

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30th June, 2005

1. GENERAL

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

The Company’s ultimate holding company is Money Belt Worldwide Limited, a limited company incorporated in the British Virgin Islands.

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

2. POTENTIAL IMPACT ARISING FROM THE RECENTLY ISSUED ACCOUNTING STANDARDS

During the year, the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) issued a number of new or revised Hong Kong Accounting Standards and Hong Kong Financial Reporting Standards (“HKFRS(s)”) (hereinafter collectively referred to as “new HKFRS(s)”) which are effective for accounting periods beginning on or after 1st January, 2005 except for HKFRS 3 “Business Combinations”. The Group has not early adopted these new HKFRS(s) in the financial statements for the year ended 30th June, 2005.

HKFRS 3 is applicable to business combinations for which the agreement date is on or after 1st January, 2005. The Group has not entered into any business combination for which the agreement date is on or after 1st January, 2005. Therefore, HKFRS 3 did not have any impact on the Group for the year ended 30th June, 2005.

The Group has commenced considering the potential impact of these new HKFRS(s) but is not yet in a position to determine whether these new HKFRS(s) would have a significant impact on how its results of operations and financial position are prepared and presented. These new HKFRS(s) may result in changes in the future as to how the results and financial position are prepared and presented.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30th June, 2005

3. SIGNIFICANT ACCOUNTING POLICIES

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

Basis of consolidation

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

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

Negative goodwill

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

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

Negative goodwill arising on acquisitions after 1st July, 2001 and before 1st January, 2005 is presented as deduction from assets. To the extent that such negative goodwill is attributable to losses or expenses anticipated at the date of acquisition, it is released to income in the period in which those losses or expenses arise. The remaining negative goodwill is recognised as income on a straight-line basis over the remaining average useful life of the identifiable acquired depreciable assets. To the extent that such negative goodwill exceeds the aggregate fair value of the acquired identifiable non-monetary assets, it is recognised as income immediately.

Negative goodwill arising from acquisitions after 1st January, 2005 will be credited to income statement immediately on acquisition, which is applicable to business combination for which the agreement date is on or after 1st January, 2005.

Investments in subsidiaries

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

NOTES TO THE FINANCIAL STATEMENTS*For the year ended 30th June, 2005***3. SIGNIFICANT ACCOUNTING POLICIES – continued****Interests in associates**

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

Revenue recognition

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

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

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

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and amortisation and accumulated impairment losses, if any.

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

Leasehold improvements	33 $\frac{1}{3}$ %
Plant and machinery	20%
Office equipment	20%
Furniture and fixtures	20%
Computer equipment	30%
Motor vehicles	33 $\frac{1}{3}$ %

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30th June, 2005

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Impairment

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

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

Investment properties

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30th June, 2005

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Inventories

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

Investments in securities

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

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

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

Operating leases

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

Foreign currencies

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30th June, 2005

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years, and it further excludes income statement items that are never taxable or deductible.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and 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. Such assets and liabilities are not recognised if the temporary difference arises from goodwill (or negative goodwill) or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Retirement benefits costs

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30th June, 2005

4. TURNOVER

Turnover represents the net amounts received and receivable for garments sold by the Group to outside customers, less returns and allowances, for the year.

5. BUSINESS AND GEOGRAPHICAL SEGMENTS

Business segments

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

Principal activities are as follows:

Garment operation	–	sourcing, manufacturing, processing, wholesaling, marketing and selling of garments
Proprietary trading in securities	–	investments in listed and unlisted equity securities and a convertible loan note
Health products development	–	production and trading of health food products

For the surplus funds not immediately used for designated proceeds of the new issue, they will be invested in short-term deposits and debt securities to secure a reasonable return on the capital to the Group. Accordingly, the investment income will not be separately reflected as a separate segment.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30th June, 2005

5. BUSINESS AND GEOGRAPHICAL SEGMENTS – continued

Business segments – continued

Segment information about these businesses is presented below:

2005

INCOME STATEMENT

	Garment Operation <i>HK\$'000</i>	Proprietary Trading in Securities <i>HK\$'000</i>	Health Products Development <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
TURNOVER				
External sales	31,868	–	–	31,868
RESULT				
Segment results	(11,296)	868	–	(10,428)
Income from investments				28,834
Gain on disposal of other investments				20,642
Net unrealised loss on revaluation of other investments				(4,733)
Unallocated corporate expenses				(10,373)
Profit from operations				23,942
Allowance for advance to an associate			(17,656)	(17,656)
Profit before taxation				6,286
Taxation				–
Net profit for the year				6,286

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30th June, 2005

5. BUSINESS AND GEOGRAPHICAL SEGMENTS – continued

Business segments – continued

OTHER INFORMATION

	Garment Operation	Proprietary Trading in Securities	Others	Consolidated
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Additions to property, plant and equipment	750	–	–	750
Depreciation and amortisation of property, plant and equipment	3,840	–	–	3,840
Bad debts recovered	(1,033)	–	–	(1,033)
Gain on disposal of property, plant and equipment	(187)	–	–	(187)

BALANCE SHEET

	Garment Operation	Proprietary Trading in Securities	Health Products Development	Consolidated
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
ASSETS				
Segment assets	32,390	20,423	–	52,813
Investments in debt securities				299,904
Unallocated corporate assets				285,022
Consolidated total assets				<u>637,739</u>
LIABILITIES				
Segment liabilities	1,043	–	–	1,043
Unallocated corporate liabilities				18,354
Consolidated total liabilities				<u>19,397</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30th June, 2005

5. BUSINESS AND GEOGRAPHICAL SEGMENTS – continued

Business segments – continued

2004

INCOME STATEMENT

	Garment Operation	Proprietary Trading in Securities	Health Products Development	Consolidated
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
TURNOVER				
External sales	36,812	–	–	36,812
RESULT				
Segment results	(10,373)	790	–	(9,583)
Income from investments				30,820
Gain on disposal of an investment property				2,854
Gain on disposal of other investments				13,007
Net unrealised loss on revaluation of other investments				(9,175)
Unallocated corporate expenses				(18,291)
Profit from operations				9,632
Allowance for advance to an associate			(6,744)	(6,744)
Profit before taxation				2,888
Taxation				–
Net profit for the year				2,888

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30th June, 2005

5. BUSINESS AND GEOGRAPHICAL SEGMENTS – continued

Business segments – continued

OTHER INFORMATION

	Garment Operation	Proprietary Trading in Securities	Others	Consolidated
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Additions to property, plant and equipment	865	–	–	865
Depreciation and amortisation on property, plant and equipment	5,062	–	11	5,073
Impairment loss recognised on investment securities	–	24	–	24
Allowance for bad and doubtful debts	1,452	–	–	1,452
Loss on disposal of property, plant and equipment	2	–	331	333

BALANCE SHEET

	Garment Operation	Proprietary Trading in Securities	Health Products Development	Consolidated
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
ASSETS				
Segment assets	32,010	20,397	–	52,407
Interests in associates	–	–	17,656	17,656
Investments in debt securities				307,247
Unallocated corporate assets				446,068
Consolidated total assets				823,378
LIABILITIES				
Segment liabilities	1,023	20	–	1,043
Unallocated corporate liabilities				18,345
Consolidated total liabilities				19,388

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30th June, 2005

5. BUSINESS AND GEOGRAPHICAL SEGMENTS – continued

GEOGRAPHIC SEGMENTS

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

	Sales revenue by geographical market		Contribution to profit (loss) from operations	
	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000
Hong Kong and Macau	3,529	5,153	(5,598)	4,242
The PRC	28,339	31,659	(4,548)	(6,331)
Europe – Luxemburg	–	–	32,460	19,182
Others	–	–	1,628	(7,461)
	31,868	36,812	23,942	9,632

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

	Carrying amount of segment assets		Additions to property, plant and equipment	
	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000
Hong Kong	32,524	82,532	726	73
The PRC	20,874	27,148	24	792
Europe				
– Luxemburg	96,359	283,488	–	–
– Belgium	50,716	182,190	–	–
– France	22,629	–	–	–
– United Kingdom	77,710	–	–	–
Philippines	–	12,774	–	–
Singapore	230,071	216,311	–	–
United States of America	106,856	7,303	–	–
Others	–	11,632	–	–
	637,739	823,378	750	865

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30th June, 2005

6. OTHER OPERATING INCOME

	2005 HK\$'000	2004 <i>HK\$'000</i>
Bad debts recovered	1,033	–
Dividends from equity investments	3	4
Gain on disposal of property, plant and equipment	187	–
Interest income on:		
– bank deposits	6,073	2,655
– investments in securities	23,608	29,043
Rental income from investment properties, net of outgoings of HK\$169,000 (2004: HK\$15,000)	701	468
Sundry income	18	86
	31,623	32,256

Included above is income from listed investments of HK\$13,909,000 (2004: HK\$19,619,000) and unlisted investments of HK\$9,702,000 (2004: HK\$9,428,000).

7. PROFIT FROM OPERATIONS

Profit from operations has been arrived at after charging:

	2005 HK\$'000	2004 <i>HK\$'000</i>
Allowance for bad and doubtful debts	–	1,452
Auditors' remuneration	367	347
Depreciation and amortisation of property, plant and equipment	3,840	5,073
Impairment loss recognised on investment securities	–	24
Loss on disposal of property, plant and equipment	–	333
Operating lease rentals paid in respect of rented premises	2,461	1,391
Cost of inventories recognised as expenses	8,904	7,118
Staff costs (including Directors' remuneration, <i>note 8</i>)		
Wages, salaries and other benefits	16,526	21,921
Retirement benefits scheme contributions	449	423
	16,975	22,344

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30th June, 2005

8. DIRECTORS' REMUNERATION

The emoluments paid or payable to each of the seven (2004: six) Directors were as follows:

	Independent Non-Executive Directors			Non-Executive Director	Executive Directors			2005
	HO Yau Ming HK\$'000	LAI Kwok Wing HK\$'000	MAN Mo Leung HK\$'000	WU Wing Kit HK\$'000 (Note 1)	LAU Tung Hoi HK\$'000	YAN Miu King HK\$'000	LUNG Tze Lam HK\$'000 (Note 2)	TOTAL HK\$'000
Fees	90	90	120	120	-	-	-	420
Other emoluments								
Salaries and other benefits	-	-	-	-	6,604	900	(152)	7,352
Contributions to retirement benefits scheme	-	-	-	-	12	12	-	24
	90	90	120	120	6,616	912	(152)	7,796

	Independent Non-Executive Directors			Executive Directors			2004
	LAI Kwok Wing HK\$'000	MAN Mo Leung HK\$'000	WU Wing Kit HK\$'000	LAU Tung Hoi HK\$'000	LUNG Tze Lam HK\$'000	TONG Yat Chong HK\$'000	TOTAL HK\$'000
Fees	120	10	120	-	-	-	250
Other emoluments							
Salaries and other benefits	-	-	-	6,743	3,084	769	10,596
Contributions to retirement benefits scheme	-	-	-	12	12	6	30
	120	10	120	6,755	3,096	775	10,876
Compensation for loss of office	-	-	-	-	-	602	602
	120	10	120	6,755	3,096	1,377	11,478

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30th June, 2005

8. DIRECTORS' REMUNERATION – continued

Notes:

1. Mr. Wu Wing Kit is re-designated from an Independent Non-Executive Director to a Non-Executive Director of the Company on 7th October, 2004.
2. Mr. Lung Tze Lam was the former Executive Director resigned on 30th June, 2004. The amount in 2005 represented the refund of overpayment for taxation paid on behalf by the Group in prior year.

There was no arrangement under which a Director waived or agreed to waive any remuneration during the year (2004: Nil). During the year, no emoluments were paid by the Group to the Directors of the Company as an inducement to join or upon joining the Group (2004: Nil).

9. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, two (2004: three) were Directors of the Company whose emoluments are included in the disclosures in note 8 above. The emoluments of the remaining three (2004: two) highest paid individuals are as follows:

	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Salaries and other benefits	2,187	2,450
Retirement benefits scheme contributions	12	24
	2,199	2,474

Their emoluments were within the following bands:

	2005 <i>No. of Individuals</i>	2004 <i>No. of Individuals</i>
Nil to HK\$1,000,000	2	–
HK\$1,000,001 to HK\$1,500,000	1	2

During the year, there was no emolument paid by the Group to any of the five highest paid employees as an inducement to join, or upon joining of the Group, or as compensation for loss of office (2004: Nil, except for HK\$602,000 paid to one of the Directors as compensation for loss of office as disclosed in note 8).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30th June, 2005

10. TAXATION

Hong Kong Profits Tax is calculated at 17.5% of the estimated assessable profits for both years. No provision for Hong Kong Profits Tax has been made in the financial statements as the Company and its subsidiaries operating in Hong Kong incurred tax losses for both years.

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

The taxation for the year can be reconciled to the profit before taxation per the consolidated income statement as follows:

	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Profit before taxation	6,286	2,888
Tax at income tax rate of 17.5%	1,100	505
Tax effect of expenses not deductible for tax purpose	3,956	2,479
Tax effect of income not taxable for tax purpose	(8,203)	(6,830)
Deferred tax assets in respect of tax losses and other temporary difference not recognised	3,048	3,620
Utilisation of tax losses/deferred tax assets previously not recognised	(139)	(165)
Effect of different tax rates of subsidiaries operating in other jurisdictions	209	216
Others	29	175
Taxation for the year	–	–

Details of deferred taxation not recognised in the financial statements are set out in note 23.

NOTES TO THE FINANCIAL STATEMENTS

*For the year ended 30th June, 2005***11. DIVIDEND**

	2005 HK\$'000	2004 <i>HK\$'000</i>
Final, proposed – 1.5 cents per share (2004: Special, proposed – HK16 cents per share)	18,241	194,574

The final dividend of HK1.5 cents per share for the year ended 30th June, 2005 has been proposed by the Directors and is subject to approval by the shareholders at the forthcoming annual general meeting.

12. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the profit for the year of HK\$6,286,000 (2004: HK\$2,888,000) and 1,216,090,400 (2004: weighted average number of 1,216,952,900) shares in issue during the year.

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30th June, 2005

13. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements <i>HK\$'000</i>	Plant and machinery <i>HK\$'000</i>	Office equipment <i>HK\$'000</i>	Furniture and fixtures <i>HK\$'000</i>	Computer equipment <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Total <i>HK\$'000</i>
THE GROUP							
COST							
At 1st July, 2004	6,966	13,882	1,597	1,550	2,613	2,241	28,849
Additions	–	3	8	–	50	689	750
Disposals	–	–	(30)	–	–	(490)	(520)
At 30th June, 2005	6,966	13,885	1,575	1,550	2,663	2,440	29,079
DEPRECIATION AND AMORTISATION							
At 1st July, 2004	5,965	7,789	1,473	1,542	2,378	2,171	21,318
Provided for the year	558	2,776	28	5	174	299	3,840
Eliminated on disposals	–	–	–	–	–	(490)	(490)
At 30th June, 2005	6,523	10,565	1,501	1,547	2,552	1,980	24,668
NET BOOK VALUES							
At 30th June, 2005	443	3,320	74	3	111	460	4,411
At 30th June, 2004	1,001	6,093	124	8	235	70	7,531

NOTES TO THE FINANCIAL STATEMENTS

*For the year ended 30th June, 2005***14. INVESTMENT PROPERTIES****THE GROUP**

	2005 HK\$'000	2004 HK\$'000
VALUATION		
Balance brought forward	4,410	18,500
Disposal	–	(18,500)
Transfer from leasehold land and buildings	–	3,413
Surplus on revaluation	2,640	997
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Balance carried forward	7,050	4,410
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The investment properties at 30th June, 2005 are situated in Hong Kong and are held under medium-term lease. The investment properties were transferred from leasehold land and buildings at their carrying value as at 31st May, 2004.

The investment properties were revalued on 30th June, 2005 by Savills (Hong Kong) Limited (formerly known as FPD Savills (Hong Kong) Limited), independent professional valuer, on an open market value basis. The surplus arising on revaluation of HK\$2,640,000 (2004: HK\$997,000) has been credited to the investment property revaluation reserve.

The investment properties of the Group held as at 30th June, 2005 and 30th June, 2004 were rented out under operating leases.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30th June, 2005

15. INVESTMENTS IN SECURITIES

THE GROUP

	Investment securities		Other investments		Total	
	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000
Equity securities						
Listed	170	99	–	–	170	99
Debt securities						
Listed	–	–	94,547	276,062	94,547	276,062
Unlisted	–	–	225,357	51,185	225,357	51,185
	–	–	319,904	327,247	319,904	327,247
Total	170	99	319,904	327,247	320,074	327,346
Listed – in Hong Kong	170	99	–	–	170	99
– elsewhere	–	–	94,547	276,062	94,547	276,062
Unlisted	–	–	225,357	51,185	225,357	51,185
Total	170	99	319,904	327,247	320,074	327,346
Market value of listed securities	2,360	1,553	94,547	276,062	96,907	277,615
Carrying amount analysed for reporting purposes						
Current	–	–	299,904	307,247	299,904	307,247
Non-current	170	99	20,000	20,000	20,170	20,099
	170	99	319,904	327,247	320,074	327,346

An impairment loss of HK\$18,531,000 in respect of certain investment securities had been recognised in the consolidated income statement in prior years to reduce the carrying amount of the investment securities to their recoverable amounts.

NOTES TO THE FINANCIAL STATEMENTS

*For the year ended 30th June, 2005***16. INTERESTS IN ASSOCIATES****THE GROUP**

	2005 HK\$'000	2004 <i>HK\$'000</i>
Share of net deficit of associates	–	–
Advance to an associate	24,706	24,706
<i>Less: Allowance for advance to an associate</i>	(24,706)	(7,050)
	–	17,656

At 30th June, 2005 and 2004, the advance to an associate by the Group is secured by a floating charge over the assets of the associate, non-interest bearing and has no fixed terms of repayment. In the opinion of the Directors, the amount will not be repaid within the next twelve months from the balance sheet date.

The Directors reassessed the recoverability of the advance to an associate as at 30th June, 2005. Having taken into account of the uncertain future prospects and revenue to be generated from the associate, the Directors determined an allowance of HK\$17,656,000 (2004: HK\$7,050,000) to be recognised for the year to reduce the carrying amount of the interests in associates to zero.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30th June, 2005

16. INTERESTS IN ASSOCIATES – continued

As at 30th June, 2005, the Group had interests in the following associates:

Name of entity	Form of business structure	Place of incorporation	Principal place of operation	Class of shares held	Proportion of nominal value of issued capital held by the Group	Principal activities
Wealthy Creative Health Food Holdings Limited	Incorporated	British Virgin Islands	Hong Kong	Ordinary	50%	Investment holding
Wealthy Creative Health Food Limited	Incorporated	Hong Kong	Hong Kong	Ordinary	50%	Production and trading of Chinese herbal health products
Wealthy Creative Health Food Distribution Limited	Incorporated	Hong Kong	Hong Kong	Ordinary	50%	Inactive

NOTES TO THE FINANCIAL STATEMENTS

*For the year ended 30th June, 2005***16. INTERESTS IN ASSOCIATES – continued**

The following details have been extracted from the audited financial statements of the Group's significant associates:

Results for the year

	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Turnover	7,728	5,199
Loss before taxation	(9,057)	(13,489)
Loss after taxation attributable to the Group	–	–

Financial position

	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Non-current assets	–	3,240
Current assets	3,012	9,899
Current liabilities	(26,035)	(27,105)
Net liabilities	(23,023)	(13,966)
Net liabilities attributable to the Group	–	–

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30th June, 2005

17. INVESTMENTS IN SUBSIDIARIES

THE COMPANY

	2005 HK\$'000	2004 HK\$'000
Unlisted shares, at cost less dividends received	15,112	15,112
Less: Impairment loss recognised	(9,597)	(9,597)
	5,515	5,515

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

Details of the Company's principal subsidiaries at 30th June, 2005 are as follows:

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30th June, 2005

17. INVESTMENTS IN SUBSIDIARIES – continued

Name of subsidiary	Place of incorporation/ operation	Issued and fully paid ordinary/ registered share capital	Proportion of nominal value of issued capital/registered capital held by the Company	Principal activities
Guangzhou First Sign Apparel Limited	Note	USD2,500,000	100%	Inactive
Guangzhou Supreme Sign Knitting & Dyeing Company Limited	Note	USD5,000,000	100%	Garments manufacturing and trading
Pearl River Pacific Limited	British Virgin Islands	US\$1	100%	Investment holding
Sunvest Overseas Limited	British Virgin Islands	US\$1	100%	Investment holding

The above table lists the subsidiaries of the Company which, in the opinion of the Directors, principally affected the results of the year or formed a substantial portion of the assets and liabilities of the Group. To give details of other subsidiaries would, in the opinion of the Directors, result in particulars of excessive length.

None of the subsidiaries had issued any debt securities outstanding at 30th June, 2005 or at any time during the year.

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

Note: These two companies were established in the PRC as wholly foreign owned enterprises.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30th June, 2005

18. INVENTORIES

THE GROUP

	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
At cost:		
Raw materials	3,576	1,419
Work in progress	1,859	1,682
Total	5,435	3,101

19. TRADE DEBTORS

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

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

THE GROUP

	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
0-30 days	167	184
31-60 days	53	94
Total	220	278

20. TRADE CREDITORS

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

THE GROUP

	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
0-30 days	15	–
Over 60 days	42	43
Total	57	43

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30th June, 2005

21. SHARE CAPITAL

	Number of shares		Share capital	
	2005	2004	2005 HK\$'000	2004 HK\$'000
Ordinary shares of HK\$0.10 each				
Authorised				
At beginning and end of year	2,000,000,000	2,000,000,000	200,000	200,000
Issued and fully paid				
At beginning of year	1,216,090,400	1,217,240,400	121,609	122,724
Shares repurchased	-	(1,150,000)	-	(115)
At end of year	1,216,090,400	1,216,090,400	121,609	121,609

During the year, neither the Company nor its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

22. RESERVES

THE GROUP

	Share premium HK\$'000	Capital redemption reserve HK\$'000	Special reserve HK\$'000	Capital reserve HK\$'000	Translation reserve HK\$'000	Investment property revaluation reserve HK\$'000	Dividend reserve HK\$'000	Accumulated profits HK\$'000	Total HK\$'000
At 1st July, 2003	239,778	3,352	1,000	18	(115)	-	18,259	434,697	696,989
Surplus on revaluation of investment properties	-	-	-	-	-	997	-	-	997
Repurchase of own shares	(234)	115	-	-	-	-	-	(115)	(234)
Net profit for the year	-	-	-	-	-	-	-	2,888	2,888
Prior year final dividend paid	-	-	-	-	-	-	(18,259)	-	(18,259)
Special dividend proposed for the year ended 30th June, 2004	-	-	-	-	-	-	194,574	(194,574)	-
At 30th June, 2004	239,544	3,467	1,000	18	(115)	997	194,574	242,896	682,381
Surplus on revaluation of investment properties	-	-	-	-	-	2,640	-	-	2,640
Net profit for the year	-	-	-	-	-	-	-	6,286	6,286
Prior year special dividend paid	-	-	-	-	-	-	(194,574)	-	(194,574)
Final dividend proposed for the year ended 30th June, 2005	-	-	-	-	-	-	18,241	(18,241)	-
At 30th June, 2005	239,544	3,467	1,000	18	(115)	3,637	18,241	230,941	496,733

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30th June, 2005

22. RESERVES – continued

THE COMPANY

	Share premium HK\$'000	Capital redemption reserve HK\$'000	Contributed surplus HK\$'000	Dividend reserve HK\$'000	Accumulated profits HK\$'000	Total HK\$'000
At 1st July, 2003	239,778	3,352	15,013	18,259	378,617	655,019
Repurchase of own shares	(234)	115	–	–	(115)	(234)
Net profit for the year	–	–	–	–	3,496	3,496
Prior year final dividend paid	–	–	–	(18,259)	–	(18,259)
Special dividend proposed for the year ended 30th June, 2004	–	–	–	194,574	(194,574)	–
At 30th June, 2004	239,544	3,467	15,013	194,574	187,424	640,022
Net loss for the year	–	–	–	–	(20,374)	(20,374)
Prior year special dividend paid	–	–	–	(194,574)	–	(194,574)
Final dividend proposed for the year ended 30th June, 2005	–	–	–	18,241	(18,241)	–
At 30th June, 2005	239,544	3,467	15,013	18,241	148,809	425,074

The accumulated profits of the Group include deficit of HK\$27,206,000 (2004: HK\$9,550,000) attributable to associates of the Group.

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30th June, 2005

22. RESERVES – continued

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

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

In the opinion of the Directors, as at 30th June, 2005, the Company's reserves available for distribution to shareholders consisted of contributed surplus of HK\$15,013,000 (2004: HK\$15,013,000) and accumulated profits of HK\$148,809,000 (2004: HK\$187,424,000).

23. UNRECOGNISED DEFERRED TAXATION

THE GROUP

The following are the major deferred tax assets not recognised and movement thereon during the current and prior reporting years:

	Decelerated tax depreciation	Tax losses	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
At 1st July, 2003	266	12,491	12,757
Movement for the year	(61)	3,516	3,455
At 30th June, 2004	205	16,007	16,212
Movement for the year	(115)	3,050	2,935
At 30th June, 2005	90	19,057	19,147

At 30th June, 2005, the Group has estimated unused tax losses of HK\$110,767,000 (2004: HK\$92,732,000) and deductible temporary difference in respect of decelerated tax depreciation of HK\$517,000 (2004: HK\$1,174,000) available for offset against future profits. A deferred tax asset has not been recognised in the financial statements in respect of estimated tax losses and the deductible temporary difference due to the unpredictability of future profit streams. Included in unrecognised estimated tax losses are losses of HK\$13,087,000 (2004: HK\$8,854,000) that will expire within 5 years. Other estimated tax losses may be carried forward indefinitely.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30th June, 2005

24. OPERATING LEASE COMMITMENTS

The Group as lessee

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

	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Within one year	2,406	2,262
In the second to fifth year inclusive	1,297	2,803
	3,703	5,065

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

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

The Group as lessor

Property rental income earned during the year was HK\$701,000 (2004: HK\$468,000). The investment property is expected to generate rental yields of 7% (2004: 12%) per annum on an ongoing basis.

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

	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Within one year	609	701
In the second to fifth year inclusive	–	609
	609	1,310

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30th June, 2005

25. SHARE OPTION SCHEMES

The Company operates share option schemes for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. On 30th October, 1995, the Company approved a share option scheme (the "Old Scheme") under which the Board may, at its discretion, grant options to eligible employees, including executive directors of the Company and its subsidiaries, to subscribe for shares of the Company at any time during the ten years from the date of approval of the Old Scheme. No option was granted under the Old Scheme since its adoption.

In compliance with the amended Chapter 17 of the Listing Rules, the Old Scheme was terminated and a new share option scheme (the "New Scheme") was adopted pursuant to an ordinary resolution passed at the annual general meeting of the Company on 20th October, 2004.

Under the New Scheme, all Directors and employees of the Group and consultants, advisors, agents, customers, service providers, contractors, business partners of any members of the Group or any company or other entity in which the Group or any member thereof has a shareholding interest, in the sole discretion of the Board, has contributed to the Group or any member thereof are eligible to participate in the New Scheme.

The total number of shares in respect of which options may be granted under the New Scheme is not permitted to exceed 10% of the shares of the Company in issue as at the date of adoption of the New Scheme, without prior approval from the Company's shareholders. The number of shares in respect of which options may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. Options granted to substantial shareholders or Non-Executive Director or Independent Non-Executive Directors in excess of 0.1% of the Company's share capital or with a value in excess of HK\$5 million must be approved in advance by the Company's shareholders.

Options granted must be taken up within 30 days of the date of grant, upon payment of HK\$1.00 per each grant of option. Options may be exercised at any time from the date of grant of the share option to a period to be notified by the Board of Directors of the Company to each grantee at the time of making such offer, which shall not expire later than 10 years from the date of grant. The exercise price is determined by the Board of Directors of the Company at its absolute discretion and will not be less than the higher of (a) the closing price of the shares of the Company as stated in the daily quotations sheets issued by the Stock Exchange on the date of grant; (b) the average closing price of the shares of the Company as stated in the daily quotations sheets issued by the Stock Exchange for the 5 business days immediately preceding the date of grant; and (c) the nominal value of a share of the Company on the date of grant.

No option was granted under the New Scheme since its adoption and no option was outstanding as at 30th June, 2005.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30th June, 2005

26. RETIREMENT BENEFITS SCHEME

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

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

The Group’s subsidiaries in the PRC, in compliance with the applicable regulations of the PRC, participate in social insurance schemes operated by the relevant local government authorities. The insurance premium is borne by the Group and the employees on a specified proportion of the employees’ salaries laid down under the relevant PRC law.

During the year, the total costs charged to the income statement in the sum of HK\$449,000 (2004: HK\$423,000) represents contributions payable to these schemes by the Group.

27. RELATED PARTY TRANSACTIONS

During the year, the Group paid rental for a Director’s accommodation to a landlord in which Mr. Lau Tung Hoi has a beneficial interest, amounted to HK\$720,000 (2004: HK\$720,000).

The rental was determined with reference to the prevailing market rent when the relevant rental agreement was entered into.