

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(1) Principal accounting policies and basis of presentation

These condensed consolidated interim financial statements are prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34: Interim Financial Reporting and other relevant HKASs and Interpretations, the Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the disclosure requirements of Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

These interim financial statements for the period ended 30 June 2006 are unaudited and have been reviewed by the Audit Committee of the Company.

The condensed consolidated income statement was revised for the prior interim period to bring it in line with the policies adopted in 2005 audited annual financial statements. Accordingly, certain comparative amounts have been restated.

The effect of these restatements on the income statement during the six months ended 30 June 2005 is set out below:

	<i>HK\$'000</i>
Increase in other operating expenses	(6,619)
Increase in share of after tax results of associates	6,619
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Total effect	<u><u>-</u></u>

The accounting policies and basis of preparation used in the preparation of the interim financial statements are the same as those adopted in preparing the audited financial statements for the year ended 31 December 2005 except for the new adoption of HKFRSs and HKASs with effect from accounting periods commencing on or after 1 January 2006, as disclosed below:

HKAS 21 Amendment	Net Investment in a Foreign Operation
HKAS 39 Amendment	The Fair Value Option
HKAS 39 & HKFRS 4 Amendments	Financial Guarantee Contracts
HKFRS Interpretation 4	Determining whether an Arrangement contains a Lease

The adoption of the above new and revised accounting standards has no material impact on the Group's balance sheet and income statement.

(2) Revenue and segment information*(a) Business segments*

	Six months ended 30 June							
	Retail operations		Export operations		Other operations		Consolidated	
	2006	2005	2006	2005	2006	2005	2006	2005
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Segment revenue:								
Sales to external customers	1,318,714	1,177,709	590,646	525,185	93,075	59,626	2,002,435	1,762,520
Other income and gains	21,601	12,832	16,761	16,356	8,497	21,587	46,859	50,775
Total	<u>1,340,315</u>	<u>1,190,541</u>	<u>607,407</u>	<u>541,541</u>	<u>101,572</u>	<u>81,213</u>	<u>2,049,294</u>	<u>1,813,295</u>
Segment results	<u>107,815</u>	<u>99,444</u>	<u>33,656</u>	<u>32,852</u>	<u>2,808</u>	<u>7,539</u>	<u>144,279</u>	139,835
Interest income and unallocated revenue							49,182	12,507
Unallocated expenses							(29,128)	(12,618)
Finance costs							(7,016)	(4,241)
Share of profits and losses of:								
Jointly-controlled entities	-	-	72	(170)	(712)	174	(640)	4
Associates	-	-	24,595	30,001	-	-	24,595	30,001
Profit before tax							181,272	165,488
Tax							(32,204)	(29,890)
Profit for the period							<u>149,068</u>	<u>135,598</u>

(b) Geographical segments

	Six months ended 30 June 2006 (Unaudited)						
	Mainland		United States of America	Australia and New Zealand	Canada	Others	Consolidated
	China HK\$'000	Hong Kong HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue:							
Sales to external customers	<u>980,551</u>	<u>74,961</u>	<u>466,571</u>	<u>370,948</u>	<u>84,278</u>	<u>25,126</u>	<u>2,002,435</u>

	Six months ended 30 June 2005 (Unaudited)						
	Mainland		United States of America	Australia and New Zealand	Canada	Others	Consolidated
	China HK\$'000	Hong Kong HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue:							
Sales to external customers	<u>815,115</u>	<u>50,693</u>	<u>419,037</u>	<u>394,691</u>	<u>40,727</u>	<u>42,257</u>	<u>1,762,520</u>

(3) Profit before tax

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

	Six months ended 30 June 2006 (Unaudited) HK\$'000	2005 (Restated) (Unaudited) HK\$'000
Depreciation	65,730	61,164
Recognition of prepaid land lease payments	211	205
Impairment of interests in associates	12,172	6,619
Fair value net gains on equity investments through profit or loss	(22,138)	-
Interest income	<u>(18,937)</u>	<u>(11,509)</u>

(4) Tax

Hong Kong profits tax has been provided at the rate of 17.5% (2005: 17.5%) on the estimated assessable profits arising in Hong Kong during the period. Taxes on corporate income assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

	Six months ended 30 June	
	2006	2005
	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Current – Hong Kong	3,282	5,487
Current – Elsewhere	26,457	23,434
Deferred	2,465	969
	<u>32,204</u>	<u>29,890</u>

The share of tax attributable to associates amounting to HK\$4,217,000 (2005: HK\$6,895,000) is included in "Share of profits and losses of associates" on the face of the condensed consolidated income statement.

(5) Earnings per share*(a) Basic earnings per share*

The calculation of basic earnings per share for the six months ended 30 June 2006 is based on the profit attributable to equity holders of the Company of HK\$125,223,000 (2005: HK\$112,827,000) and the weighted average number of 1,051,506,177 (2005: 1,002,056,000) ordinary shares in issue during the period.

(b) Diluted earnings per share

The calculation of diluted earnings per share for the six months ended 30 June 2006 is based on the profit attributable to equity holders of the Company of HK\$125,223,000 (2005: HK\$112,827,000). The weighted average number of ordinary shares used in the calculation is the 1,051,506,177 (2005: 1,002,056,000) ordinary shares in issue during the period, as used in the basic earnings per share calculation; and the weighted average of 8,282,624 (2005: 18,433,234) ordinary shares assumed to have been issued at no consideration on the deemed exercise of all share options during the period.

(6) Goodwill

On 27 May 2006, the Group acquired 100% equity interest in Goldpromise Limited, a company engaged in the business of selling by retail jeans and other fashion goods through "Jeanswest" retail outlets in New Zealand, for a consideration of US\$10,180,000. The acquisition has been accounted for using the purchase method of accounting. The amount of goodwill arising as a result of this acquisition was HK\$38,612,000.

(7) Trade and bills receivables

The trade and bills receivables include trade receivables, net of provision for impairments, of HK\$198,244,000 (31 December 2005: HK\$233,326,000) and bills receivables of HK\$276,218,000 (31 December 2005: HK\$198,324,000). The bills receivables were aged less than four months at the balance sheet date.

The aged analysis of trade receivables is as follows:

	30 June 2006 (Unaudited) HK\$'000	31 December 2005 (Audited) HK\$'000
Less than 4 months	178,300	219,060
4 – 6 months	11,954	13,496
Over 6 months	7,990	770
	<hr/> 198,244 <hr/>	<hr/> 233,326 <hr/>

The Groups allows an average credit period of 45 days to its trade customers.

(8) Trade and bills payables

The trade and bills payables include trade payable of HK\$313,866,000 (31 December 2005: HK\$405,466,000). The aged analysis of trade payable is as follows:

	30 June 2006 (Unaudited) HK\$'000	31 December 2005 (Audited) HK\$'000
Less than 4 months	303,560	391,685
4 - 6 months	7,149	10,597
Over 6 months	3,157	3,184
	<u>313,866</u>	<u>405,466</u>

The trade payables are non-interest bearing and are normally settled on 90-days terms.

(9) Share capital

	Number of ordinary shares '000	Nominal value HK\$'000
Issued and fully paid: Ordinary shares of HK\$0.10 each		
At 1 January 2006	1,049,376	104,938
Newly issued during period	5,088	508
	<u>1,054,464</u>	<u>105,446</u>

(10) Dividends

	Six months ended 30 June	
	2006 (Unaudited) HK\$'000	2005 (Audited) HK\$'000
Dividends for equity holders of the Company:		
Final dividend paid	114,936	105,326
Special dividend paid	105,447	-
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	220,383	105,326
Interim dividend declared	33,743	29,090
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	254,126	134,416
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