

## Notes to the condensed consolidated financial statements

(Expressed in Hong Kong dollars)

### 1. Basis of preparation and principal accounting policies

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

These interim condensed consolidated financial statements should be read in conjunction with the 2005/06 annual financial statements.

The principal accounting policies and methods of computation used in the preparation of these condensed consolidated financial statements are consistent with those used in the annual financial statements for the year ended 30 June 2006.

These interim financial statements have been prepared in accordance with those new Hong Kong Financial Reporting Standards (“HKFRS”), HKAS and Interpretations (“INT”) (collectively “new HKFRSs”) issued and effective as at the time of preparing these financial statements. The HKFRSs that will be applicable to the annual financial statements for the year ending 30 June 2007, including those that will be applicable on an optional basis, are not known with certainty at the time of preparing these interim financial statements.

### 2. Segment information

Segment information is presented in respect of the Group’s geographical and business segments.

#### Business segments

The Group comprises the following main business segments:

Apparel manufacturing: Manufacturing, retailing and distribution of apparel

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

An analysis of the Group's revenue and results by business segments for the six months ended 31 December 2006, together with the comparative figures for the corresponding period in 2005, is as follows:

(Unaudited)	Apparel manufacturing		Property development		Consolidated	
	2006	2005	2006	2005	2006	2005
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Segment revenue:						
Turnover	86,271	124,208	–	5,094	86,271	129,302
Other revenue	4,639	3,565	–	–	4,639	3,565
Total segment revenue	<u>90,910</u>	<u>127,773</u>	<u>–</u>	<u>5,094</u>	<u>90,910</u>	<u>132,867</u>
Interest income and other unallocated income					<u>2,792</u>	<u>2,685</u>
Total revenue					<u>93,702</u>	<u>135,552</u>
Segment results	<u>(13,364)</u>	<u>4,393</u>	<u>–</u>	<u>500</u>	<u>(13,364)</u>	<u>4,893</u>
Interest income and other unallocated income					<u>2,792</u>	<u>2,685</u>
(Loss)/profit from operations					<u>(10,572)</u>	<u>7,578</u>
Finance costs					<u>(575)</u>	<u>(101)</u>
(Loss)/profit before income tax					<u>(11,147)</u>	<u>7,477</u>
Income tax					<u>801</u>	<u>(2,124)</u>
(Loss)/profit for the period					<u>(10,346)</u>	<u>5,353</u>

**3. Other revenue**

	Unaudited	
	Six months ended	
	31 December	
	2006	2005
	<i>\$'000</i>	<i>\$'000</i>
Interest income	44	120
Rental income	1,294	1,133
Sub-contracting fee	3,942	1,849
Franchising income	697	981
Sponsorship income	–	735
Compensation income	–	365
Exchange differences, net	771	721
Others	683	346
	<u>7,431</u>	<u>6,250</u>

**4. (Loss)/profit before income tax**

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

	Unaudited	
	Six months ended	
	31 December	
	2006	2005
	<i>\$'000</i>	<i>\$'000</i>
Finance costs:		
Interest on bank advances and other borrowings repayable within five years	575	101
Amortisation of land lease payments	48	46
Depreciation	4,811	4,836
Write-down/(Reversal of write-down) of inventories	744	(3,708)
Impairment losses of trade and other receivables	4,029	836
	<u>4,029</u>	<u>836</u>

## 5. Income tax

Income tax in the condensed consolidated income statement represents:

	Unaudited Six months ended 31 December	
	2006	2005
	\$'000	\$'000
Current tax		
– Income tax outside Hong Kong	87	740
Deferred tax		
– reversal and origination of temporary differences	(888)	1,384
	<u>(801)</u>	<u>2,124</u>

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No provision for Hong Kong profits tax has been made in the interim financial statements (2005: Nil) as companies operating in Hong Kong within the Group have sufficient tax losses for offsetting assessable profits for the period.

Taxation for the Group's operations outside Hong Kong is provided at the applicable prevailing rates of taxation on the estimated assessable profits arising in the relevant jurisdiction during the period.

## 6. Dividends

No interim dividend has been declared in respect of the interim period ended 31 December 2006 (2005: Nil).

## 7. (Loss)/earnings per share

The calculation of basic (loss)/earnings per share is based on the consolidated loss attributable to shareholders of \$10,346,000 (2005: profit of \$5,353,000) divided by the weighted average of 1,351,915,000 ordinary shares (2005: 1,331,929,000 ordinary shares) in issue during the period. Diluted figures are not shown as there is no dilutive effect for the interim period ended 31 December 2006 (2005: Nil).

**8. Movements in property, plant and equipment**

During the six months ended 31 December 2006, the Group disposed of property, plant and equipment with carrying amount of approximately HK\$182,000 (six months ended 31 December 2005: HK\$193,000).

In addition, the Group spent approximately HK\$1,727,000 (six months ended 31 December 2005: HK\$7,189,000) in respect of property, plant and equipment mainly for the purpose of decoration of newly opened self-operating stores during the period.

**9. Trade and other receivables**

	Unaudited As at 31 December 2006 \$'000	Audited As at 30 June 2006 \$'000
Trade debtors	14,744	11,011
Prepayments, deposits and other receivables	50,614	44,039
	<u>65,358</u>	<u>55,050</u>

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

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

	Unaudited As at 31 December 2006 \$'000	Audited As at 30 June 2006 \$'000
Within 1 month	12,953	2,491
1 to 3 months	533	1,333
More than 3 months but less than 12 months	1,258	6,468
Over 12 months	–	719
Total trade debtors	<u>14,744</u>	<u>11,011</u>

The credit terms given to customers vary and are generally based on the financial strengths of individual customers. In order to effectively manage the credit risks associated with trade debtors, credit evaluations of customers are performed periodically.

At 31 December 2006, included in the balance of prepayments, deposits and other receivables was an aggregate balance of deposits and instalments of \$16,093,000 (30 June 2006: \$15,686,000) for the acquisition of certain land use rights in Zhangzhou City, the PRC in respect of certain property development projects.

#### 10. Trade and other payables

	Unaudited As at 31 December 2006 \$'000	Audited As at 30 June 2006 \$'000
Trade creditors	14,081	15,952
Other payables and accrued liabilities	22,547	15,054
	<u>36,628</u>	<u>31,006</u>

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

The following is an ageing analysis of trade creditors:

	Unaudited As at 31 December 2006 \$'000	Audited As at 30 June 2006 \$'000
Within 1 month or demand	6,349	11,847
1 to 3 months	1,334	57
More than 3 months but within 6 months	1,463	35
Over 6 months	4,935	4,013
Total trade creditors	<u>14,081</u>	<u>15,952</u>

11. Other financial liabilities

	Unaudited As at 31 December 2006 \$'000	Audited As at 30 June 2006 \$'000
Interest bearing:		
Secured – bank loan	<u>24,875</u>	<u>5,820</u>

At 31 December 2006, total current and non-current bank loans and other borrowings were repayable as follows:

	Unaudited As at 31 December 2006 \$'000	Audited As at 30 June 2006 \$'000
Within one year	18,905	–
Within two to five years	<u>5,970</u>	<u>5,820</u>
	<u>24,875</u>	<u>5,820</u>

The bank loans of the Group were secured by the Group's interest in leasehold land and building with aggregate carrying value of \$39,741,000 and interest in leasehold land included in inventories under the category of properties under development with an aggregate carrying value of \$8,519,000 (30 June 2006: secured by the Group's interest in leasehold land included in inventories under properties under development with an aggregate carrying value of \$6,889,000).

## 12. Share capital

	Unaudited As at 31 December 2006 \$'000	Audited As at 30 June 2006 \$'000
Authorised		
10,000,000,000 ordinary shares of \$0.01 each	<u>100,000</u>	<u>100,000</u>
Issued and fully paid		
At 1 July 2006 – 1,331,929,000 (1 July 2005: 1,331,929,000) ordinary shares of \$0.01 each	13,319	13,319
Issue of new shares during the period	<u>665</u>	<u>–</u>
At 31 December 2006 – 1,398,429,000 (30 June 2006: 1,331,929,000) ordinary shares of \$0.01 each	<u>13,984</u>	<u>13,319</u>

On 10 January 2006, the directors approved to grant share options with a total of 79,800,000 shares to employees of the Company (including 53,200,000 shares granted to the executive directors of the Company, being also employees of the Company) at a subscription price of HK\$0.05 per share under the Company's share option scheme adopted and approved on 16 December 2005. Except one of the executive directors, all grantees accepted the grant of share options.

On 6 November 2006, 66,500,000 share options were exercised.

The directors considered that the fair value of options granted and cancelled during the six months ended 31 December 2006 was HK\$Nil.

At 31 December 2006, there were no outstanding share options.



### 13. Capital commitments

The Group's capital commitments outstanding at the balance sheet date not provided for in the interim financial statements were as follows:

	Unaudited As at 31 December 2006 \$'000	Audited As at 30 June 2006 \$'000
Acquisition of land use rights and property development costs:		
Contracted for	<u>39,611</u>	<u>40,029</u>

### 14. Outstanding litigations

On 10 March 2004, a plaintiff brought a civil action against a subsidiary of the Company in a court in Taiwan in respect of an overpayment of a consideration for the acquisition of a former subsidiary of the Company. The plaintiff claimed for an amount of NT\$16,630,837 (HK\$3,864,000) together with interest thereon at 5% per annum plus legal costs of the action.

On 3 January 2007, the High Court in Taiwan judged that the subsidiary of the Company was obligated to pay NT\$1,209,337 (HK\$288,000). No provision has been made in the books of the Group in respect of this case as the directors considered that the amount is insignificant to the operations of the Group for the period.

### 15. Approval of the interim financial statements

The condensed consolidated interim financial statements were approved and authorised for issue by the Board on 22 March 2007.