For the year ended 30th June, 2006

1. GENERAL

The Company was incorporated in Bermuda under the Companies Act 1981 of Bermuda (as amended) as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The address of the registered office and principal place of business of the Company are disclosed in the "Corporate Information" section of the annual report.

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

The functional currency of the Company is Renminbi.

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. PRESENTATION OF FINANCIAL STATEMENTS

The presentation currency of the financial statements was Hong Kong dollars. The directors consider this presentation is more appropriate as the Company is listed in the Stock Exchange in Hong Kong.

3. APPLICATION OF NEW/REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has applied, for the first time, a number of new Hong Kong Financial Reporting Standards ("HKFRS(s)"), Hong Kong Accounting Standards ("HKAS(s)") and Interpretations ("INT(s)") (hereinafter collectively referred to as "new HKFRS(s)") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") that are effective for accounting periods beginning on or after 1st January, 2005, other than HKFRS 3 "Business Combinations" that had been adopted during the year ended 30th June, 2005 for business combinations for which agreement date is on or after 1st January, 2005. The application of the new HKFRSs has resulted in a change in the presentation of the consolidated income statement, consolidated balance sheet and consolidated statement of changes in equity. The changes in presentation have been applied retrospectively. The adoption of the new HKFRSs has resulted in changes to the Group's accounting policies in the following areas that have an effect on how the results for the current and/or prior accounting years are prepared and presented:

Business combinations

In the current year, the Group has applied HKFRS 3 "Business Combinations", other than business combinations for which the agreement date is on or after 1st January, 2005 which was adopted during the year ended 30th June, 2005. The principal effects of the application of HKFRS 3 to the Group are summarised below:

For the year ended 30th June, 2006

3. APPLICATION OF NEW/REVISED HONG KONG FINANCIAL REPORTING STANDARDS – continued

Business combinations – continued

Excess of the Group's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost (previously known as "negative goodwill")

In accordance with HKFRS 3, any excess of the Group's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over the cost of acquisition ("discount on acquisition") is recognised immediately in profit or loss in the period in which the acquisition takes place. In previous periods, negative goodwill arising on acquisitions prior to 1st July, 2001 was held in reserve. In accordance with the relevant transitional provisions in HKFRS 3, the Group derecognised all negative goodwill of HK$18,000 which was previously recorded in reserves on 1st July, 2005. A corresponding adjustment to the Group's accumulated profits has been made (see note 3A for the financial impact).

Financial instruments

In the current year, the Group has applied HKAS 32 "Financial instruments: Disclosure and Presentation" and HKAS 39 "Financial instruments: Recognition and Measurement". HKAS 32 requires retrospective application. The application of HKAS 32 has had no material impact on how financial instruments of the Group are presented for current and prior accounting years. HKAS 39, which is effective for accounting periods beginning on or after 1st January, 2005, generally does not permit recognition, derecognition or measurement of financial assets and liabilities on a retrospective basis. The principal effects resulting from the implementation of HKAS 32 and HKAS 39 are summarised below:

Classification and measurement of financial assets and financial liabilities

The Group has applied the relevant transitional provision in HKAS 39 with respect to classification and measurement of financial assets and financial liabilities that are within the scope of HKAS 39.

At 30th June, 2005, the Group classified and measured its debt and equity securities in accordance with the benchmark treatment of Statement of Standard Accounting Practice 24 "Accounting for Investments in Securities" ("SSAP 24"). Under SSAP 24, investments in debt or equity securities are classified as "investment securities", "other investments" or "held-to-maturity investments" as appropriate. "Investment securities" are carried at cost less impairment losses (if any) while "other investments" are measured at fair value, with unrealised gains or losses included in the profit or loss. Held-to-maturity investments are carried at amortised cost less impairment losses (if any). From 1st July, 2005 onwards, the Group has classified and measured its debt and equity securities in accordance with HKAS 39. Under HKAS 39, financial assets are classified as "financial assets at fair value through profit or loss", "available-for-sale financial assets", "loans and receivables", or "held-to-maturity financial assets". "Financial assets at fair value through profit or loss" and "available-for-sale financial assets" are carried at fair value, with changes in fair values recognised in profit or loss and equity respectively. "Loans and receivables" and "held-to-maturity financial assets" are measured at amortised cost using the effective interest method after initial recognition. Available-for-sale equity instruments that do not have quoted market prices in an active market and whose fair value cannot be reliably measured, are measured at cost less impairment after initial recognition.

For the year ended 30th June, 2006

3. APPLICATION OF NEW/REVISED HONG KONG FINANCIAL REPORTING STANDARDS – continued

Financial instruments – continued

On 1st July, 2005, the Group classified and measured its debt and equity securities in accordance with the requirements of HKAS 39. Investment securities and other investments were classified as available-for-sale investments and financial assets measured at fair value through profit or loss amounting to HK$170,000 and HK$299,904,000 respectively. Listed equity securities classified as available-for-sale investment were stated at fair value. The change of fair value amounting to HK$2,190,000 has been adjusted to investment revaluation reserve (see note 3A for the financial impact). The adoption of HKAS 39 with respect to the classification and measurement has had no material financial impact to the Group, and accordingly, no adjustment to accumulated profits at 1st July, 2005 was required.

Financial assets and financial liabilities other than debt and equity securities

From 1st July, 2005 onwards, the Group has classified and measured its financial assets and financial liabilities other than debt and equity securities (which were previously outside the scope of SSAP 24) in accordance with the requirements of HKAS 39. As mentioned above, financial assets under HKAS 39 are classified as "financial assets at fair value through profit or loss", "available-for-sale financial assets", "loans and receivables" or "held-to-maturity financial assets". Financial liabilities are generally classified as "financial liabilities at fair value through profit or loss" or other financial liabilities. Other financial liabilities are carried at amortised cost using the effective interest method after initial recognition. This change has no material effect on the results for the current year.

Convertible note receivable

From 1st July, 2005 onwards, the Group has measured its convertible loan in accordance with the requirements of HKAS 32 and HKAS 39 and classified the convertible loan as convertible note receivable. In prior years, convertible note receivable was included in investments in securities amounting to HK$20,000,000. The Group has classified the embedded derivative for conversion option as financial assets at fair value through profit or loss and the convertible loan as loan and receivables.

According to HKAS 39, all the derivatives that are within the scope of HKAS 39 are required to be carried at fair value at the balance sheet date. Since the fair value of the conversion option is insignificant, no fair value of such conversion right are recognised in profit or loss for the period.

Investment properties

In the current year, the Group has, for the first time, applied HKAS 40 "Investment Property". The Group has elected to use the fair value model to account for its investment properties which requires gains or losses arising from changes in the fair value of investment properties to be recognised directly in the profit or losses for the year in which they arise. In previous years, investment properties under the predecessor standard were measured at open market values, with revaluation surplus or deficits credited or charged to investment property revaluation reserve unless the balance on this reserve was insufficient to cover a revaluation decrease, in which case the excess of the revaluation decrease over the balance on the investment property revaluation reserve was charged to the income statement. Where a decrease had previously been charged to the income statement and revaluation subsequently arose, that increase was credited to the income statement to the extent of the decrease previously charged. The Group has applied the relevant transitional provisions in HKAS 40 and elected to apply HKAS 40 from 1st July, 2005 onwards. The amount held in investment property revaluation reserve at 1st July, 2005 has been transferred to the Group's accumulated profits (see note 3A for the financial impact).

For the year ended 30th June, 2006

3. APPLICATION OF NEW/REVISED HONG KONG FINANCIAL REPORTING STANDARDS – continued

Deferred taxes related to investment properties

In previous years, deferred tax consequences in respect of revalued investment properties were assessed on the basis of the tax consequence that would follow from recovery of the carrying amount of the properties through sale in accordance with the predecessor interpretation. In the current year, the Group has applied HK(SIC)-Interpretation 21 "Income Taxes-Recovery of Revalued Non-depreciable Assets" which removes the presumption that the carrying amount of investment properties is to be recovered through sale. Therefore, the deferred tax consequences of the investment properties are now assessed on the basis that the reflection of the tax consequences would follow from the manner in which the Group expects to recover the property at each balance sheet date. In the absence of any specific transitional provisions in HK(SIC)-Interpretation 21, this change in accounting policy has been applied retrospectively. In view of the financial impact is insignificant, no adjustment has been made.

3A SUMMARY OF THE EFFECTS OF THE CHANGES IN ACCOUNTING POLICIES

The effects of the changes in the accounting policies described above on the results for the current and prior years are as follows:

	2006	2005
	HK$'000	*HK$'000*
Increase in fair value change of investment properties and increase in profit for the year	**1,520**	–

For the year ended 30th June, 2006

3. APPLICATION OF NEW/REVISED HONG KONG FINANCIAL REPORTING STANDARDS – continued

3A SUMMARY OF THE EFFECTS OF THE CHANGES IN ACCOUNTING POLICIES – continued

The cumulative effects of the application of the new HKFRSs on 30th June, 2005 and 1st July, 2005 are summarised below:

	As at 30th June, 2005 (originally stated)	Adjustments HKFRS 3	HKAS 39	HKAS 40	As at 1st July, 2005 (restated)
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Balance sheet items					
Investments in securities	320,074	–	(320,074)	–	–
Convertible note receivable	–	–	20,000	–	20,000
Available-for-sale investments	–	–	2,360	–	2,360
Financial assets measured at fair valuethrough profit or loss	–	–	299,904	–	299,904
Other assets and liabilities	298,268	–	–	–	298,268
Total effects on assets and liabilities	618,342	–	2,190	–	620,532
Share capital	121,609	–	–	–	121,609
Capital reserve	18	(18)	–	–	–
Investment property revaluation reserve	3,637	–	–	(3,637)	–
Investment revaluation reserve	–	–	2,190	–	2,190
Accumulated profits	230,941	18	–	3,637	234,596
Other reserves	262,137	–	–	–	262,137
Total effects on equity	618,342	–	2,190	–	620,532

The Group has not early applied the following new and revised standard and interpretations that have been issued but are not yet effective. The directors anticipate that the application of these new and revised standards and interpretations will not have any material impact on the financial statements of the Group.

HKAS 1 (Amendment)	Capital disclosure [1]
HKAS 19 (Amendment)	Actuarial gains and losses, group plans and disclosures [2]
HKAS 21 (Amendment)	Net investment in a foreign operation [2]
HKAS 39 (Amendment)	Cash flow hedge accounting of forecast intragroup transactions [3]
HKAS 39 (Amendment)	The fair value option [2]
HKAS 39 and HKFRS 4 (Amendments)	Financial guarantee contracts [2]
HKFRS 6	Exploration for and evaluation of mineral resources [2]
HKFRS 7	Financial instruments: Disclosures [1]
HK(IFRIC)-INT 4	Determining whether an arrangement contains a lease [2]
HK(IFRIC)-INT 5	Rights to interests arising from decommissioning, restoration and environmental rehabilitation funds [2]

For the year ended 30th June, 2006

3. APPLICATION OF NEW/REVISED HONG KONG FINANCIAL REPORTING STANDARDS – continued

3A SUMMARY OF THE EFFECTS OF THE CHANGES IN ACCOUNTING POLICIES – continued

HK(IFRIC)-INT 6	Liabilities arising from participating in a specific market – waste electrical and electronic equipment [3]
HK(IFRIC)-INT 7	Applying the restatement approach under HKAS 29 Financial Reporting in Hyperinflationary Economies [4]
HK(IFRIC)-INT 8	Scope of HKFRS 2 [5]
HK(IFRIC)-INT 9	Reassessment of embedded derivatives [6]
HK(IFRIC)-INT 10	Interim financial reporting and impairment [7]

[1] Effective for accounting periods beginning on or after 1st January, 2007.
[2] Effective for accounting periods beginning on or after 1st January, 2006.
[3] Effective for accounting periods beginning on or after 1st December, 2005.
[4] Effective for accounting periods beginning on or after 1st March, 2006.
[5] Effective for accounting periods beginning on or after 1st May, 2006.
[6] Effective for accounting periods beginning on or after 1st June, 2006.
[7] Effective for accounting periods beginning on or after 1st November, 2006.

4. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared on the historical cost basis except for investment properties and financial instruments, which are measured at fair values, as explained in the accounting policies set out below.

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

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 statements from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

For the year ended 30th June, 2006

4. SIGNIFICANT ACCOUNTING POLICIES – continued

Interest in associates

The results, assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting. Under the equity method, investments in associates are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of the profit or loss and of changes in equity of the associate, less any identified impairment loss. When the Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. An additional share of losses is provided for and a liability is recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

Where a group entity transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable.

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

Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

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

Rental income is recognised on a straight-line basis over the lease terms.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation 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.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the income statement in the year in which the item is derecognised.

Investment properties

On initial recognition, investment properties are measured at cost, including any direct attributable expenditure. Subsequent to initial recognition, investment properties are measured using the fair value model. Gains or losses arising from changes in the fair value of investment property are included in profit or loss for the period in which they arise.

For the year ended 30th June, 2006

4. 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. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Net realized value represents the estimated selling price less all estimated costs to completion and costs to be incurred in marketing, selling and distribution.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognised in the income statement on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on a straight-line basis over the lease term.

The Group as lessee

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight-line basis.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in its functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated on foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollar) at the rate of exchange prevailing at the balance sheet date, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rate prevailing at the dates of transactions are used. Exchange differences, if any, are recognised as a separate component of equity (translation reserve). Such exchange differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

For the year ended 30th June, 2006

4. 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 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 items of income or expense that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantially enacted by the balance sheet date.

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 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.

The carrying amount of deferred tax asset 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 an expense as they fall due.

Financial instruments

Financial assets and financial liabilities are recognised on the balance sheet when a group entity becomes a party to the contractual provision of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

For the year ended 30th June, 2006

4. SIGNIFICANT ACCOUNTING POLICIES – continued

Financial instruments – continued

Financial assets

The Group's financial assets are classified into one of three categories, including financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial assets. All regular way purchases or sale of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace. The accounting policies adopted in respect of each category of financial assets are set out below.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss have two subcategories, including financial assets held for trading and those designated at fair value through profit or loss on initial recognition. On 1st July, 2005, other investments were classified as held for trading financial assets measured at fair value through profit and loss. At each balance sheet date subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value, with changes in fair value are recognised directly in profit or loss in the period in which they arise.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each balance sheet date subsequent to initial recognition, loans and receivables (including convertible note receivable, trade debtors, other debtors and deposits and bank balances) are carried at amortised cost using the effective interest method, less any identified impairment losses. An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as any of the other categories (set out above). At each balance sheet date subsequent to initial recognition, available-for-sale financial assets are measured at fair value. Changes in fair value are recognised in equity, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously recognised in equity is removed from equity and recognised in profit or loss. Any impairment losses on available-for-sale financial assets are recognised in profit or loss. Impairment losses on available-for-sale equity investments will not reverse in subsequent periods.

For available-for-sale equity investments that do not have quoted market price in an active market and whose fair value cannot be reliably measured, they are measured at cost less any identified impairment losses at each balance sheet date subsequent to initial recognition. An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired. The amount of the impairment loss is measured as the difference between the carrying amount of the asset and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses will not reverse in subsequent years.

For the year ended 30th June, 2006

4. SIGNIFICANT ACCOUNTING POLICIES – continued

Financial instruments – continued

Financial liabilities and equity

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all if its liabilities. The Group's financial liabilities are generally classified into other financial liabilities.

The accounting policies adopted in respect of financial liabilities and equity instruments are set out below.

Other financial liabilities

Other financial liabilities including trade and other creditors are subsequently measured at amortised cost, using the effective interest method.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and the cumulative gain or loss that had been recognised directly in equity is recognised in profit or loss.

For financial liabilities, they are removed from the Group's balance sheet when, and only when, it is extinguished (i.e. when the obligation specified in the relevant contract is discharged, cancelled or expired). The difference between the carrying amount of the financial liability derecognised and the consideration paid or payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

Embedded derivatives

Derivatives embedded in non-derivative host contracts are separated from the relevant host contracts and deemed as held-for-trading when the economic characteristics and risks of the embedded derivatives are not closely related to those of the host contracts, and the combined contracts are not measured at fair value through profit or loss. In all other circumstances, derivatives embedded are not separated and are accounted for together with the host contracts in accordance with appropriate standards. Where the Group needs to separate an embedded derivative but is unable to measure the embedded derivative, the entire combined contracts are treated as held-for-trading.

For the year ended 30th June, 2006

4. 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.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so 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.

5. FINANCIAL RISK MANAGEMENT OBJECTIVE AND POLICIES

The Group's major financial instruments include trade and other receivables, bank balances and cash and trade and other payables. Details of these financial instruments are disclosed in the respective notes. The risk associated with these financial instruments and the polices on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Currency risk

One subsidiary of the Company has foreign currency sales, which expose the Group to foreign currency risk. Certain bank balances, debtors and creditors of the Group are denominated in foreign currencies. The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arises.

Interest rate risk

The Group's bank balances have exposure to cash flow interest rate risk due to the fluctuation of the prevailing market interest rate on bank balances. The Group does not have interest rate hedging policy. However, the management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arises.

Credit risk

The Group's maximum exposure to credit risk in the event of the counterparties failure to perform their obligations as at 30th June, 2006 in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated balance sheet. In order to minimise the credit risk, the Group has monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The credit risk on bank deposits is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

Price risk

The Group's available-for-sale investments and financial assets measured at fair value through profit and loss are measured at fair value at each balance sheet date. Therefore, the Group is exposed to equity and debt securities price risk. The management manages this exposure by maintaining a portfolio of investments with different risk profiles.

For the year ended 30th June, 2006

6. TURNOVER

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

	2006	2005
	HK$'000	*HK$'000*
Sales of goods	**23,461**	31,868
Dividends from listed investments	**4**	3
Interest income from listed debt securities	**6,679**	15,508
Interest income from convertible note receivable	**800**	800
Interest income from unlisted debt securities	**16,444**	7,300
	47,388	55,479

7. BUSINESS AND GEOGRAPHICAL SEGMENTS

Business segments

For management purposes, the Group is currently organised into two operating divisions namely, garment operation and direct investments. 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

Direct investments – investments in listed and unlisted equity and debt securities

In 2006, the Group considers direct investments activities rather than proprietary trading in securities as one of the business segments. In prior years, proprietary trading in securities was an operating division responsible for investments in listed and unlisted equity securities and a convertible loan note. However, all the surplus funds of the Group were invested in equity and debt securities and convertible loan note to secure a reasonable return on the capital to the Group. The Group considers all the investments in equity and debt securities and a convertible loan note should be reported in a segment. Therefore, there is a change in the presentation. Interest income of the investments are included in turnover. The comparative figures have been amended to correspond with this new presentation.

During the years ended 30th June, 2006 and 2005, the Group had one more operating division, health products development, which was responsible for production and trading of health food products. As the revenue, segment results and assets of health products development for both years are less than 10% of the Group's revenue, segment results and assets, no separate disclosure of segment information on health products development have been presented.

For the year ended 30th June, 2006

7. BUSINESS AND GEOGRAPHICAL SEGMENTS – continued

Business segments – continued

Segment information about garment operation and direct investments is presented below:

2006

INCOME STATEMENT

	Garment Operation *HK$'000*	Direct Investments *HK$'000*	Consolidated *HK$'000*
TURNOVER			
External sales	**23,461**	**23,927**	**47,388**
RESULT			
Segment results	**(8,526)**	**5,025**	**(3,501)**
Other income			**14,235**
Increase in fair value of investment properties			**1,520**
Unallocated corporate expenses			**(12,002)**
Profit before taxation			**252**
Taxation			**–**
Profit for the year			**252**

For the year ended 30th June, 2006

7. BUSINESS AND GEOGRAPHICAL SEGMENTS – continued

Business segments – continued

2006

OTHER INFORMATION

	Garment Operation HK$'000	Direct Investments HK$'000	Consolidated HK$'000
Additions to property, plant and equipment	214	–	214
Depreciation of property, plant and equipment	3,316	–	3,316
Property, plant and equipment written off	391	–	391
Net realised loss on revaluation of financial assets measured at fair value through profit or loss	–	20,920	20,920

BALANCE SHEET

	Garment Operation HK$'000	Direct Investments HK$'000	Consolidated HK$'000
ASSETS			
Segment assets	18,904	307,294	326,198
Unallocated corporate assets	–	–	300,370
Consolidated total assets			626,568
LIABILITIES			
Segment liabilities	3,251	–	3,251
Unallocated corporate liabilities	–	–	18,586
Consolidated total liabilities			21,837

For the year ended 30th June, 2006

7. BUSINESS AND GEOGRAPHICAL SEGMENTS – continued

Business segments – continued

2005

INCOME STATEMENT

	Garment Operation *HK$'000*	Direct Investments *HK$'000*	Consolidated *HK$'000*
TURNOVER			
External sales	31,868	23,611	55,479
RESULT			
Segment results	(11,997)	39,592	27,595
Other income			8,012
Unallocated corporate expenses			(11,665)
Allowance for advance to an associate			(17,656)
Profit before taxation			6,286
Taxation			–
Profit for the year			6,286

OTHER INFORMATION

	Garment Operation *HK$'000*	Direct Investments *HK$'000*	Consolidated *HK$'000*
Additions to property, plant and equipment	750	–	750
Depreciation 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)
Net realised loss on revaluation of other investments	–	4,733	4,733

For the year ended 30th June, 2006

7. BUSINESS AND GEOGRAPHICAL SEGMENTS – continued

Business segments – continued

2005

BALANCE SHEET

	Garment Operation HK$'000	Direct Investments HK$'000	Consolidated HK$'000
ASSETS			
Segment assets	19,191	324,464	343,655
Unallocated corporate assets			294,084
Consolidated total assets			637,739
LIABILITIES			
Segment liabilities	1,043	–	1,043
Unallocated corporate liabilities			18,354
Consolidated total liabilities			19,397

Geographic segments

The Group's operations are primarily located in Hong Kong and Macau, the People's Republic of China (the "PRC"), Singapore 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	
	2006	2005
	HK$'000	*HK$'000*
Hong Kong and Macau	**947**	4,395
The PRC	**23,318**	28,339
Europe		
– Luxemburg	**6,679**	13,906
– France	**1,960**	829
– United Kingdom	**9,116**	2,245
United States of America	**5,368**	4,473
Others	**–**	1,292
	47,388	55,479

For the year ended 30th June, 2006

7. BUSINESS AND GEOGRAPHICAL SEGMENTS – continued

Geographic segments – continued

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

	Carrying amount of segment assets		Additions to property, plant and equipment	
	2006	2005	**2006**	2005
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong	**56,690**	32,524	**20**	726
The PRC	**19,564**	20,874	**194**	24
Europe				
– Luxemburg	**88,052**	96,359	**–**	–
– Belgium	**20,694**	50,716	**–**	–
– France	**20,036**	22,629	**–**	–
– United Kingdom	**106,061**	77,710	**–**	–
Singapore	**253,587**	230,071	**–**	–
United States of America	**61,884**	106,856	**–**	–
	626,568	637,739	**214**	750

8. OTHER INCOME

	2006	2005
	HK$'000	*HK$'000*
Bad debts recovered	**–**	1,033
Gain on disposal of property, plant and equipment	**–**	187
Interest income on bank deposits	**13,234**	6,073
Rental income from investment properties, net of outgoings of HK$168,000 (2005: HK$169,000)	**693**	701
Sundry income	**308**	18
	14,235	8,012

9. PROFIT BEFORE TAXATION

Profit before taxation has been arrived at after charging:

	2006	2005
	HK$'000	*HK$'000*
Auditors' remuneration	**439**	367
Depreciation of property, plant and equipment	**3,316**	3,840
Property, plant and equipment written off	**391**	–
Operating lease rentals paid in respect of rented premises	**866**	2,461
Cost of inventories recognised as an expense	**9,983**	8,904
Staff costs (including Directors' remuneration, *note 10*)		
Wages, salaries and other benefits	**16,461**	16,526
Retirement benefits scheme contributions	**441**	449
	16,902	16,975

For the year ended 30th June, 2006

10. DIRECTORS' REMUNERATION

The emoluments paid or payable to each of the six (2005: eight) directors were as follows:

2006	Independent Non-Executive Directors			Non-Executive Director	Executive Directors		
	HO Yau Ming HK$'000	HUNG Kwok Keung, Keith HK$'000	MAN Mo Leung HK$'000	WU Wing Kit HK$'000	LAU Tung Hoi HK$'000	YAN Miu King HK$'000	TOTAL HK$'000
Fees	120	120	120	120	–	–	480
Other emoluments							
Salaries and other benefits	–	–	–	–	6,888	954	7,842
Contributions to retirement benefits scheme	–	–	–	–	12	12	24
	120	120	120	120	6,900	966	8,346

2005	Independent Non-Executive Directors				Non-Executive Director	Executive Directors			
	HO Yau Ming HK$'000	LAI Kwok Wing HK$'000	MAN Mo Leung HK$'000	HUNG Kwok Keung, Keith HK$'000	WU Wing Kit HK$'000	LAU Tung Hoi HK$'000	YAN Miu King HK$'000	LUNG Tze Lam HK$'000 (Note)	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

Note: 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 has waived or agreed to waive any remuneration in both years.

For the year ended 30th June, 2006

11. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, two (2005: two) were directors of the Company whose emoluments are included in the disclosures in note 10 above. The emoluments of the remaining three (2005: three) highest paid individuals are as follows:

	2006 HK$'000	2005 HK$'000
Salaries and other benefits	**2,151**	2,187
Retirement benefits scheme contributions	**24**	12
	2,175	2,199

Their emoluments were within the following bands:

	2006 No. of Individuals	2005 No. of Individuals
Nil to HK$1,000,000	**2**	2
HK$1,000,001 to HK$1,500,000	**1**	1

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 in both years.

12. TAXATION

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:

	2006 HK$'000	2005 HK$'000
Profit before taxation	**252**	6,286
Taxation at income tax rate of 17.5%	**44**	1,100
Tax effect of expenses not deductible for tax purpose	**4,499**	3,956
Tax effect of income not taxable for tax purpose	**(7,075)**	(8,203)
Deferred tax assets in respect of tax losses not recognised	**2,530**	3,048
Utilisation of tax losses previously not recognised	**(139)**	(139)
Effect of different tax rates of subsidiaries operating in other jurisdictions	**141**	209
Others	**–**	29
Taxation for the year	**–**	–

Details of deferred taxation not recognised in the financial statements are set out in note 27.

For the year ended 30th June, 2006

13. DIVIDEND

During the year ended 30th June, 2005, the Company has paid the special dividend for the year ended 30th June, 2004 for HK$194,574,000 (HK16 cents per share) and proposed, final dividend of HK$18,241,000 (HK1.5 cents per share) which has been paid during the year ended 30th June, 2006.

No dividend was proposed during 2006, nor has any dividend been proposed since the balance sheet date.

14. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the Group's profit for the year of HK$252,000 (2005: HK$6,286,000) and the number of ordinary shares of 1,216,090,400 (2005: 1,216,090,400) in issue during the year.

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

The following table summarises the impact on basic earnings per share as a result of adjustment arising from changes in accounting policies:

Impact on basic earnings per share

	2006	2005
Figures before adjustment	**(HK0.10 cents)**	HK0.52 cents
Adjustment arising from changes in accounting policies *(see note 3A)*	**HK0.12 cents**	–
Reported	**HK0.02 cents**	HK0.52 cents

For the year ended 30th June, 2006

15. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements	Plant and machinery	Office equipment	Furniture and fixtures	Computer equipment	Motor vehicles	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
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
Exchange realignment	167	535	4	–	18	22	746
Additions	–	189	6	–	19	–	214
Write-off	(1,149)	–	–	–	–	–	(1,149)
At 30th June, 2006	**5,984**	**14,609**	**1,585**	**1,550**	**2,700**	**2,462**	**28,890**
DEPRECIATION							
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
Exchange realignment	151	407	3	–	15	22	598
Provided for the year	55	2,909	38	3	81	230	3,316
Eliminated on write-off	(758)	–	–	–	–	–	(758)
At 30th June, 2006	**5,971**	**13,881**	**1,542**	**1,550**	**2,648**	**2,232**	**27,824**
NET BOOK VALUES							
At 30th June, 2006	**13**	**728**	**43**	**–**	**52**	**230**	**1,066**
At 30th June, 2005	443	3,320	74	3	111	460	4,411

The above items of property, plant and equipment are depreciated on a straight-line basis at the following rates per annum:

Leasehold improvements	$33^1/_3$%
Plant and machinery	20%
Office equipment	20%
Furniture and fixtures	20%
Computer equipment	30%
Motor vehicles	$33^1/_3$%

For the year ended 30th June, 2006

16. INVESTMENT PROPERTIES

	HK$'000
FAIR VALUE	
At 1st July, 2004	4,410
Revaluation surplus recognised in equity	2,640
At 30th June, 2005 and at 1st July, 2005	7,050
Increase in fair value recognised in the income statement	1,520
At 30th June, 2006	**8,570**

The fair values of the Group's investment properties at 30th June, 2006 have been arrived at on the basis of a valuation carried out on that date by Savills Valuation and Professional Services Limited (formerly known as Savills (Hong Kong) Limited), independent qualified professional valuers not connected with the Group. Savills Valuation and Professional Services Limited is a member of the Institute of Valuers, and have appropriate qualifications and recent experiences in the valuation of similar properties in the relevant locations. The valuation, which conforms to International Valuation Standards, was arrived at by reference to market evidence of transaction prices for similar properties.

All of the Group's property interests held under operating leases to earn rentals or for capital appreciation purposes are measured using the fair value model and are classified and accounted for as investment properties. The Group's investment properties are situated in Hong Kong and are held under medium-term lease.

17. AVAILABLE-FOR-SALE INVESTMENTS

Available-for sale investments as at 30th June, 2006 comprise:

	2006 *HK$'000*
Listed investments:	
Equity securities listed in Hong Kong	**10,522**
Unlisted investments:	
Equity securities listed in Hong Kong	**258**
Less: Impairment loss recognised	**(258)**
	–
Total	**10,522**
Analysed for reporting purpose as:	
Non-current asset	**10,522**

For the year ended 30th June, 2006

17. AVAILABLE-FOR-SALE INVESTMENTS – continued

As at the balance sheet date, all available-for-sale investments are stated at fair value except for those unlisted equity investments of which their fair value cannot be measured reliably. Fair value of listed investments has been determined by reference to bid prices quoted in the Stock Exchange.

The above unlisted investments represent investments in unlisted equity securities issued by two private entities incorporated in Hong Kong and the British Virgin Islands. They are measured at cost less impairment at each balance sheet date because the directors are of the opinion that their fair values cannot be measured reliably.

18. CONVERTIBLE NOTE RECEIVABLE

	2006 ***HK$'000***
Unlisted debt securities	**20,000**

The original maturity date of the convertible note receivable (the "Note") bearing interest at 4% per annum payable semi-annually in arrears was 30th June, 2004. On 14th June, 2004, the Company and the note issuer namely, China Star Entertainment Limited ("Note Issuer") entered into a supplemental deed, pursuant to which the Group and the Note Issuer have agreed to extend the maturity date of the Note from 30th June, 2004 to 30th June, 2007. The Note carries the right to convert the principal amount of the Note into shares of HK$0.05 each in the share capital of the Note Issuer at an initial conversion price of HK$0.2 per share, subject to adjustment. The conversion price was adjusted to HK$5.83 per share due to the completion of rights issue, consolidation of shares and bonus issue of the Note Issuer during the year ended 31st December, 2002. From 14th June, 2004 to the 14 business days immediately preceding 30th June, 2007, the Group has the right to convert the outstanding principal amount of the Note into shares of the Note Issuer.

The Note contains embedded derivative for conversion option and the note receivable. In accordance with HKAS 39 Financial Instruments: *Recognition and Measurement*, the conversion option should be separated from the Note as the economic characteristics and risks of the embedded derivative are not closely related to that of the Note. The fair value of the embedded derivative is classified as a financial asset held for trading. HKAS 39 requires all financial assets and financial liabilities to be measured at fair value on initial recognition. The Group has applied the relevant transitional provision in HKAS 39. The current conversion price was stated as HK$5.83 per share whereas the market price at 1st July, 2005 and 30th June, 2006 were HK$0.29 and HK$0.38 per share, respectively. At 1st July, 2005 and 30th June, 2006, the Group assessed the fair value of the embedded derivative using the Black-Scholes model and considered the amount is insignificant, and accordingly, no adjustment had been made.

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19. FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial assets measured at fair value through profit or loss as at 30th June, 2006 included:

	2006
	HK$'000
Debt securities listed elsewhere	**86,278**
Unlisted debt securities	**186,145**
	272,423

Listed debt securities represent listed bonds bearing fixed interest rates ranging 5.50% to 9.75% with maturity date ranging from February 2007 to February 2025 or perpetual callable. The fair values of the listed bonds are determined based on the market bid prices available on the relevant exchanges.

Unlisted debt securities represent structured loan notes issued by banks or financial institutions. The notes bear fixed interests rates ranging from 7.08% to 8.80% with maturity date ranging from December 2014 to February 2020. The fair values of the notes are based on the quoted prices obtained from the bankers or stockbrokers and all the dealings are transacted through the bankers or stockbrokers.

20. INVESTMENTS IN SECURITIES

Investments in securities as at 30th June, 2005 are set out below. Upon the application of HKAS 39 on 1st July, 2005, investment securities were reclassified to appropriate categories under HKAS 39 (see note 3A for details).

	2005		
	Investment securities	**Other investments**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
Equity securities			
Listed	170	–	170
Debt securities			
Listed	–	94,547	94,547
Unlisted	–	225,357	225,357
	–	319,904	319,904
Total	170	319,904	320,074
Listed – in Hong Kong	170	–	170
– elsewhere	–	94,547	94,547
Unlisted	–	225,357	225,357
Total	170	319,904	320,074
Market value of listed securities	2,360	94,547	96,907
Carrying amount analysed for reporting purposes			
Current	–	299,904	299,904
Non-current	170	20,000	20,170
	170	319,904	320,074

For the year ended 30th June, 2006

21. INTERESTS IN ASSOCIATES

	2006	2005
	HK$'000	*HK$'000*
Cost of investment in associates, unlisted	**–**	–
Share of post-acquisition losses	**–**	–
	–	–
Advance to an associate	**24,706**	24,706
Less: allowance for advance to an associate	**(24,706)**	(24,706)
	–	–

The cost of investment in associates and share of post-acquisition losses were HK$50.00 respectively.

The advance to an associate by the group at 30th June, 2006 is secured by a floating charge over the assets of the associate, non-interest bearing and is repayable on demand.

In the opinion of the directors, the amount was not repayable within the next twelve months and accordingly, the advance was classified as non-current asset.

The directors had reassessed the recoverability of the advance to an associate at 30th June, 2006 and 2005 by reference to the future prospects and expected revenue to be generated from the associate and determined that allowances of HK$24,706,000, which was provided in prior years, was still be required. The carrying amount of the interests in associates was zero at both 30th June, 2006 and 2005.

As at 30th June, 2006, 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 share 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

For the year ended 30th June, 2006

21. INTERESTS IN ASSOCIATES – continued

The summarised financial information in respect of Group's associates is set out below:

	2006 HK$'000	2005 HK$'000
Total assets	**2,454**	3,012
Total liabilities	**(25,731)**	(26,035)
Net liabilities	**(23,277)**	(23,023)
Group's share of net assets of associates	**–**	–
Turnover	**8,257**	7,728
Loss for the year	**(255)**	(9,057)

The Group has discontinued recognition of its share of losses of the associates. The amounts of unrecognised share of those associates, extracted from the relevant audited financial statements of associates, both for the year and cumulatively, are as follows:

	2006 HK$'000	2005 HK$'000
Unrecognised share of losses of associates for the year	**128**	4,529
Accumulated unrecognised share of losses of associates	**11,640**	11,512

22. INVENTORIES

	2006 HK$'000	2005 HK$'000
At cost:		
Raw material	**1,449**	3,576
Work in progress	**1,295**	1,859
Total	**2,744**	5,435

For the year ended 30th June, 2006

23. TRADE DEBTORS AND OTHER 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:

	2006	2005
	HK$'000	*HK$'000*
0 – 30 days	**23**	167
31 – 60 days	**–**	53
Total	**23**	220

The directors consider that the carrying amounts of trade debtors and other debtors approximate their fair values.

24. BANK BALANCES AND CASH

The amounts comprise short-term bank deposits at market interest rates from 2.88% to 7.01% (2005: 1.79% to 3.07%) with an original maturity of three months or less.

The directors consider that the carrying amounts of bank balances approximate their fair values.

25. TRADE CREDITORS AND OTHER CREDITORS

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

	2006	2005
	HK$'000	*HK$'000*
0 – 30 days	**14**	15
Over 60 days	**44**	42
Total	**58**	57

The directors consider that the carrying amounts of trade creditors and other creditors approximate their fair values.

26. SHARE CAPITAL

Ordinary shares of HK$0.10 each	**Number of shares 2005 & 2006**	**Share capital 2005 & 2006**
		HK$'000
Authorised		
At beginning and end of year	2,000,000,000	200,000
Issued and fully paid		
At beginning and end of year	1,216,090,400	121,609

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

For the year ended 30th June, 2006

27. DEFERRED TAXATION

The following are the major deferred tax assets (liabilities) recognised and movements thereon during the current and prior reporting years:

	Revaluation of properties HK$'000	Tax losses HK$'000	Total HK$'000
At 1st July, 2004	(175)	175	–
Movement for the year	(462)	462	–
At 30th June, 2005	(637)	637	–
Movement for the year	(266)	266	–
At 30th June, 2006	**(903)**	**903**	**–**

At 30th June, 2006, the Group has estimated unused tax losses of HK$124,429,000 (2005: HK$109,248,000) available for offset against future profits. A deferred tax asset has been recognised in the financial statements in respect of HK$5,160,000 (2005: HK$3,640,000) of the estimated tax losses. No deferred tax asset has been recognised of the remaining estimated tax losses of HK$119,269,000 (2005: HK$105,608,000) due to the unpredictability of future profit streams. Included in unrecognised estimated tax losses are losses of HK$16,467,000 (2005: HK$13,087,000) that will expire within 5 years. Other estimated tax losses may be carried forward indefinitely.

28. OPERATING LEASE COMMITMENTS

The Group as lessee

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

	2006 ***HK$'000***	2005 *HK$'000*
Within one year	**928**	2,406
In the second to fifth year inclusive	**319**	1,297
	1,247	3,703

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.

For the year ended 30th June, 2006

28. OPERATING LEASE COMMITMENTS – continued

The Group as lessor

Property rental income earned during the year was HK$861,000 (2005: HK$870,000). The investment properties are expected to generate rental yields of 7% (2005: 7%) 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:

	2006	2005
	HK$'000	*HK$'000*
Within one year	**590**	609
In the second year	**541**	–
	1,131	609

Operating lease payments represent rentals receivable by the Group from its investment properties. Leases are negotiated and rentals are fixed for an average of 2 years.

29. 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 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.

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29. SHARE OPTION SCHEMES – continued

Options granted must be taken up within 30 days of the date of grant, upon payment of HK$1.00 per 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, 2006 and 2005.

30. 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 on a specified proportion of the employees' salaries laid down under the relevant PRC laws.

During the year, the total costs charged to the income statement in the sum of HK$441,000 (2005: HK$449,000) represents contributions payable to these schemes by the Group.

31. 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 (2005: HK$720,000).

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

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32. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Details of the Company's principal subsidiaries at 30th June, 2006 are as follows:

Name of subsidiary	Place of incorporation/ registration	Issued and fully paid ordinary/ registered share capital	Proportion of nominal value of issued share 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 and trading of garments
First Sign Investments Limited	British Virgin Islands	US$48	100%	Investment holding
Guangzhou Supreme Sign Knitting & Dyeing Company Limited	*Note*	US$5,000,000	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, 2006 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: The company was established in the PRC as a wholly foreign owned enterprise.