

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30th June, 2003

1. GENERAL

The Company was incorporated in Bermuda with limited liability under the Companies Act 1981 of Bermuda (as amended) as an exempted company. The shares of the Company are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company's ultimate holding company is Linwood Services Ltd., a limited company incorporated in the British Virgin Islands.

The Company is an investment holding company. Its subsidiaries are principally engaged in the design, manufacture and trading of garments, proprietary trading in securities and investment holding.

2. ADOPTION OF STATEMENTS OF STANDARD ACCOUNTING PRACTICE

In the current year, the Group has adopted, for the first time, a number of new and revised Statements of Standard Accounting Practice ("SSAPs") issued by the Hong Kong Society of Accountants. The adoption of these SSAPs has resulted in the change in the format of presentation of the cash flow statement and the statement of changes in equity, but has had no material effect on the results for the current or prior accounting years. Accordingly, no prior year adjustment has been required.

Foreign currencies

The revisions to SSAP 11 "Foreign Currency Translation" has eliminated the choice of translating the income statements of subsidiaries operating outside Hong Kong at the closing rate for the year. They are now required to be translated at an average rate. This change in accounting policy has not had any material effect on the results for the current and prior accounting years.

Cash flow statements

Under SSAP 15 (Revised) "Cash Flow Statements", cash flows are classified under three headings, namely operating, investing and financing, rather than the previous five headings. Interest and dividend received, which were previously presented under a separate heading, are classified as investing cash flows. Cash flows arising from taxes on income are classified as operating activities, unless they are separately identified with investing or financing activities.

Employee benefits

In the current year, the Group has adopted SSAP 34 "Employee Benefits", which introduces measurement rules for employee benefits, including retirement benefit plans. Because the Group participates only in defined contribution retirement benefit schemes, the adoption of SSAP 34 has not had any material impact on the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30th June, 2003

3. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention, as modified for the revaluation of properties and investments in securities. The financial statements have been prepared in accordance with accounting principles generally accepted in Hong Kong. The principal accounting policies adopted are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 30th June each year.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Negative goodwill

Negative goodwill (capital reserve) represents the excess of the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary at the date of acquisition over the cost of acquisition.

Negative goodwill arising on acquisitions prior to 1st July, 2001 continues to be held in reserves and will be credited to income at the time of disposal of the relevant subsidiary.

Negative goodwill arising on acquisitions after 1st July, 2001 is presented as deduction from assets and will be released to income based on an analysis of the circumstances from which the balance resulted.

To the extent that the negative goodwill is attributable to losses or expenses anticipated at the date of acquisition, it is released to income in the period in which those losses or expenses arise. The remaining negative goodwill is recognised as income on a straight-line basis over the remaining average useful life of the identifiable acquired depreciable assets. To the extent that such negative goodwill exceeds the aggregate fair value of the acquired identifiable non-monetary assets, it is recognised as income immediately.

Investments in subsidiaries

Investments in subsidiaries are included in the Company's balance sheet at cost less any identified impairment loss.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30th June, 2003

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Interests in associates

The consolidated income statement includes the Group's share of the post-acquisition results of its associates for the year. In the consolidated balance sheet, interests in associates are stated at the Group's share of the net assets of the associates, less any identified impairment loss.

Revenue recognition

Sales of goods are recognised when goods are delivered and title has passed.

Proceeds from trading of securities are recognised when sale and purchase contracts became unconditional.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the interest rate applicable.

Dividend income from investments is recognised when the Group's rights to receive payment have been established.

Brokerage commission from securities dealing is recognised on the trade day basis when the contracts are entered into.

Realised profits and losses arising from trading of futures contracts, options and equity linked notes are accounted for in the period in which the contracts/positions are closed as the difference between the net sales proceeds and the carrying amount of the futures, options and equity linked notes contracts. Open contracts/positions are valued at market value at market rate with unrealised profits and losses included in the income statement.

Property, plant and equipment

Property, plant and equipment, other than leasehold land and buildings, are stated at cost less accumulated depreciation and amortisation and accumulated impairment losses, if any.

Leasehold land and buildings are stated in the balance sheet at their revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and amortisation and any subsequent impairment losses. Revaluations are performed with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair values at the balance sheet date.

NOTES TO THE FINANCIAL STATEMENTS*For the year ended 30th June, 2003***3. SIGNIFICANT ACCOUNTING POLICIES – continued****Property, plant and equipment – continued**

Any revaluation increase arising on revaluation of leasehold land and buildings is credited to the revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised as an expense, in which case the increase is credited to the income statement to the extent of the decrease previously charged. A decrease in net carrying amount arising on revaluation of an asset is dealt with as an expense to the extent that it exceeds the balance, if any, on the revaluation reserve relating to a previous revaluation of that asset. On the subsequent sale or retirement of a revalued asset, the attributable revaluation surplus is transferred to accumulated profits.

The valuation of leasehold land is amortised over their respective lease terms and the valuation of buildings is depreciated over forty years using the straight-line method.

Depreciation is provided to write off the cost of other items of property, plant and equipment over their estimated useful lives and after taking into account their estimated residual value, using the straight-line method, at the following rates per annum:

Leasehold improvements	33 ¹ / ₃ %
Plant and machinery	20%
Office equipment	20%
Furniture and fixtures	20%
Computer equipment	30%
Motor vehicles	33 ¹ / ₃ %

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the income statement.

NOTES TO THE FINANCIAL STATEMENTS*For the year ended 30th June, 2003***3. SIGNIFICANT ACCOUNTING POLICIES – continued****Impairment**

At each balance sheet date, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount under another SSAP, in which case the impairment loss is treated as a revaluation decrease under that SSAP.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, such that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount under another SSAP, in which case the reversal of the impairment loss is treated as a revaluation increase under that SSAP.

Investment properties

Investment properties are completed properties which are held for their investment potential, any rental income being negotiated at arm's length.

Investment properties are stated at their open market value based on independent professional valuations at each balance sheet date. Any revaluation increase or decrease arising on the revaluation of investment properties is credited or charged to the investment property revaluation reserve unless the balance on this reserve is insufficient to cover a revaluation decrease, in which case the excess of the revaluation decrease over the balance on the investment property revaluation reserve is charged to the income statement. Where a decrease has previously been charged to the income statement and a revaluation increase subsequently arises, this increase is credited to the income statement to the extent of the decrease previously charged.

On disposal of an investment property, the balance on the investment property revaluation reserve attributable to that property is transferred to the income statement.

No depreciation is provided on investment properties except where an unexpired term of the relevant lease is 20 years or less.

NOTES TO THE FINANCIAL STATEMENTS*For the year ended 30th June, 2003***3. SIGNIFICANT ACCOUNTING POLICIES – continued****Intangible asset**

The intangible asset represents a trading right in the Stock Exchange which is stated at cost and amortised on a straight-line basis over 10 years.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average method.

Investments in securities

Investments in securities are recognised on a trade-date basis and are initially measured at cost.

Investment securities, which are securities held for an identified long-term strategic purpose, are measured at subsequent reporting dates at cost, as reduced by any impairment loss that is other than temporary.

Other investments are measured at fair value, with unrealised gains and losses included in net profit or loss for the year.

Operating leases

Rentals receivable and payable under operating leases are credited and charged to the income statement on a straight-line basis over the relevant lease terms.

Foreign currencies

Transactions in foreign currencies are initially recorded at the rates of exchange prevailing on the dates of the transactions or at the contracted settlement rate if applicable. Monetary assets and liabilities denominated in foreign currencies are re-translated at the rates prevailing on the balance sheet date. Profits and losses arising on exchange are included in net profit or loss for the year.

On consolidation, the assets and liabilities of the Group's operations outside Hong Kong are translated at exchange rate prevailing on the balance sheet date. Income and expenses items are translated at the average exchange rates for the year. All exchange differences arising, if any, are classified as equity and transferred to the Group's translation reserve. Such translation differences are recognised as income or as expenses in the year in which the operation is disposed of.

NOTES TO THE FINANCIAL STATEMENTS*For the year ended 30th June, 2003***3. SIGNIFICANT ACCOUNTING POLICIES – continued****Taxation**

The charge for taxation is based on the results for the year as adjusted for items which are non-assessable or disallowed. Timing differences arise from the recognition for tax purposes of certain items of income and expense in a different accounting year from that in which they are recognised in the financial statements. The tax effect of timing differences, computed using the liability method, is recognised as deferred taxation in the financial statements to the extent that it is probable that a liability or an asset will crystallise in the foreseeable future.

Retirement benefit costs

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

4. TURNOVER

Turnover represents the net amounts received and receivable for garments sold by the Group to outside customers, less returns and allowances, sales proceeds from proprietary trading in securities and commission and brokerage income from securities dealing for the year and is analysed as follows:

	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
Continuing operations		
Garment sales	28,403	21,543
Proprietary trading in securities	–	111,338
	28,403	132,881
Discontinuing operations		
Commission and brokerage income from securities dealing	–	776
	28,403	133,657
	28,403	133,657

NOTES TO THE FINANCIAL STATEMENTS*For the year ended 30th June, 2003***5. BUSINESS AND GEOGRAPHICAL SEGMENTS****BUSINESS SEGMENTS**

For management purposes, the Group is currently organised into three operating divisions – namely, garment operation, proprietary trading in securities, and health products operation. These divisions are the basis on which the Group reports its primary segment information.

Principal activities are as follows:

- | | | |
|-----------------------------------|---|---|
| Garment operation | – | sourcing, manufacturing, processing, wholesaling, marketing and selling of garments |
| Proprietary trading in securities | – | investments in listed and unlisted equity securities and future contracts and options |
| Health products operation | – | health products projects |

In prior years, the Group also involved in securities broking and dealing and ceased the business on 31st May, 2002. Upon the application of one of the Company's subsidiaries, the Securities and Futures Commission had revoked the subsidiary's registration as a dealer under the Securities Ordinance on 28th June, 2002. The revenue and result of this operation are reported under "Securities broking".

NOTES TO THE FINANCIAL STATEMENTS*For the year ended 30th June, 2003***5. BUSINESS AND GEOGRAPHICAL SEGMENTS – continued****BUSINESS SEGMENTS – continued**

Segment information about these businesses is presented below:

2003

	Garment Operation <i>HK\$'000</i>	Proprietary Trading in Securities <i>HK\$'000</i>	Securities Broking (discontinued) <i>HK\$'000</i>	Health Products Operation <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
TURNOVER					
External sales	28,403	-	-	-	28,403
RESULT					
Segment results	(8,598)	505	885	-	(7,208)
Income from investments					42,707
Gain on disposal of other investments					69,847
Net unrealised loss on revaluation of other investments					(2,812)
Impairment loss recognised on investment securities					(12,339)
Unallocated corporate expenses					(22,425)
Profit from operations					67,770
Share of results of an associate				(306)	(306)
Profit before taxation					67,464
Taxation					-
Net profit for the year					67,464

NOTES TO THE FINANCIAL STATEMENTS*For the year ended 30th June, 2003***5. BUSINESS AND GEOGRAPHICAL SEGMENTS – continued****BUSINESS SEGMENTS – continued****Other Information**

	Garment Operation <i>HK\$'000</i>	Proprietary Trading in Securities <i>HK\$'000</i>	Securities Broking (discontinued) <i>HK\$'000</i>	Others <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Additions to property, plant and equipment	810	-	-	100	910
Depreciation and amortisation on property, plant and equipment	5,185	6	-	346	5,537
Amortisation of intangible asset	-	-	21	-	21
Deficit on revaluation of leasehold land and buildings	470	-	-	-	470
Deficit on revaluation of an investment property	-	-	-	2,664	2,664
Impairment loss recognised on investment securities	-	-	-	12,339	12,339
Bad debts written off	232	-	-	-	232

Balance Sheet

	Garment Operation <i>HK\$'000</i>	Proprietary Trading in Securities <i>HK\$'000</i>	Securities Broking (discontinued) <i>HK\$'000</i>	Health Products Operation <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
ASSETS					
Segment assets	41,523	20,549	-	-	62,072
Interests in associates	-	-	-	3,656	3,656
Investments in securities					307,132
Unallocated corporate assets					511,821
Consolidated total assets					884,681
LIABILITIES					
Segment liabilities	2,008	15	1	-	2,024
Unallocated corporate liabilities					63,944
Consolidated total liabilities					65,968

NOTES TO THE FINANCIAL STATEMENTS*For the year ended 30th June, 2003***5. BUSINESS AND GEOGRAPHICAL SEGMENTS – continued****BUSINESS SEGMENTS – continued****2002**

	Garment Operation HK\$'000	Proprietary Trading in Securities HK\$'000	Securities Broking (discontinued) HK\$'000	Health Products Operation HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
TURNOVER						
External sales	21,543	111,338	776	-	-	133,657
Inter-segment sales (purchases)	-	(277)	574	-	(297)	-
	21,543	111,061	1,350	-	(297)	133,657

Inter-segment sales are charged at prevailing market rates.

RESULT

Segment results	(12,186)	(772)	(2,126)	(94)	(114)	(15,292)
Income from investments						40,616
Gain on disposal of other investments						18,537
Net unrealised gain on revaluation of other investments						342
Impairment loss recognised on investment securities						(7,236)
Unallocated corporate expenses						(29,461)
Profit before taxation						7,506
Taxation						(92)
Net profit for the year						7,414

NOTES TO THE FINANCIAL STATEMENTS*For the year ended 30th June, 2003***5. BUSINESS AND GEOGRAPHICAL SEGMENTS – continued****BUSINESS SEGMENTS – continued****Other Information**

	Garment Operation <i>HK\$'000</i>	Proprietary Trading in Securities <i>HK\$'000</i>	Securities Broking (discontinued) <i>HK\$'000</i>	Health Products Operation <i>HK\$'000</i>	Others <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Additions to property, plant and equipment	18,511	-	41	-	-	18,552
Depreciation and amortisation of property, plant and equipment	4,246	-	241	-	565	5,052
Amortisation of intangible asset	-	-	68	-	-	68
Deficit on revaluation of leasehold land and buildings	1,733	-	-	-	437	2,170
Impairment loss recognised on investment securities	-	-	-	-	7,236	7,236
Bad debts written off	-	-	1	-	827	828

NOTES TO THE FINANCIAL STATEMENTS*For the year ended 30th June, 2003***5. BUSINESS AND GEOGRAPHICAL SEGMENTS – continued****BUSINESS SEGMENTS – continued****Balance Sheet**

	Garment Operation <i>HK\$'000</i>	Proprietary Trading in Securities <i>HK\$'000</i>	Securities Broking (discontinued) <i>HK\$'000</i>	Health Products Operation <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
ASSETS					
Segment assets	31,820	24,179	19,789	-	75,788
Interests in associates					225
Investments in securities					561,837
Unallocated corporate assets					157,075
					794,925
LIABILITIES					
Segment liabilities	8,658	30	113	39	8,840
Unallocated corporate liabilities					32,812
					41,652

GEOGRAPHICAL SEGMENTS

The Group's operations are located in Hong Kong and the People's Republic of China (the "PRC"). The following table provides an analysis of the Group's sales by geographical market, irrespective of the origin of the goods/services:

	Sales revenue by geographical market		Contribution to profit (loss) from operations	
	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
Hong Kong	1,961	112,114	3,996	(10,228)
The PRC	26,442	21,543	(11,205)	(12,300)
Europe – Luxemburg	-	-	78,461	30,538
Others	-	-	(3,482)	(504)
	28,403	133,657	67,770	7,506

NOTES TO THE FINANCIAL STATEMENTS*For the year ended 30th June, 2003***5. BUSINESS AND GEOGRAPHICAL SEGMENTS – continued****GEOGRAPHICAL SEGMENTS – continued**

The following is an analysis of the carrying amount of segment assets, and additions to property, plant and equipment, analysed by the geographical area in which the assets are located:

	Carrying amount of segment assets		Additions to property, plant and equipment	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Hong Kong	384,317	211,885	296	1,196
The PRC	35,259	22,616	614	17,356
Europe				
– Luxemburg	191,736	366,442	–	–
– Belgium	131,456	–	–	–
Philippines	30,035	–	–	–
Indonesia	23,980	–	–	–
Malaysia	–	89,012	–	–
United States of America	30,656	27,215	–	–
Others	57,242	77,755	–	–
	884,681	794,925	910	18,552

6. OTHER OPERATING INCOME

	2003 HK\$'000	2002 HK\$'000
Bad debt recovered	6,544	3,264
Dividends from equity investments	8	6
Gain on disposal of intangible asset	753	–
Interest income on:		
– bank deposits	2,274	3,711
– investments in securities	41,272	41,482
– loan	–	107
– others	5	88
Rental income from investment properties, net of insignificant outgoings	385	29
Sundry income	428	1,530
	51,669	50,217

Included above is income from listed investments of HK\$27,177,000 (2002: HK\$21,322,000) and unlisted investments of HK\$14,103,000 (2002: HK\$20,166,000).

NOTES TO THE FINANCIAL STATEMENTS*For the year ended 30th June, 2003***7. PROFIT FROM OPERATIONS**

Profit from operations has been arrived at after charging:

	2003 HK\$'000	2002 HK\$'000
Auditors' remuneration	348	497
Deficit on revaluation of leasehold land and buildings	470	2,170
Deficit on revaluation of an investment property	2,664	–
Amortisation of intangible asset (charged in administrative expenses)	21	68
Depreciation and amortisation of property, plant and equipment	5,537	5,052
Loss on disposal of property, plant and equipment	–	1,437
Impairment loss recognised on investment securities	12,339	7,236
Bad debts written off	232	828
Operating lease rentals in respect of rented premises	1,043	988
Staff costs (including directors' remuneration, <i>note 8</i>)		
Wages, salaries and other benefits	24,715	27,361
Retirement benefits scheme contributions	225	270
	24,940	27,631

8. DIRECTORS' REMUNERATION

	2003 HK\$'000	2002 HK\$'000
Directors' fees:		
Executive	–	–
Independent non-executive	240	300
	240	300
Other emoluments (executive directors):		
Salaries and other benefits	11,635	13,974
Retirement benefits scheme contributions	36	37
	11,671	14,011
	11,911	14,311

NOTES TO THE FINANCIAL STATEMENTS*For the year ended 30th June, 2003***8. DIRECTORS' REMUNERATION – continued**

For the year ended 30th June, 2003, the directors' other emoluments include operating lease rentals paid in respect of an accommodation to one of the executive directors, amounting to HK\$300,000, to a landlord in which an executive director of the Company has a beneficial interest.

For the year ended 30th June, 2002, the directors' emoluments do not include the estimated monetary value of premises provided rent-free to one of the executive directors. The estimated rental value of such accommodation was HK\$300,000.

The emoluments of the Directors, including the above accommodation benefits, were within the following bands:

	2003 No. of directors	2002 No. of directors
Nil to HK\$1,000,000	2	3
HK\$1,000,001 to HK\$1,500,000	1	1
HK\$1,500,001 to HK\$2,000,000	–	1
HK\$4,000,001 to HK\$4,500,000	1	–
HK\$5,000,001 to HK\$5,500,000	–	1
HK\$5,500,001 to HK\$6,000,000	–	1
HK\$6,000,001 to HK\$6,500,000	1	–

During the year, no emoluments were paid by the Group to the Directors of the Company as an inducement to join or upon joining the Group.

9. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, three (2002: four) were directors of the Company whose emoluments are included in the disclosures in note 8 above. The emoluments of the remaining two (2002: one) highest paid individuals were as follows:

	2003 HK\$'000	2002 HK\$'000
Salaries and other benefits	1,740	721
Compensation for loss of office	–	222
Retirement benefits scheme contributions	16	9
	<hr/> 1,756	<hr/> 952

NOTES TO THE FINANCIAL STATEMENTS*For the year ended 30th June, 2003***10. TAXATION**

	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
The charge comprises:		
Hong Kong Profits Tax		
Provision for the current year	–	16
Underprovision in the prior year	–	76
	–	92

No provision for Hong Kong Profits Tax has been made in the financial statements as the Company and its subsidiaries operating in Hong Kong incurred tax losses for the year.

In the prior year, Hong Kong Profits Tax was calculated at 16% of the estimated assessable profit for that year.

No provision for taxation in other jurisdictions has been made in the financial statements as profits generated by those subsidiaries are not taxable.

Details of the unprovided deferred taxation are set out in note 24.

11. DIVIDEND

	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
Final, proposed – HK1.5 cents per share (2002: Nil)	18,259	–

The final dividend of HK1.5 cents per share for the year ended 30th June, 2003 has been proposed by the Directors and is subject to approval by the shareholders at the forthcoming Annual General Meeting.

12. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the profit for the year of HK\$67,464,000 (2002: HK\$7,414,000) and on the weighted average number of 1,221,880,225 (2002: 1,238,918,291) shares in issue during the year.

No diluted earnings per share is presented as there were no dilutive potential shares outstanding during the year.

NOTES TO THE FINANCIAL STATEMENTS*For the year ended 30th June, 2003***13. PROPERTY, PLANT AND EQUIPMENT**

	Leasehold land and buildings HK\$'000	Leasehold improve- ments HK\$'000	Plant and machinery HK\$'000	Office equipment HK\$'000	Furniture and fixtures HK\$'000	Computer equipment HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
THE GROUP								
COST OR VALUATION								
At 1st July, 2002	25,520	9,089	13,975	1,771	1,713	2,600	2,249	56,917
Exchange adjustment	-	(25)	(108)	(1)	-	(1)	(8)	(143)
Additions	-	533	-	54	20	303	-	910
Transfer to investment properties (<i>note 14</i>)	(21,500)	-	-	-	-	-	-	(21,500)
Deficit on revaluation	(570)	-	-	-	-	-	-	(570)
At 30th June, 2003	3,450	9,597	13,867	1,824	1,733	2,902	2,241	35,614
Comprising:								
At Cost	-	9,597	13,867	1,824	1,733	2,902	2,241	32,164
At Valuation - 2003	3,450	-	-	-	-	-	-	3,450
	3,450	9,597	13,867	1,824	1,733	2,902	2,241	35,614
DEPRECIATION AND AMORTISATION								
At 1st July, 2002	-	6,464	2,257	1,523	1,650	2,198	964	15,056
Exchange adjustment	-	(7)	(17)	(1)	-	(1)	(2)	(28)
Provided for the year	436	1,331	2,774	82	17	259	638	5,537
Transfer to investment properties (<i>note 14</i>)	(336)	-	-	-	-	-	-	(336)
Eliminated on revaluation	(100)	-	-	-	-	-	-	(100)
At 30th June, 2003	-	7,788	5,014	1,604	1,667	2,456	1,600	20,129
NET BOOK VALUES								
At 30th June, 2003	3,450	1,809	8,853	220	66	446	641	15,485
At 30th June, 2002	25,520	2,625	11,718	248	63	402	1,285	41,861

NOTES TO THE FINANCIAL STATEMENTS*For the year ended 30th June, 2003***13. PROPERTY, PLANT AND EQUIPMENT – continued****THE GROUP**

The net book value of leasehold land and buildings shown above comprises :

	2003	2002
	<i>HK\$'000</i>	<i>HK\$'000</i>
Leasehold land in Hong Kong:		
Long lease	–	21,500
Medium-term lease	3,450	4,020
	3,450	25,520

The leasehold land and buildings of the Group in Hong Kong were revalued at 30th June, 2003 by FPD Savills (Hong Kong) Limited, independent professional valuer, on an open market value basis. The deficit arising on revaluation of HK\$470,000 (2002: HK\$2,170,000) has been charged to the consolidated income statement.

If leasehold land and buildings had not been revalued, they would have been included in these financial statements at historical cost less accumulated depreciation and amortisation at HK\$12,398,000 (2002: HK\$38,282,000).

During the year, the leasehold land and building with carrying value of HK\$21,164,000 as at 14th February, 2003 was reclassified as investment property.

NOTES TO THE FINANCIAL STATEMENTS*For the year ended 30th June, 2003***14. INVESTMENT PROPERTIES****The GROUP**

	2003 HK\$'000	2002 HK\$'000
VALUATION		
Balance brought forward	–	3,400
Transfer from (to) leasehold land and buildings (<i>note 13</i>)	21,164	(3,400)
Deficit on revaluation	(2,664)	–
<hr/>		
Balance carried forward	18,500	–
<hr/>		

The investment property at 30th June, 2003 is situated in Hong Kong and is held under a long lease. The investment property was transferred from leasehold land and buildings at its carrying value as at 14th February, 2003.

The investment property was revalued on 30th June, 2003 by FPD Savills (Hong Kong) Limited on an open market value basis. The deficit arising on revaluation of HK\$2,664,000 has been charged to the consolidated income statement.

The investment property of the Group held as at 30th June, 2003 was rented out under an operating lease.

NOTES TO THE FINANCIAL STATEMENTS*For the year ended 30th June, 2003***15. INVESTMENTS IN SECURITIES****THE GROUP**

	Investment securities		Other investments		Total	
	2003	2002	2003	2002	2003	2002
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Equity securities						
Listed	99	11,677	54	340	153	12,017
Unlisted	-	234	-	-	-	234
	99	11,911	54	340	153	12,251
Debt securities						
Listed	-	-	191,735	366,442	191,735	366,442
Unlisted	-	-	135,298	203,484	135,298	203,484
	-	-	327,033	569,926	327,033	569,926
Total	99	11,911	327,087	570,266	327,186	582,177
Listed – in Hong Kong	99	11,677	54	340	153	12,017
– elsewhere	-	-	191,735	366,442	191,735	366,442
Unlisted	-	234	135,298	203,484	135,298	203,718
Total	99	11,911	327,087	570,266	327,186	582,177
Market value of listed securities	2,901	11,677	191,789	366,782	194,690	378,459
Carrying amount analysed for reporting purposes						
Current	-	-	327,087	550,266	327,087	550,266
Non-current	99	11,911	-	20,000	99	31,911
	99	11,911	327,087	570,266	327,186	582,177

In the opinion of the Directors, the values of certain listed investment securities should be stated below their market values due to their uncertain future prospects and inactive trading records. As a result, an impairment loss of HK\$12,339,000 (2002: HK\$7,236,000) was recognised to the consolidated income statement to reduce the carrying values of the listed investment securities to their recoverable amounts.

NOTES TO THE FINANCIAL STATEMENTS*For the year ended 30th June, 2003***16. INTERESTS IN ASSOCIATES****THE GROUP**

	2003 HK\$'000	2002 HK\$'000
Share of net deficit of an associate	(306)	–
Advances to associates	3,962	2,725
Allowance for advances to an associate	–	(2,500)
	3,656	225

THE COMPANY

Advances to an associate	2,600	–
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As at 30th June, 2003, investment in an associate was in the form of equity and loans from the Group. Investment in the form of loans from the Group was comparatively more significant than those in the form of equity, so that the entire amount was treated as quasi-capital. Under these circumstances, loss incurred by the associate was shared by the Group to the extent that the loss did not exceed the aggregate of its equity and loan investments. The relevant amount of share of loss of the associate included in the advances to an associate is approximately HK\$306,000 (2002: Nil).

The advances to associates by the Group and the Company are unsecured, non-interest bearing and have no fixed terms of repayment. In the opinion of the Directors, the amounts will not be repaid within the next twelve months from the balance sheet date.

As at 30th June, 2003, the Group had interests in the following associate:

Name of entity	Form of business structure	Place of incorporation	Principal place of operation	Class of share held	Proportion of nominal value of issued capital held by the Group	Principal activities
Wealthy Creative Health Food Limited (Formerly known as Wealthy Creative Limited)	Incorporated	Hong Kong	Hong Kong	Ordinary	50%	Health products projects

NOTES TO THE FINANCIAL STATEMENTS*For the year ended 30th June, 2003***17. INVESTMENTS IN SUBSIDIARIES****THE COMPANY**

	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
Unlisted shares, at cost less dividends received	15,112	15,112
<i>Less: Impairment loss recognised</i>	(9,597)	(9,597)
	5,515	5,515

The cost is based on the value of the underlying net tangible assets of First Sign Investments Limited and its subsidiaries at the time they were acquired by the Company, less dividends subsequently distributed from pre-reorganisation reserves of the subsidiaries.

Details of the Company's principal subsidiaries at 30th June, 2003 are as follows:

Name of subsidiary	Place of incorporation/ operation	Issued and fully paid ordinary/ registered share capital	Proportion of nominal value of issued capital/ registered capital held by the Company	Principal activities
Crystal Jointure Limited	Hong Kong	HK\$2	100%	Property holding
Everview Limited	British Virgin Islands	US\$1	100%	Investment holding
First Sign Capital Limited	Hong Kong	HK\$10,000,000	100%	Proprietary trading in securities
First Sign International Garments Limited	Hong Kong	HK\$2	100%	Property holding, trading of garments
First Sign Investments Limited	British Virgin Islands	US\$48	100%	Investment holding

NOTES TO THE FINANCIAL STATEMENTS*For the year ended 30th June, 2003***17. INVESTMENTS IN SUBSIDIARIES – continued**

Name of subsidiary	Place of incorporation/ operation	Issued and fully paid ordinary/ registered share capital	Proportion of nominal value of issued capital/ registered capital held by the Company	Principal activities
Guangzhou First Sign Apparel Limited	Note	US\$2,500,000	100%	Garments manufacturing and trading
Guangzhou Supreme Sign Knitting & Dyeing Company Limited	Note	US\$5,000,000	100%	Manufacturing of knitwear
GZFTZ First Sign Trading Limited	Note	US\$200,000	100%	Garments trading
Pearl River Pacific Limited	British Virgin Islands	US\$1	100%	Investment holding
Sunvest Overseas Limited	British Virgin Islands	US\$1	100%	Investment holding

The above table lists the subsidiaries of the Group which, in the opinion of the Directors, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the Directors, result in particulars of excessive length.

None of the subsidiaries had issued any debt securities at the end of the year or at any time during the year.

Other than First Sign Investments Limited, which is directly held by the Company, all subsidiaries are indirectly held by the Company.

Note

These three companies were established in the PRC as wholly owned foreign enterprises.

NOTES TO THE FINANCIAL STATEMENTS*For the year ended 30th June, 2003***18. INTANGIBLE ASSET****THE GROUP**

The intangible asset represents one trading right in the Stock Exchange arising from the restructuring of the exchanges in Hong Kong.

*HK\$'000***COST**

At 1st July, 2002	681
Disposal	(681)

At 30th June, 2003	-
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AMORTISATION

At 1st July, 2002	136
Provided for the year	21
Eliminated on disposal	(157)

At 30th June, 2003	-
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NET BOOK VALUES

At 30th June, 2003	-
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At 30th June, 2002	545
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19. INVENTORIES**THE GROUP**

	2003	2002
	<i>HK\$'000</i>	<i>HK\$'000</i>
Raw materials	2,636	1,699
Work in progress	632	716
	<hr/>	<hr/>
	3,268	2,415

The amounts are stated at cost. Finished goods of approximately HK\$6,934,000 (2002: HK\$9,796,000) were written off during the year.

NOTES TO THE FINANCIAL STATEMENTS*For the year ended 30th June, 2003***20. TRADE DEBTORS**

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

The following is an aged analysis of trade debtors at the balance sheet date:

THE GROUP

	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
0-30 days	285	227
31-60 days	48	111
Over 60 days	101	28
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Total	434	366

21. TRADE CREDITORS

The following is an aged analysis of trade creditors at the balance sheet date:

THE GROUP

	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
0-30 days	14	135
31-60 days	-	2,767
Over 60 days	147	3,618
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Total	161	6,520

NOTES TO THE FINANCIAL STATEMENTS*For the year ended 30th June, 2003***22. SHARE CAPITAL**

	Number of shares of HK\$0.10 each		Share capital	
	2003	2002	2003 HK\$'000	2002 HK\$'000
Authorised				
At beginning and end of year	2,000,000,000	2,000,000,000	200,000	200,000
Issued and fully paid				
At beginning of year	1,228,896,400	1,249,144,400	122,890	124,914
Shares repurchased	(11,656,000)	(20,248,000)	(1,166)	(2,024)
At end of year	1,217,240,400	1,228,896,400	121,724	122,890

During the year, the Company repurchased its own shares through the Stock Exchange as follows:

Month of repurchase	No. of shares of HK\$0.10 each	Price per share		Aggregate Consideration Paid HK\$'000
		Highest HK\$	Lowest HK\$	
July 2002	902,000	0.180	0.170	160
August 2002	1,414,000	0.180	0.170	247
September 2002	2,122,000	0.155	0.150	332
October 2002	2,216,000	0.155	0.145	338
November 2002	802,000	0.155	0.155	127
December 2002	762,000	0.169	0.155	125
January 2003	468,000	0.170	0.170	81
March 2003	1,136,000	0.164	0.152	186
April 2003	712,000	0.154	0.150	111
May 2003	432,000	0.157	0.157	69
June 2003	690,000	0.200	0.170	133
	11,656,000			1,909

The above shares were cancelled upon repurchase.

NOTES TO THE FINANCIAL STATEMENTS*For the year ended 30th June, 2003***22. SHARE CAPITAL – continued**

The Directors believe that the repurchases are in the best interests of the Company and its shareholders and will lead to an enhancement of the net assets and the earnings per share of the Company.

None of the Company's subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year.

23. RESERVES**THE GROUP**

	Share premium HK\$'000	Capital redemption reserve HK\$'000	Special reserve HK\$'000	Capital reserve HK\$'000	Translation reserve HK\$'000	Dividend reserve HK\$'000	Accumulated profits HK\$'000	Total HK\$'000
At 1st July, 2001	242,903	162	1,000	18	-	-	381,268	625,351
Repurchase of own shares	(2,382)	2,024	-	-	-	-	(2,024)	(2,382)
Net profit for the year	-	-	-	-	-	-	7,414	7,414
At 30th June, 2002	240,521	2,186	1,000	18	-	-	386,658	630,383
Exchange differences on translation of financial statements of subsidiaries operating outside Hong Kong not recognised in consolidated income statement	-	-	-	-	(115)	-	-	(115)
Repurchase of own shares	(743)	1,166	-	-	-	-	(1,166)	(743)
Net profit for the year	-	-	-	-	-	-	67,464	67,464
Final dividend proposed for the year ended 30th June, 2003	-	-	-	-	-	18,259	(18,259)	-
At 30th June, 2003	239,778	3,352	1,000	18	(115)	18,259	434,697	696,989

NOTES TO THE FINANCIAL STATEMENTS*For the year ended 30th June, 2003***23. RESERVES – continued****THE COMPANY**

	Share premium HK\$'000	Capital redemption reserve HK\$'000	Contributed surplus HK\$'000	Dividend reserve HK\$'000	Accumulated profits HK\$'000	Total HK\$'000
At 1st July, 2001	242,903	162	15,013	-	382,720	640,798
Repurchase of own shares	(2,382)	2,024	-	-	(2,024)	(2,382)
Net profit for the year	-	-	-	-	28,790	28,790
At 30th June, 2002	240,521	2,186	15,013	-	409,486	667,206
Repurchase of own shares	(743)	1,166	-	-	(1,166)	(743)
Net loss for the year	-	-	-	-	(11,444)	(11,444)
Final dividend proposed for the year ended 30 June, 2003	-	-	-	18,259	(18,259)	-
At 30th June, 2003	239,778	3,352	15,013	18,259	378,617	655,019

The accumulated profits of the Group include share of deficit of HK\$306,000 (2002: Nil) attributable to an associate of the Group.

The special reserve of the Group represents the difference between the nominal amount of the share capital issued by First Sign Investments Limited in exchange for the nominal amount of the share capital of its subsidiaries pursuant to a group reorganisation in 1995.

The contributed surplus of the Company represents the excess of separable net assets acquired from the acquisition of shares in First Sign Investments Limited by the Company pursuant to the group reorganisation in 1995 over the nominal amount of the Company's shares issued as the consideration for such acquisition, less dividends distributed from pre-reorganisation reserves of the subsidiaries.

NOTES TO THE FINANCIAL STATEMENTS*For the year ended 30th June, 2003***23. RESERVES – continued**

Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus account of a company is available for distribution. However, a company cannot declare or pay a dividend, or make a distribution out of contributed surplus if:

- (a) the company is, or would after the payment be, unable to pay its liabilities as they become due; or
- (b) the realisable value of the Company's assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

In the opinion of the Directors, as at 30th June, 2003, the Company's reserves available for distribution to shareholders consisted of contributed surplus of HK\$15,013,000 (2002: HK\$15,013,000), dividend reserve of HK\$18,259,000 (2002: Nil) and accumulated profits of HK\$378,617,000 (2002: HK\$409,486,000).

24. UNPROVIDED DEFERRED TAXATION

At the balance sheet date, the major components of the unprovided deferred tax asset are as follows:

	THE GROUP		THE COMPANY	
	2003	2002	2003	2002
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Tax effect of timing differences because of:				
Excess of depreciation over tax allowances	268	255	–	–
Estimated tax losses	13,220	8,670	–	–
	13,488	8,925	–	–

NOTES TO THE FINANCIAL STATEMENTS*For the year ended 30th June, 2003***24. UNPROVIDED DEFERRED TAXATION – continued**

The components of the unprovided deferred tax credit (charge) for the year are as follows:

	THE GROUP	
	2003	2002
	<i>HK\$'000</i>	<i>HK\$'000</i>
Tax effect on timing differences because of:		
Difference between tax allowances and depreciation	(11)	238
Estimated tax losses arising	3,743	308
Estimated tax losses expired upon liquidation of subsidiaries	(5)	(4,060)
Effect of change in tax rate	836	–
	4,563	(3,514)

A deferred tax asset has not been recognised in the financial statements in respect of estimated tax losses available to offset future profits as it is not certain that the tax losses will be utilised in the foreseeable future.

Deferred tax has not been provided on the revaluation deficit or surplus arising from the revaluation of leasehold land and buildings and investment properties as profits or losses arising on the disposals of these assets would not be subject to taxation. Accordingly, the revaluation does not constitute a timing difference for tax purposes.

25. MAJOR NON-CASH TRANSACTION

During the year, the Group disposed of the intangible asset and part of the consideration from the disposal was settled by transfer of listed equity securities with a total carrying value of HK\$527,000 (2002: Nil) at the date of disposal.

NOTES TO THE FINANCIAL STATEMENTS*For the year ended 30th June, 2003***26. OPERATING LEASE COMMITMENTS****THE GROUP AS LESSEE**

At the balance sheet date, the Group had outstanding commitments for future minimum lease payments under operating leases in respect of rented premises, which fall due as follows:

	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
Within one year	1,300	438
In the second to fifth year inclusive	1,317	1,428
	2,617	1,866

Operating lease payments represent rentals payable by the Group in respect of rented premises. Leases are negotiated for an average term of two years and rentals are fixed for the leased period.

The Company did not have any operating lease commitment at the balance sheet date for both years.

THE GROUP AS LESSOR

Property rental income earned during the year was HK\$385,000 (2002: HK\$29,000). The investment property is expected to generate rental yields of 5.5% per annum on an ongoing basis.

At the balance sheet date, the Group had contracted with a tenant for the following future minimum lease payments, which fall due as follows:

	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
Within one year	1,020	–
In the second to fifth year inclusive	638	–
	1,658	–

NOTES TO THE FINANCIAL STATEMENTS*For the year ended 30th June, 2003***27. CAPITAL COMMITMENTS**

At 30th June, 2003, the Group had no outstanding capital commitments (2002: outstanding commitments of HK\$64,000) in respect of the acquisition of machinery and equipment.

The Company had no capital commitment at the balance sheet date for both years.

28. CONTINGENT LIABILITIES

The Company has given guarantee to a bank in respect of general banking facilities granted to its subsidiaries amounting to HK\$23.4 million (2002: HK\$20 million). At 30th June, 2003, no facilities were utilised by the subsidiaries (2002: Nil).

29. SHARE OPTION SCHEME

The Company's share option scheme ("the Scheme") was adopted pursuant to a resolution passed on 30th October, 1995 for the primary purpose of providing incentives to directors and eligible employees and will expire on 30th October, 2005. Under the Scheme, the Board of Directors of the Company may at their discretion grant options to eligible employees, including executive directors of the Company and its subsidiaries, to subscribe for shares in the Company from time to time. The maximum number of shares, which may be granted under the Scheme, shall not exceed 10% of the nominal amount of the share of the Company in issue at any point in time, excluding the shares issued pursuant to the Scheme.

The number of shares in respect of which options may be granted to any individual in any one year is not permitted to exceed 2.5% of shares of the Company in issue at any point in time. Options granted must be taken up within 28 days of the date of grant, upon payment of HK\$1 per each grant of the share option. Options may be exercised at any time from a period of 3 years commencing on the expiry of 1 year from the date of grant of the share option to the 10th anniversary of the Scheme, whichever the earlier.

The subscription price of the share option is determined by the Board of the Directors of the Company, and the amount will not be less than the higher of 80% of the average closing price of the Company's shares on the Stock Exchange for the five business days immediately preceding the date of grant or the nominal value of the shares.

No options under the Scheme were granted or exercised since the adoption of the Scheme and no options were outstanding as at 30th June, 2003 and 30th June, 2002.

NOTES TO THE FINANCIAL STATEMENTS*For the year ended 30th June, 2003***30. RETIREMENT BENEFITS SCHEME**

The Group operates a Mandatory Provident Fund scheme ("MPF Scheme") for all qualifying employees, including the Directors, in Hong Kong. The MPF Scheme is registered with the Mandatory Provident Fund Scheme Authority under the Mandatory Provident Fund Scheme Ordinance. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee. Under the MPF Scheme, the employer and its employees are each required to make contributions to the MPF Scheme at rates specified in the rules. The only obligation of the Group with respect to the MPF Scheme is to make the required contributions under the scheme. Except for voluntary contribution, no forfeited contribution under this scheme is available to reduce the contribution payable in future years.

The retirement benefits scheme contributions arising from the MPF Scheme charged to the consolidated income statement represent contributions payable to the funds by the Group at rates specified in the rules of the scheme.

During the year, the Group paid retirement benefits contributions arising from the MPF Scheme of HK\$225,000 (2002: HK\$270,000).

31. RELATED PARTY TRANSACTIONS

During the year, the Group paid operating lease rental for a Director's accommodation to a landlord in which Mr. Lau Tung Hoi has a beneficial interest, amounted to HK\$300,000 (2002: Nil).

The rental charge was similar to the price offered by other landlords.

In the prior year, the Group did not enter into any transactions with related parties who are not members of the Group.