1. CORPORATE INFORMATION

The Company is incorporated in the Cayman Islands with limited liability. The Company is an investment holding company. The principal activities of the Group are manufacturing, retailing and distribution of apparel. The Company's shares are listed on The Stock Exchange of Hong Kong Limited.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Statements of Standard Accounting Practice ("SSAPs") and Interpretations issued by the Hong Kong Society of Accountants, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. A summary of the significant accounting policies adopted by the Group is set out below.

(b) Basis of preparation of the financial statements

The measurement basis used in the preparation of the financial statements is historical cost modified by the revaluation of land and buildings.

(c) Basis of consolidation

The consolidated financial statements include the financial statements of the Company and all of its subsidiaries made up to 30 June each year. All material intercompany transactions and balances are eliminated on consolidation.

(d) Subsidiaries

A subsidiary is an enterprise which is controlled by the Company. Control is achieved where the Company has the power to govern the financial and operating policies of an investee enterprise so as to obtain benefits from its activities.

Interests in subsidiaries in the Company's balance sheet are stated at cost less impairment losses, if any.

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(e) Associates

An associate is an enterprise in which the Group has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

Unless the interest in the associate is acquired and held exclusively with a view to subsequent disposal in the near future, an investment in an associate is accounted for in the consolidated financial statements under the equity method and is initially recorded at cost less acquisition goodwill and adjusted thereafter for the post acquisition change in the Group's share of the associate's net assets. The consolidated income statement reflects the Group's share of the post-acquisition results of the associates for the year.

Unrealised profits and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associate, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in the consolidated income statement.

(f) Goodwill

Positive goodwill arising on consolidation represents the excess of the cost of the acquisition over the Group's share of the fair value of the identifiable assets and liabilities acquired.

In respect of subsidiaries, positive goodwill is amortised to the consolidated income statement on a straight-line basis over its estimated useful economic life. Positive goodwill is stated in the consolidated balance sheet at cost less accumulated amortisation and impairment losses, if any.

In respect of associates, positive goodwill arising on the acquisition of an associate before 1 July 2001 is eliminated against reserves immediately on acquisition. For acquisition on or after 1 July 2001, positive goodwill is amortised to the consolidated income statement on a straight-line basis over its estimated useful economic life.

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(f) Goodwill *(continued)*

Negative goodwill arising on acquisitions of subsidiaries and associates represents the excess of the Group's share of the fair value of the identifiable assets and liabilities acquired over the cost of acquisition. To the extent that negative goodwill relates to an expectation of future losses and expenses that are identified in the plan of acquisition and can be measured reliably, but which have not yet been recognised, it is recognised in the consolidated income statement when the future losses and expenses are recognised. Any remaining negative goodwill, but not exceeding the fair values of the non-monetary assets acquired, is recognised in the consolidated income statement over the weighted average useful life of those non-monetary assets.

Negative goodwill in excess of the fair values of non-monetary assets acquired is recognised as income immediately.

In respect of any negative goodwill not yet recognised in the consolidated income statement:

- for subsidiaries, such negative goodwill is shown in the consolidated balance sheet as a deduction from assets in the same balance sheet classification as positive goodwill; and

- for associates, such negative goodwill is included in the carrying amount of the interests in associates.

On disposal of a subsidiary or an associate during the year, any attributable amount of goodwill not previously amortised through the consolidated income statement or which has previously been dealt with as a movement on reserves is included in the calculation of the gain or loss on disposal.

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(g) Property, plant and equipment

Property, plant and equipment are carried in the balance sheets on the following bases:

- land use rights and buildings held for own use are stated in the balance sheet at cost or their revalued amount, being the fair value on the basis of their existing use at the date of revaluation less any subsequent accumulated depreciation and impairment losses. Revaluations are performed by qualified valuers with sufficient regularity to ensure that the carrying amount of these assets does not differ materially from that which would be determined using fair values at the balance sheet date; and

- other assets are stated in the balance sheet at cost or valuation less accumulated depreciation and impairment losses, if any.

Changes arising on the revaluation of land use rights and buildings held for own use are generally dealt with in reserves. The only exceptions are as follows:

- when a deficit arises on revaluation, it will be charged to the income statement, if and to the extent that it exceeds the amount held in the reserves in respect of that same asset immediately prior to the revaluation; and

- when a surplus arises on revaluation, it will be credited to the income statement, if and to the extent that a deficit on revaluation in respect of that same asset had previously been charged to the income statement.

Subsequent expenditure relating to an asset that has already been recognised is added to the carrying amount of the asset when it is probable that future economic benefits, in excess of the originally assessed standard of performance of the existing asset, will flow to the enterprise. All other subsequent expenditure is recognised as an expense in the period in which it is incurred.

Gains or losses arising from the retirement or disposal of an asset are determined as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the income statement on the date of retirement or disposal, any related revaluation surplus is transferred from the revaluation reserve to retained profits.

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(h) Amortisation and depreciation

Depreciation is calculated to write off the cost or revalued amount of property, plant and equipment to their residual value on a straight line basis over their estimated useful lives as follows:

Buildings	The shorter of 20 years or the remaining terms of the leases
Leasehold improvements	3 to 5 years
Plant and machinery	10 years
Furniture, fixtures and office equipment	3 to 5 years
Motor vehicles	3 to 5 years

Land use rights are amortised on a straight line basis over the remaining terms of the grant.

(i) Impairment

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the asset's recoverable amount is estimated. The recoverable amount of an asset is the greater of its net selling price and value in use. 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. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

In respect of assets other than goodwill, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is reversed only if the loss was caused by a specific external event of an exceptional nature that is not expected to recur, and the increase in recoverable amount relates clearly to the reversal of the effect of that specific event.

When an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, to the extent 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, in which case the reversal of the impairment loss is treated as a revaluation increase.

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(j) Construction in progress

Construction in progress is stated at cost. Cost comprises direct costs of construction during the periods of construction and installation. Construction in progress is transferred to property, plant and equipment when substantially all the activities necessary to prepare the assets for their intended use are completed. No depreciation is provided in respect of construction in progress.

(k) Leased assets

Leases of assets under which the lessor has not transferred all the risks and benefits of ownership are classified as operating leases.

Assets held for use in operating leases

Where the Group leases out assets under operating leases, the assets are included in the balance sheet according to their nature and, where applicable, are depreciated in accordance with the Group's depreciation policies, as set out in note 2(h) above. Revenue arising from operating leases is recognised in accordance with the Group's revenue recognition policies, as set out in note 2(l) below.

Operating lease charges

Where the Group has the use of assets under operating leases, payments made under the leases are charged to the income statement in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in the income statement as an integral part of the aggregate net lease payments made. Contingent rentals are charged to the income statement in the accounting period in which they are incurred.

(l) Revenue recognition

Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in the income statement as follows:

Sale of goods

Revenue from sales of goods is recognised when goods are delivered and title of goods has been passed to customers.

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(l) Revenue recognition *(continued)*

Rental income from operating leases

Rental income receivable under operating leases is recognised in the income statement in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives granted are recognised in the income statement as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognised as income in the accounting period in which they are earned.

Sub-contracting fee income

Sub-contracting fee income is recognised in the income statement in the period in which services are rendered.

Franchising fee

Revenue from franchising fee is recognised in the income statement over the accounting periods covered by the term of the relevant agreements.

Interest income

Interest income is accrued on a time-apportioned basis on the principal outstanding and the rate applicable.

(m) Inventories

Inventories are stated at the lower of cost and net realisable value.

For self-manufactured inventories, cost includes the cost of materials computed using the standard costing basis and, in the case of work in progress and finished goods, direct labour and an appropriate portion of production overheads. Finished goods purchased are stated at cost computed on a weighted average basis.

Net realisable value is determined by reference to the sales proceeds of items sold in the ordinary course of business after the balance sheet date or to management estimates based on prevailing market conditions.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(n) Deferred taxation

Deferred taxation is provided using the liability method in respect of the taxation effect arising from all material timing differences between the accounting and tax treatment of income and expenditure, which are expected with reasonable probability to crystallise in the foreseeable future.

Future deferred tax benefits are not recognised unless their realisation is assured beyond reasonable doubt.

(o) Foreign currencies

Companies comprising the Group maintain their books and records in the primary currencies of their operations (the "respective functional currencies").

In the financial statements of individual companies, transactions in other currencies during the year are translated into the respective functional currencies at the applicable rates of exchange prevailing at the time of the transactions. Monetary assets and liabilities denominated in other currencies are translated into the respective functional currencies at the applicable rates of exchange in effect at the balance sheet date. All exchange differences are dealt with in the income statement.

For the purpose of preparing these consolidated financial statements, the financial statements of the individual companies with functional currencies other than Hong Kong dollars are translated into Hong Kong dollars using the net investment method. Under this method, assets and liabilities of these individual companies are translated into Hong Kong dollars at the applicable rates of exchange in effect at the balance sheet date. Income and expenses are translated at the average exchange rates for the year. Share capital and other reserves are translated into Hong Kong dollars at historical rates. Exchange differences arising on translation are dealt with as movements in reserves.

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(p) Employee benefits

Paid leave carried forward

The Group provides paid annual leave to its employees under their employment contracts on a calendar 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 year by the employees and carried forward.

Pension schemes

The Group makes contributions to Mandatory Provident Fund Scheme (the "MPF Scheme") as required by the Hong Kong Mandatory Provident Fund Schemes Ordinance, for all employees in Hong Kong.

Under the MPF Scheme, the employer and its employees are each required to make contributions to the MPF Scheme at 5% of the employees' relevant income, subject to a cap of monthly relevant income of $20,000. The employer contributions are charged to the income statement as they become payable in accordance with the rules of the MPF Scheme. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

The assets of the MPF Scheme are held separately from those of the Group in independently administered funds.

For employees of certain subsidiaries who were employed via Xiamen Labour Services Company ("XLSC"), the Group is required to pay monthly contributions, being a certain percentage of monthly payroll costs, for each employee to XLSC. In return, XLSC undertakes the responsibility of the retirement benefits payable to these employees. The contributions are charged to the income statements as they become payable.

The Group's other employees are required to participate in a central pension scheme operated by the local municipal government. The Group is 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.

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(q) Borrowing costs

Borrowing costs are expensed in the income statement in the period in which they are incurred, except to the extent that they are capitalised as being directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale.

(r) Related parties

For the purpose of these financial statements, parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals or corporate entities.

(s) Cash and cash equivalents

Cash includes cash on hand and demand deposits with any bank or other financial institution. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash which are subject to an insignificant risk of changes in value. Bank overdrafts which are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents.

(t) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Company or Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

3. TURNOVER AND OTHER REVENUE

Turnover represents the aggregate of the net invoiced value of goods sold, after allowances for goods returned and trade discounts.

An analysis of turnover and other revenue is as follows:

	2003	2002
	$'000	*$'000*
Turnover		
Manufacturing, retailing and trading of apparel	**163,559**	137,914
Other revenue		
Interest income	**30**	207
Rental income	**2,260**	1,705
Sub-contracting fees	**3,141**	2,465
Franchising fees	**1,028**	–
Gain on disposal of property, plant and equipment	**12**	–
Other	**12**	514
	6,483	4,891
Total revenue for the year	**170,042**	142,805

4. SEGMENT INFORMATION

Segment information is presented by way of two segment formats: (a) on a primary segment reporting basis, by geographical segment; and (b) on a secondary segment reporting basis, by business segment.

In determining the Group's geographical segments, revenue and results are attributed to the segments based on the location of the customers, and assets are attributed to the segments based on the location of the assets.

Since all of the Group's revenue, results, assets and liabilities are derived from manufacturing, retailing and trading of apparel, no separate analysis of financial information by business segment is presented in the financial statements.

4. SEGMENT INFORMATION *(continued)*

The following tables present revenue, results, assets, liabilities and other financial information for the Group's geographical segments.

	Hong Kong		Mainland China		Japan		Consolidated	
	2003 $'000	2002 $'000	**2003 $'000**	2002 $'000	**2003 $'000**	2002 $'000	**2003 $'000**	2002 $'000
Segment revenue:								
Sales to external customers	**-**	-	**154,524**	137,914	**9,035**	-	**163,559**	137,914
Other revenue	**-**	483	**6,429**	4,201	**-**	-	**6,429**	4,684
Total segment revenue	**-**	483	**160,953**	142,115	**9,035**	-	**169,988**	142,598
Interest and other unallocated income							**54**	207
Total revenue							**170,042**	142,805
Segment results	**-**	(816)	**5,031**	(25,198)	**696**	-	**5,727**	(26,014)
Interest and other unallocated income							**54**	207
Unallocated other receivables written off							**(1,582)**	-
Profit/(loss) from operations							**4,199**	(25,807)
Finance costs							**(901)**	(1,953)
Impairment loss on goodwill							**-**	(10,798)
Share of loss of an associate							**-**	(26)
Profit/(loss) from ordinary activities before taxation							**3,298**	(38,584)
Taxation							**(415)**	(272)
Profit/(loss) attributable to shareholders							**2,883**	(38,856)
Segment assets	**1,339**	17,820	**121,444**	112,988	**-**	-	**122,783**	130,808
Unallocated assets							**-**	23
Total assets							**122,783**	130,831
Segment liabilities	**7,489**	3,312	**42,732**	57,985	**-**	-	**50,221**	61,297
Unallocated liabilities							**130**	-
Total liabilities							**50,351**	61,297
Other segment information:								
Depreciation	**-**	153	**14,864**	11,372	**869**	-	**15,733**	11,525
Provision for bad and doubtful debts	**-**	-	**1,940**	477	**-**	-	**1,940**	477
Provision for obsolete inventories	**-**	-	**4,400**	8,042	**-**	-	**4,400**	8,042
Other receivables written off	**-**	-	**1,452**	144	**-**	-	**3,034**	144
Capital expenditure	**-**	-	**2,590**	8,412	**-**	-	**2,590**	8,412

5. PROFIT/(LOSS) FROM ORDINARY ACTIVITIES BEFORE TAXATION

Profit/(loss) from ordinary activities before taxation is arrived at after charging:

	2003	2002
	$'000	*$'000*
Finance costs:		
Interest on bank advances and other borrowings repayable within five years	**895**	1,946
Other	**6**	7
	901	1,953
Other items:		
Depreciation	**15,733**	11,525
Cost of inventories sold	**84,603**	93,028
Provision for obsolete inventories	**4,400**	8,042
Auditors' remuneration	**610**	629
Minimum lease payments under operating leases		
– Property rentals (including retail shops)	**14,089**	17,346
– Contingent rentals of retail shops	**1,618**	2,495
Staff costs (including retirement cost of $548,000 (2002: $387,000))	**29,340**	29,632
Other receivables written off	**3,034**	144
Loss on disposal of property, plant and equipment	**-**	1,067
Provision for bad and doubtful debts	**1,940**	477

6. TAXATION

Taxation in the consolidated income statement represents:

	2003 $'000	2002 $'000
Taxation outside Hong Kong		
Provision for the year	**292**	272
Underprovision in previous year	**123**	–
Deferred taxation *(note 19)*	**-**	–
	415	272

No provision for Hong Kong Profits Tax has been made in the financial statements (2002: Nil) as the Group's Hong Kong operations sustained a loss for taxation purposes during the year.

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

7. DIRECTORS' REMUNERATION

Directors' remuneration disclosed pursuant to section 161 of the Hong Kong Companies Ordinance is as follows:

	2003 $'000	2002 $'000
Executive directors		
Fees	**-**	–
Salaries and other emoluments	**5,312**	4,492
Pension scheme contributions	**12**	12
	5,324	4,504
Independent non-executive directors		
Fees	**159**	160

7. DIRECTORS' REMUNERATION *(continued)*

The remuneration of the directors is within the following bands:

	2003 Number of directors	2002 Number of directors
$		
Nil - 1,000,000	**3**	3
1,000,001 - 1,500,000	**3**	3

Share options

In addition to the above emoluments, certain directors were granted share options under the Company's share option scheme. Details of these benefits in kind are disclosed in note 20.

8. INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, four (2002: four) are directors whose emoluments are disclosed in note 7. The details of the emoluments in respect of the remaining one individual (2002: one) are as follows:

	2003 *$'000*	2002 *$'000*
Salaries and other emoluments	**534**	517
Retirement scheme contributions	**12**	12
	546	529

The emoluments of the individual with the highest emoluments are within the following band:

	2003 Number of individuals	2002 Number of individuals
$		
Nil - 1,000,000	1	1

9. PROFIT/(LOSS) ATTRIBUTABLE TO SHAREHOLDERS

The profit/(loss) attributable to shareholders includes a loss of $2,922,000 (2002: $50,565,000) which has been dealt with in the financial statements of the Company.

10. EARNINGS/(LOSS) PER SHARE

The calculation of basic earnings/(loss) per share is based on the consolidated profit/(loss) attributable to shareholders of $2,883,000 (2002: loss of $38,856,000) divided by the weighted average of 961,929,000 ordinary shares (2002: 819,463,000 ordinary shares) in issue during the year. Diluted figures are not shown as there is no dilutive effect for the year ended 30 June 2003 (2002: Nil).

11. PROPERTY, PLANT AND EQUIPMENT

Group

	Land use rights $'000	Buildings $'000	Leasehold improvements $'000	Plant and machinery $'000	Furniture, fixtures and office equipment $'000	Motor vehicles $'000	Total $'000
Cost or valuation							
At 1 July 2002	3,045	63,500	30,637	16,062	6,578	6,401	126,223
Exchange adjustments	(4)	(79)	(144)	(63)	(31)	(20)	(341)
Additions	–	–	75	1,600	466	449	2,590
Transfer from construction in progress *(note 12)*	–	13,187	1,942	288	–	–	15,417
Disposals	–	–	–	(696)	(17)	–	(713)
At 30 June 2003	3,041	76,608	32,510	17,191	6,996	6,830	143,176
Representing:							
Cost	–	14,540	32,510	14,455	6,996	4,718	73,219
Valuation							
– 1994	–	–	–	2,736	–	2,112	4,848
– 1998	3,041	62,068	–	–	–	–	65,109
	3,041	76,608	32,510	17,191	6,996	6,830	143,176
Aggregate amortisation and depreciation							
At 1 July 2002	814	18,183	18,724	7,522	4,041	5,790	55,074
Exchange adjustments	(1)	(25)	(88)	(25)	(19)	(16)	(174)
Charge for the year	148	3,581	9,587	1,471	653	293	15,733
Written back on disposals	–	–	–	(567)	(10)	–	(577)
At 30 June 2003	961	21,739	28,223	8,401	4,665	6,067	70,056
Net book value							
At 30 June 2003	2,080	54,869	4,287	8,790	2,331	763	73,120
At 30 June 2002	2,231	45,317	11,913	8,540	2,537	611	71,149

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

An analysis of the net book value of properties is as follows:

	Group	
	2003	2002
	$'000	*$'000*
Held under medium-term leases:		
Outside Hong Kong	**56,949**	47,548

i) Land use rights and buildings of the Group were revalued by directors on 30 June 1998 after taking into account a valuation report as at 28 February 1997 prepared by American Appraisal Hong Kong Limited, an independent firm of surveyors who have among their staff Fellows of the Hong Kong Institute of Surveyors. The directors determined that the open market value at 30 June 2003 did not materially differ from its net book value.

The carrying amount of the land use rights and buildings of the Group at 30 June 2003 would have been approximately $630,000 (2002: $674,000) and $23,305,000 (2002: $11,416,000) respectively had the land use rights and buildings been carried at cost less accumulated depreciation.

ii) Certain plant and machinery and motor vehicles as at 30 April 1994 were valued by China Certified Accountant and Financial Management, a firm of valuers registered in the People's Republic of China ("PRC"). The valuation was carried out on a depreciated replacement cost basis.

The valuation was an one-off exercise which established the deemed costs of these assets. There has been no revaluation subsequent to the revaluation at 30 April 1994 as advantage has been taken of the transitional provisions set out in paragraph 80 of SSAP 17 "Property, plant and equipment" issued by the Hong Kong Society of Accountants.

These assets would have been fully depreciated at 30 June 2000 had they been carried at cost less accumulated depreciation.

iii) The gross carrying amounts of assets of the Group held for use in operating leases were $38,173,000 (2002: $34,920,000) and the related accumulated depreciation charges were $10,908,000 (2002: $9,691,000). Had these assets been carried at cost less related accumulated depreciation, the gross carrying amounts and related accumulated depreciation charges would have been $13,003,000 (2002: $11,096,000) and $2,728,000 (2002: $3,219,000) respectively.

12. CONSTRUCTION IN PROGRESS

	Group	
	2003	2002
	$'000	*$'000*
At 1 July	**8,258**	8,236
Exchange adjustments	**(39)**	23
Additions	**9,833**	5,660
Transfer to property, plant and equipment *(note 11)*	**(15,417)**	(5,441)
Transfer to expenses	**-**	(13)
Write-off	**(102)**	(207)
At 30 June	**2,533**	8,258

13. INTEREST IN AN ASSOCIATE

During the year, the Group's investment in Danco Group Limited of $57,000 (2002: $57,000) was fully written off. Full provision had been made in prior years, accordingly, there is no effect on current year's income statement.

14. INTERESTS IN SUBSIDIARIES

	Company	
	2003	2002
	$'000	*$'000*
Unlisted shares, at cost	**192,010**	179,488
Long term loan to a subsidiary	**6,500**	6,500
Amounts due from subsidiaries	**81,094**	80,324
Amount due to a subsidiary	**-**	(1,755)
	279,604	264,557
Less: Provision for impairment loss	**(180,244)**	(180,244)
Provision for doubtful debts	**(47,839)**	(47,839)
	51,521	36,474

The long term loan to a subsidiary was unsecured, interest free and had no fixed term of repayment.

(Expressed in Hong Kong dollars)

14. INTERESTS IN SUBSIDIARIES *(continued)*

Details of the subsidiaries are as follows. The class of shares held is ordinary unless otherwise stated.

Name of company	Place of incorporation/ establishment and operation	Percentage of equity held by the Company	Percentage of equity held by subsidiaries	Particulars of issued and paid up capital	Principal activity
Benefashion Limited	Hong Kong	–	100	3,623,077 shares of US$1 each	No operation
Fun (Xiamen) Enterprise Corporation Limited	PRC	–	100	S$15,300,000	Garment manufacturing and retailing
Anxi Fenfa Enterprise Company Limited	PRC	–	100	S$1,000,000	Garment manufacturing
Anxi Sing Garments Company Limited	PRC	–	100	$3,380,000	Garment manufacturing
Benefun (BVI) Limited	British Virgin Islands ("BVI")	100	–	1 share of US$1	Investment holding
Wylkeen Investment Limited	BVI	100	–	1 share of US$1	Investment holding
Fast Good Resources Limited	Hong Kong	–	100	2 shares of $1 each	No operation
Top Ace Enterprises Limited	Hong Kong	–	100	2 shares of $1 each	Provision of management services
Wingo Asia Limited	BVI	–	100	1 share of US$1	Garment distribution
Zhangzhou Golden River Estate Development Co. Ltd.	PRC	100	–	RMB 13,300,000	Not yet commenced operation

15. INVENTORIES

	Group	
	2003	2002
	$'000	*$'000*
Raw materials	**4,428**	3,323
Work in progress	**269**	759
Finished goods	**11,600**	7,815
	16,297	11,897

At 30 June 2003, the carrying amount of inventories included in the above that were carried at net realisable value was $5,747,000 (2002: $3,294,000).

16. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2003	2002	**2003**	2002
	$'000	*$'000*	***$'000***	*$'000*
Trade debtors	**8,825**	7,265	**-**	–
Prepayments, deposits and other receivables	**12,486**	9,819	**86**	86
Tax recoverable	**-**	23	**-**	–
	21,311	17,107	**86**	86

All the trade and other receivables are expected to be recovered within one year.

Included in trade and other receivables are trade debtors (net of specific allowances for bad and doubtful debts) with the following ageing analysis:

	Group	
	2003	2002
	$'000	*$'000*
Within 1 month	**3,151**	3,540
1 to 3 months	**5,634**	3,311
More than 3 months but less than 12 months	**40**	414
Total trade debtors	**8,825**	7,265

16. TRADE AND OTHER RECEIVABLES *(continued)*

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

17. BANK LOANS – SECURED

The bank loans of the Group are secured and repayable as follows:

	Group	
	2003	2002
	$'000	$'000
Within 1 year or on demand	**2,354**	19,111

The bank loans are secured by the Group's properties with an aggregate carrying value of $17,993,000 at 30 June 2003 (2002: secured by the Group's properties with an aggregate carrying value of $45,317,000 and by certain properties owned by a director of the Company).

18. TRADE AND OTHER PAYABLES

	Group		Company	
	2003	2002	**2003**	2002
	$'000	$'000	**$'000**	$'000
Trade creditors	**19,512**	15,240	**-**	–
Other payable and accrued liabilities	**28,355**	26,946	**6,104**	3,068
Tax payable	**130**	–	**-**	–
	47,997	42,186	**6,104**	3,068

All the trade and other payables are expected to be settled within one year.

18. TRADE AND OTHER PAYABLES *(continued)*

Included in trade and other payables are trade creditors with the following ageing analysis:

	2003	2002
	$'000	*$'000*
Within 1 month or demand	**3,754**	8,217
1 to 3 months	**114**	558
More than 3 months but within 6 months	**15**	–
Over 6 months	**15,629**	6,465
Total trade creditors	**19,512**	15,240

19. DEFERRED TAXATION

At the balance sheet date, the major components of the Group's unprovided deferred tax debit are as follows:

	2003	2002
	$'000	*$'000*
Provisions for receivables and inventories	**12,396**	15,811
Excess of depreciation over depreciation allowances	**1,250**	635
Future benefit of tax losses	**15,954**	14,375
Others	**(247)**	(46)
	29,353	30,775

The Company had no material unprovided deferred taxation at the balance sheet date.

Disposals of the Group's land use rights and buildings are subject to land appreciation taxes. Such taxes are generally imposed at certain progressive rates on the assessable gains, which represent the excess of the sale proceeds over the purchase and other relevant costs incurred by the seller on the properties sold. No land appreciation tax liabilities was provided for in the financial statements in respect of the surpluses arising on revaluation of the Group's land use rights and buildings, as the Group has no plan to dispose such assets in the foreseeable future.

There are no other significant potential deferred tax liabilities for which provision has not been made.

20. SHARE CAPITAL

	2003 **$'000**	2002 $'000
Authorised		
10,000,000,000 ordinary shares of $0.01 each	**100,000**	100,000
Issued and fully paid		
At 1 July - 961,929,000 ordinary shares of $0.01 each (2002: 801,929,000 ordinary shares of $0.10 each)	**9,619**	80,193
Reduction of share capital	**-**	(72,174)
Issue of new shares	**-**	1,600
At 30 June - 961,929,000 (2002: 961,929,000) ordinary shares of $0.01 each	**9,619**	9,619

(a) Share option scheme

Pursuant to a written resolution passed on 5 May 1997, a share option scheme ("Share Option Scheme") for employees was approved and the directors may, at their discretion, invite any employees or directors of the Group, to take up options to subscribe for shares of the Company at a price to be determined by the Board which will not be less than 80% of the average closing prices of the shares of the Company on The Stock Exchange of Hong Kong Limited ("Stock Exchange") for the five trading days immediately preceding the date of offer of the option or the nominal value of the shares, whichever is the higher. To comply with the relevant rules of the Stock Exchange, which came into effect on 1 September 2001, options will be granted in the future at a price determined by the Board which will be the higher of

(i) the closing price of the shares of the Company as stated in the Stock Exchange's daily quotation sheet on the date of grant; and

(ii) the average closing price of the shares of the Company as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant.

The maximum number of shares in respect of which options may be granted (together with shares in respect of which any options remain outstanding) under the Share Option Scheme of the Company may not exceed 10% of the issued share capital of the Company from time to time, excluding for this purpose shares issued on exercise of options granted pursuant to the Share Option Scheme.

20. SHARE CAPITAL *(continued)*

(a) Share option scheme *(continued)*

No option may be granted to any one employee which, if exercised in full, would result in such employee becoming entitled to subscribe for such number of shares as, when aggregated with the total number of shares already issued and remaining issuable to him or her under the Share Option Scheme, would exceed 25% of the aggregate number of shares for the time being issued and are issuable under the Share Option Scheme. To comply with the relevant new listing rules of Stock Exchange, unless approved by shareholders in the manner set out in the listing rules, the total number of shares issued and to be issued upon exercise of the options granted to each participant (including both exercised and outstanding options) in any 12-month period must not exceed 1% of the shares of the Company in issue.

The exercisable period of an option should not exceed a period of three years commencing on the expiry of six months after the date of the option is accepted and expiring on the last day of such three year period.

The Share Option Scheme will remain in force for a period of 10 years commencing on 5 May 1997.

On 23 February 2000, the Company granted in total 19,833,000 share options for a total consideration of $3 to three executive directors at 6,611,000 share options each at a subscription price of $0.4496 per share. All these share options are exercisable on or after 24 August 2000 and will expire on 23 August 2003.

On 31 January 2001, the Company granted in total 11,200,000 share options for a total consideration of $5 to 4 executive directors and a senior executive at a subscription price of $0.16 per share. All these share options are exercisable on or after 1 August 2001 and will expire on 31 July 2004.

(Expressed in Hong Kong dollars)

20. SHARE CAPITAL *(continued)*

(a) Share option scheme *(continued)*

At 30 June 2003, the outstanding options are summarised as follows:

Date option granted	Period during which options exercisable	Exercise price	Number of options outstanding at the year end
23 February 2000	24 August 2000 to 23 August 2003	$0.4496	19,833,000
31 January 2001	1 August 2001 to 31 July 2004	$0.16	11,200,000

During the year, no share options were granted, exercised, cancelled or lapsed.

(b) Reduction of share capital

Pursuant to a special resolution passed on 20 December 2001, the authorised capital of the Company was reduced from $100,000,000 divided into 1,000,000,000 ordinary shares of $0.10 each to $10,000,000 divided into 1,000,000,000 ordinary shares of $0.01 each and such reduction was effected by cancelling paid up capital to the extent of $0.09 upon each of the 801,929,000 ordinary shares in issue as at 26 October 2001.

It was also resolved that upon such reduction of share capital taking effect, the authorised capital of the Company was increased to its former amount of $100,000,000 by the creation of an additional 9,000,000,000 ordinary shares of $0.01 each. The reduction and restoration of the authorised share capital of the Company to $100,000,000 were confirmed by the sanction of an order of the Grand Court of the Cayman Islands dated 11 February 2002 and became effective on 19 February 2002.

(c) Issue of new shares

Pursuant to a placing agreement dated 2 May 2002, a total of 160,000,000 new ordinary shares of $0.01 each, ranking pari passu with the existing shares of the Company, were placed through a placing agent on a fully underwritten basis at a placing price of $0.07 per share. The closing market price was $0.086 per share as quoted on the Stock Exchange on 2 May 2002.

21. RESERVES

(a) Group

	Share premium $'000 (Note i)	Legal reserve $'000 (Note ii)	Foreign exchange revaluation reserve $'000 (Note iii)	Revaluation reserve $'000 (Note iii)	Accumulated losses $'000	Total $'000
At 1 July 2001	106,362	3,090	1,613	27,470	(131,714)	6,821
Premium on placement of shares	9,600	–	–	–	–	9,600
Premium on share capital reduction	–	–	–	–	72,174	72,174
Share issue/reduction expenses	(113)	–	–	–	(510)	(623)
Transfer between reserves	–	–	–	(2,720)	2,720	–
Impairment loss on goodwill	–	–	–	10,798	–	10,798
Exchange difference on translation of financial statements of subsidiaries	–	–	1	–	–	1
Loss for the year	–	–	–	–	(38,856)	(38,856)
At 30 June 2002	115,849	3,090	1,614	35,548	(96,186)	59,915
At 1 July 2002	115,849	3,090	1,614	35,548	(96,186)	59,915
Transfer between reserves	–	–	–	(2,720)	2,720	–
Exchange difference on translation of financial statements of subsidiaries			15	–	–	15
Profit for the year	–	–	–	–	2,883	2,883
At 30 June 2003	**115,849**	**3,090**	**1,629**	**32,828**	**(90,583)**	**62,813**

Included in the Group's accumulated losses is a loss of $57,000 (2002: loss of $57,000) being the Group' share of accumulated losses attributable to an associate.

21. RESERVES *(continued)*

(b) Company

	Share premium $'000 (Note i)	Contributed surplus $'000 (Note iv)	Accumulated losses $'000	Total $'000
At 1 July 2001	106,362	65,261	(162,257)	9,366
Premium on placement of shares	9,600	–	–	9,600
Premium on share capital reduction	–	–	72,174	72,174
Share issue/reduction expenses	(113)	–	(510)	(623)
Loss for the year	–	–	(50,565)	(50,565)
At 30 June 2002	115,849	65,261	(141,158)	39,952
At 1 July 2002	115,849	65,261	(141,158)	39,952
Loss for the year	–	–	(2,922)	(2,922)
At 30 June 2003	**115,849**	**65,261**	**(144,080)**	**37,030**

Notes:

(i) Under the Bye-Laws of the Company, the amount is distributable subject to certain restrictions.

(ii) According to the relevant enterprises regulations in the PRC, certain subsidiaries which are foreign investment enterprises are required to transfer at least 10% of their profit after taxation, as determined under accounting principles generally accepted in the PRC, to the legal reserve until the balance reaches 50% of their registered capital. The legal reserve can be used to make good losses and to increase the capital of the subsidiaries.

(iii) The revaluation reserve and foreign exchange revaluation reserve have been set up and will be dealt with in accordance with the accounting policies adopted for the revaluation of property, plant and equipment and translation of the financial statements of foreign subsidiaries as set out in note 2. The transfer from revaluation reserve to retained earnings/(accumulated losses) represents the reserve realised on the retirement or disposal of the revalued assets and the additional depreciation made during the year.

(iv) The excess value of the shares of the subsidiaries acquired pursuant to the Group reorganisation scheme over the nominal value of the new shares of the Company issued in exchange of $65,261,000 is credited to the contributed surplus account. Under the Bye-Laws of the Company, contributed surplus is distributable subject to certain restrictions.

22. CAPITAL COMMITMENTS

The Group's capital commitments outstanding at 30 June 2003 not provided for in the financial statements were as follows:

	2003	2002
	$'000	*$'000*
Contracted for	**1,808**	–

23. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases out certain properties under operating leases. The leases typically run for an initial period of one to four years. None of the leases includes contingent rentals.

At 30 June 2003, the Group had total future minimum lease receivables under non-cancellable operating leases falling due as follows:

	2003	2002
	$'000	*$'000*
Within one year	**949**	761
In the second to fifth years, inclusive	**855**	816
	1,804	1,577

23. OPERATING LEASE ARRANGEMENTS *(continued)*

(b) As lessee

The Group leases a number of properties under operating leases. The leases typically run for an initial period of one to five years, with an option to renew the lease when all terms are renegotiated. Lease payments are usually fixed with a few of them increased annually to reflect market rentals. Certain of these leases include contingent rentals which are determined based on percentage of sales.

At 30 June 2003, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2003	2002
	$'000	*$'000*
Within one year	**11,031**	15,349
In the second to fifth years, inclusive	**11,293**	21,387
	22,324	36,736

24. MATERIAL RELATED PARTY TRANSACTIONS

At 30 June 2002, the Group had bank loans totalling $2,554,000 secured by certain properties owned by a director of the Company. In September 2003, the Group repaid the bank loans and the corresponding security was released accordingly.

25. OUTSTANDING LITIGATION

A previous landlord of a subsidiary, Benefashion Limited ("Benefashion"), disagreed with the early termination of an operating lease on a commercial property and has obtained a judgement against Benefashion. The previous landlord claimed compensation for early termination of approximately $7 million. The Company has not provided any undertaking or guarantee in respect of this lease. Since August 1998, Benefashion has had no assets and operations. The shareholders of Benefashion are considering to put Benefashion into voluntary liquidation. Accordingly, no provision for the compensation claimed has been included in these financial statements.

(Expressed in Hong Kong dollars)

26. IMPACT OF NEW AND REVISED STATEMENTS OF STANDARD ACCOUNTING PRACTICE

The following recently-issued and revised SSAPs are effective and adopted for the first time for the current year's financial statements:

SSAP 1 (Revised in December 2001)	Presentation of Financial Statements
SSAP 11 (Revised in November 2001)	Foreign Currency Translation
SSAP 15 (Revised in November 2001)	Cash Flow Statements
SSAP 34 (Issued in August 2002)	Employee Benefits

SSAP 1 (Revised) "Presentation of Financial Statements" has introduced a new format of presentation in reporting changes in equity. The presentation in the prior year's financial statements has been restated in order to achieve a consistent presentation.

SSAP 15 (Revised) "Cash Flow Statements" has changed the classifications of cash flows in the cash flow statement and the definition of cash equivalents. The presentation in the prior year's cash flow statement has been restated in accordance with the new format.

SSAP 34 "Employee Benefits" has introduced a formal framework for the recognition of liabilities and expenses in respect of employee benefits. The adoption of this new accounting standard has not resulted in any material effects on the financial results and financial position of the current or prior year.

There is no impact to the financial results and the financial position of the Company as a result of the adoption of SSAP 11 (Revised) "Foreign Currency Translation".

27. POST BALANCE SHEET EVENT

Pursuant to a placing agreement dated 25 September 2003, a total of 170,000,000 new ordinary shares of $0.01 each, ranking pari passu with the existing shares of the Company, will be placed through a placing agent on a fully underwritten basis at a placing price of $0.048 per share. The closing market price was $0.06 per share as quoted on The Stock Exchange of Hong Kong Limited on 24 September 2003. The completion of placing is expected to take place on or before 25 October 2003.

28. APPROVAL OF FINANCIAL STATEMENTS

The financial statements on pages 20 to 55 were approved and authorised for issue by the Board of Directors on 10 October 2003.