to be interested in 338,982,809 shares in CGL by virtue of his 37.69% interest in the issued share capital of the Company.

Save as disclosed above, as at 31st January, 2006, none of the Directors and chief executive of the Company were interested, or were deemed to be interested in the long and short positions in the shares, underlying shares of equity derivatives 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 equity derivatives 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** *(Note 1)*	**Number of Shares**	**Percentage**
Lam Kin Ngok, Peter	Beneficial owner	Personal and corporate	609,636,069	37.69% *(Note 2)*
U Po Chu	Beneficial owner	Personal and corporate	489,119,375	30.24% *(Note 2)*
Wisdoman Limited	Beneficial owner	Corporate	484,991,750	29.99%
PMA Capital Management Ltd.	Investment Manager	Corporate	88,217,000	5.45% *(Note 3)*

Notes:

1. Personal and corporate denote personal interest and corporate interest respectively.

2. Mr. Lam Kin Ngok, Peter and Madam U Po Chu were deemed to be interested in 484,991,750 shares each by virtue of their respective 50% interest in the issued share capital of Wisdoman Limited which directly owned 484,991,750 shares in the Company.

3. Persons falling into the category of "Other Persons" in Practice Note 5 to the Rules Governing the Listing of Securities on the Stock Exchange.

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 in the long or short positions in the shares and underlying shares of equity derivatives of the Company as at 31st January, 2006.

PURCHASE, SALE OR REDEMPTION OF 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

The Company has complied with all the code provisions set out in the Code on Corporate Governance Practices (the "CG Code") contained in Appendix 14 of the Listing Rules of the Stock Exchange throughout the accounting period covered by the Interim Report save for the deviation from code provision A.4.1.

Under code provision A.4.1, non-executive directors should be appointed for a specific term and be subject to re-election. None of the existing non-executive directors of the Company is appointed for a specific term. However, all directors of the Company are subject to the retirement provisions under the Articles of Association of the Company which provides that the directors for the time being shall retire from office by rotation once every three years since their last election at each annual general meeting and a retiring director shall be eligible for re-election.

CODE FOR DIRECTOR'S 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 during the period under review. 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 Messrs. Wan Yee Hwa, Edward, Leung Shu Yin, William and Chow Bing Chiu.

By Order of the Board
Lam Kin Ming
Chairman

Hong Kong, 7th April, 2006

REPORT OF THE AUDITORS

ERNST & YOUNG
安永會計師事務所

To the board of directors
Lai Sun Garment (International) Limited
(Incorporated in Hong Kong with limited liability)

We have audited the financial statements on pages 11 to 58 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 then ended.

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 months 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$'000	31st January, 2005 HK$'000 (Unaudited) (Restated)
TURNOVER	6	**209,281**	286,357
Cost of sales		**(82,205)**	(135,946)
Gross profit		**127,076**	150,411
Other revenue and gains	6	**22,082**	20,783
Selling and distribution costs		**(95,236)**	(79,050)
Administrative expenses		**(53,656)**	(54,982)
Other operating expenses, net		**(599)**	(333)
Gain on revaluation of investment properties	13	**158,799**	—
PROFIT FROM OPERATING ACTIVITIES	7	**158,466**	36,829
Finance costs	8	**(11,497)**	(6,901)
Share of profits and losses of associates		**26,763**	27,708
Gain on deemed disposal of an associate		**—**	217,817
PROFIT BEFORE TAX		**173,732**	275,453
Tax	9	**(14,252)**	(6,472)
PROFIT FOR THE PERIOD		**159,480**	268,981
Attributable to:			
Equity holders of the parent	10	**99,640**	260,809
Minority interests		**59,840**	8,172
		159,480	268,981
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	11		
Basic		**HK$0.06**	HK$0.18
Diluted		**N/A**	N/A

CONSOLIDATED BALANCE SHEET

31st January, 2006

	Notes	31st January, 2006 HK$'000	31st July, 2005 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	12	**32,532**	31,708
Investment properties	13	**437,000**	250,600
Properties under development	14	**247,239**	233,250
Goodwill	16	**71,907**	71,907
Interests in associates	17	**2,208,845**	2,177,085
Available-for-sale investments	18	**272,253**	188,361
Loan receivable	19	**44,300**	—
Total non-current assets		**3,314,076**	2,952,911
CURRENT ASSETS			
Financial assets at fair value through profit or loss	20	**27,350**	26,654
Inventories	21	**84,769**	68,007
Debtors, deposits and other receivables	22	**56,819**	52,021
Tax recoverable		**369**	369
Cash and cash equivalents	23	**279,578**	386,357
Total current assets		**448,885**	533,408
CURRENT LIABILITIES			
Tax payable		**10,566**	21,539
Creditors, deposits received and accruals	24	**112,450**	109,411
Interest-bearing bank and other borrowings	25	**36,965**	43,867
Total current liabilities		**159,981**	174,817
NET CURRENT ASSETS		**288,904**	358,591
TOTAL ASSETS LESS CURRENT LIABILITIES		**3,602,980**	3,311,502
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	25	**98,859**	100,902
Note payable	26	**195,000**	195,000
Accrued interest payable	26	**14,405**	6,148
Deferred tax liabilities	27	**45,237**	20,379
Total non-current liabilities		**353,501**	322,429
		3,249,479	2,989,073

CONSOLIDATED BALANCE SHEET *(continued)*

31st January, 2006

	Note	31st January, 2006 HK$'000	31st July, 2005 HK$'000
CAPITAL AND RESERVES			
Equity attributable to equity holders of the parent:			
Issued capital	28	**16,174**	808,712
Share premium account		**1,908,840**	1,116,302
Property revaluation reserve		**55,799**	55,799
Investment revaluation reserve		**71,229**	(12,663)
Capital reserve		**148,694**	148,694
Exchange fluctuation reserve		**49,719**	43,544
Retained earnings		**726,580**	626,940
		2,977,035	2,787,328
Minority interests		**272,444**	201,745
		3,249,479	2,989,073

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										
	Notes	Issued capital HK$'000	Share premium account HK$'000	Property revaluation reserve HK$'000	Investment revaluation reserve HK$'000	Capital reserve HK$'000	General reserve HK$'000	Exchange fluctuation reserve HK$'000	Retained earnings/ (accumulated losses) HK$'000	Total HK$'000	Minority interests HK$'000	Total equity HK$'000
Total equity at 31st July, 2004												
As previously reported		718,855	1,119,738	65,340	–	4,311,182	57	28,214	(4,433,648)	1,809,738	144,320	1,954,058
Effect of adopting HKFRSs	3.3	–	–	(9,541)	–	(102,349)	–	–	41,848	(70,042)	–	(70,042)
Restated total equity at 31st July, 2004		718,855	1,119,738	55,799	–	4,208,833	57	28,214	(4,391,800)	1,739,696	144,320	1,884,016
Effect of adopting HKFRS 3 on negative goodwill												
The Company and subsidiaries	3.3	–	–	–	–	(3,701,838)	–	–	4,338,821	636,983	–	636,983
Associates	3.3	–	–	–	–	–	–	–	3,577	3,577	–	3,577
Restated total equity as at 1st August, 2004		718,855	1,119,738	55,799	–	506,995	57	28,214	(49,402)	2,380,256	144,320	2,524,576
CHANGES IN EQUITY DURING THE PERIOD (Unaudited):												
Exchange realignments:												
Subsidiaries		–	–	–	–	–	–	(45)	–	(45)	–	(45)
Associates		–	–	–	–	–	–	530	–	530	–	530
Net income and expenses recognised directly in equity		–	–	–	–	–	–	485	–	485	–	485
Profit for the period (Restated)		–	–	–	–	–	–	–	260,809	260,809	8,172	268,981
Release and transfer upon deemed disposal of an associate (Restated)		–	–	–	–	(358,301)	(57)	(16,736)	358,301	(16,793)	–	(16,793)
Total recognised income and expenses for the period		–	–	–	–	(358,301)	(57)	(16,251)	619,110	244,501	8,172	252,673
At 31st January, 2005 (Unaudited)(Restated)		718,855	1,119,738	55,799	–	148,694	–	11,963	569,708	2,624,757	152,492	2,777,249

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY *(continued)*

Six months ended 31st January, 2006

		Attributable to equity holders of the parent										
		Issued capital	Share premium account	Property revaluation reserve	Investment revaluation reserve	Capital reserve	General reserve	Exchange fluctuation reserve	Retained earnings	Total	Minority interests	Total equity
	Notes	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Total equity at 31st July, 2005 and 1st August, 2005		808,712	1,116,302	55,799	(12,663)	148,694	–	43,544	626,940	2,787,328	201,745	2,989,073
CHANGES IN EQUITY DURING THE PERIOD:												
Exchange realignments:												
Subsidiaries		–	–	–	–	–	–	1,278	–	1,278	–	1,278
Associates		–	–	–	–	–	–	4,897	–	4,897	–	4,897
Changes in fair values of available-for-sale investments		–	–	–	83,892	–	–	–	–	83,892	–	83,892
Net income and expenses recognised directly in equity		–	–	–	83,892	–	–	6,175	–	90,067	–	90,067
Profit for the period		–	–	–	–	–	–	–	99,640	99,640	59,840	159,480
Total recognised income and expenses for the period		–	–	–	83,892	–	–	6,175	99,640	189,707	59,840	249,547
Capital reduction	*28*	(792,538)	792,538	–	–	–	–	–	–	–	–	–
Contribution from minority equity holders		–	–	–	–	–	–	–	–	–	10,859	10,859
At 31st January, 2006		16,174	1,908,840	55,799	71,229	148,694	–	49,719	726,580	2,977,035	272,444	3,249,479

CONSOLIDATED CASH FLOW STATEMENT

Six months ended 31st January, 2006

		Six months ended	
		31st January, 2006	31st January, 2005
	Notes	***HK$'000***	*HK$'000*
			(Unaudited) (Restated)
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**173,732**	275,453
Adjustments for:			
Gain on revaluation of investment properties	*13*	**(158,799)**	—
Depreciation	*7*	**6,678**	4,099
Dividend income from financial assets at fair value through profit or loss	*6*	**(458)**	(427)
Interest income	*6*	**(7,511)**	(523)
Loss/(gain) on disposal of items of property, plant and equipment	*7*	**14**	(42)
Provision for doubtful debts	*7*	**—**	58
Write-back of provision for slow-moving inventories	*7*	**(2,922)**	(4,266)
Unrealised gains on revaluation of financial assets at fair value through profit or loss	*6*	**(696)**	(2,952)
Finance costs	*8*	**11,497**	6,901
Share of profits and losses of associates		**(26,763)**	(27,708)
Gain on deemed disposal of an associate		**—**	(217,817)
Operating profit/(loss) before working capital changes		**(5,228)**	32,776
Increase in amounts due from associates		**(80)**	(66)
Decrease in amounts due to associates		**(20)**	(152)
Increase in inventories		**(13,840)**	(7,538)
Increase in debtors, deposits and other receivables		**(1,649)**	(13,918)
Increase/(decrease) in creditors, deposits received and accruals		**4,318**	(13,411)
Cash used in operations		**(16,499)**	(2,309)
Hong Kong profits tax paid		**(367)**	(18,417)
Net cash outflow from operating activities		**(16,866)**	(20,726)

CONSOLIDATED CASH FLOW STATEMENT *(continued)*
Six months ended 31st January, 2006

		Six months ended	
		31st January,	31st January,
		2006	2005
	Notes	***HK$'000***	*HK$'000*
			(Unaudited)
			(Restated)
CASH FLOWS FROM INVESTING ACTIVITIES			
Increase in loan receivable		**(44,300)**	—
Dividends received from financial assets at fair value through profit or loss		**458**	427
Interest received		**4,362**	523
Proceeds from disposal of items of property, plant and equipment		**—**	58
Purchases of items of property, plant and equipment		**(7,517)**	(10,035)
Additions to investment properties		**(27,601)**	—
Additions to properties under development		**(13,989)**	(331)
Net cash outflow from investing activities		**(88,587)**	(9,358)
CASH FLOWS FROM FINANCING ACTIVITIES			
Decrease in trust receipt loans		**(3,007)**	(7,271)
Interest paid on bank loans, overdrafts and other borrowings		**(3,240)**	(6,901)
New borrowings		**—**	79,990
Repayment of bank loans and other borrowings		**(6,293)**	(5,800)
Contribution from minority equity holders		**10,859**	—
Net cash inflow/(outflow) from financing activities		**(1,681)**	60,018
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**(107,134)**	29,934
Cash and cash equivalents at beginning of period		**383,932**	180,307
Effect of foreign exchange rate changes, net		**—**	45
CASH AND CASH EQUIVALENTS AT END OF PERIOD		**276,798**	210,286
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	*23*	**152,835**	213,168
Non-pledged time deposits with original maturity of less than three months when acquired	*23*	**126,743**	—
Bank overdrafts	*25*	**(2,780)**	(2,882)
		276,798	210,286

BALANCE SHEET

31st January, 2006

	Notes	**31st January, 2006 HK$'000**	31st July, 2005 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	12	**4,642**	5,296
Investment properties	13	**102,000**	89,600
Interests in subsidiaries	15	**664,705**	617,251
Interests in associates	17	**361,469**	361,370
Available-for-sale investments	18	**246,609**	170,619
Total non-current assets		**1,379,425**	1,244,136
CURRENT ASSETS			
Financial assets at fair value through profit or loss	20	**27,350**	26,654
Debtors, deposits and other receivables		**7,666**	6,617
Tax recoverable		**369**	369
Cash and cash equivalents	23	**33,511**	104,566
Total current assets		**68,896**	138,206
CURRENT LIABILITIES			
Creditors, deposits received and accruals		**16,841**	26,152
Total current liabilities		**16,841**	26,152
NET CURRENT ASSETS		**52,055**	112,054
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,431,480**	1,356,190
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	25	**98,859**	100,902
Note payable	26	**195,000**	195,000
Accrued interest payable	26	**14,405**	6,148
Deferred tax liabilities	27	**17,173**	15,002
Total non-current liabilities		**325,437**	317,052
		1,106,043	1,039,138
CAPITAL AND RESERVES			
Issued capital	28	**16,174**	808,712
Reserves	29(b)	**1,089,869**	230,426
		1,106,043	1,039,138

Lam Kin Ming
Director

Lam Kin Ngok, Peter
Director

1. CORPORATE INFORMATION

The Company was incorporated in Hong Kong with limited liability. The principal place of business of the Company is located at 11th Floor, Lai Sun Commercial Centre, 680 Cheung Sha Wan Road, Kowloon, Hong Kong.

During the six months ended 31st January, 2006, the principal activities of the Group consisted of the manufacture and trading of garments, property development, property investment and investment holding.

2. 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.

Impairment of assets

In determining whether an asset is impaired or whether the event previously causing the impairment no longer exists, the Group has to exercise judgement in the area of asset impairment, particularly in assessing: (1) whether an event has occurred that may affect the asset value, or such an event affecting the asset value has not been in existence; (2) 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 (3) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate. 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 have a material effect on the net present value used in the impairment test.

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 estimated tax losses can be utilised. The carrying amount of deferred tax assets and related financial models and budgets are reviewed at each balance sheet date and 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 carryforward tax losses, the asset balance will be reduced and charged to the income statement.

2. 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 period are discussed below.

Estimate of fair value of investment properties

The best evidence of fair value is the current prices in an active market for similar leases and other contracts. In the absence of such information, management determines the amount within a range of reasonable fair-value estimates. In making its judgement, management considers information from (i) current prices in an active market for properties of a different nature, condition or location by reference to available market information; (ii) recent prices of similar properties in less active markets, with adjustments to reflect any changes in economic conditions; and (iii) discounted cash flow projections, based on reliable estimates of future cash flows, derived from the terms of any existing lease and other contracts, and (where possible) from external evidence such as current market rates for similar properties in the same location and condition, and by using discount rates that reflect current market assessments of the uncertainty in the amount and timing of cash flows.

Impairment test of assets and goodwill

The Group determines whether an asset or goodwill is impaired on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group 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.

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

The Group has not applied the following new and revised Hong Kong Financial Reporting Standards ("HKFRSs"), which also include all Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), 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 19 Amendment	Actuarial Gains and Losses, Group Plans and Disclosures
HKAS 21 Amendment	Net Investment in a Foreign Operation
HKAS 39 Amendment	Cash Flow Hedge Accounting of Forecast Intragroup Transactions
HKAS 39 Amendment	The Fair Value Option
HKAS 39 & HKFRS 4 Amendments	Financial Guarantee Contracts
HKFRSs 1 & 6 Amendments	First-time Adoption of Hong Kong Financial Reporting Standards and Exploration for and Evaluation of Mineral Resources
HKFRS 6	Exploration for and Evaluation of Mineral Resources
HKFRS 7	Financial Instruments: Disclosures
HK(IFRIC)-Int 4	Determining whether an Arrangement contains a Lease
HK(IFRIC)-Int 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
HK(IFRIC)-Int 6	Liabilities arising from Participating in a Specific Market — Waste Electrical and Electronic Equipment
HK(IFRIC)-Int 7	Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies (applied for annual periods beginning or or after 1st March, 2006)

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

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 as capital; and compliance with any capital requirements and the consequences of any non-compliance.

HKFRS 7 will replace HKAS 32 and has modified 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.

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

3.2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

These consolidated financial statements have been prepared in accordance with HKFRSs and accounting principles generally accepted in Hong Kong. They have been prepared under the historical cost convention, except for the periodic remeasurement of investment properties, certain property, plant and equipment and certain financial assets, as further explained below. 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.

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 the subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtained control, until the date such control ceases. All significant intercompany transactions and balances within the Group are eliminated on consolidation.

Minority interests represent interests of outside shareholders in the results and net assets of the Company's subsidiaries and are presented separately in the income statement and within equity in the consolidated balance sheet from the results/equity attributable to equity holders of the parent.

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.

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

Associates

An associate is a company, not being a subsidiary, in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence.

The Group's share of the post-acquisition results and reserves of associates is included in the consolidated income statement and consolidated reserves, respectively. The Group's interests in associates are stated in the consolidated balance sheet at the Group's share of the net assets under the equity method of accounting, less any impairment losses. Goodwill arising from the acquisition of associates, which was not previously eliminated in the consolidated reserves, is included as part of the Group's interests in associates.

The results of associates are included in the Company's income statement to the extent of dividends received and receivable. The Company's interests in associates are treated as non-current assets and are stated at cost less any impairment losses.

The reporting dates of associates and the Group are identical and the associates' accounting policies conform to those used by the Group for like transactions and events in similar circumstances.

Business combinations

Goodwill

Goodwill arising on the acquisition of subsidiaries and associates is initially measured at cost, being the excess of the cost of the business combination over the Group's interests in the net fair value of the identifiable assets, liabilities and contingent liabilities.

Goodwill arising on acquisition is recognised in the consolidated balance sheet as an asset. In the case of associates, goodwill is included in the carrying amount thereof, rather than as a separately identified asset on the consolidated balance sheet.

Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill on acquisitions after 1st August, 2004 is not amortised, and goodwill already carried in the consolidated balance sheet as at 1st August, 2004 is not amortised after that date. Goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

As at the acquisition date, any goodwill acquired in a business combination is allocated to each of the cash-generating units expected to benefit from the combination's synergies. Impairment is determined by assessing the recoverable amount of the cash-generating unit, to which the goodwill relates. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised in the income statement.

Where goodwill forms part of a cash-generating unit, and part of the operation within that unit is disposed of, goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

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

Business combinations *(continued)*

Goodwill previously eliminated against the consolidated reserves

Goodwill arising on acquisitions before 1st January, 2001 was eliminated against consolidated reserves in the year of acquisition. The Group applied the transitional provision of the HKFRS 3 that permitted such goodwill to remain eliminated against consolidated reserves not to be recognised in the consolidated income statement when the Group disposes of all or part of the business to which that goodwill relates, or when a cash-generating unit to which the goodwill relates becomes impaired.

Excess over the cost of business combinations

Any excess of the Group's interest in the net fair value of the acquirees' identifiable assets, liabilities and contingent liabilities over the cost of the acquisition of subsidiaries and associates (previously referred to as negative goodwill), after reassessment, is recognised immediately in the income statement.

Negative goodwill previously recognised as an asset or eliminated against the consolidated reserves

Negative goodwill arising on the acquisition of subsidiaries or associates represented the excess of the Group's share of the fair values of the identifiable assets and liabilities acquired as at the date of acquisition, over the cost of the acquisition.

The transitional provisions of HKFRS 3 have required the Group to derecognise at 1st August, 2004 the carrying amounts of negative goodwill (including that remaining in the consolidated reserves) against retained earnings.

Impairment of assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required, the recoverable amount is estimated. Recoverable amount is calculated as the higher of the asset's or cash-generating unit's value in use and its fair value less costs to sell, and is determined for an individual asset, 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 assets. 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 of an asset other than goodwill 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), 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, when the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset. An impairment losses made against goodwill is not reversed.

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

Property, plant and equipment and depreciation

Property, plant and equipment is stated at cost or valuation less accumulated depreciation and any impairment losses.

The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after items of property, plant and equipment that 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 property, plant and equipment, the expenditure is capitalised as an additional cost of that asset.

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

Leasehold land and buildings	2% — 5%
Leasehold improvements	20%
Plant and machinery	10%
Furniture, fixtures and equipment	10% — 20%
Motor vehicles	10% — 25%
Computers	10% — 25%
Motor vessels	25%

The transitional provisions set out in paragraph 80A of HKAS 16 “Property, plant and equipment” have been adopted for assets stated at valuation. As a result, those assets stated at revalued amounts based on revaluations, which were reflected in the financial statements in periods ended before 30th September, 1995, have not been further revalued to fair value at subsequent balance sheet dates. It is the directors’ intention not to revalue these assets in the future.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected. Gain or loss on derecognition of property, plant and equipment, calculated as the difference between the net disposal proceeds and the carrying amount of the item, is included in the income statement in the period the item is derecognised.

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

Prepaid land lease payments

Prepaid land lease payments are lump sum upfront payments to acquire long term interest in lessee-occupied properties.

Prepaid land lease payments for land relating to buildings of the Group are stated at cost and are amortised over the period of the lease on the straight-line basis to the income statement. Prepaid land lease payments relating to investment properties and properties developed for sale are not amortised and are included as part of the cost of such properties.

Investment properties

Investment properties are interests in land and buildings in respect of which construction work and development have been completed and which are owned by the Group or held by the 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 professional valuations performed at least 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 investment property, calculated as the difference 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.

Properties under development

Properties under development are stated at cost less any accumulated impairment losses. Cost comprises the prepaid land lease payments or cost of land together with any other direct costs attributable to the development of the properties and other related expenses capitalised during the development period.

Investments and other financial assets

Financial assets in the scope of HKAS 39 are classified into four categories including financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, and available-for-sale financial assets, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs. The Group determines the classification of its financial assets after initial recognition and, where allowed and appropriate, re-evaluates this designation at each financial year end.

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.

Available-for-sale investments

Available-for-sale investments are those non-derivative financial assets that are designated as available-for-sale or are not classified in any of the other three categories under the scope of HKAS 39. After initial recognition, available-for-sale investments are measured at fair value with gains or losses recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in the income statement.

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 on the balance sheet date.

The Group assesses at each balance sheet date whether there is any objective evidence that an available-for-sale investment is impaired as a result of one or more events that occurred after the initial recognition of the assets ("loss events"). Where the loss event has an impact on the estimated future cash flows that can be reliably estimated, they are stated at cost less any accumulated impairment losses. If an available-for-sale investment is impaired, an amount comprising the difference between its cost and its current fair value, less an impairment loss previously recognised in profit or loss, is transferred from equity to the income statement in case of equity investment impairments cannot be restated through the income statement.

Investments and other financial assets *(continued)*

Financial assets at fair value through profit or loss

Financial assets classified as held for trading are included in the category "financial assets at fair value through profit or loss". Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. Derivatives are also classified as held for trading unless they are designated and effective hedging instruments. Gains or losses on investments held for trading are recognised in the income statement.

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 methods. 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 investments 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 price models.

Inventories

Inventories are stated at the lower of cost and net realisable value after making due allowances for obsolete or slow-moving items. Cost is determined on 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 proportion of all production overhead expenditure. Net realisable value is based on estimated selling prices less estimated costs to be incurred to completion and disposal.

Interest-bearing loans and borrowings

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

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Amortised cost is calculated by taking into account any issue costs, and any discount or premium on settlement.

Gains and losses are recognised in the income statement when the liabilities are derecognised or impaired, as well as through the amortisation process.

Debtors

Debtors are recognised and carried at the original invoice amount less allowance for any uncollectible amounts.

An estimate for doubtful debts for debtors is made when there is an objective evidence that the Group will not be able to collect the debts. Bad debts are written off when identified.

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

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.

Textile quota entitlements

The Group was entitled to certain textile quotas until 1st January, 2005. Temporary textile quota purchased from outside parties were written off to the income statement at the time of utilisation, or in the absence of such utilisation, upon the expiry of the relevant utilisation period. Temporary textile quotas granted by the government were not capitalised as assets in the balance sheet. The profit on the transfer of temporary textile quota entitlements to third parties was recognised upon the execution of a legally binding, unconditional and irrevocable transfer form.

Leases

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases are included in property, plant and equipment, and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to the income statement so as to provide a constant periodic rate of charge over the lease terms.

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 operating leases are charged to the income statement on the straight-line basis over the lease terms.

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 sheets, cash and cash equivalents comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

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.

Impairment of financial assets *(continued)*

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.

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.

Available-for-sale financial assets

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss, is transferred from equity to the income statement. Impairment losses on equity instruments classified as available for sale are not reversed through profit or loss.

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.

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

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised 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 directly in equity in the same or a different period.

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 liabilities are recognised for all taxable temporary differences:

- except where the deferred tax liability arises from goodwill or the initial recognition of an asset or liability in a transaction and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with interests in subsidiaries and associates, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carryforward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax assets and unused tax losses 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 interests in subsidiaries and associates, 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 future 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 recognised to the extent that it is probable that sufficient future 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.

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

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 and transfer of quotas, 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 and property management fee income, in the period in which the properties are let out and on the straight-line basis over the lease terms;

(c) 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 assets;

(d) dividend income, when the shareholders' right to receive payment has been established; and

(e) royalty income, when the right to receive income is established.

Employee benefits

Paid leave carried forward

The Group provides paid annual leave to its employees under their employment contracts on a financial 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 period 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 that have been earned by the employees from their service to the Group at 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 those employees who are eligible to participate in the MPF scheme during the year. 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 Schemes. The assets of the MPF Schemes 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 Schemes, except for the Group's employer voluntary contributions, which are refunded to the Group when the employee leaves employment prior to the contributions vesting fully, in accordance with the rules of the MPF Schemes.

The employees of the Group's subsidiaries that operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government in which the subsidiaries operate. These subsidiaries are required to contribute a certain percentage of their payroll costs to the central pension scheme. The contributions are charged to the income statement as they become payable in accordance with the rules of the central pension scheme.

Borrowing costs

Borrowing costs directly attributable to the acquisition or construction of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those asset. Capitalisation of such borrowing costs ceases when the asset is substantially ready for its intended use or sale. The capitalisation rate for the year is based on the weighted average of the attributable borrowing costs of the borrowings. All other borrowing costs are charged to the income statement in the period in which they are incurred.

Related parties

A party is related to the Group if:

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

  (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 jointly-controlled entity;

(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.

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 rate 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.

The functional currencies of certain overseas subsidiaries are not 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 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 that arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

3.3. SUMMARY OF THE IMPACT OF CHANGES IN ACCOUNTING POLICIES

As disclosed in the Company's audited consolidated financial statements for the year ended 31st July, 2005, the Group had resolved to early adopt new and revised HKFRSs which also include all HKASs and Interpretations issued by the HKICPA, in the financial year ended 31st July, 2005. The early adoption took place after the Group had prepared its unaudited condensed interim consolidated financial statements for the six months ended 31st January, 2005 and accordingly, the Group's results for the six months ended 31st January, 2005 were previously reported in accordance with Statements of Standard Accounting Practice issued by the HKICPA. In order to conform with the current period's presentation and to comply with the new requirements of HKFRSs, certain comparative amounts have been restated and reclassified accordingly.

(a) The effect of changes in accounting policies on the unaudited consolidated income statement for the six months ended 31st January, 2005 is summarised as follows:

	Impact of adopting HKFRSs on the Company and its subsidiaries		Impact of HKFRSs on share of profits and losses of associates	
	HKFRS 3	**HKAS-Int 21**		**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
For the six months ended 31st January, 2005				
Decrease in amortisation of goodwill	8,990	—	—	8,990
Increase in share of losses of associates	—	—	(1,637)	(1,637)
Decrease in gain on deemed disposal of an associate	(2,203,632)	—	—	(2,203,632)
Decrease in negative goodwill recognised	(13,657)	—	—	(13,657)
Decrease in profit for the period	(2,208,299)	—	(1,637)	(2,209,936)
Decrease in profit attributable to:				
Equity holders of the parent	(2,208,299)	—	(1,637)	(2,209,936)
Decrease in earnings per share *(HK$)*	(1.54)	—	—	(1.54)

3.3. SUMMARY OF THE IMPACT OF CHANGES IN ACCOUNTING POLICIES *(continued)*

(b) The effect of changes in accounting policies on the equity as at 1st August, 2004 and 31st July, 2004 is summarised as follows:

	Impact of adopting HKFRSs on the Company and its subsidiaries		Impact of HKFRSs on interests in associates	
	HKFRS 3	HKAS-Int 21		Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
As at 1st August, 2004				
Total equity				
Decrease in property revaluation reserve	—	(9,541)	—	(9,541)
Decrease/(increase) in accumulated losses	4,338,821	(2,902)	48,327	4,384,246
Decrease in capital reserve	(3,701,838)	—	(102,349)	(3,804,187)
Increase/(decrease) in equity	636,983	(12,443)	(54,022)	570,518
As at 31st July, 2004				
Total equity				
Decrease in property revaluation reserve	—	(9,541)	—	(9,541)
Decrease/(increase) in accumulated losses	—	(2,902)	44,750	41,848
Decrease in capital reserve	—	—	(102,349)	(102,349)
Decrease in equity	—	(12,443)	(57,599)	(70,042)

4. 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 that are subject to risks and returns which are different from those of the other business segments. Summary details of the business segments are as follows:

(a) the garment operation segment engages in the trading and distribution of garments and the transfer of textile quotas;

(b) the property development segment engages in property development and the sale of properties;

(c) the property investment segment comprises the leasing of commercial and residential premises; and

(d) the "others" segment comprises, principally, the Group's property management service business, and corporate income and 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 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.

4. SEGMENT INFORMATION *(continued)*

(a) Business segments

The following tables present revenue, profit/(loss) and certain asset, liability and expenditure information for the Group's business segments:

Group

	Garment operation Six months ended 31st January,		Property development Six months ended 31st January,		Property investment Six months ended 31st January,		Others Six months ended 31st January,		Eliminations Six months ended 31st January,		Consolidated Six months ended 31st January,	
	2006	2005	**2006**	2005	**2006**	2005	**2006**	2005	**2006**	2005	**2006**	2005
	HK$'000	*HK$'000* (Unaudited) (Restated)	***HK$'000***	*HK$'000* (Unaudited) (Restated)	***HK$'000***	*HK$'000* (Unaudited) (Restated)	***HK$'000***	*HK$'000* (Unaudited) (Restated)	***HK$'000***	*HK$'000* (Unaudited)	***HK$'000***	*HK$'000* (Unaudited) (Restated)
Segment revenue:												
Sales to external customers	**194,588**	263,373	**—**	—	**8,473**	9,697	**6,220**	13,287	**—**	—	**209,281**	286,357
Intersegment sales	**—**	—	**—**	—	**—**	12	**—**	—	**—**	(12)	**—**	—
Other revenue and gains	**13,310**	16,198	**—**	—	**107**	—	**—**	—	**—**	—	**13,417**	16,198
Total	**207,898**	279,571	**—**	—	**8,580**	9,709	**6,220**	13,287	**—**	(12)	**222,698**	302,555
Segment results	**4,119**	24,079	**—**	—	**150,810**	8,580	**(5,128)**	(415)	**—**	—	**149,801**	32,244
Interest income and unallocated other revenue and gains											**8,665**	4,585
Profit from operating activities											**158,466**	36,829
Finance costs											**(11,497)**	(6,901)
Share of profits and losses of associates											**26,763**	27,708
Gain on deemed disposal of an associate											**—**	217,817
Profit before tax											**173,732**	275,453
Tax											**(14,252)**	(6,472)
Profit for the period											**159,480**	268,981
Attributable to:												
Equity holders of the parent											**99,640**	260,809
Minority interests											**59,840**	8,172
											159,480	268,981

4. **SEGMENT INFORMATION** *(continued)*

(a) **Business segments** *(continued)*

Group

	Garment operation		Property development		Property investment		Others		Eliminations		Consolidated	
	31st January, 2006	31st July, 2005	**31st January, 2006**	31st July, 2005	**31st January, 2006**	31st July, 2005	**31st January, 2006**	31st July, 2005	**31st January, 2006**	31st July, 2005	**31st January, 2006**	31st July, 2005
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment assets	**226,393**	430,402	**247,335**	233,315	**477,538**	251,841	**6,719**	7,319	**—**	—	**957,985**	922,877
Interests in associates											**2,208,845**	2,177,085
Unallocated assets											**596,131**	386,357
Total assets											**3,762,961**	3,486,319
Segment liabilities	**82,018**	100,016	**6**	1,120	**33,334**	18,013	**11,497**	11,412	**—**	—	**126,855**	130,561
Unallocated liabilities											**386,627**	366,685
Total liabilities											**513,482**	497,246

	Garment operation Six months ended 31st January,		Property development Six months ended 31st January,		Property investment Six months ended 31st January,		Others Six months ended 31st January,		Eliminations Six months ended 31st January,		Consolidated Six months ended 31st January,	
	2006	2005	**2006**	2005	**2006**	2005	**2006**	2005	**2006**	2005	**2006**	2005
	HK$'000	*HK$'000* (Unaudited)	***HK$'000***	*HK$'000* (Unaudited)	***HK$'000***	*HK$'000* (Unaudited)	***HK$'000***	*HK$'000* (Unaudited)	***HK$'000***	*HK$'000* (Unaudited)	***HK$'000***	*HK$'000* (Unaudited)
Other segment information:												
Depreciation	**5,718**	3,989	**—**	—	**934**	90	**26**	20	**—**	—	**6,678**	4,099
Gain on revaluation of investment properties	**—**	—	**—**	—	**(158,799)**	—	**—**	—	**—**	—	**(158,799)**	—
Capital expenditure	**7,235**	10,035	**23**	—	**27,791**	—	**69**	—	**—**	—	**35,118**	10,035

(b) **Geographical segments**

The following table presents revenue and certain asset and expenditure information for the Group's geographical segments.

Group

	Hong Kong Six months ended 31st January,		Mainland China Six months ended 31st January,		United States of America Six months ended 31st January,		Consolidated Six months ended 31st January,	
	2006	2005	**2006**	2005	**2006**	2005	**2006**	2005
	HK$'000	*HK$'000* (Unaudited)	***HK$'000***	*HK$'000* (Unaudited)	***HK$'000***	*HK$'000* (Unaudited)	***HK$'000***	*HK$'000* (Unaudited)
Segment revenue:								
Sales to external customers	**131,698**	121,590	**77,583**	108,254	**—**	56,513	**209,281**	286,357

	31st January, 2006	31st July, 2005	**31st January, 2006**	31st July, 2005	**31st January, 2006**	31st July, 2005	**31st January, 2006**	31st July, 2005
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment assets	**638,851**	623,366	**317,896**	295,572	**1,238**	3,939	**957,985**	922,877

	Six months ended 31st January,		Six months ended 31st January,		Six months ended 31st January,		Six months ended 31st January,	
	2006	2005	**2006**	2005	**2006**	2005	**2006**	2005
	HK$'000	*HK$'000* (Unaudited)	***HK$'000***	*HK$'000* (Unaudited)	***HK$'000***	*HK$'000* (Unaudited)	***HK$'000***	*HK$'000* (Unaudited)
Capital expenditure	**32,579**	10,035	**2,539**	—	**—**	—	**35,118**	10,035

5. RELATED PARTY TRANSACTIONS

In addition to the related party transactions and balances detailed elsewhere in the financial statements, the Group entered into the following material transactions with related parties during the period:

(a) Transactions with related parties

		Six months ended 31st January,	
		2006	2005
	Notes	***HK$'000***	*HK$'000*
			(Unaudited)
Rental expenses and building management fees paid and payable to:			
Lai Sun Textiles Company Limited	*(i)*	**1,060**	1,060
Related company	*(ii)*	**1,867**	2,012
Interest expense on note payable and other borrowing granted by Mr. Lim Por Yen	*(iii)*	**8,257**	5,938
Interest expense on other borrowing granted by Mr. Lam Kin Ngok, Peter	*(iii)*	**2,438**	—

Notes:

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

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

(iii) The interest expense was charged at the best lending rate quoted by a designated bank in Hong Kong in respect of the note payable *(note 26)* and the other borrowings *(note 25)*.

(b) Compensation of key management personnel of the Group

	Six months ended 31st January,	
	2006	2005
	HK$'000	*HK$'000*
		(Unaudited)
Short term employee benefits	**6,326**	4,884
Post-employment benefits	**25**	28
Total compensation paid to key management personnel	**6,351**	4,912

(c) Apart from the above, subsequent to the balance sheet date, the Company entered into certain agreements which constitute related party transactions. Further details of these agreements are set out in note 35 (a), (b) and (c) to the financial statements.

6. TURNOVER, OTHER REVENUE AND GAINS

Turnover represents the net invoiced value of garments sold, proceeds from the transfer of textile quotas, rental income and income from other operations. An analysis of turnover, other revenue and gains is as follows:

Turnover

	Six months ended 31st January,	
	2006	2005
	HK$'000	*HK$'000*
		(Unaudited)
Sale of garments and proceeds from transfer of textile quotas	**194,588**	263,373
Rental income	**8,473**	9,697
Other operations	**6,220**	13,287
	209,281	286,357

Other revenue and gains

	Six months ended 31st January,	
	2006	2005
	HK$'000	*HK$'000*
		(Unaudited)
Royalty income	**11,532**	14,653
Unrealised gains on revaluation of financial assets at fair value through profit or loss	**696**	2,952
Dividend income from financial assets at fair value through profit or loss	**458**	427
Interest income from bank deposits	**3,914**	466
Other interest income	**3,597**	57
Others	**1,885**	2,228
	22,082	20,783

7. PROFIT FROM OPERATING ACTIVITIES

The Group's profit from operating activities is arrived at after charging/(crediting):

	Six months ended 31st January,	
	2006	2005
	HK$'000	*HK$'000*
		(Unaudited)
		(Restated)
Auditors' remuneration	**2,236**	1,008
Depreciation	**6,678**	4,099
Minimum lease payments under operating leases in respect of land and buildings	**40,860**	31,458
Staff costs (including directors' remuneration):		
Wages and salaries	**48,454**	42,015
Pension scheme contributions***	**1,231**	1,233
	49,685	43,248
Directors' remuneration:		
Fees	**351**	397
Other emoluments	**6,000**	4,515
Exchange losses, net*	**82**	155
Loss/(gain) on disposal of items of property, plant and equipment*	**14**	(42)
Write-back of provision for slow-moving inventories**	**(2,922)**	(4,266)
Provision for doubtful debts	**—**	58
Unrealised gains on revaluation of financial assets at fair value through profit or loss	**(696)**	(2,952)
Rental income	**(8,473)**	(9,697)
Less: Outgoings	**1,736**	1,865
Net rental income	**(6,737)**	(7,832)

* These amounts are included in "Other operating expenses, net" on the face of the consolidated income statement.

** This amount is included in "Cost of sales" on the face of the consolidated income statement.

*** At 31st January, 2006, the Group had no forfeited contributions available to reduce its contributions to the pension scheme in future years. (31st July, 2005: Nil).

8. FINANCE COSTS

	Six months ended 31st January,	
	2006	2005
	HK$'000	*HK$'000*
		(Unaudited)
Interest on:		
Bank loans and overdrafts wholly repayable within five years	**802**	963
Note payable and other borrowings wholly repayable within five years (notes 26 and 25, respectively)	**10,695**	5,938
Total interest expenses	**11,497**	6,901

9. TAX

Hong Kong profits tax has been provided at the rate of 17.5% (Six months ended 31st January, 2005: 17.5%) on the estimated assessable profits arising in Hong Kong during the period.

Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in places in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

	Six months ended 31st January,	
	2006	2005
	HK$'000	*HK$'000*
		(Unaudited)
		(Restated)
Provision for tax for the period:		
Current — Hong Kong	**—**	2,000
Deferred tax *(note 27)*	**24,858**	4,472
	24,858	6,472
Prior years' overprovision:		
Mainland China	**(10,606)**	—
Tax charge for the period	**14,252**	6,472

A reconciliation of the tax expense applicable to profit before tax using the statutory rates for the countries in which the Company and its subsidiaries are domiciled to the tax expense at the Group's effective tax rate is as follows:

	Six months ended 31st January,	
	2006	2005
	HK$'000	*HK$'000*
		(Unaudited)
		(Restated)
Profit before tax	**173,732**	275,453
Share of profits and losses of associates	**(26,763)**	(27,708)
Profit before tax attributable to the Company and its subsidiaries	**146,969**	247,745
Tax at the statutory rate of 17.5% (2005: 17.5%)	**25,720**	43,355
Higher tax rate of other places	**370**	608
Income not subject to tax	**(866)**	(40,586)
Expenses not deductible for tax	**6,145**	4,963
Write-off of deferred tax assets	**—**	2,475
Adjustments in respect of current tax of previous periods	**(10,606)**	—
Tax losses utilised from previous periods	**(4,916)**	(3,873)
Tax losses not recognised	**2,085**	217
Decrease in unprovided tax assets	**(3,680)**	(687)
Tax charge at the Group's effective tax rate	**14,252**	6,472

10. NET PROFIT/(LOSS) FOR THE PERIOD ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT

The net loss for the period attributable to equity holders of the parent for the six months ended 31st January, 2006 dealt with in the financial statements of the Company was HK$9,085,000 (Six months ended 31st January, 2005 (Unaudited): net profit of HK$137,839,000) *(note 29(b))*.

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

The calculation of basic earnings per share is based on profit attributable to equity holders of the parent of HK$99,640,000 (Six months ended 31st January, 2005 (Unaudited and restated): HK$260,809,000) and the weighted average number of 1,617,423,423 (31st January, 2005: 1,437,709,710) ordinary shares in issue during the period.

The diluted earnings per share for the six months ended 31st January, 2006 and 2005 have not been disclosed as no diluting event existed during these periods.

12. PROPERTY, PLANT AND EQUIPMENT

Group

	Leasehold land and buildings#	Leasehold improvements	Plant and machinery	Furniture, fixtures and equipment	Motor vehicles	Computers	Motor vessels	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Cost or valuation:								
At 1st August, 2004	17,778	753	18,120	59,022	15,151	16,108	16,951	143,883
Additions	—	—	74	16,322	3,070	1,859	—	21,325
Disposals/write-off	—	—	(88)	(9,467)	(2,048)	(4,530)	—	(16,133)
Exchange realignments	—	—	48	78	10	15	—	151
At 31st July, 2005 and 1st August, 2005	17,778	753	18,154	65,955	16,183	13,452	16,951	149,226
Additions	—	—	567	6,325	—	625	—	7,517
Disposals/write-off	—	—	(544)	(506)	—	(87)	—	(1,137)
Exchange realignments	—	—	—	1	—	—	—	1
At 31st January, 2006	17,778	753	18,177	71,775	16,183	13,990	16,951	155,607
Accumulated depreciation and impairment:								
At 1st August, 2004	9,350	751	16,130	51,272	12,825	15,363	16,951	122,642
Depreciation provided during the year	800	2	624	7,403	1,395	548	—	10,772
Disposals/write-off	—	—	(72)	(9,326)	(2,048)	(4,520)	—	(15,966)
Exchange realignments	—	—	31	32	3	4	—	70
At 31st July, 2005 and 1st August, 2005	10,150	753	16,713	49,381	12,175	11,395	16,951	117,518
Depreciation provided during the period	400	—	292	5,137	530	319	—	6,678
Disposals/write-off	—	—	(532)	(506)	—	(85)	—	(1,123)
Exchange realignments	—	—	—	2	—	—	—	2
At 31st January, 2006	10,550	753	16,473	54,014	12,705	11,629	16,951	123,075
Net book value:								
At 31st January, 2006	7,228	—	1,704	17,761	3,478	2,361	—	32,532
At 31st July, 2005	7,628	—	1,441	16,574	4,008	2,057	—	31,708

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

The Group's leasehold land and buildings stated at valuation are held under long term leases and are situated in Mainland China.

\# As the prepaid land lease payment cannot be allocated reliably between the land and building elements, the entire lease payment is included in the cost of leasehold land and buildings as a finance lease in property, plant and equipment in accordance with HKAS 17.

Company

	Furniture, fixtures and equipment *HK$'000*	**Motor vehicles** *HK$'000*	**Motor vessels** *HK$'000*	**Total** *HK$'000*
Cost:				
At 1st August, 2004	10,209	11,946	16,951	39,106
Additions	1,893	—	—	1,893
Disposals	(5,326)	(715)	—	(6,041)
At 31st July, 2005 and 1st August, 2005	6,776	11,231	16,951	34,958
Additions	190	—	—	190
At 31st January, 2006	6,966	11,231	16,951	35,148
Accumulated depreciation:				
At 1st August, 2004	6,432	10,350	16,951	33,733
Depreciation provided during the year	1,182	748	—	1,930
Disposals	(5,286)	(715)	—	(6,001)
At 31st July, 2005 and 1st August, 2005	2,328	10,383	16,951	29,662
Depreciation provided during the period	674	170	—	844
At 31st January, 2006	3,002	10,553	16,951	30,506
Net book value:				
At 31st January, 2006	3,964	678	—	4,642
At 31st July, 2005	4,448	848	—	5,296

13. **INVESTMENT PROPERTIES**

	Group		**Company**	
	Six months ended 31st January, 2006 *HK$'000*	Year ended 31st July, 2005 *HK$'000*	**Six months ended 31st January, 2006** *HK$'000*	Year ended 31st July, 2005 *HK$'000*
At beginning of period/year, at valuation	**250,600**	265,680	**89,600**	74,980
Additions	**27,601**	—	**194**	—
Disposals	**—**	(66,000)	**—**	—
Gain on revaluation	**158,799**	50,920	**12,206**	14,620
At end of period/year, at valuation	**437,000**	250,600	**102,000**	89,600

13. INVESTMENT PROPERTIES *(continued)*

On 14th January, 2006, the Group 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 premiums (the "Land Premiums") for the lease modification amounted to HK$274,070,000. On 14th January, 2006, the Group paid 10% of the Land Premiums which amounted to HK$27,407,000 as deposit and subsequent to the balance sheet date, on 28th March, 2006, the Group paid the remaining 90% of the Land Premiums.

At 31st January, 2006, the investment properties were stated at their aggregate open market values based on existing use with reference to a valuation performed by Savills Valuation and Professional Services Limited, independent professionally qualified valuers, as at 31st January, 2006.

The Group's and the Company's 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 a long term lease, other investment properties are held under medium term leases.

Certain investment properties of the Group and the Company were leased to third parties under operating leases, further summary details of which are included in note 32(a) to these financial statements.

At 31st January, 2006, certain investment properties of the Group and of the Company with carrying amounts of HK$434,300,000 (31st July, 2005: HK$248,200,000) and HK$99,300,000 (31st July, 2005: HK$87,200,000), respectively, were pledged to banks to secure banking facilities granted by the bank to the Group.

14. PROPERTIES UNDER DEVELOPMENT

	Group	
	Six months ended 31st January, 2006	Year ended 31st July, 2005
	HK$'000	*HK$'000*
At beginning of the period/year	**233,250**	178,150
Additions during the period/year	**13,989**	718
Reversal of impairment provision	**—**	50,715
Amortisation of prepaid land lease payments	**1,645**	3,289
Capitalisation of amortisation of prepaid land lease payments	**(1,645)**	(3,289)
Exchange realignment	**—**	3,667
At end of the period/year	**247,239**	233,250

The Group's properties under development are situated in Mainland China and are held under long term leases. These properties are carried at cost less impairment.

15. INTERESTS IN SUBSIDIARIES

	Company	
	31st January, 2006	31st July, 2005
	HK$'000	*HK$'000*
Shares listed in Hong Kong, at cost	**7,265**	7,265
Unlisted shares, at cost	**486**	486
	7,751	7,751
Amounts due from subsidiaries	**1,045,455**	1,082,909
Amounts due to subsidiaries	**(28,603)**	(113,511)
	1,016,852	969,398
Provision for impairment	**(359,898)**	(359,898)
	656,954	609,500
	664,705	617,251
Market value of listed shares at the balance sheet date	**1,626**	1,520

The balances with subsidiaries are unsecured, interest-free and have no fixed terms of repayment except for an amount of HK$44,300,000 as at 31st January, 2006 (31st July, 2005: Nil) due from a subsidiary which bears interest at a rate of 27% per annum. The carrying amounts of these amounts due from/to subsidiaries approximate to their respective fair values as at the balance sheet date.

15. INTERESTS IN SUBSIDIARIES *(continued)*

Particulars of the principal subsidiaries as at 31st January, 2006 are as follows:

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary share/ registered and paid-up share capital	Class of shares held	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Crocodile (China) Limited	Hong Kong	HK$4	Ordinary	—	54.93	Garment trading
Crocodile Garments Limited	Hong Kong	HK$154,281,783	Ordinary	0.43	54.50	Garment manufacturing and trading
Crocodile Garments (Zhong Shan) Limited #	Mainland China	HK$17,200,000	*	—	49.44	Garment manufacturing and trading
Dackart Trading Company Limited	Hong Kong	HK$20	Ordinary	—	54.93	Property investment
Joy Mind Limited	Hong Kong	HK$2	Ordinary	100.00	—	Investment holding
Kingscord Investment Limited	Hong Kong	HK$2	Ordinary	—	100.00	Investment holding
Kingscord Real Estate (Shanghai) Co., Ltd. ** ##	Mainland China	US$1,500,000	*	—	100.00	Investment holding
Shanghai Hu Xin Real Estate Development Co., Ltd. *** ##	Mainland China	US$6,000,000	*	—	95.00	Property development and investment
Shenton Investment Limited	Hong Kong	HK$2	Ordinary	—	54.93	Property investment
Silver Glory Securities Limited	British Virgin Islands	US$1	Ordinary	100.00	—	Investment holding
Starfeel Hong Kong Ltd.	British Virgin Islands	HK$1	Ordinary	—	100.00	Investment holding

* These subsidiaries have registered rather than issued share capital.

** This subsidiary is registered as a wholly-foreign owned enterprise under the laws of Mainland China.

*** This subsidiary is registered as a Sino-foreign owned enterprise under the laws of Mainland China.

\# Crocodile Garments (Zhong Shan) Limited, a Sino-foreign enterprise under the laws of Mainland China, is a 90%-owned subsidiary of Crocodile Garments Limited and, accordingly, is accounted for as a subsidiary by virtue of the Company's control over it.

\#\# These two subsidiaries are undergoing a merger by adsorption. Completion of the merger is conditional upon approval of the relevant government authorities of the People's Republic of China.

15. INTERESTS IN SUBSIDIARIES *(continued)*

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

As at 31st January, 2006, 96,000,000 (31st July, 2005: 96,000,000) ordinary shares of CGL held by the Group were pledged to a bank to secure banking facilities granted to the Company.

16. GOODWILL

At 31st July, 2005 and 31st January, 2006, goodwill arising on acquisition is related to the operations of a subsidiary. Its recoverable amount has been determined based on a value-in-use calculation using cash flow projections, which are based on financial budget approved by management of the Group and the subsidiary over a period of 5 years. The discounted rates applied to the cash flow projections are 13% for the year ended 31st July, 2005 and 12% for the six months ended 31st January, 2006.

17. INTERESTS IN ASSOCIATES

	Group		Company	
	31st January, 2006	31st July, 2005	**31st January, 2006**	31st July, 2005
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Shares listed in Hong Kong, at cost	**—**	—	**361,632**	361,632
Share of net assets	**2,209,008**	2,177,348	**—**	—
	2,209,008	2,177,348	**361,632**	361,632
Amounts due from associates	**2,770**	2,690	**1,815**	1,735
Amounts due to associates	**(1,977)**	(1,997)	**(1,978)**	(1,997)
	2,209,801	2,178,041	**361,469**	361,370
Provision for impairment	**(956)**	(956)	**—**	—
	2,208,845	2,177,085	**361,469**	361,370
Market value of listed shares at balance sheet date	**874,801**	471,822	**600,389**	323,819

Notes:

Balances with associates are unsecured, interest-free and have no fixed terms of repayment, except for an amount of HK$2,451,000 as at 31st January, 2006 (31st July, 2005: HK$2,364,000) due from an associate which bears interest at the prevailing market rate.

Particulars of the principal associate as at 31st January, 2006 are as follows:

Name	Business structure	Place of incorporation/ registration and operations	Class of shares held	Percentage of capital held	Principal activities
Lai Fung Holdings Limited ("Lai Fung")	Corporate	Cayman Islands	Ordinary	45.13	Note

17. INTERESTS IN ASSOCIATES *(continued)*

The above table lists, in the opinion of the directors, the principal associate of the Group which, in the opinion of the directors, principally affected the results for the period or formed a substantial portion of the net assets of the Group. To give details of other associates would, in the opinion of the directors, result in particulars of excessive length.

Note:

Lai Fung's principal activity during the period was investment holding. The principal activities of the subsidiaries of Lai Fung during the period consisted of property development for sale and property investment for rental purposes.

As at 31st January, 2006, 115,000,000 (31st July, 2005: 115,000,000) ordinary shares of Lai Fung held by the Group were pledged to a bank to secure banking facilities granted to the Company.

The following is a summary of aggregate amounts of assets, liabilities, revenues and results of the Group's associates:

	31st January, 2006	31st July, 2005
	HK$'000	*HK$'000*
Assets	**6,461,347**	6,426,508
Liabilities	**1,968,127**	2,021,407

	Six months ended 31st January, 2006	Year ended 31st July, 2005
	HK$'000	*HK$'000*
Revenues	**592,870**	403,529
Profit	**69,152**	328,192

18. AVAILABLE-FOR-SALE INVESTMENTS

	Group		Company	
	31st January, 2006	31st July, 2005	**31st January, 2006**	31st July, 2005
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Listed equity investments in Hong Kong at quoted market price	**272,253**	188,361	**246,609**	170,619

Available-for-sale investments represented investments in ordinary shares of Lai Sun Development Company Limited, a company incorporated in Hong Kong with limited liability and listed on The Stock Exchange of Hong Kong Limited.

During the six months ended 31st January, 2006, the gross gain of the Group's available-for-sale equity investments recognised directly in equity amounted to HK$83,892,000 (six months ended 31st January, 2005 (Unaudited): Nil).

19. LOAN RECEIVABLE

The loan to an independent third party is secured by, inter alia, (i) fixed and floating charges over the assets of the independent third party and its subsidiaries; and (ii) charge over the share of the independent third party, and bears interest at a rate of 27% per annum. The loan is under a revolving facility granted by the Group with a maturity date on 28th July, 2008. The carrying amount of the loan receivable approximates to its fair value as at the balance sheet date.

20. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group and Company	
	31st January, 2006	31st July, 2005
	HK$'000	*HK$'000*
Listed equity investments in Hong Kong, at quoted market value	**27,350**	26,654

21. INVENTORIES

	Group	
	31st January, 2006	31st July, 2005
	HK$'000	*HK$'000*
Raw materials	**7,809**	9,511
Work in progress	**301**	342
Finished goods	**76,659**	58,154
	84,769	68,007

The Group reversed a provision for slow-moving inventories of HK$2,922,000 (six months ended 31st January, 2005 (unaudited): HK$4,266,000) during the period following the sales of certain aged items as a result of the Group's promotional activities.

22. DEBTORS, DEPOSITS AND OTHER RECEIVABLES

The credit term granted by the Group to trade debtors was normally within 30 to 180 days.

CGL and its subsidiaries (collectively the "CGL Group"), a listed subgroup of the Company, maintains its own sets of credit policies. Other than cash sales made by the CGL Group at its retail outlets, trading terms with wholesale customers are to a large extent on credit, except that payment in advance is normally required from new customers. Invoices are normally payable within 30 days from the date of issuance, except that the terms are extended to 90 days for certain well-established customers. Each customer has a designated 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 the debtors, based on invoice date, at the balance sheet date is as follows:

	Group	
	31st January, 2006	31st July, 2005
	HK$'000	*HK$'000*
Debtors:		
Current to 90 days	**8,738**	7,001
91 to 180 days	**3,490**	5,269
181 to 365 days	**98**	266
Over 365 days	**1,368**	4,414
	13,694	16,950
Deposits and other receivables	**43,125**	35,071
	56,819	52,021

23. 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	**152,835**	69,309	**4,419**	69,309
Time deposits	**126,743**	317,048	**29,092**	35,257
Cash and cash equivalents	**279,578**	386,357	**33,511**	104,566

At the balance sheet date, cash and cash equivalents of the Group denominated in Renminbi ("RMB") amounted to HK$111,117,000 (31st July, 2005: HK$99,089,000). RMB is not freely convertible into other currencies. However, under Mainland China's Foreign Exchange Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

24. CREDITORS, DEPOSITS RECEIVED AND ACCRUALS

An aged analysis of the creditors, based on invoice date, as at balance sheet date is as follows:

	Group	
	31st January, 2006	31st July, 2005
	HK$'000	*HK$'000*
Creditors:		
Current to 90 days	**20,191**	17,601
91 to 180 days	**1,733**	1,180
181 to 365 days	**338**	1,049
Over 365 days	**12,576**	14,455
	34,838	34,285
Deposits received and accruals	**77,612**	75,126
	112,450	109,411

25. INTEREST-BEARING BANK AND OTHER BORROWINGS

	Group		Company	
	31st January, 2006	31st July, 2005	**31st January, 2006**	31st July, 2005
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Secured bank overdrafts	**2,780**	2,425	**—**	—
Secured bank loans	**20,000**	24,250	**—**	—
Trust receipt loans:				
Secured	**4,976**	9,881	**—**	—
Unsecured	**9,209**	7,311	**—**	—
Other borrowings, unsecured	**98,859**	100,902	**98,859**	100,902
	135,824	144,769	**98,859**	100,902
Portion due within one year or on demand, classified as current liabilities	**(36,965)**	(43,867)	**—**	—
Non-current portion	**98,859**	100,902	**98,859**	100,902
Non-current portion of other borrowings repayable within a period of more than one year but not exceeding two years	**98,859**	100,902	**98,859**	100,902

The Group's secured bank loans as at 31st January, 2006 are secured by fixed charges on certain properties and floating charges over certain assets held by the Group.

25. INTEREST-BEARING BANK AND OTHER BORROWINGS *(continued)*

Other borrowings as at 31st January, 2006 represented a loan of HK$31,745,000 (31st July, 2005: HK$31,745,000) due to the late Mr. Lim Por Yen and another loan of HK$67,114,000 (31st July, 2005: HK$69,157,000) due to Mr. Lam Kin Ngok, Peter.

Mr. Lim Por Yen, who passed away on 18th February, 2005, was an executive director and a shareholder of the Company. A loan facility of HK$100 million was granted by him in prior years, which is unsecured, bears interest at the best lending rate quoted by a designated bank in Hong Kong and was due on 30th November, 2005. On 31st July, 2005 and subsequently on 27th January, 2006, the executor of Mr. Lim Por Yen's estate, at the request of the Group, confirmed to the Group that no demand for settlement of the outstanding amount or the related interest would be made within one year from the respective balance sheet dates.

Mr. Lam Kin Ngok, Peter, is an executive director of the Company. A loan was granted by him during the year ended 31st July, 2005, which is unsecured, bears interest at the best lending rate quoted by a designated bank in Hong Kong and is not repayable within one year from the respective balance sheet dates.

The carrying amounts of the Group's bank and other borrowings approximate to their fair values at the balance sheet dates.

26. NOTE PAYABLE AND ACCRUED INTEREST PAYABLE

Note payable represented a loan note payable to the late Mr. Lim Por Yen (the "Loan Note"). According to the terms, the Loan Note is unsecured, bears interest at the best lending rate quoted by a designated bank in Hong Kong and is due on 30th April, 2006.

On 31st July, 2005 and subsequently on 27th January, 2006, the executor of Mr. Lim Por Yen's estate, at the request of the Group, confirmed to the Group that no demand for settlement of the Loan Note or the related interest would be made within one year from the respective balance sheet dates.

Accrued interest payable represented accrued interests on the loan payable to the late Mr. Lim Por Yen of HK$31,745,000 (31st July, 2005: HK$31,745,000) *(note 25)* and on the Loan Note outstanding at the balance sheet dates.

27. DEFERRED TAX

Movements in deferred tax assets/liabilities during the year/period are as follows:

Deferred tax liabilities

Group

	Accelerated tax depreciation *HK$'000*	Revaluation of properties *HK$'000*	Total *HK$'000*
At 1 August, 2004	—	12,443	12,443
Deferred tax charged to the consolidated income statement during the year	404	8,386	8,790
At 31st July, 2005 and 1st August, 2005	404	20,829	21,233
Deferred tax charged to the consolidated income statement during the period *(note 9)*	14	40,991	41,005
At 31st January, 2006	418	61,820	62,238

Deferred tax assets

Group

	Losses available for offsetting against future taxable profits *HK$'000*
At 1st August, 2004	13,398
Deferred tax charged to the consolidated income statement during the year	(12,544)
At 31st July, 2005 and 1st August, 2005	854
Deferred tax credited to the consolidated income statement during the period *(note 9)*	16,147
At 1st January, 2006	17,001
Net deferred tax liability as at 31st January, 2006	45,237
Net deferred tax liability as at 31st July, 2005	20,379

27. DEFERRED TAX *(continued)*

Deferred tax liabilities

Company

	Revaluation of properties *HK$'000*
At 1st August, 2004	12,443
Deferred tax charged to the income statement during the year	2,559
At 31st July, 2005 and 1st August, 2005	15,002
Deferred tax charged to the income statement during the period	2,171
At 31st January, 2006	17,173

The Group has tax losses arising in Hong Kong and Mainland China of HK$85,425,000 (31st July, 2005: HK$168,545,000) and HK$7,256,000 (31st July, 2005: HK$24,845,000), respectively, that are available for offsetting against future taxable profits of the companies in which the losses arose. Tax losses in Mainland 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.

Deferred tax assets have not been recognised, to the extent that, in the directors' opinion, it is uncertain whether 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.

Deferred tax has been calculated at a rate of 17.5% (31st July, 2005: 17.5%) on cumulative temporary differences at the balance sheet date.

28. SHARE CAPITAL

	31st January, 2006 HK$'000	31st July, 2005 HK$'000
Authorised:		
4,000,000,000 ordinary shares of HK$0.01 each (31st July, 2005: 4,000,000,000 ordinary shares of HK$0.50 each)	**40,000**	2,000,000
Issued and fully paid:		
1,617,423,423 ordinary shares of HK$0.01 each (31st July, 2005: 1,617,423,423 ordinary shares of HK$0.50 each)	**16,174**	808,712

Pursuant to an extraordinary general meeting held on 26th August, 2005, the nominal amount of each then existing authorised share of the Company was reduced from HK$0.50 to HK$0.01 by cancelling the paid-up capital to the extent of HK$0.49 in respect of each then existing authorised share. On the basis of the 1,617,423,423 shares in issue as of that date, the credit arising from such reduction, which amounted to approximately HK$792,538,000, was credited to the share premium account of the Company.

29. RESERVES

(a) Group

The amounts of the Group's reserves and the movements therein for the current and prior periods are presented in the consolidated statement of changes in equity on pages 14 to 15 to the financial statements.

(b) Company

	Share premium account HK$'000	Property revaluation reserve HK$'000	Investment revaluation reserve HK$'000	Investment property revaluation reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 31st July, 2004 and 1st August, 2004 (Audited)	1,119,738	65,035	—	15,197	(1,094,707)	105,263
Effects of adopting HKFRSs	—	(9,541)	—	(15,197)	12,295	(12,443)
At 31st July, 2004 and 1st August, 2004 (restated)	1,119,738	55,494	—	—	(1,082,412)	92,820
Net profit for the period (restated)*(note 10)*	—	—	—	—	137,839	137,839
At 31st January, 2005 (unaudited)	1,119,738	55,494	—	—	(944,573)	230,659
At 31st July, 2005 and 1st August, 2005	1,116,302	55,494	(11,470)	—	(929,900)	230,426
Changes in fair values of available-for-sale investments	—	—	75,990	—	—	75,990
Net loss for the period *(note 10)*	—	—	—	—	(9,085)	(9,085)
Capital reduction *(note 28)*	792,538	—	—	—	—	792,538
At 31st January, 2006	1,908,840	55,494	64,520	—	(938,985)	1,089,869

30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise bank and other borrowings, note payable, loan receivable, cash and bank balances, financial assets at fair value through profit or loss and short-term time deposits.

The main risks arising from the Group's financial instruments are interest rate risk, liquidity risk, foreign currency risk and credit 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 risks

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 cash flow interest rate risks. The Group's exposure to market risk for changes in interest rates relates primarily to the Group's long term debt obligations with floating interest rates.

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

(ii) 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.

(iii) Foreign currency risk

Foreign currency risk is the risk that the value of a financial instrument will fluctuate because of changes in foreign exchange rates. As a result of certain investment operations in Mainland China, the Group's balance sheet can be affected by movements in the RMB/HK$ exchange rate.

A portion of the Group's revenue is predominately in RMB. As RMB is pegged to a basket of foreign currencies, the Group does not expect any significant movements in exchange rates.

The Group has minimal transactional currency exposure, which arises from sales or purchases by an operating unit in currencies other than the unit's measurement currency.

(iv) Credit risk

The Group has no significant concentrations of credit risk. It has policies in place to ensure the wholesale sales of products are made to customers with an appropriate credit history. Sales to retails customers are made in cash or via credit cards. The loan receivable is secured by pledge of ordinary share of the borrower.

31. CONTINGENT LIABILITIES

At the balance sheet date, neither the Group nor the Company had any significant contingent liabilities (31st July, 2005: Nil).

32. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group and the Company lease their investment properties (note 13) 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 and provide for periodic rental adjustments according to the then prevailing market conditions.

At the balance sheet date, the Group and the Company had total future minimum lease receivables under non-cancellable operating leases with the 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	**11,916**	11,694	**7,744**	6,385
In the second to fifth years, inclusive	**11,576**	12,472	**2,913**	3,447
After five years	**—**	644	**—**	—
	23,492	24,810	**10,657**	9,832

(b) As lessee

The Group leases its office premises, certain 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**	72,985	**—**	50
In the second to fifth years, inclusive	**41,458**	65,670	**—**	—
	110,521	138,655	**—**	50

33. COMMITMENTS

In addition to the operating lease commitments detailed in note 32(b) above, the Group and the Company had the following commitments at the balance sheet date:

	Group		Company	
	31st January, 2006	31st July, 2005	**31st January, 2006**	31st July, 2005
	HK\$'000	*HK\$'000*	***HK\$'000***	*HK\$'000*
Capital commitments in respect of development costs attributable to properties under development:				
Contracted, but not provided for	**254,510**	161,735	**586**	73
Authorised, but not contracted for	**—**	94,470	**—**	—
	254,510	256,205	**586**	73

34. PLEDGE OF ASSETS

Details of the Group's bank loans and overdrafts, which are secured by assets of the Group, are included in notes 13, 15 and 17 to the financial statements.

35. POST BALANCE SHEET EVENTS

Subsequent to the balance sheet date, the Group has the following post balance sheet events.

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

(b) On 28th February, 2006, the Company, Unipress Investments Limited ("Unipress"), a wholly-owned subsidiary of the Company, and CGL 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 CGL 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) CGL 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 that was granted by the relevant government authority and accepted by CGL on 14th January, 2006. 10% of the land premium has been paid by CGL upon acceptance of the lease modification, and subsequent to the balance sheet date, on 28th March, 2006, CGL paid the remaining 90% of the land premium;

35. POST BALANCE SHEET EVENTS *(continued)*

(b) *(continued)*

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

(iii) CGL 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 development plan of the Property as agreed by Unipress and CGL and shall bear all development and construction costs (currently estimated at approximately HK$361 million according to a professional surveyor report) 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, CGL 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 the Company is expected to provide a corporate guarantee as security for such finance; and

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

On completion of the construction of the New Building, the ownership of New Building shall be allocated and distributed between Unipress and CGL 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 CGL 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, CGL 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 CGL.

The Development Agreement is conditional to, inter alia, the completion of the CGL Disposal as mentioned in note (a) above. Following the completion of CGL Disposal, CGL 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 the Company, CGL will be a connected person of the Company following the completion of the CGL Disposal. The Development Agreement constitutes a connected transaction of the Company. Since the Company is also currently holding 54.93% equity interests in CGL and is a substantial shareholder and a connected person of CGL, the Development Agreement also constitutes a connected transaction of CGL. Therefore, the Development Agreement is subject to the approval of the respective independent shareholders of the Company and CGL at their respective extraordinary general meetings.

(c) On 28th February. 2006, the Company, Rightop Asia Limited ("Rightop"), a wholly-owned subsidiary of the Company, Lai Fung and Goldthrope Limited ("Goldthrope"), a wholly-owned subsidiary of Lai Fung, entered into an agreement. Pursuant to the agreement, Rightop agrees to sell, and Goldthrope agrees to purchase, the entire issued share capital of Assetop Asia Limited ("Assetop") and the shareholder's loan provided by Rightop to Assetop for consideration of HK$393,000,000 (the "Assetop Disposal"). The principal asset to be acquired by Goldthrope is a property under development in Shanghai, PRC. The consideration to be satisfied by Goldthrope is (i) the allotment and issue of 565,000,000 new ordinary shares of Lai Fung to the Company at a price of HK$0.40 per share and (ii) the issue of a promissory note to Rightop of HK$167,000,000. The promissory note is unsecured, interest-bearing at the prevailing Hong Kong dollar prime rate quoted by The Hong Kong and Shanghai Banking Corporation Limited with a maturity date of four years from the date of issue.

35. POST BALANCE SHEET EVENTS *(continued)*

(c) *(continued)*

Upon completion of the Assetop Disposal, the Group's equity interest in Lai Fung will increase from 45.13% to 49.95%. The Assetop Disposal constitutes a major transaction for the Company under the Listing Rules and is therefore subject to the approval by the Company's shareholders at its extraordinary general meeting. Since the Company owns 45.13% equity interest in Lai Fung, the Company is a connected person of Lai Fung. The Assetop Disposal also constitutes a connected transaction of Lai Fung and is subject to the approval by the independent shareholders of Lai Fung at its extraordinary general meeting.

(d) On 10th March, 2006, Lai Fung announced that it and Capita Land China Holdings Pte Ltd entered into a subscription agreement (the "Subscription Agreement") for the subscription of 1,610 million new ordinary shares of Lai Fung at a price of HK$0.40 per share. The completion of the Subscription Agreement is subject to certain conditions which include, inter alia, the approval from the shareholders of Lai Fung at its extraordinary general meeting and the completion of the Assetop Disposal.

Upon completion of the Subscription Agreement, the Group's equity interest in Lai Fung will be diluted from 49.95% (being the Group's equity interest in Lai Fung after the completion of the Assetop Disposal as mentioned in note (c) above) to 39.96%.

In respect of (a), (b) and (c) above, details are set out in the Company's announcements dated 4th March, 2006. In respect of (d), details are set out in the Company's announcement dated 13th March, 2006. Other than disclosed above, the Group had no significant post balance sheet event.

36. COMPARATIVE AMOUNTS

As further explained in note 3.3 to the financial statements, due to the adoption of the new and revised HKFRSs for the year ended 31st July, 2005, certain comparative amounts for the six months ended 31st January, 2005 have been reclassified and restated to conform with the current period's presentation and accounting treatment.

37. APPROVAL OF THE FINANCIAL STATEMENTS

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