

### NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2006

#### 1. GENERAL INFORMATION

The Company is a limited liability company incorporated in Bermuda. The address of its registered office is Canon's Court, 22 Victoria Street, Hamilton HM12, Bermuda. The address of its head office and principal place of business is 5/F., 66-72 Lei Muk Road, Kwai Chung, New Territories, Hong Kong.

The principal activity of the Company is investment holding. The principal activities of the subsidiaries of the Company are garment manufacturing, garment trading and branded product distribution.

The shares of the Company were listed on the Main Board of The Stock Exchange of Hong Kong Limited in 1988.

The Condensed Consolidated Interim Financial Information for the six months ended 30 June 2006 was approved for issue on 15 September 2006.

#### 2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The unaudited Condensed Consolidated Interim Financial Information for the six months ended 30 June 2006 has been prepared in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

The unaudited Condensed Consolidated Interim Financial Information should be read in conjunction with the annual financial statements for the year ended 31 December 2005.

The accounting policies are consistent with those as described in the annual financial statements for the year ended 31 December 2005, except that the Group has changed certain of its accounting policies following its adoption of the new/revised Hong Kong Financial Reporting Standards ("HKFRSs") and Hong Kong Accounting Standards ("HKASs") which are effective from accounting periods beginning on or after 1 January 2006 and relevant to its operations. The changes to the Group's accounting policies and the effect of adopting the new policies are set out in Note 3 below.

#### 3. IMPACT OF ADOPTING NEW/REVISED HONG KONG FINANCIAL REPORTING STANDARDS AND HONG KONG ACCOUNTING STANDARDS

In 2006, the Group adopted the following HKFRS and HKASs and the impact on the Group's accounting policies are set out below:

HKAS 19 (Amendment)	Actuarial gains and losses, group plans and disclosures
HKAS 21 (Amendment)	Net investment in a foreign operation
HKAS 39 & HKFRS 4 (Amendments)	Financial guarantee contracts

HKAS 19 (Amendment) introduces the option of an alternative recognition approach for actuarial gains and losses. It imposes additional recognition requirements for multi-employer plans where insufficient information is available to apply defined benefit accounting. It also adds new disclosure requirements. The Group does not opt for the alternative approach for the recognition of actuarial gains and losses and does not participate in any multi-employer plans. The adoption of this amendment has no financial effect on the Group and will only impact the format and extent of disclosures to be presented in the annual financial statements.

HKAS 21 (Amendment) requires exchange differences arising on a monetary item that forms part of a reporting entity's net investment in a foreign operation to be recognised initially in a separate component of equity in the consolidated financial statements. This requirement applies irrespective of the currency of the monetary item and of whether the monetary item results from a transaction with the reporting entity or any of its subsidiaries. This amendment changes the net investment definition to include loans between fellow subsidiaries. It permits inter-company loans denominated in any currency to be part of a net investment in a foreign operation and to recognise the foreign exchange volatility on such loans funding foreign operations in the exchange reserve in the consolidated financial statements.

## CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

### NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

For the six months ended 30 June 2006

#### 3. IMPACT OF ADOPTING NEW/REVISED HONG KONG FINANCIAL REPORTING STANDARDS AND HONG KONG ACCOUNTING STANDARDS (continued)

The effect of adoption of HKAS 21 (Amendment) on the Condensed Consolidated Interim Income Statement is as follows:

	<b>Unaudited Six months ended 30 June 2006 HK\$'000</b>	Unaudited Six months ended 30 June 2005 HK\$'000
Increase in general and administrative expenses	67	–
Decrease in profit attributable to equity holders of the Company	67	–
Decrease in basic earnings per share attributable to equity holders of the Company	–	–

Effect of adoption of HKAS 21 (Amendment) on the Condensed Consolidated Interim Balance Sheet is as follows:

	<b>Unaudited As at 30 June 2006 HK\$'000</b>	Audited As at 31 December 2005 HK\$'000
Decrease in exchange reserve	7,973	8,040
Increase in retained earnings	7,973	8,040

HKAS 39 and HKFRS 4 (Amendments) require issued financial guarantees, other than those previously asserted by the entity to be insurance contracts, to be initially recognised at their fair value, and subsequently measured at the higher of (a) the unamortised balance of the related fees received and deferred, and (b) the expenditure required to settle the commitment at the balance sheet date. There is no financial guarantee contract issued at group level. For guarantees provided by the Company for banking facilities granted to subsidiaries, the effect of adoption is not significant to the Company's financial statements and is eliminated on consolidation.

The following HK(IFRIC)-Interpretations, HKFRS and amendment to HKAS have been issued by the HKICPA but are not yet effective for 2006 and have not been early adopted:

- HK(IFRIC)-Interpretation 7, 'Applying the restatement approach under HKFRS 29', effective for annual periods beginning on or after 1 March 2006. Management of the Company ("Management") does not expect the interpretation to be relevant for the Group.
- HK(IFRIC)-Interpretation 8, 'Scope of HKFRS 2', effective for annual periods beginning on or after 1 May 2006. Management does not expect the interpretation to be relevant for the Group.
- HK(IFRIC)-Interpretation 9, 'Reassessment of embedded derivatives', effective for annual periods beginning on or after 1 June 2006. Management does not expect the interpretation to be relevant for the Group.
- HKFRS 7, 'Financial instruments: Disclosures', effective for annual periods beginning on or after 1 January 2007. HKAS 1 (Amendment), 'Capital disclosures', effective for annual periods beginning on or after 1 January 2007. The Group assesses the impact of HKFRS 7 and HKAS 1 (Amendment) and concludes that the main additional disclosures will be the sensitivity analysis to market risk and capital disclosures required by HKAS 1 (Amendment). The Group will apply HKFRS 7 and HKAS 1 (Amendment) from annual period beginning 1 January 2007.

## CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

### NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

For the six months ended 30 June 2006

#### 4. SEGMENT INFORMATION

##### a. Primary reporting format – business segments

The Group conducts majority of its business activities in three segments, namely garment manufacturing, garment trading and branded product distribution. The segment results are as follows:

	Garment manufacturing		Garment trading		Branded product distribution		Elimination		Total	
	Unaudited Six months ended 30 June 2006 HK\$'000	Unaudited Six months ended 30 June 2005 HK\$'000	Unaudited Six months ended 30 June 2006 HK\$'000	Unaudited Six months ended 30 June 2005 HK\$'000	Unaudited Six months ended 30 June 2006 HK\$'000	Unaudited Six months ended 30 June 2005 HK\$'000	Unaudited Six months ended 30 June 2006 HK\$'000	Unaudited Six months ended 30 June 2005 HK\$'000	Unaudited Six months ended 30 June 2006 HK\$'000	Unaudited Six months ended 30 June 2005 HK\$'000
External sales	1,019,745	808,312	76,611	301,067	70,252	58,797	-	-	1,166,608	1,168,176
Inter-segment sales*	-	-	7,172	8,320	-	-	(7,172)	(8,320)	-	-
Sales	1,019,745	808,312	83,783	309,387	70,252	58,797	(7,172)	(8,320)	1,166,608	1,168,176
Segment results	42,985	46,091	6,351	16,348	(299)	(2,986)	-	-	49,037	59,453
Share of profits of associated companies									-	9,061
Interest income									5,136	1,074
Finance costs									(3,779)	(451)
Taxation									(5,681)	(6,418)
Profit for the half year									44,713	62,719

\* Inter-segment sales are accounted for at commercial market prices and eliminated on consolidation.

	Garment manufacturing		Garment trading		Branded product distribution		Unallocated**		Total	
	Unaudited As at 30 June 2006 HK\$'000	Audited As at 31 December 2005 HK\$'000	Unaudited As at 30 June 2006 HK\$'000	Audited As at 31 December 2005 HK\$'000	Unaudited As at 30 June 2006 HK\$'000	Audited As at 31 December 2005 HK\$'000	Unaudited As at 30 June 2006 HK\$'000	Audited As at 31 December 2005 HK\$'000	Unaudited As at 30 June 2006 HK\$'000	Audited As at 31 December 2005 HK\$'000
Segment assets	1,124,104	987,706	55,370	59,678	111,453	132,887	234,534	242,160	1,525,461	1,422,431
Total assets									1,525,461	1,422,431
Segment liabilities	332,418	331,255	42,794	49,972	72,989	84,924	304,013	196,171	752,214	662,322
Total liabilities									752,214	662,322

	Garment manufacturing		Garment trading		Branded product distribution		Unallocated**		Total	
	Unaudited Six months ended 30 June 2006 HK\$'000	Unaudited Six months ended 30 June 2005 HK\$'000	Unaudited Six months ended 30 June 2006 HK\$'000	Unaudited Six months ended 30 June 2005 HK\$'000	Unaudited Six months ended 30 June 2006 HK\$'000	Unaudited Six months ended 30 June 2005 HK\$'000	Unaudited Six months ended 30 June 2006 HK\$'000	Unaudited Six months ended 30 June 2005 HK\$'000	Unaudited Six months ended 30 June 2006 HK\$'000	Unaudited Six months ended 30 June 2005 HK\$'000
Capital expenditure	21,300	14,673	13	47	1,571	1,884	-	-	22,884	16,604
Amortisation of leasehold land and land use rights	192	172	-	-	-	-	104	641	296	813
Amortisation of license rights	-	-	-	-	2,899	2,572	-	-	2,899	2,572
Depreciation on property, plant and equipment	23,614	18,905	5	152	1,249	967	74	-	24,942	20,024
Depreciation on investment properties	-	-	-	-	-	-	107	107	107	107

\*\* Unallocated assets mainly include land and building not in use, investment properties and corporate cash. Unallocated liabilities mainly include taxation and certain corporate borrowings.

## CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

### NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

For the six months ended 30 June 2006

#### 4. SEGMENT INFORMATION (continued)

##### b. Secondary reporting format – geographical segments

The Group's revenues are mainly derived from customers located in the United States of America, Asia and Europe, while the Group's business activities are conducted predominantly in the People's Republic of China (the "PRC") and Thailand. An analysis of the Group's external sales by location of customers and an analysis of the Group's assets and capital expenditure by location of assets are as follows:

	The United States of America		Asia		Europe		Total	
	Unaudited Six months ended 30 June 2006 HK\$'000	Unaudited Six months ended 30 June 2005 HK\$'000	Unaudited Six months ended 30 June 2006 HK\$'000	Unaudited Six months ended 30 June 2005 HK\$'000	Unaudited Six months ended 30 June 2006 HK\$'000	Unaudited Six months ended 30 June 2005 HK\$'000	Unaudited Six months ended 30 June 2006 HK\$'000	Unaudited Six months ended 30 June 2005 HK\$'000
External sales	934,667	949,262	161,141	145,221	70,800	73,693	1,166,608	1,168,176

	PRC***		Thailand		Other locations		Total	
	Unaudited As at 30 June 2006 HK\$'000	Audited As at 31 December 2005 HK\$'000	Unaudited As at 30 June 2006 HK\$'000	Audited As at 31 December 2005 HK\$'000	Unaudited As at 30 June 2006 HK\$'000	Audited As at 31 December 2005 HK\$'000	Unaudited As at 30 June 2006 HK\$'000	Audited As at 31 December 2005 HK\$'000
Segment assets	860,571	806,825	264,759	232,377	165,597	141,069	1,290,927	1,180,271
Unallocated assets							234,534	242,160
							1,525,461	1,422,431

	PRC***		Thailand		Other locations		Total	
	Unaudited Six months ended 30 June 2006 HK\$'000	Unaudited Six months ended 30 June 2005 HK\$'000	Unaudited Six months ended 30 June 2006 HK\$'000	Unaudited Six months ended 30 June 2005 HK\$'000	Unaudited Six months ended 30 June 2006 HK\$'000	Unaudited Six months ended 30 June 2005 HK\$'000	Unaudited Six months ended 30 June 2006 HK\$'000	Unaudited Six months ended 30 June 2005 HK\$'000
Capital expenditure	9,334	14,667	3,864	–	9,686	1,937	22,884	16,604

\*\*\* PRC includes Mainland China, Hong Kong and Macau.

## CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

### NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

For the six months ended 30 June 2006

#### 5. PROFIT FROM OPERATIONS

Profit from operations is stated after crediting and charging the following:

	<b>Unaudited Six months ended 30 June 2006 HK\$'000</b>	Unaudited Six months ended 30 June 2005 HK\$'000
Crediting:		
Reversal of provision for impairment of receivables	166	2,856
Charging:		
Amortisation of leasehold land and land use rights	296	813
Depreciation on property, plant and equipment	24,942	20,024
Depreciation on investment properties	107	107
Loss on disposal of property, plant and equipment	513	9,112
Loss on disposal of leasehold land	–	83
Amortisation of license rights	2,899	2,572
Write-downs of inventories to net realisable value	8,367	10,822

#### 6. FINANCE COSTS

	<b>Unaudited Six months ended 30 June 2006 HK\$'000</b>	Unaudited Six months ended 30 June 2005 HK\$'000
Interest on bank borrowings	2,221	451
Interest on license fees payable	1,558	–
	<b>3,779</b>	451

#### 7. TAXATION

Hong Kong profits tax has been provided at the rate of 17.5% (2005: 17.5%) on the estimated assessable profit for the half year. Taxation on non-Hong Kong profits has been calculated on the estimated assessable profit for the half year at the rates prevailing in the countries/places in which the Group operates.

	<b>Unaudited Six months ended 30 June 2006 HK\$'000</b>	Unaudited Six months ended 30 June 2005 HK\$'000
Current income tax:		
Hong Kong profits tax	5,021	6,892
Non-Hong Kong tax	1,523	1,005
Deferred income tax	(863)	(1,479)
	<b>5,681</b>	6,418

A number of the subsidiaries have received preliminary enquiries from the Hong Kong Inland Revenue Department in January 2006 regarding the transactions carried out among these companies. Management has reviewed the situation and considers the tax related provisions as at 30 June 2006 are adequate to settle the case.

## CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

### NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

For the six months ended 30 June 2006

#### 8. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the consolidated profit attributable to equity holders of the Company for the six months ended 30 June 2006 of HK\$42,392,000 (2005: HK\$60,125,000) by the 268,735,253 (2005: 268,735,253) weighted average number of shares in issue throughout the six months ended 30 June 2006.

No information in respect of the calculation of diluted earnings per share for the half year is presented as there were no potential dilutive shares.

#### 9. INTERIM DIVIDEND

	<b>Unaudited Six months ended 30 June 2006 HK\$'000</b>	Unaudited Six months ended 30 June 2005 HK\$'000
Declared HK\$0.07 (2005: HK\$0.09) per share	<b>18,811</b>	24,186

#### 10. PROPERTY, PLANT AND EQUIPMENT

	<b>Unaudited As at 30 June 2006 HK\$'000</b>	Audited As at 31 December 2005 HK\$'000
Opening net book amount	<b>356,082</b>	230,807
Additions	<b>22,884</b>	32,108
Acquisitions of a subsidiary	–	182,490
Disposals	<b>(2,281)</b>	(31,095)
Disposal of a subsidiary	–	(720)
Depreciation	<b>(24,942)</b>	(48,473)
Impairment	–	(9,638)
Exchange differences	<b>11,832</b>	603
Closing net book amount	<b>363,575</b>	356,082

#### 11. INVESTMENT PROPERTIES

	<b>Unaudited As at 30 June 2006 HK\$'000</b>	Audited As at 31 December 2005 HK\$'000
Opening net book amount	<b>8,854</b>	13,150
Adoption of HKAS 40	–	(4,083)
Depreciation	<b>(107)</b>	(213)
Closing net book amount	<b>8,747</b>	8,854

## CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

### NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

For the six months ended 30 June 2006

#### 12. LEASEHOLD LAND AND LAND USE RIGHTS

	<b>Unaudited</b> <b>As at</b> <b>30 June</b> <b>2006</b> <b>HK\$'000</b>	Audited As at 31 December 2005 HK\$'000
Opening net book amount	19,674	21,130
Acquisitions of a subsidiary	–	432
Disposals	–	(943)
Amortisation	(296)	(1,082)
Exchange differences	154	137
Closing net book amount	<b>19,532</b>	19,674

#### 13. INTANGIBLE ASSETS – LICENSE RIGHTS

	<b>Unaudited</b> <b>As at</b> <b>30 June</b> <b>2006</b> <b>HK\$'000</b>	Audited As at 31 December 2005 HK\$'000
Opening net book amount	62,305	–
Additions	–	68,785
Amortisation	(2,899)	(6,480)
Closing net book amount	<b>59,406</b>	62,305

Intangible assets being license rights on branded products up to 2010 represent capitalisation of minimum license fees payable, based on a discount rate equal to the Group's weighted average borrowing rate of 5.0% at the date of inception.

#### 14. BILLS RECEIVABLE AND ACCOUNTS RECEIVABLE

The aging analysis is as follows:

	<b>Unaudited</b> <b>As at</b> <b>30 June</b> <b>2006</b> <b>HK\$'000</b>	Audited As at 31 December 2005 HK\$'000
Less than 3 months	305,864	298,565
3 months to 6 months	4,598	3,689
Over 6 months	84	229
	<b>310,546</b>	302,483

A majority of the sales is covered by letters of credit with bills payable at sight. The remaining portion of the sales is on open account with credit term of about 30 days and is substantially covered by credit insurance.

## CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

### NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

For the six months ended 30 June 2006

#### 15. BILLS PAYABLE AND ACCOUNTS PAYABLE

The aging analysis is as follows:

	Unaudited As at 30 June 2006 HK\$'000	Audited As at 31 December 2005 HK\$'000
Less than 3 months	159,287	170,885
3 months to 6 months	3,027	3,791
Over 6 months	2,888	4,933
	<b>165,202</b>	<b>179,609</b>

Payment terms with suppliers are on letters of credit and open account. Certain suppliers grant credit periods ranging from 30 to 60 days.

#### 16. BANK BORROWINGS

	Unaudited As at 30 June 2006 HK\$'000	Audited As at 31 December 2005 HK\$'000
Bank overdrafts	153	–
Short-term bank loans	180,090	79,292
	<b>180,243</b>	<b>79,292</b>

#### 17. COMMITMENTS

##### a. Operating lease commitments

- (i) The Group has future aggregate minimum lease payments under non-cancellable operating leases in respect of land and buildings, as follows:

	Unaudited As at 30 June 2006 HK\$'000	Audited As at 31 December 2005 HK\$'000
Not later than 1 year	20,491	26,761
Later than 1 year and not later than 5 years	18,039	23,412
Later than 5 years	84,891	59,930
	<b>123,421</b>	<b>110,103</b>

- (ii) The Group has future aggregate minimum lease rental receipts under non-cancellable operating leases in respect of land and buildings, as follows:

	Unaudited As at 30 June 2006 HK\$'000	Audited As at 31 December 2005 HK\$'000
Not later than 1 year	1,657	1,173
Later than 1 year and not later than 5 years	1,026	529
	<b>2,683</b>	<b>1,702</b>



## CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

### NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

For the six months ended 30 June 2006

#### 17. COMMITMENTS (continued)

##### b. Capital commitments

The Group has the following capital commitments in relation to office renovation and purchase of equipment:

	Unaudited As at 30 June 2006 HK\$'000	Audited As at 31 December 2005 HK\$'000
Contracted but not provided for	1,068	3,898
Authorised but not contracted for	1,021	5,384
	<b>2,089</b>	9,282

#### 18. RELATED PARTY TRANSACTIONS

The following is a summary of significant related party transactions which are carried out in the normal course of the Group's business:

	Unaudited Six months ended 30 June 2006 HK\$'000	Unaudited Six months ended 30 June 2005 HK\$'000
<b>a. A related company:</b>		
Rental expense	2,229	2,229
<b>b. Associated companies:</b>		
Sales of finished garments and handling income	–	11,448
Purchase of finished garments	–	216,700
<b>c. Key management compensation:</b>		
Salaries, allowances and bonuses	10,294	10,166
Defined contribution plans	362	371
Other long-term benefits	585	585
	<b>11,241</b>	11,122

#### 19. COMPARATIVE FIGURES

Hua Thai Manufacturing Public Company Limited ("Hua Thai") became a subsidiary of the Company on 28 October 2005. The results of Hua Thai for the six months ended 30 June 2005 were accounted for on an equity basis under share of profits of associated companies in the Condensed Consolidated Interim Income Statement, whereas, its results for the six months ended 30 June 2006 were consolidated on a line by line basis.

Certain prior period's figures have been reclassified to conform with the current period's presentation.