1. CORPORATE INFORMATION

The Company was incorporated in the Cayman Islands with limited liability. Its registered office is at Ugland House, South Church Street, P.O. Box 309, George Town, Grand Cayman, Cayman Islands, British West Indies and principle place of business is at 1-18 Xinhe Industrial Park, Dianqian, Huli, Xiamen, the People's Republic of China ("PRC"). The Company is an investment holding company. The principal activities of the Company's subsidiaries are manufacturing, retailing and distribution of apparel and property development. The Company's shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and Singapore Exchange Limited.

The consolidated financial statements are presented in Hong Kong dollar ("$"), which is the Company's functional and presentation currency.

Items included in the financial statements of each of the subsidiaries are measured using the currency of the primary economic environment in which the subsidiaries operate (the "functional currency").

2. PRINCIPAL ACCOUNTING POLICIES

(a) Statement of compliance

The financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), Hong Kong Accounting Standards ("HKASs") and Interpretations (hereinafter collectively referred to as the "HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). In addition, the consolidated financial statements also comply with the applicable disclosures required by the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange and by the Hong Kong Companies Ordinance.

(b) Basis of preparation

The financial statements have been prepared under the historical cost basis except for certain properties and financial instruments, which are measured at fair values or revalued amounts.

In the current year, the Group has applied, for the first time, a number of new HKFRSs issued by the HKICPA that are effective for accounting periods beginning on or after 1 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 the consolidated statement of changes in equity. The changes in presentation have been applied retrospectively.

(Expressed in Hong Kong dollars)

2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

(b) Basis of preparation *(continued)*

The applicable HKFRSs are set out below and the 2005 financial statements have been restated in accordance with the relevant requirements, where applicable.

HKAS 1	Presentation of Financial Statements
HKAS 2	Inventories
HKAS 7	Cash Flow Statements
HKAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
HKAS 10	Events after the Balance Sheet Date
HKAS 12	Income Taxes
HKAS 14	Segment Reporting
HKAS 16	Property, Plant and Equipment
HKAS 17	Leases
HKAS 18	Revenue
HKAS 19	Employee Benefits
HKAS 21	The Effects of Changes in Foreign Exchange Rates
HKAS 23	Borrowing Costs
HKAS 24	Related Party Disclosures
HKAS 27	Consolidated and Separate Financial Statements
HKAS 32	Financial Instruments: Disclosure and Presentation
HKAS 33	Earnings Per Share
HKAS 36	Impairment of Assets
HKAS 37	Provisions, Contingent Liabilities and Contingent Assets
HKAS 39	Financial Instruments: Recognition and Measurement
HKFRS 2	Share-based Payment
HKAS-INT 15	Operating Leases – Incentives

The adoption of HKAS 1, 2, 7, 8, 10, 12, 14, 16, 18, 19, 21, 23, 24, 27, 33, 36, 37 and HKAS-INT 15 did not result in substantial changes to the Group's accounting policies. In summary:

– HKAS 1 affects certain presentation in the income statement, balance sheet, and statement of changes in equity.

– HKAS 8, 16 and 21 affect certain disclosures of the financial statements.

– HKAS 2, 7, 10, 12, 14, 18, 19, 23, 27, 33, 36, 37 and HKAS-INT 15 do not have any impact as the Group's accounting policies already comply with the standards.

– HKAS 24 affects the identification of related parties and the disclosure of related party transactions.

2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

(b) Basis of preparation *(continued)*

HKAS 17 "Leases"

The adoption of HKAS 17 has resulted in a change in accounting policy relating to leasehold land. In previous years, owner-occupied leasehold land and buildings were included in property, plant and equipment and measured using the revaluation model. In the current year, the Group has applied HKAS 17 "Leases". Under HKAS 17, the land and buildings elements of a lease of land and buildings are considered separately for the purposes of lease classification, unless the lease payments cannot be allocated reliably between the land and buildings elements, in which case, the entire lease is generally treated as a finance lease. To the extent that the allocation of the lease payments between the land and buildings elements can be made reliably, the leasehold interests in land are reclassified to "Interests in leasehold land held for own use under operating leases", which are carried at cost and amortised over the lease term on a straight-line basis. The related revaluation reserve on the leasehold land is de-recognised and the related deferred taxation reversed. The change in accounting policy is adopted retrospectively and reflected by way of prior period adjustment and restatement of comparative figures.

Alternatively, where the allocation between the land and buildings elements cannot be made reliably, the leasehold interests in land continue to be accounted for as property, plant and equipment.

HKFRS 2 "Share-Based Payment"

In the current year, the Group has applied HKFRS 2 "Share-based Payment" which requires an expense to be recognised where the Group buys goods or obtains services in exchange for shares or rights over shares ("equity-settled transactions"), or in exchange for other assets equivalent in value to a given number of shares or rights over shares ("cash-settled transactions").

The principal impact of HKFRS 2 on the Group is in relation to the expensing of the fair value of directors' and employees' share options of the Company determined at the date of grant of the share options over the vesting period. If the equity instruments granted vest immediately, the counterparty is not required to complete a specified period of service before becoming unconditionally entitled to those equity instruments. In the absence of evidence to the contrary, the Company shall presume that services rendered by the counterparty as consideration for the equity instruments have been received. In this case, on grant date the entity shall recognise the services received in full, with a corresponding increase in equity.

Prior to the application of HKFRS 2, the Group did not recognise the financial effect of these share options until they were exercised. The Group has applied HKFRS 2 to share options granted on or after 1 July 2005. In relation to share options granted before 1 July 2005, the Group chooses not to apply HKFRS 2 with respect to share options granted on or before 7 November 2002 and vested before 1 July 2005. However, the Group is still required to apply HKFRS 2 retrospectively to share options that were granted after 7 November 2002 and had not yet vested by 1 July 2005.

2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

(b) Basis of preparation *(continued)*

HKAS 32 "Financial Instruments: Disclosure and Presentation"
HKAS 39 "Financial Instruments: Recognition and Measurement"

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. HKAS 39, which is effective for accounting periods beginning on or after 1 January 2005, generally does not permit the 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 provisions in HKAS 39 with respect to classification and measurement of financial assets and financial liabilities that are within the scope of HKAS 39.

Financial assets and financial liabilities other than debt and equity securities

From 1 July 2005 onwards, the Group classifies and measures its financial assets and financial liabilities other than debt and equity securities in accordance with the requirements of HKAS 39. 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 assets at fair value through profit or loss" that are not part of a hedging relationship 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.

Financial liabilities are generally classified as "financial liabilities at fair value through profit or loss" or "financial liabilities other than financial liabilities at fair value through profit or loss (other financial liabilities)". "Other financial liabilities" are carried at amortised cost using the effective interest method after initial recognition.

Derecognition

Under HKAS 39, a financial asset is derecognised, when and only when, either the contractual rights to the asset's cash flows expire, or the asset is transferred and the transfer qualifies for derecognition in accordance with HKAS 39. The decision as to whether a transfer qualifies for derecognition is made by applying a combination of risks and rewards and control tests. The Group has applied the relevant transitional provisions and applied the revised accounting policy prospectively for transfers of financial assets on or after 1 July 2005.

2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

(c) Summary of the effect of the changes in accounting policies

The effect of the changes in the accounting policies described in note 2(b) above on the results for the current and prior year are as follows:

	Year ended	
	2006	2005
	$'000	*$'000*
Increase in amortisation of interests in leasehold land held for own use under operating leases (Included in administrative expenses)	**(93)**	(65)
Decrease in depreciation of property, plant and equipment (Included in administrative expenses)	**201**	173
Expenses in relation to share options granted as equity settled share-based payment (Included in administrative expenses)	**(1,646)**	–
Increase in deferred tax expense (Included in taxation)	**(17)**	(17)
Increase in net (loss)/profit for the year attributable to shareholders	**(1,555)**	91

Analysis of increase in net (loss)/profit for the year by line items presented according to their function:

	Year ended	
	2006	2005
	$'000	*$'000*
(Increase)/decrease in administrative expenses	**(1,538)**	108
Increase in taxation	**(17)**	(17)
	(1,555)	91

2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

(c) Summary of the effect of the changes in accounting policies *(continued)*

The cumulative effect of the application of the new HKFRSs on the balance sheet items as at 30 June 2005 and 1 July 2005 are summarised below:

	At 30 June 2005 (as previously stated)	Adjustments	At 30 June 2005 and 1 July 2005 (as restated)
	$'000	*$'000*	*$'000*
Impact on HKAS 17			
Property, plant and equipment	61,285	(2,467)	58,818
Interests in leasehold land held for own used under operating leases	–	1,232	1,232
Deferred tax liabilities	(1,603)	185	(1,418)
Net assets	103,753	(1,050)	102,703
Revaluation reserve	22,119	(1,050)	21,069
Total equity	103,753	(1,050)	102,703

The financial effects of the application of the new HKFRSs to the Group's equity on 1 July 2004 are summarised below:

	As previously stated	Impact of HKAS 17	As restated
	$'000	*$'000*	*$'000*
Revaluation reserve	23,997	(1,141)	22,856
Total effect on equity	23,997	(1,141)	22,856

(d) Basis of consolidation

Where the Company has the power, either directly or indirectly, to govern the financial and operating policies of another entity or business so as to obtain benefits from its activities, it is classified as a subsidiary. The consolidated financial statements present the results of the Company and its subsidiaries (the "Group") as if they formed a single entity. Inter-company transactions and balances between group companies are therefore eliminated in full.

On acquisition, the assets and liabilities of the relevant subsidiaries are measured at their fair values at the date of acquisition.

The Company's interests in subsidiaries are stated at cost less impairment loss, if any. All significant inter-company transactions and balances among group companies are eliminated on consolidation.

2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

(e) Subsidiaries

A subsidiary is an entity in which the Company is able to exercise its control on it. Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

(f) Goodwill

Goodwill represents the excess of the cost of a business combination over the interest in the fair value of identifiable assets, liabilities and contingent liabilities acquired. Cost comprises the fair values of assets given, liabilities assumed and equity instruments issued, plus any direct costs of acquisition.

Goodwill is capitalised as an intangible asset with any impairment in carrying value being charged to the income statement.

Where the fair value of identifiable assets, liabilities and contingent liabilities exceed the fair value of consideration paid, the excess is credited in full to the income statement.

(g) Impairment of non-financial assets

Impairment test on goodwill and other intangible assets with indefinite useful economic lives are undertaken annually on 30 June. Other non-financial assets are subject to impairment tests whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Where the carrying value of an asset exceeds its recoverable amount (i.e. the higher of value in use and fair value less costs to sell), the asset is written down accordingly.

Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the asset's cash-generating unit (i.e. the lowest group of assets in which the asset belongs for which there are separately identifiable cash flows). Goodwill is allocated on initial recognition to each of the Group's cash-generating units that are expected to benefit from the synergies of the combination giving rise to the goodwill.

Impairment charges are included in the administrative expenses line item in the income statement, except to the extent they reverse gains previously recognized in the statement of recognized income and expense.

2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

(h) Financial instruments

(i) Financial assets

The Group classifies its financial assets as loans and receivables depending on the purpose for which the asset was acquired. These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (trade debtors), but also incorporate other types of contractual monetary asset. At each balance sheet date subsequent to initial recognition, they are carried at amortised cost using the effective interest method, less any identified impairment losses.

(ii) Financial liabilities

The Group classifies its financial liabilities as other financial liabilities depending on the purpose for which the liabilities was incurred. Other financial liabilities include the following items:

– Trade payables and other short-term monetary liabilities, which are recognised at amortised cost.

– Bank borrowings are initially recognised at the amount advanced net of any transaction costs directly attributable to the issue of the instrument. Such interest bearing liabilities are subsequently measured at amortised cost using the effective interest method, which ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried in the balance sheet.

(iii) Derecognition

The Group derecognises a financial asset where the contractual rights to the future cash flows in relation to the investment expire or where the financial asset has been transferred and the transfer meets the criteria for derecognition in accordance with HKAS 39.

(i) Foreign currency

Transactions entered into by Group entities in a currency other than the currency of the primary economic environment in which it operates (the "functional currency") are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the balance sheet date. Exchange differences arising on the retranslation of unsettled monetary assets and liabilities are similarly recognised immediately in the income statement, except for foreign currency borrowings qualifying as a hedge of a net investment in a foreign operation.

2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

(i) Foreign currency *(continued)*

On consolidation, the results of overseas operations are translated into Hong Kong Dollars at rates approximating to those ruling when the transactions took place. All assets and liabilities of overseas operations, including goodwill arising on the acquisition of those operations, are translated at the rate ruling at the balance sheet date. Exchange differences arising on translating the opening net assets at opening rate and the results of overseas operations at actual rate are recognised directly in equity (the "foreign exchange reserve"). Exchange differences recognised in the income statement of group entities' separate financial statements on the translation of long-term monetary items forming part of the Group's net investment in the overseas operation concerned are reclassified to the foreign exchange reserve if the item is denominated in the functional currency of the Group or the overseas operation concerned.

On disposal of a foreign operation, the cumulative exchange differences recognised in the foreign exchange reserve relating to that operation up to the date of disposal are transferred to the income statement as part of the profit or loss on disposal.

(j) Property, plant and equipment

The building component of owner-occupied properties are stated at valuation less accumulated depreciation. Fair value is determined by the Directors based on independent valuations which are performed periodically. The valuations are on the basis of open market value or depreciated replacement cost. Depreciated replacement cost is used where open market value cannot be reliably allocated to the building component. The Directors review the carrying value of the leasehold buildings and adjustment is made where they consider that there has been a material change. Increases in valuation are credited to the revaluation reserve. Decreases in valuation are first offset against increases on earlier valuations in respect of the same property and are thereafter charged to the income statement. Any subsequent increases are credited to the income statement up to the amount previously charged and thereafter to revaluation reserve.

Other property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

Property, plant and equipment are depreciated at rates sufficient to write off their cost net of expected residual value over their estimated useful lives on a straight-line basis. The useful lives and residual value are reviewed, and adjusted if appropriate, at each balance sheet date. The estimated useful lives are as follows:

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

2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

(j) Property, plant and equipment *(continued)*

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenances costs are charged to the income statement during the year in which they are incurred.

An asset is written down immediately to its recoverable amount if its carrying amount is higher than the asset's estimated recoverable amount.

All non-qualifying expenditures and expenses incurred on other non-qualifying development activities are charged as expenses to the income statement in the period in which such expenses are incurred.

Upon disposal of leasehold buildings, the relevant portion of the revaluation reserve realised in respect of previous valuations is released from the revaluation reserve to retained earnings.

The gain or loss on disposal of a fixed asset other than building is the difference between the net sale proceeds and the carrying amount of the relevant asset, and is recognised in the income statement.

(k) Construction in progress

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

(l) Interests in leasehold land held for own use under operating leases

Interests in leasehold land held for own use under operating leases represent up-front payments to acquire long-term interests in lessee-occupied properties. These payments are stated at cost and are amortised over the period of the lease on a straight-line basis to the income statement.

2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

(m) Leased assets

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

Assets held for use in operating leases

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

Operating lease charges

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

(n) Revenue recognition

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

Sale of goods

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

Sale of properties

Revenue arising from properties held for sale is recognised upon the signing of the sale and purchase agreements or the issue of an occupation permit by the relevant government authorities, whichever is the later. Deposits and instalments received on properties sold prior to the date of revenue recognition are included in the balance sheet under trade and other payables.

2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

(n) Revenue recognition *(continued)*

Rental income from operating leases

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

Sub-contracting fee income

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

Franchising fee

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

Interest income

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

(o) Inventories

Apparel Manufacturing

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

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

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

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

2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

(o) Inventories *(continued)*

Properties under development

Properties under development comprise land cost, construction costs, interest and other direct costs attributable to such properties, less impairment losses, if any.

(p) Income taxes

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

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

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

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

(q) Employee benefits

Paid leave carried forward

The Group provides paid annual leave to its employees under their employment contracts on a calendar year basis. Under certain circumstances, such leave which remains untaken as at the balance sheet date is permitted to be carried forward and utilised by the respective employees in the following year. An accrual is made at the balance sheet date for the expected future cost of such paid leave earned during the year by the employees and carried forward.

2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

(q) Employee benefits *(continued)*

Pension schemes

As stipulated by the labour regulations of the PRC, the Group participates in various defined contribution retirement plans organised by municipal and provincial governments for its employees. The Group is required to make contributions to the retirement plans at a specified percentage of the eligible employees' salaries. The Group has no other obligation for the payment of its employees' retirement and other post-retirement benefits other than contributions described above.

The Group also operates a Mandatory Provident Fund Scheme ("the MPF Scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance and not previously covered by the defined contribution retirement plans as mentioned above. The MPF Scheme is a defined contribution retirement scheme administered by independent trustees. Under the MPF Scheme, the employer and its employees are each required to make contributions to the MPF Scheme at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK$20,000. The Group employer contributions vest fully with the employees when contributed into the MPF Scheme.

(r) Capitalisation of borrowing costs

Borrowing costs attributable directly to the acquisition, construction or production of assets which require a substantial period of time to be ready for their intended use or sale, are capitalised as part of the cost of those assets. Income earned on temporary investments of specific borrowings pending their expenditure on those assets is deducted from borrowing costs capitalised.

(s) Share-based payments

Where share options are awarded to employees, the fair value of the options at the date of grant is charged to the income statement over the vesting period. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each balance sheet date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether the market vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition.

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to the income statement over the remaining vesting period.

Where equity instruments are granted to persons other than employees, the income statement is charged with the fair value of goods and services received.

2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

(t) Cash and cash equivalents

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

(u) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Company or Group has a legal or constructive obligation arising as a result of a past event, which will probably result in an outflow of economic benefits that can be reasonably estimated.

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

3. POTENTIAL IMPACT ARISING ON THE NEW ACCOUNTING STANDARDS NOT YET EFFECTIVE

The Group has not yet applied the following new HKFRSs that have been issued but are not yet effective. The directors of the Company anticipated that the application of these new HKFRSs will have no material impact on the financial statements of the Group.

HKAS 1 Amendment	Capital disclosures
HKAS 19 Amendment	Actuarial gains and losses, group plans and disclosures
HKAS 21 Amendment	Net investment in a foreign operation
HKAS 39 Amendment	Cash flow hedge accounting of forecast intragroup transactions
HKAS 39 Amendment	The fair value option
HKAS 39 & HKFRS 4 Amendments	Financial guarantee contracts
HKFRS 6	Exploration for and evaluation of mineral resources
HKFRS 7	Financial instrument: Disclosures
HKFRS – Interpretation 4	Determining whether an arrangement contains a lease
HKFRS – Interpretation 5	Rights to interests arising from decommissioning, restoration and environmental rehabilitation funds
HK(IFRIC) – Interpretation 6	Liabilities arising from participating in a specific market – waste electrical and electronic equipment
HK(IFRIC) – Interpretation 7	Applying the restatement approach under HKAS 29 Financial reporting in hyperinflationary economies

3. POTENTIAL IMPACT ARISING ON THE NEW ACCOUNTING STANDARDS NOT YET EFFECTIVE *(continued)*

HK(IFRIC) – Interpretation 8	Scope of HKFRS 2
HK(IFRIC) – Interpretation 9	Reassessment of Embedded Derivatives
HK(IFRIC) – Interpretation 10	Interim Financial Reporting and Impairment

4. TURNOVER AND OTHER REVENUE

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

An analysis of turnover and other revenue is as follows:

	2006	2005
	$'000	*$'000*
		(Restated)
Turnover		
Manufacturing, retailing and trading of apparel	**214,308**	206,911
Gross proceeds from properties sold	**5,139**	–
	219,447	206,911
Other revenue		
Interest income	**171**	182
Rental income	**2,348**	2,770
Sub-contracting fees	**5,696**	3,501
Gain on disposals of property, plant and equipment	**-**	2,462
Gain on disposal of construction in progress	**3,797**	–
Franchising fees	**2,955**	854
Others	**1,275**	20
	16,242	9,789
Total revenue for the year	**235,689**	216,700

5. SEGMENT INFORMATION

Segment information is presented in respect of the Group's business and geographical segments. During the current period, the Group has changed its primary reporting format from geographical segment to business segment because this is more relevant to the Group's internal financial reporting.

Business segments

The Group has the following main business segments:

Apparel manufacturing:	Manufacturing, retailing and distribution of apparel
Property development:	The development and sale of commercial and residential properties

5. SEGMENT INFORMATION *(continued)*

An analysis of the Group's revenue, results, assets, liabilities and other financial information by business segments for the year ended 30 June 2006, together with the comparative figures for the corresponding period in 2005, is as follows:

	Apparel manufacturing		**Property development**		**Consolidated**	
	2006	2005	**2006**	2005	**2006**	2005
	$'000	*$'000*	***$'000***	*$'000*	***$'000***	*$'000*
		(Restated)				(Restated)
Segment revenue:						
Turnover	**214,308**	206,911	**5,139**	–	**219,447**	206,911
Other revenue	**16,071**	9,607	**-**	–	**16,071**	9,607
Total segment revenue	**230,379**	216,518	**5,139**	–	**235,518**	216,518
Interest income and other unallocated income					**171**	182
Total revenue					**235,689**	216,700
Segment results	**(76)**	13,956	**(175)**	(389)	**(251)**	13,567
Unallocated results					**(4,939)**	(3,529)
Interest and other unallocated Income					**171**	182
(Loss)/profit from operations					**(5,019)**	10,220
Finance cost					**(93)**	(546)
(Loss)/profit from ordinary activities before taxation					**(5,112)**	9,674
Taxation					**(1,018)**	(3,680)
(Loss)/profit attributable to the shareholders					**(6,130)**	5,994
Segment assets	**114,051**	136,912	**23,054**	26,629	**137,105**	163,541
Unallocated assets					**1,052**	623
Total assets					**138,157**	164,164
Segment liabilities	**26,871**	52,711	**7,057**	3,538	**33,928**	56,249
Unallocated liabilities					**4,719**	5,212
Total liabilities					**38,647**	61,461
Other segment information:						
Depreciation and amortisation	**8,817**	8,705	**27**	8	**8,844**	8,713
Reversal of write-down of inventories to net realisable value	**7,593**	7,908	**-**	–	**7,593**	7,908
Reversal of impairment on trade and other receivables	**278**	530	**-**	–	**278**	530
Capital expenditure incurred during the year	**7,739**	8,256	**47**	131	**7,786**	8,387

5. SEGMENT INFORMATION *(continued)*

The Group comprises the following main geographic segments:

	Mainland China		Others		Unallocated		Consolidated	
	2006	2005	**2006**	2005	**2006**	2005	**2006**	2005
	$'000	$'000	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000
		(Restated)						(Restated)
Turnover from external customers	**217,223**	198,887	**2,224**	8,024	**-**	-	**219,447**	206,911
Segment assets	**136,577**	160,531	**1,528**	3,437	**52**	196	**138,157**	164,164
Capital expenditure								
- property, plant and equipment	**3,739**	2,935	**-**	-	**-**	-	**3,739**	2,935
- interests in leasehold land held for own use under operating leases	**-**	707	**-**	-	**-**	-	**-**	707
- construction in progress	**4,047**	4,745	**-**	-	**-**	-	**4,047**	4,745
	7,786	8,387	**-**	-	**-**	-	**7,786**	8,387

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

(Loss)/profit from ordinary activities before taxation is arrived at after charging/(crediting):

	2006 $'000	2005 $'000 (Restated)
Finance costs:		
Interest on bank advances and other financial liabilities repayable within five years	**93**	546
Staff costs (including directors):		
Defined contribution pension cost	**429**	613
Share-based payment expense	**1,646**	–
Salaries, wages and other benefits	**44,896**	38,078
	46,971	38,691
Other items:		
Depreciation on property, plant and equipment	**8,751**	8,648
Amortisation on interests in leasehold land held for own use under operating leases	**93**	65
Cost of inventories sold	**156,115**	138,033
Reversal of write-down of inventories to net realisable value	**(7,593)**	(7,908)
Auditors' remuneration	**788**	627
Minimum lease payments under operating leases		
– Property rentals (including retail shops)	**16,209**	13,629
– Contingent rentals of retail shops	**17,565**	12,972
Net gain on disposals of property, plant and equipment and construction in progress	**(3,656)**	(2,078)
Exchange differences, net	**(414)**	41
Reversal of impairment on trade and other receivables	**(278)**	(530)

7. TAXATION

Taxation in the consolidated income statement represents:

	2006	2005
	$'000	*$'000*
		(Restated)
Current tax outside Hong Kong		
Provision for the year	**825**	344
Deferred tax *(note 19)*	**193**	3,336
Total income tax expense	**1,018**	3,680

No provision for Hong Kong Profits Tax has been made in the financial statements (2005: Nil) as the Group's Hong Kong operations sustained a loss for taxation purposes during the year.

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

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

	2006	2005
	$'000	*$'000*
		(Restated)
(Loss)/profit from ordinary activities before taxation	**(5,112)**	9,674
Tax calculated at applicable PRC tax rate of 15% (2005: 15%)	**(767)**	1,452
Effect of different tax rates of group companies operating in different jurisdictions	**866**	645
Tax effect of non-taxable revenue	**-**	(295)
Tax effect of non-deductible expenses	**919**	1,878
Total income tax expense	**1,018**	3,680

8. DIRECTORS' REMUNERATION

(a) Directors' emoluments

The remuneration of each Director for the year ended 30 June 2006 is set out below:

Name of director	Fees	Salary	Share-based payments	Other benefits	Employer's contribution to pension scheme	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Executive directors						
Mr. Tan Sim Chew	**-**	**650**	**345**	**-**	**-**	**995**
Ms. Chen Miao Zhu	**-**	**425**	**-**	**-**	**-**	**425**
Mr. Fu Zi Cong	**-**	**397**	**345**	**-**	**-**	**742**
Mr. Lo King Fat	**-**	**559**	**345**	**29**	**12**	**945**
Mr. Zhong Ma Ming	**-**	**129**	**-**	**-**	**-**	**129**
Independent non-executive directors						
Mr. Wong Kwai Sang	**60**	**-**	**-**	**-**	**-**	**60**
Mr. Tsang Chun Pong	**60**	**-**	**-**	**-**	**-**	**60**
Mr. Li Chun Ming	**60**	**-**	**-**	**-**	**-**	**60**
	180	**2,160**	**1,035**	**29**	**12**	**3,416**

The remuneration of each Director for the year ended 30 June 2005 is set out below:

Name of director	Fees	Salary	Share-based payments	Other benefits	Employer's contribution to pension scheme	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Executive directors						
Mr. Tan Sim Chew	–	650	–	–	–	650
Ms. Chen Miao Zhu	–	637	–	–	–	637
Mr. Fu Zi Cong	–	397	–	–	–	397
Mr. Lo King Fat	–	559	–	37	12	608
Independent non-executive directors						
Mr. Wong Kwai Sang	60	–	–	–	–	60
Mr. Tsang Chun Pong	60	–	–	–	–	60
Mr. Li Chun Ming	45	–	–	–	–	45
	165	2,243	–	37	12	2,457

During both years, no emoluments were paid to directors as an inducement to join the Group or as compensation for loss of office. There was no arrangement under which a director waived or agreed to waive any emoluments during both years.

8. DIRECTORS' REMUNERATION *(continued)*

(b) Five highest paid individuals

Of the five individuals with the highest emoluments, four (2005: four) are directors whose emoluments are disclosed in note 8(a). The details of the emoluments in respect of the remaining one (2005: one) individual are as follows:

	2006	2005
	$'000	*$'000*
Salaries and other emoluments	**382**	382
Share-based payments	**305**	–
Retirement scheme contributions	**12**	12
	699	394

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

	2006	2005
	Number of Individuals	Number of individuals
Nil – $1,000,000	**1**	1

9. LOSS ATTRIBUTABLE TO SHAREHOLDERS

The loss attributable to shareholders includes a loss of $4,889,000 (2005: $3,369,000) which has been dealt with in the financial statements of the Company.

10. (LOSS)/EARNINGS PER SHARE

The calculation of basic (loss)/earnings per share is based on the consolidated loss attributable to shareholders of $6,130,000 (2005: profit of $5,994,000) divided by the weighted average of 1,331,929,000 ordinary shares (2005: 1,262,888,000 ordinary shares) in issue during the year. Diluted figures are not shown as there is no dilutive effect for the years ended 30 June 2005 and 2006.

11. PROPERTY, PLANT AND EQUIPMENT

Group

	Land use rights $'000	Buildings $'000	Leasehold improvements $'000	Plant and machinery $'000	Furniture, fixtures and office equipment $'000	Motor vehicles $'000	Total $'000
Cost or valuation							
At 1 July 2005, as previously reported	3,749	69,339	15,631	19,198	8,598	8,535	125,050
Prior year adjustment arising from adoption of HKAS 17	(3,749)	–	–	–	–	–	(3,749)
At 1 July 2005, as restated	–	69,339	15,631	19,198	8,598	8,535	121,301
Exchange difference	–	742	455	479	250	187	2,113
Additions	–	–	32	2,382	858	467	3,739
Disposals	–	–	–	(1,367)	–	–	(1,367)
Transfer from construction in progress *(note 12)*	–	223	4,986	–	–	–	5,209
At 30 June 2006	–	70,304	21,104	20,692	9,706	9,189	130,995
Representing:							
Cost	–	12,856	21,104	17,956	9,706	7,077	68,699
Valuation							
– 1994	–	–	–	2,736	–	2,112	4,848
– 2005	–	57,448	–	–	–	–	57,448
At 30 June 2006	–	70,304	21,104	20,692	9,706	9,189	130,995
Accumulated depreciation and impairment							
At 1 July 2005, as previously reported	1,282	26,594	12,481	10,715	6,020	6,673	63,765
Prior year adjustment arising from adoption of HKAS 17	(1,282)	–	–	–	–	–	(1,282)
At 1 July 2005, as restated	–	26,594	12,481	10,715	6,020	6,673	62,483
Exchange difference	–	232	360	232	175	123	1,122
Charge for the year	–	3,430	2,615	1,437	718	551	8,751
Disposals	–	–	–	(1,172)	–	–	(1,172)
At 30 June 2006	–	30,256	15,456	11,212	6,913	7,347	71,184
Cost or valuation							
At 1 July 2004, as previously reported	3,042	75,206	34,187	19,049	7,919	8,400	147,803
Prior year adjustment arising from adoption of HKAS 17	(3,042)	–	–	–	–	–	(3,042)
At 1 July 2004, as restated	–	75,206	34,187	19,049	7,919	8,400	144,761
Additions	–	874	163	926	679	293	2,935
Disposals	–	(8,022)	–	(777)	–	(158)	(8,957)
Written off	–	–	(20,955)	–	–	–	(20,955)
Transfer from construction in progress *(note 12)*	–	1,281	2,236	–	–	–	3,517
At 30 June 2005	–	69,339	15,631	19,198	8,598	8,535	121,301

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

Group

	Land use rights $'000	Buildings $'000	Leasehold improvements $'000	Plant and machinery $'000	Furniture, fixtures and office equipment $'000	Motor vehicles $'000	Total $'000
Cost or valuation							
Representing:							
Cost	–	11,891	15,631	16,462	8,598	6,423	59,005
Valuation							
– 1994	–	–	–	2,736	–	2,112	4,848
– 2005	–	57,448	–	–	–	–	57,448
At 30 June 2005	–	69,339	15,631	19,198	8,598	8,535	121,301
Accumulated depreciation and impairment							
At 1 July 2004, as previously reported	1,109	23,820	30,736	9,920	5,305	6,275	77,165
Prior year adjustment arising from adoption of HKAS 17	(1,109)	–	–	–	–	–	(1,109)
At 1 July 2004, as restated	–	23,820	30,736	9,920	5,305	6,275	76,056
Charge for the year	–	3,636	2,700	1,057	715	540	8,648
Eliminated against write-off	–	–	(20,955)	–	–	–	(20,955)
Written back on disposals	–	(862)	–	(262)	–	(142)	(1,266)
At 30 June 2005	–	26,594	12,481	10,715	6,020	6,673	62,483
Net book value							
At 30 June 2006	–	40,048	5,648	9,480	2,793	1,842	59,811
At 30 June 2005	–	42,745	3,150	8,483	2,579	1,861	58,818

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

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

	Group	
	2006	2005
	$'000	*$'000*
		(Restated)
Held under medium-term leases:		
Outside Hong Kong	**40,048**	42,745

(i) Buildings of the Group were revalued by directors on 30 June 2005 after taking into account a valuation report as at 30 June 2005 prepared by Lawson David & Sung Surveyors Limited, an independent firm of surveyors who have among their staff Fellows of the Hong Kong Institute of Surveyors. The valuations are on the basis of open market value or depreciated replacement cost. Depreciated replacement cost is used where open market value cannot be reliably allocated to the building component. The directors determined that the valuation at 30 June 2006 was not materially different from its net book value.

The carrying amount of the buildings of the Group at 30 June 2006 would have been approximately $17,028,000 (2005: $17,533,000) respectively had the buildings been carried at cost less accumulated depreciation.

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

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

(iii) The gross carrying amounts of buildings of the Group held for use in operating leases were $12,999,000 (2005: $25,313,000) and the related accumulated depreciation charges were $3,856,000 (2005: $8,403,000). Had these buildings been carried at cost less related accumulated depreciation, the gross carrying amounts and related accumulated depreciation charges would have been $8,614,000 (2005: $12,159,000) and $1,774,000 (2005: $2,812,000) respectively.

12. CONSTRUCTION IN PROGRESS

	Group	
	2006	2005
	$'000	*$'000*
		(Restated)
At 1 July	**2,986**	1,758
Exchange adjustments	**87**	–
Additions	**4,047**	4,745
Transfer to property, plant and equipment *(note 11)*	**(5,209)**	(3,517)
Disposal	**(764)**	–
At 30 June	**1,147**	2,986

13. INTERESTS IN LEASEHOLD LAND HELD FOR OWN USE UNDER OPERATING LEASES

The Group's interests in leasehold land for own use under operating leases comprise:

	Group	
	2006	2005
	$'000	*$'000*
Held under medium-term leases:		
Outside Hong Kong	**1,176**	1,232

14. INTERESTS IN SUBSIDIARIES

	Company	
	2006	2005
	$'000	*$'000*
Unlisted shares, at cost	**192,010**	192,010
Long term loan to a subsidiary	**-**	6,500
Amounts due from subsidiaries	**-**	46,400
	192,010	244,910
Less: Impairment loss	**(156,606)**	(156,606)
Impairment loss on receivables	**-**	(29,999)
	35,404	58,305

(Expressed in Hong Kong dollars)

14. INTERESTS IN SUBSIDIARIES *(continued)*

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

Name of company	Place of incorporation/ establishment and operation	Percentage of equity held by the Company	Percentage of equity held by subsidiaries	Particulars of issued/ registered and paid up capital	Principal activity
Fun (Xiamen) Enterprise Corporation Limited *	PRC	–	100	Singapore Dollar ("S$")15,300,000	Garment manufacturing and retailing
Anxi Sing Garments Company Limited *	PRC	–	100	$3,380,000	Dormant
Anxi Fenfa Enterprise Company Limited*	PRC	–	100	S$1,000,000	Deregistrated during the year
Benefun (BVI) Limited	British Virgin Islands ("BVI")	100	–	1 share of US$1	Investment holding
Wylkeen Investment Limited	BVI	100	–	1 share of US$1	Investment holding
Wingo Asia Limited	BVI	–	100	1 share of US$1	Garment distribution
Zhangzhou Golden River Estate Development Co. Ltd. *	PRC	100	–	RMB13,300,000	Property development
Zhangzhou City Gao Hui Property Development Company Limited #	PRC	–	100	RMB3,280,000	Property development
Top Ace Enterprises Limited	Hong Kong	–	100	2 shares of $1 each	Provision of management services

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

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

15. INVENTORIES

	Group	
	2006	2005
	$'000	$'000
Apparel manufacturing		
Raw materials	**5,654**	5,746
Work in progress	**2,419**	8,751
Finished goods	**1,231**	3,919
	9,304	18,416
Property development		
Properties under development	**6,889**	8,821
	16,193	27,237

The amount of properties under development expected to be recovered after more than one year is $6,889,000 (2005: $4,684,000). The inventories in apparel manufacturing segment are expected to be recovered within one year.

16. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2006	2005	**2006**	2005
	$'000	$'000	**$'000**	$'000
Trade debtors	**11,011**	10,333	**-**	–
Prepayments, deposits and other receivables	**44,039**	22,005	**99**	99
Amounts due from subsidiaries	**-**	–	**19,722**	–
	55,050	32,338	**19,821**	99

The amounts due from subsidiaries are unsecured, interest-free and repayable on demand.

16. TRADE AND OTHER RECEIVABLES *(continued)*

Included in the trade and other receivables are trade debtors (net of impairment loss) with the following ageing analysis:

	Group	
	2006	2005
	$'000	*$'000*
Within 1 month	**2,491**	5,039
1 to 3 months	**1,333**	3,216
More than 3 months but less than 12 months	**6,468**	2,078
Over 12 months	**719**	–
Total trade debtors	**11,011**	10,333

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

During the year, the Group commenced certain property development projects for resale. As at the balance sheet date, included in the balance of prepayments, deposits and other receivables was an aggregate balance of deposits and instalments of $15,686,000 (2005: $15,242,000) for the acquisition of certain land use rights in Zhangzhou City, the PRC in respect of the aforesaid projects.

17. TRADE AND OTHER PAYABLES

	Group		Company	
	2006	2005	**2006**	2005
	$'000	*$'000*	***$'000***	*$'000*
Trade creditors	**15,952**	23,246	**-**	–
Property forward sales deposits and instalments received	**-**	3,157	**-**	–
Other payable and accrued liabilities	**15,054**	24,733	**2,533**	3,733
	31,006	51,136	**2,533**	3,733

17. TRADE AND OTHER PAYABLES *(continued)*

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

	2006 **$'000**	2005 $'000
Within 1 month or demand	**11,847**	11,395
1 to 3 months	**57**	485
More than 3 months but within 6 months	**35**	201
Over 6 months	**4,013**	11,165
Total trade creditors	**15,952**	23,246

18. OTHER FINANCIAL LIABILITIES

	Group	
	2006 **$'000**	2005 $'000
Interest bearing:		
Secured – bank loan	**5,820**	8,907

At 30 June 2006, total current and non-current bank loans and other borrowings were repayable as follows:

	2006 **$'000**	2005 $'000
Within one year	**-**	8,907
Within two to five years	**5,820**	–
	5,820	8,907

The bank loans are interest-bearing at 6.22% (2005: 5.09%) and secured by the Group's interest in leasehold land included in inventories under the category of properties under development with an aggregate carrying value of $6,889,000 (2005: secured by the Group's interest in leasehold land and building with aggregate carrying value of $27,831,000).

19. DEFERRED TAX

Group

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

Deferred tax assets/(liabilities)	Revaluation of properties $'000	Provision for inventories and receivables $'000	Accelerated (depreciation allowances)/ accounting depreciation $'000	Other temporary differences $'000	Total $'000
As at 1 July 2004, as previously reported	(4,312)	12,728	(867)	(5,709)	1,840
Prior year adjustment arising from adoption of HKAS 17	202	–	–	–	202
As at 1 July 2004, as restated	(4,110)	12,728	(867)	(5,709)	2,042
(Charge)/credited to income statement (restated)	392	(8,108)	1,779	2,601	(3,336)
As at 30 June 2005, as restated	(3,718)	4,620	912	(3,108)	(1,294)
As at 1 July 2005, as previously reported	(3,903)	4,620	912	(3,108)	(1,479)
Prior year adjustment arising from adoption of HKAS 17	185	–	–	–	185
As at 1 July 2005	(3,718)	4,620	912	(3,108)	(1,294)
(Charged)/credited to income statement	328	(703)	(251)	433	(193)
As at 30 June 2006	(3,390)	3,917	661	(2,675)	(1,487)

19. DEFERRED TAX *(continued)*

	2006	2005
	$'000	*$'000*
Analysis of deferred tax balances for financial reporting purposes:		
Net deferred tax asset recognised on the balance sheet	**52**	124
Net deferred tax liability recognised on the balance sheet	**(1,539)**	(1,418)
	(1,487)	(1,294)

20. SHARE CAPITAL

	2006	2005
	$'000	*$'000*
Authorised		
10,000,000,000 ordinary shares of $0.01 each	**100,000**	100,000
Issued and fully paid		
At 1 July – 1,331,929,000 (2005: 1,131,929,000) ordinary shares of $0.01 each	**13,319**	11,319
Issue of new shares	**-**	2,000
At 30 June – 1,331,929,000 (2005: 1,331,929,000) ordinary shares of $0.01 each	**13,319**	13,319

Placing of new shares

In 2005, pursuant to a placing agreement dated 14 October 2004, a total of 200,000,000 new ordinary shares of $0.01 each, rank pari passu with the existing shares in the Company, were placed through a placing agent on a fully underwritten basis at a placing price of $0.042 per share. The closing market price was $0.048 per share as quoted on the Stock Exchange on 14 October 2004.

21. RESERVES

(a) Group

	Share premium $'000 (Note i)	Share-based compensation reserve $'000 (Note ii)	Legal reserve $'000 (Note iii)	Foreign exchange revaluation reserve $'000 (Note iv)	Revaluation reserve $'000 (Note iv)	Accumulated losses $'000	Total $'000
At 1 July 2004, as previously Reported	122,226	–	3,090	1,643	23,997	(72,728)	78,228
Prior year adjustment arising from adoption of HKAS 17	–	–	–	–	(1,141)	–	(1,141)
At 1 July 2004, as restated	122,226	–	3,090	1,643	22,856	(72,728)	77,087
Transfer between reserves (restated)	–	–	–	–	(1,787)	1,787	–
Profit for the year (restated)	–	–	–	–	–	5,994	5,994
Premium on placing of shares	6,400	–	–	–	–	–	6,400
Share issue expenses	(97)	–	–	–	–	–	(97)
At 30 June 2005, as restated	128,529	–	3,090	1,643	21,069	(64,947)	89,384
At 1 July 2005, as previously reported	128,529	–	3,090	1,643	22,119	(64,947)	90,434
Prior year adjustment arising from adoption of HKAS 17	–	–	–	–	(1,050)	–	(1,050)
At 1 July 2005, as restated	128,529	–	3,090	1,643	21,069	(64,947)	89,384
Exchange differences on translation of financial statements of overseas subsidiaries	–	–	–	1,291	–	–	1,291
Transfer between reserves	–	–	–	–	(1,864)	1,864	–
Equity settled share-based transaction	–	1,646	–	–	–	–	1,646
Loss for the year	–	–	–	–	–	(6,130)	(6,130)
At 30 June 2006	128,529	1,646	3,090	2,934	19,205	(69,213)	86,191

21. RESERVES *(continued)*

(b) Company

	Share premium	Share-based Compensation reserve	Contributed surplus	Accumulated losses	Total
	$'000	*$'000*	*$'000*	*$'000*	*$'000*
	(Note i)		*(Note v)*		
At 1 July 2004	122,226	–	65,261	(147,010)	40,477
Premium on placing of shares	6,400	–	–	–	6,400
Share issue expenses	(97)	–	–	–	(97)
Loss for the year	–	–	–	(3,369)	(3,369)
At 30 June 2005	128,529	–	65,261	(150,379)	43,411
Loss for the year	–	–	–	(4,889)	(4,889)
Equity settled share-based transaction	–	1,646	–	–	1,646
At 30 June 2006	128,529	1,646	65,261	(155,268)	40,168

Notes:

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

(ii) Cumulative expenses recognised in writing off the fair value of share options granted to the employees over the vesting period.

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

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

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

22. EQUITY SETTLED SHARE-BASED TRANSACTIONS

Share option scheme

On 16 August 2005, the Company granted in total 78,000,000 share options for a total consideration of $6 to 4 executive directors and 2 senior executives at an exercise price of $0.058 per share under the share option scheme, which adopted by the Company on 5 May 1997 (hereinafter referred as "Old Share Option Scheme"). All these share options are exercisable on or after 17 February 2006 and will expire on 16 February 2009.

Pursuant to an ordinary resolution passed on 16 December 2005, the Shareholders at the Extraordinary General Meeting approved to terminate the Old Share Option Scheme and superseded by a new share option scheme (hereinafter referred as "New Share Option Scheme") for employees. Pursuant to the mutual agreement with the grantees and aforesaid ordinary resolution, all outstanding share options were cancelled accordingly. The New Share Option Scheme is valid and effective for a period of 10 years from the date of adoption.

Pursuant to the New Share Option Scheme, any grant of options to a participant who is a director, chief executive or substantial shareholder of the Company or their respective associates must be approved by the independent non-executive directors of the Company (excluding independent non-executive director who is the Grantee).

If the Board proposes to grant any option to a participant who is a substantial shareholder or an independent non-executive director of the Company, or any of their respective associates, would result in the Shares issued and to be issued upon exercise of all options already granted and to be granted (including option exercised, cancelled and outstanding) to him or her in the 12-month period up to and including the date of such grant:

(i) representing in aggregate more than 0.1% of the total number of Shares in issue; and

(ii) having an aggregate value, based on the closing price of the Shares at the date of each grant, in excess of $5,000,000.

such proposed grant of options must be approved by the shareholders of the Company in general meeting with all connected persons (with the meaning as ascribed under the Listing Rules) of the Company abstain from voting (except where any connected person may vote against the relevant resolution). In such case, the Company shall send a circular to its shareholders containing all those terms as required under the Listing Rules. Any vote taken at the meeting to approve the grant of such options must be taken on a poll.

22. EQUITY SETTLED SHARE-BASED TRANSACTIONS *(continued)*

Share option scheme *(continued)*

The directors may, at their discretion, invite any employees or directors of the Group, to take up options to subscribe for shares in the Company at a price to be determined by the Board and notified to a Participant and shall at least the highest of:–

(i) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the date on which an Offer is made to a Participant, which must be a Business Day ("Offer Date");

(ii) a price being the average of the closing prices of the Shares as stated in the Stock Exchange's daily quotations sheets for the 5 Business Days immediately preceding the Offer Date; and

(iii) the nominal value of a Share.

The total number of Shares which may be issued upon exercise of all options to be granted under the New Share Option Scheme and any other Share Option Scheme of the Company shall not in aggregate exceed 10% of the total number of Shares in issue as at the date of approval of the New Share Option Scheme unless the Company obtains a fresh approval from its Shareholders.

On 10 January 2006, the directors approved to grant share options with a total of 79,800,000 shares to employees of the Company (including 53,200,000 shares granted to the executive directors of the Company, being also employees of the Company) at a subscription price of HK$0.05 per share under the New Share Option Scheme. Except one of the executive directors, all grantees accepted the grant of share options.

Except for the afore-mentioned, no share option were granted, exercised, cancelled or lapsed during the year.

(Expressed in Hong Kong dollars)

22. EQUITY SETTLED SHARE-BASED TRANSACTIONS *(continued)*

(a) The terms and conditions of the grant that existed during the years are as follows, whereby all options are settled by physical delivery of shares:

	Number of instruments	Vesting conditions	Exercisable period of options
Options granted to directors:			
– on 16 August 2005	52,000,000	Nil	3 years commencing on the 6 months after the date of grant
– on 10 January 2006	39,900,000	Nil	3 years commencing on the 6 months after the date of grant
Options granted to employees:			
– on 16 August 2005	26,000,000	Nil	3 years commencing on the 6 months after the date of grant
– on 10 January 2006	26,600,000	Nil	3 years commencing on the 6 months after the date of grant
	144,500,000		

22. EQUITY SETTLED SHARE-BASED TRANSACTIONS *(continued)*

(b) The number and weighted average exercise prices of share options are as follows:

	2006 Weighted average exercise price	**2006** Number of options ('000)	2005 Weighted average exercise price	2005 Number of options ('000)
Outstanding at the beginning of year	**-**	**-**	$0.160	11,200
Granted during the year	**$0.054**	**144,500**	–	–
Lapsed and expired during the year	**-**	**-**	$0.160	11,200
Cancelled during the year	**$0.058**	**78,000**	–	–
Exercisable at the end of the year	**$0.050**	**66,500**		–

No share options were exercised during the year. The options outstanding at 30 June 2006 had an exercise price of $0.05 (2005: Nil) and a weighted average remaining contractual life of 3 years (2005: Nil).

The fair value of services received in return for share options granted are measured by reference to the fair value of share options granted. The estimate of the fair value of the services received is measured based on Black-Scholes Option Pricing Model.

(Expressed in Hong Kong dollars)

22. EQUITY SETTLED SHARE-BASED TRANSACTIONS *(continued)*

(b) The number and weighted average exercise prices of share options are as follows: *(continued)*

The model provides a close-form solution to option value based on such parameters as risk free rate, prevailing price of the underlying stock, exercise price, volatility of the underlying share prices and term to maturity. Expectations of early exercise are incorporated into this model.

Fair value of share options and assumptions:

	2006
Fair value at measurement date	$0.025
Share price	$0.05
Exercise price	$0.05
Expected volatility	82.01%
Option life	3 years
Expected dividend	–
Risk free rate (based on Hong Kong Exchange Fund Note)	3.75%

The expected volatility is based on the historic volatility (calculated based on the weighted average remaining life of the share options), adjusted for any expected changes to future volatility due to publicly available information. Expected dividends are based on historical dividends. Changes in the subjective input assumptions could materially affect the fair value estimate. The share options were granted without service condition.

At 30 June 2006, the outstanding options are summarised as follows:

Date option granted	**Period during which options are exercisable**	**Exercise price**	**Number of options outstanding at the year end**
10 January 2006	11 July 2006 to 10 July 2009	$0.05	66,500,000

23. CAPITAL COMMITMENTS

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

	2006	2005
	$'000	$'000
Contracted but not provided for	**40,029**	21,668

24. OPERATING LEASE ARRANGEMENTS

(a) As lessor

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

The minimum rent receivables under non-cancellable operating leases are as follows:

	2006	2005
	$'000	$'000
Not later than one year	**79**	151
Later than one year but not later than five years	**-**	–
	79	151

(b) As lessee

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

The total future of minimum lease payments are due as follows:

	2006	2005
	$'000	$'000
Not later than one year	**11,921**	13,282
Later than one year but not later than five years	**10,459**	15,007
Later than five years	**-**	236
	22,380	28,525

25. OUTSTANDING LITIGATIONS

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

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

26. FINANCIAL INSTRUMENTS – RISK MANAGEMENT

The Group's principal financial assets are trade and other receivables and cash and bank balances. Financial liabilities of the Group include trade and other payables and bank borrowings. The Group has not issued and does not hold financial instruments for trading purpose at the balance sheet date. Exposure to foreign currency risk and credit risk arises in the normal course of the Group's business.

(a) Foreign currency risk

The Group is exposed to foreign currency risk primarily through recognising trading sales and incurring costs of sales that are denominated in currencies other than the functional currency of the operations to which they relate. The currency giving rise to this risk is primarily Renminbi.

(b) Credit risk

The Group has no significant concentrations of credit risk, which is primarily attributable to trade and other receivables. It has policies in place to ensure that sales are provided to customers with an appropriate credit history.

(c) Fair value estimation

The carrying amounts of significant financial assets and liabilities approximate their respective fair values as at the balance sheet date because of their short maturities.

27. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the process of applying the Group's accounting policies which are described in note 2, management has made the following judgments that have significant effect on the amounts recognised in the financial statements. The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are also discussed below.

Impairment loss on trade receivables

The policy for impairment of trade receivables of the Group is based on the evaluation of collectability and aging analysis of the trade receivables and on management's judgment. A considerable amount of judgment is required in assessing the ultimate realisation of these trade receivables, including the current creditworthiness and the past collection history of each customer. If the financial conditions of customers of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional impairment may be required.

Impairment on inventories

The management of the Group reviews an aging analysis at each balance sheet date, and makes provision for obsolete and slow-moving inventory items identified. The management estimates the net realisable for such inventories based primarily on the latest invoice prices and current market conditions.

28. APPROVAL OF FINANCIAL STATEMENTS

The financial statements on pages 27 to 74 were approved and authorised for issue by the Board of Directors on 13 October 2006.