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 and Singapore Exchange 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 Institute of Certified Public 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.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(e) 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.

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)*

(f) 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.

Notes To The Financial Statements

(Expressed in Hong Kong dollars)

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(g) Depreciation and amortisation

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.

(h) 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)*

(i) 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.

(j) 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(g) above. Revenue arising from operating leases is recognised in accordance with the Group's revenue recognition policies, as set out in note 2(k) 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.

(k) 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.

Notes To The Financial Statements

(Expressed in Hong Kong dollars)

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(k) 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.

(l) 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)*

(m) Income taxes

Income taxes for the year comprise current tax and deferred tax.

Current tax is based on the profit or loss from ordinary activities adjusted for items that are non-assessable or disallowable for income tax purposes and is calculated using tax rates that have been enacted or substantively enacted at the balance sheet date.

Deferred tax arises from temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for tax purposes and is accounted for using the balance sheet liability method. Except for recognised assets and liabilities that affect neither accounting nor taxable profits, deferred tax liabilities are recognised for all temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax is measured at the tax rates expected to apply in the period when the liability is settled or the asset is realised based on tax rates that have been enacted or substantively enacted at the balance sheet date.

Income taxes are recognised in the income statement except when they relate to items directly recognised to equity in which case the taxes are also directly recognised in equity.

(n) 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.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(n) Foreign currencies *(continued)*

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.

(o) 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.

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(o) Employee benefits *(continued)*

Pension schemes (continued)

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.

(p) 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. No borrowing costs were capitalised during the year.

(q) 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.

(r) 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.

(s) 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, which will probably result in an outflow of economic benefits that can be reasonably estimated.

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, the existence of which 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.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

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:

	2004	2003
	$'000	*$'000*
Turnover		
Manufacturing, retailing and trading of apparel	**189,474**	163,559
Other revenue		
Interest income	**232**	30
Rental income	**2,611**	2,260
Sub-contracting fees	**2,861**	3,141
Franchising fees	**1,235**	1,028
Gain on disposal of property, plant and equipment	**-**	12
Other	**139**	12
	7,078	6,483
Total revenue for the year	**196,552**	170,042

4. SEGMENT INFORMATION

Segment information is presented by way of geographical segment as the primary 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.

No analysis of the Group's revenue and contribution to profit from operations by business segment has been presented as over 90% of the Group's revenue and contribution to profit from operations were derived from manufacturing, retailing and trading of apparel.

During the year, the Group commenced the business of property development. As at the balance sheet date, included in the balance of trade and other receivables was an aggregate balance of deposits and instalments of $19,147,000 (2003: $2,717,000) for the acquisition of certain land use rights in Zhangzhou City, the People's Republic of China ("PRC") (note 15). No other significant assets or liabilities was attributable to the business of property development.

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	
	2004 $'000	2003 $'000	**2004 $'000**	2003 $'000	**2004 $'000**	2003 $'000	**2004 $'000**	2003 $'000 (Restated)
Segment revenue:								
Sales to external customers	**–**	–	**181,179**	154,524	**8,295**	9,035	**189,474**	163,559
Other revenue	**–**	–	**6,707**	6,429	**–**	–	**6,707**	6,429
Total segment revenue	**–**	–	**187,886**	160,953	**8,295**	9,035	**196,181**	169,988
Interest and other unallocated income							**371**	54
Total revenue							**196,552**	170,042
Segment results	**–**	–	**7,208**	5,031	**548**	696	**7,756**	5,727
Interest and other unallocated income							**371**	54
Unallocated other receivables written off							**–**	(1,582)
Profit from operations							**8,127**	4,199
Finance costs							**(550)**	(901)
Profit from ordinary activities before taxation							**7,577**	3,298
Taxation							**(3,668)**	(3,088)
Profit attributable to shareholders							**3,909**	210
Segment assets	**558**	1,339	**145,707**	121,444	**–**	–	**146,265**	122,783
Unallocated assets							**1,840**	4,404
Total assets							**148,105**	127,187
Segment liabilities	**5,228**	7,489	**53,274**	42,732	**–**	–	**58,502**	50,221
Unallocated liabilities							**56**	130
Total liabilities							**58,558**	50,351
Other segment information:								
Depreciation	**–**	–	**8,402**	14,864	**385**	869	**8,787**	15,733
Provision for bad and doubtful debts	**–**	–	**623**	1,940	**–**	–	**623**	1,940
Provision for obsolete inventories	**–**	–	**4,140**	4,400	**–**	–	**4,140**	4,400
Other receivables written off	**–**	–	**–**	1,452	**–**	–	**–**	3,034
Capital expenditure								
– Property, plant and equipment	**–**	–	**5,507**	2,590	**–**	–	**5,507**	2,590
– Construction in progress	**–**	–	**3,175**	9,833	**–**	–	**3,175**	9,833

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

5. PROFIT FROM ORDINARY ACTIVITIES BEFORE TAXATION

Profit from ordinary activities before taxation is arrived at after charging:

	2004	2003
	$'000	*$'000*
Finance costs:		
Interest on bank advances and other borrowings repayable within five years	**550**	895
Other	**-**	6
	550	901
Other items:		
Depreciation	**8,787**	15,733
Cost of inventories sold	**116,932**	84,603
Provision for obsolete inventories	**4,140**	4,400
Auditors' remuneration	**620**	610
Minimum lease payments under operating leases		
– Property rentals (including retail shops)	**13,890**	14,089
– Contingent rentals of retail shops	**747**	1,618
Staff costs (including directors' remuneration *(note 7)* and retirement cost of $533,000 (2003: $548,000))	**35,054**	29,340
Other receivables written off	**-**	3,034
Loss on disposal of property, plant and equipment	**3,128**	–
Provision for bad and doubtful debts	**623**	1,940

6. TAXATION

Taxation in the consolidated income statement represents:

	2004 $'000	2003 $'000 (Restated)
Current tax outside Hong Kong		
Provision for the year	**520**	292
(Over)/under-provision in previous years	**(127)**	123
Deferred tax *(note 18)*	**3,275**	2,673
Total income tax expense	**3,668**	3,088

No provision for Hong Kong Profits Tax has been made in the financial statements (2003: 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 current rates of taxation on the estimated assessable profits arising in the relevant jurisdiction during the year.

A reconciliation between income tax expense and profit per the consolidated income statement at applicable tax rate is as follows:

	2004 $'000	2003 $'000
Profit before tax	**7,577**	3,298
Tax calculated at applicable PRC tax rate of 15% (2003: 15%)	**1,137**	495
Effect of different tax rates of group companies operating in different jurisdictions	**(1,256)**	(1,306)
Tax effect of non-deductible expenses	**3,914**	3,776
(Over)/under-provision for current tax in previous years	**(127)**	123
Total income tax expense	**3,668**	3,088

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

7. DIRECTORS' REMUNERATION

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

	2004	2003
	$'000	*$'000*
Executive directors		
Fees	**–**	–
Salaries and other emoluments	**2,243**	5,312
Pension scheme contributions	**12**	12
	2,255	5,324
Independent non-executive directors		
Fees	**160**	159

The remuneration of the directors is within the following bands:

	2004	2003
	Number of directors	Number of directors
$		
Nil – 1,000,000	**6**	3
1,000,001 – 1,500,000	**–**	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 19.

8. INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, four (2003: four) are directors whose emoluments are disclosed in note 7. The details of the emoluments in respect of the remaining one individual (2003: one) are as follows:

	2004	2003
	$'000	*$'000*
Salaries and other emoluments	**624**	534
Retirement scheme contributions	**12**	12
	636	546

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

	2004 Number of individuals	2003 Number of individuals
$		
Nil – 1,000,000	**1**	1

9. PROFIT ATTRIBUTABLE TO SHAREHOLDERS

The profit attributable to shareholders includes a loss of $2,930,000 (2003: a loss of $2,922,000) which has been dealt with in the financial statements of the Company.

10. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the consolidated profit attributable to shareholders of $3,909,000 (2003: $210,000 as restated) divided by the weighted average of 1,080,696,000 ordinary shares (2003: 961,929,000 ordinary shares) in issue during the year. Diluted figures are not shown as there is no dilutive effect for the year ended 30 June 2004 (2003: Nil).

Notes To The Financial Statements

(Expressed in Hong Kong dollars)

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 2003	3,041	76,608	32,510	17,191	6,996	6,830	143,176
Exchange adjustments	1	28	31	14	7	4	85
Additions	–	803	95	1,844	916	1,849	5,507
Transfer from construction in progress *(note 12)*	–	2,401	1,551	–	–	–	3,952
Disposals	–	(4,634)	–	–	–	(283)	(4,917)
At 30 June 2004	3,042	75,206	34,187	19,049	7,919	8,400	147,803
Representing:							
Cost	–	17,758	34,187	16,313	7,919	6,288	82,465
Valuation							
– 1994	–	–	–	2,736	–	2,112	4,848
– 1998	3,042	57,448	–	–	–	–	60,490
	3,042	75,206	34,187	19,049	7,919	8,400	147,803
Aggregate amortisation and depreciation							
At 1 July 2003	961	21,739	28,223	8,401	4,665	6,067	70,056
Exchange adjustments	–	6	26	6	4	3	45
Charge for the year	148	3,758	2,487	1,513	636	245	8,787
Written back on disposals	–	(1,683)	–	–	–	(40)	(1,723)
At 30 June 2004	1,109	23,820	30,736	9,920	5,305	6,275	77,165
Net book value							
At 30 June 2004	1,933	51,386	3,451	9,129	2,614	2,125	70,638
At 30 June 2003	2,080	54,869	4,287	8,790	2,331	763	73,120

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

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

	Group	
	2004	2003
	$'000	*$'000*
Held under medium-term leases:		
Outside Hong Kong	**53,319**	56,949

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 2004 was not materially different from its net book value.

   The carrying amount of the land use rights and buildings of the Group at 30 June 2004 would have been approximately $591,000 (2003: $630,000) and $23,981,000 (2003: $23,305,000) 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 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 Institute of Certified Public 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 $39,800,000 (2003: $38,173,000) and the related accumulated depreciation charges were $12,927,000 (2003: $10,908,000). Had these assets been carried at cost less related accumulated depreciation, the gross carrying amounts and related accumulated depreciation charges would have been $15,441,000 (2003: $13,003,000) and $3,792,000 (2003: $2,728,000) respectively.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

12. CONSTRUCTION IN PROGRESS

	Group	
	2004	2003
	$'000	*$'000*
At 1 July	**2,533**	8,258
Exchange adjustments	**2**	(39)
Additions	**3,175**	9,833
Transfer to property, plant and equipment *(note 11)*	**(3,952)**	(15,417)
Write-off	**-**	(102)
At 30 June	**1,758**	2,533

13. INTERESTS IN SUBSIDIARIES

	Company	
	2004	2003
	$'000	*$'000*
Unlisted shares, at cost	**192,010**	192,010
Long term loan to a subsidiary	**6,500**	6,500
Amounts due from subsidiaries	**44,289**	81,094
	242,799	279,604
Less: Provision for impairment loss	**(156,606)**	(180,244)
Provision for doubtful debts	**(29,999)**	(47,839)
	56,194	51,521

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

(Expressed in Hong Kong dollars)

13. 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/ registered and paid up capital	Principal activity
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
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	–	RMB13,300,000	Property development
Zhangzhou City Gao Hui Property Development Company Limited#	PRC	–	100	RMB3,280,000	Property development

On 15 April 2004, the Group acquired 100% of equity interest in Zhangzhou City Gao Hui Property Development Company Limited at a consideration of RMB3,280,000, which was satisfied by cash.

* *Companies registered as wholly-foreign owned enterprises in the PRC.*

\# *A company registered as a limited liability company in the PRC.*

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

14. INVENTORIES

	Group	
	2004	2003
	$'000	*$'000*
Raw materials	**5,992**	4,428
Work in progress	**1,650**	269
Finished goods	**8,701**	11,600
	16,343	16,297

At 30 June 2004, the carrying amount of inventories included in the above that were carried at net realisable value was $11,843,000 (2003: $5,747,000).

15. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2004	2003	**2004**	2003
	$'000	*$'000*	***$'000***	*$'000*
Trade debtors	**14,609**	8,825	**-**	–
Prepayments, deposits and other receivables	**25,013**	12,486	**166**	86
	39,622	21,311	**166**	86

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

	Group	
	2004	2003
	$'000	*$'000*
Within 1 month	**3,394**	3,151
1 to 3 months	**4,745**	5,634
More than 3 months but less than 12 months	**6,470**	40
Total trade debtors	**14,609**	8,825

15. 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.

During the year, the Group commenced certain property development projects for resale. As at the balance sheet date, included in the balance of prepayments, deposits and other receivables was an aggregate balance of deposits and instalments of $19,147,000 (2003: $2,717,000) for the acquisition of certain land use rights in Zhangzhou City, the PRC in respect of the aforesaid projects.

16. BANK LOANS – SECURED

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

	Group	
	2004	2003
	$'000	*$'000*
Within 1 year or on demand	**9,896**	2,354

The bank loans are interest-bearing and secured by the Group's properties with an aggregate carrying value of $30,651,000 (2003: $17,993,000) at 30 June 2004.

Notes To The Financial Statements

(Expressed in Hong Kong dollars)

17. TRADE AND OTHER PAYABLES

	Group		Company	
	2004	2003	**2004**	2003
	$'000	$'000	**$'000**	$'000
Trade creditors	**21,377**	19,512	**-**	–
Other payable and accrued liabilities	**27,229**	28,355	**4,884**	6,104
Tax payable	**56**	130	**-**	–
	48,662	47,997	**4,884**	6,104

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

	2004	2003
	$'000	$'000
Within 1 month or demand	**5,630**	3,754
1 to 3 months	**436**	114
More than 3 months but within 6 months	**162**	15
Over 6 months	**15,149**	15,629
Total trade creditors	**21,377**	19,512

18. DEFERRED TAX

Group

The components of deferred tax assets and liabilities recognised in the consolidated balance sheet and the movement during the year are as follows:

Deferred tax assets/(liabilities)	Revaluation of properties $'000	Provision for inventories and receivables $'000	Accelerated depreciation allowances $'000	Other temporary differences $'000	Total $'000
As at 1 July 2002					
As previously reported	–	–	–	–	–
Prior year adjustment of deferred tax	(5,463)	11,063	2,398	(1,361)	6,637
As restated	(5,463)	11,063	2,398	(1,361)	6,637
(Charged)/credited to income statement	–	951	(1,948)	(1,676)	(2,673)
Credited to reserves	440	–	–	–	440
As at 30 June 2003 (restated)	(5,023)	12,014	450	(3,037)	4,404
As at 1 July 2003					
As previously reported	–	–	–	–	–
Prior year adjustment of deferred tax	(5,023)	12,014	450	(3,037)	4,404
As restated	(5,023)	12,014	450	(3,037)	4,404
(Charged)/credited to income statement	–	714	(1,317)	(2,672)	(3,275)
Credited to reserves	711	–	–	–	711
As at 30 June 2004	(4,312)	12,728	(867)	(5,709)	1,840

	2004 $'000	2003 $'000
Analysis of deferred tax balances for financial reporting purposes:		
Net deferred tax asset recognised on the balance sheet	**1,840**	4,404
Net deferred tax liability recognised on the balance sheet	**-**	–
	1,840	4,404

Notes To The Financial Statements

(Expressed in Hong Kong dollars)

19. SHARE CAPITAL

	2004	2003
	$'000	*$'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	**9,619**	9,619
Issue of new shares	**1,700**	–
At 30 June – 1,131,929,000 (2003: 961,929,000) ordinary shares of $0.01 each	**11,319**	9,619

(a) Placing of new shares

During the year, 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, were 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 ("Stock Exchange") on 24 September 2003.

19. SHARE CAPITAL *(continued)*

(b) 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 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

19. SHARE CAPITAL *(continued)*

(b) Share option scheme *(continued)*

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.

During the year, as the relevant option holders had not exercised their share options on or before 23 August 2003, 19,833,000 share options lapsed and expired. Except for afore-mentioned, no share options were granted, exercised, cancelled or lapsed during the year.

At 30 June 2004, 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
31 January 2001	1 August 2001 to 31 July 2004	$0.16	11,200,000

Apart from the above options, there was no other share option outstanding as at 30 June 2004.

20. 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 2002						
As previously reported	115,849	3,090	1,614	35,548	(96,186)	59,915
Prior year adjustment arising from adoption of revised accounting standard for income taxes	–	–	–	(5,463)	12,100	6,637
As restated	115,849	3,090	1,614	30,085	(84,086)	66,552
Transfer between reserves	–	–	–	(2,720)	2,720	–
Transfer from deferred tax	–	–	–	440	–	440
Exchange difference on translation of financial statements of subsidiaries	–	–	15	–	–	15
Profit for the year	–	–	–	–	210	210
At 30 June 2003 (restated)	115,849	3,090	1,629	27,805	(81,156)	67,217
At 1 July 2003						
As previously reported	115,849	3,090	1,629	32,828	(90,583)	62,813
Prior year adjustment arising from adoption of revised accounting standard for income taxes	–	–	–	(5,023)	9,427	4,404
As restated	115,849	3,090	1,629	27,805	(81,156)	67,217
Premium on placing of shares	6,460	–	–	–	–	6,460
Share issue expenses	(83)	–	–	–	–	(83)
Transfer between reserves	–	–	–	(4,519)	4,519	–
Transfer from deferred tax	–	–	–	711	–	711
Exchange difference on translation of financial statements of subsidiaries	–	–	14	–	–	14
Profit for the year	–	–	–	–	3,909	3,909
At 30 June 2004	122,226	3,090	1,643	23,997	(72,728)	78,228

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

20. RESERVES *(continued)*

(b) Company

	Share premium $'000 (Note i)	Contributed surplus $'000 (Note iv)	Accumulated losses $'000	Total $'000
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
At 1 July 2003	115,849	65,261	(144,080)	37,030
Premium on placing of shares	6,460	–	–	6,460
Share issue expenses	(83)	–	–	(83)
Loss for the year	–	–	(2,930)	(2,930)
At 30 June 2004	122,226	65,261	(147,010)	40,477

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 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 shares of the Company issued in exchange of $65,261,000 was credited to the contributed surplus account. Under the Bye-Laws of the Company, contributed surplus is distributable subject to certain restrictions.

21. CAPITAL COMMITMENTS

The Group's capital commitments outstanding at the balance sheet date were as follows:

	2004	2003
	$'000	*$'000*
Contracted but not provided for	**23,925**	1,808

22. 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 2004, the Group had total future minimum lease receivables under non-cancellable operating leases falling due as follows:

	2004	2003
	$'000	*$'000*
Within one year	**1,102**	949
In the second to fifth years, inclusive	**1,062**	855
	2,164	1,804

Notes To The Financial Statements

(Expressed in Hong Kong dollars)

22. 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 2004, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2004	2003
	$'000	*$'000*
Within one year	**13,647**	11,031
In the second to fifth years, inclusive	**13,181**	11,293
	26,828	22,324

23. OUTSTANDING LITIGATIONS

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

As at the date of approval of these financial statements, no judgement has been passed by the relevant court in Taiwan. Based on legal advice, the Directors are of the opinion that the action is unlikely to succeed on the merits of the case and therefore no provision has been made in respect of this action.

On 10 June 2004, another civil action was brought against a subsidiary of the Company in a court in the PRC by a supplier for the outstanding balance of the supplies of cloth. The plaintiff claimed for an amount of RMB617,360 (HK$582,000) together with interest thereon at about 5% per annum plus legal costs of the action.

As at the date of approval of these financial statements, no judgement has been passed by the relevant court in the PRC. The Directors are of the opinion that the action is unlikely to succeed on the merits of the case and therefore no provision has been made in respect of this action.

24. ADOPTION OF STATEMENT OF STANDARD ACCOUNTING PRACTICE

In the current year, the Group has adopted, for the first time, SSAP 12 (Revised) "Income Taxes" (revised in August 2002). In prior years, deferred tax liabilities were provided on timing differences using the income statement liability method. Timing differences arise from the recognition for tax purposes of certain items of income and expense in a different accounting period from that in which they are recognised in the financial statements. The tax effect of timing differences is recognised in the financial statements to the extent that it is probable that a liability will crystallise in the foreseeable future. A deferred tax asset is not recognised until its realisation is assured beyond reasonable doubt.

With effect from 1 January 2003, in order to comply with SSAP 12 (Revised) issued by the Hong Kong Institute of Certified Public Accountants, the Group adopted a new policy for income taxes as set out in note (2)(m) above. As a result of the adoption of this accounting policy, the Group's revaluation reserve and accumulated losses as at 1 July 2003 have been decreased by $5,023,000 and $9,427,000 respectively, with a corresponding net increase in deferred tax assets of $4,404,000. The Group's profit for the year has been decreased by $3,275,000 (2003: decreased by $2,673,000).

25. APPROVAL OF FINANCIAL STATEMENTS

The financial statements on pages 19 to 55 were approved and authorised for issue by the Board of Directors on 11 October 2004.