Annual Report

2007

First Sign International Holdings Limited

(Incorporated in Bermuda with limited liability) (Stock Code: 933)

Contents

Corporate Information

BOARD OF DIRECTORS

Executive Directors
Lau Tung Hoi (Chairman)
Yan Miu King (Deputy Chairman)

Non-Executive Director
Wu Wing Kit

Independent Non–Executive Directors
Man Mo Leung
Ho Yau Ming
Hung Kwok Keung, Keith

AUDIT COMMITTEE

Wu Wing Kit
Man Mo Leung
Ho Yau Ming
Hung Kwok Keung, Keith

COMPANY SECRETARY

Cheung Tak Keung

AUDITOR

Deloitte Touche Tohmatsu

LEGAL ADVISERS IN HONG KONG

Fred Kan & Co

LEGAL ADVISERS ON BERMUDA LAW

Conyers, Dill & Pearman

REGISTERED OFFICE

Clarendon House
Church Street
Hamilton HM11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 1201, 12th Floor, Seaview Centre
139–141 Hoi Bun Road
Kwun Tong
Kowloon
Hong Kong

PRINCIPAL SHARE REGISTRAR

Butterfield Fund Services (Bermuda) Limited
Rosebank Centre
14 Bermudiana Road
Pembroke
Bermuda

HONG KONG BRANCH SHARE REGISTRAR

Secretaries Limited
Ground Floor
Bank of East Asia Harbour View Centre
56 Gloucester Road, Wanchai
Hong Kong

PRINCIPAL BANKERS

Credit Suisse
The HongKong and Shanghai Banking Corporation Limited

NOTICE IS HEREBY GIVEN THAT the Annual General Meeting of the Company will be held at Meeting Room I & II, 1st Floor, Cosmopolitan Hotel, 387–397 Queen's Road, Wanchai, Hong Kong at 11:00 a.m. on Friday, 26th October, 2007 for the following purposes:

1. To receive and consider the audited Financial Statements and the Reports of the Directors and Auditors for the year ended 30th June, 2007.

2. To declare a final dividend for the year ended 30th June, 2007.

3. To re–elect Directors and authorise the Board of Directors of the Company to fix their remuneration.

4. To re–appoint Deloitte Touche Tohmatsu as auditor of the Company and to authorise the Directors to fix their remuneration.

5. As special business, to consider and, if thought fit, pass with or without amendments the following resolution which will be proposed as an ordinary resolution:

   "THAT:

   (a) subject to paragraph (b) below, the exercise by the Directors of the Company during the Relevant Period (as hereinafter defined) of all the powers of the Company to repurchase shares of HK$0.10 each in the capital of the Company, subject to and in accordance with all applicable laws and the requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited or of any other stock exchange as amended from time to time, be and is hereby generally and unconditionally approved;

   (b) the aggregate nominal amount of shares of the Company to be repurchased by the Company pursuant to the approval in paragraph (a) above shall not exceed 10% of the aggregate nominal amount of the share capital of the Company in issue at the date of this Resolution and the said approval shall be limited accordingly; and

   (c) for the purpose of this Resolution,

   "Relevant Period" means the period from the passing of this Resolution until whichever is the earliest of:

   (i) the conclusion of the next annual general meeting of the Company;

   (ii) the expiration of the period within which the next annual general meeting of the Company is required by law or the Bye-laws of the Company to be held; and

   (iii) the date on which the authority set out in this Resolution is revoked or varied by an ordinary resolution of the shareholders in general meeting."

6. As special business, to consider and, if thought fit, pass with or without amendments the following resolution which will be proposed as an ordinary resolution:

"THAT:

(a) subject to paragraph (c) below, the exercise by the Directors of the Company during the Relevant Period (as hereinafter defined) of all the powers of the Company to allot, issue and deal with additional shares of HK$0.10 each in the capital of the Company and to make or grant offers, agreements and options which would or might require the allotment of such shares, be and is hereby generally and unconditionally approved;

(b) the approval in paragraph (a) above shall authorise the Directors of the Company during the Relevant Period (as hereinafter defined) to make or grant offers, agreements or options which would or might require the allotment of such shares after the end of the Relevant Period (as hereinafter defined);

(c) the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) and issued by the Directors of the Company pursuant to the approval in paragraph (a) above, otherwise than (1) a Right Issue (as hereinafter defined); (2) an issue of shares as scrip dividends pursuant to the Bye-laws of the Company from time to time; (3) an issue of shares under any option scheme or similar arrangement for the time being adopted for the grant or issue to employees of the Company and/or any of its subsidiaries of shares or rights to subscribe for shares in the Company, shall not exceed 20% of the aggregate nominal amount of the issued share capital of the Company at the date of passing this Resolution, and the said approval shall be limited accordingly; and

(d) for the purpose of this Resolution,

"Relevant Period" means the period from the passing of this Resolution until whichever is the earliest of:

(i) the conclusion of the next annual general meeting of the Company;

(ii) the expiration of the period within which the next annual general meeting of the Company is required by law or the Bye-laws of the Company to be held; and

(iii) the date on which the authority set out in this Resolution is revoked or varied by an ordinary resolution of the shareholders in general meeting;

"Rights Issue" means an offer of shares open for a period fixed by the Directors of the Company to the holders of shares of the Company on the register on a fixed record date in proportion to their then holdings of such shares as at that date (subject to such exclusions or other arrangements as the Directors of the Company may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of any recognised regulatory body or any stock exchange)."

7. As special business, to consider and, if thought fit, pass with or without amendments the following resolution which will be proposed as an ordinary resolution:

"**THAT** the general mandate granted to the Directors of the Company to allot, issue and deal with additional shares pursuant to the Resolution set out in item 6 of the notice convening this meeting be and is hereby extended by the addition thereto of an amount representing the aggregate nominal amount of shares in the capital of the Company repurchased by the Company under the authority granted pursuant to the Resolution set out in item 5 of the notice convening this meeting, provided that such amount of shares so repurchased shall not exceed 10% of the aggregate nominal amount of the issued share capital of the Company at the date of the said Resolution."

By order of the Board
Cheung Tak Keung
Company Secretary

Hong Kong, 2nd October, 2007

Notes:

1. A member entitled to attend and vote at the meeting is entitled to appoint another person as his proxy to attend and vote on his behalf. A member who is the holder of two or more shares may appoint more than one proxy to attend on the same occasion. A proxy need not be a member of the Company. If more than one proxy is appointed, the appointment shall specify the number and class of the shares in respect of which each such proxy is so appointed.

2. To be valid, the instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed, or a notarially certified copy of such power or authority, must be deposited at the Company's principal place of business in Hong Kong at Room 1201, 12th Floor, Seaview Centre, 139–141 Hoi Bun Road, Kwun Tong, Kowloon, Hong Kong not less than 48 hours before the time appointed for holding the meeting or any adjourned meeting (as the case may be).

3. The register of members of the Company will be closed from Monday, 22nd October, 2007 to Friday, 26th October, 2007 (both days inclusive). During this period, no transfer of shares will be registered. In order to qualify for attending and voting at the forthcoming Annual General Meeting of the Company, all transfer forms of shares accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Secretaries Limited of Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Hong Kong not later than 4:00 p.m., on Thursday, 18th October, 2007.

RESULTS

The Group achieved a profit of HK$32,727,000 for the year under review after charging/crediting the following:

– unrealised gain on fair value change of financial assets held for trading of HK$9,748,000 (2006: unrealised loss of HK$20,920,000)

– increase in fair value of investment properties of HK$1,550,000 (2006: HK$1,520,000)

– gain on foreign exchange of HK$5,078,000 (2006: HK$1,149,000)

Excluding the unrealised provisions and non-operating items, the profit attributable from the operation was HK$16,351,000 (2006: HK$18,503,000).

GARMENT OPERATION

The overall performance of the garment operation has improved slightly. The majority of the sales were from OEM nylon products. Although the gross profit margin was lower than the direct sales from IXESSE, the Group saved significant direct selling expenses and hence loss for the year decreased significantly by 58.5%.

The Group recognised that it is desirable to focus more effort on the OEM business, not only from the nylon T-shirt line, but also to other knitwear products.

With the establishment of our reputation in the OEM industry, some well known brand names have approached us to explore co-operation in the coming 2008 Spring Summer Collections.

INVESTMENTS

The Group generated interest income of HK$40,218,000 for the year, which was 8.2% higher than the HK$37,157,000 in 2006. The increase was due to the higher basic interest rates on general and structured deposits. The Group will maintain a prudent policy and will diversify its investment when necessary.

HEALTH FOOD

The associate company incurred a loss of HK$1,834,000 for the year (2006: HK$255,000).

After operating the business for three years, the associate company found that the existing capacity was not fully utilised and incurred certain unnecessary costs. Accordingly, the associate company moved to a smaller premises, which can adequately satisfy the operation requirement and also minimize the redundant costs. The associate company has also written off all the idled equipment, renovation and removal costs which led to a loss of HK$1,834,000.

Animal tests and clinical trials on the result of WinUBoost had been conducted on a parallel basis. However, the clinical trials which had been conducted for over nine months were terminated because of difficulties in recruitment of sufficient suitable patients with the specific disease.

As regards the animal tests, the associate company got the expected results on WinUBoost and will continue to carry out further tests to prove the product functions of WinUBoost.

CONCLUSION

The Board is of the view that the Group will continue to face severe competition and high operating costs in both its garments and health food business. However, the Group will take appropriate measures with a view to improving the performance of these two operations.

The Group maintains a conservative investments policy for the surplus fund with a primary objective that the investments should be capital protected and generate sufficient cash flow for the operations.

On behalf of the Board, I would like to take this opportunity to express my sincere appreciation to all business partners, staff and shareholders for their continuous support.

Lau Tung Hoi
Chairman

Hong Kong, 21st September, 2007

FINANCIAL REVIEW

During the year ended 30th June, 2007, the Group's total turnover increased by approximately 0.4% to HK$47,570,000. Profit attributable to shareholders increased significantly to HK$32,727,000.

As at year end date, the Group reported an net fair value change of financial assets held for trading of HK$11,995,000. It included mainly debt securities, which the Group held for generating interest income and expected to receive the whole principal amount upon their maturities.

The Group has recognised a gain from changes in fair value on investment properties of HK$1,550,000 which has been credited to the income statement.

Basic earnings per share amounted to HK2.69 cents for the year. As at 30th June, 2007, net asset value per share amounted to HK53.0 cents.

LIQUIDITY AND FINANCIAL RESOURCES

The Group's principal source of funds for the year ended 30th June, 2007 was from investment income, including bank interest income and realised exchange gain, of HK$49,384,000.

As at 30th June, 2007, the Group had bank and cash balances of HK$376,400,000 and financial assets held for trading of HK$266,227,000, majority of which are debt securities. They were denominated in US dollars and EURO, with maturity period from 2 to 13 years or perpetual callable.

The Group's exposure to fluctuation in exchange rates was limited and no hedging activity was considered necessary.

USE OF PROCEEDS FROM NEW ISSUE

As reported in the Company's 2001 annual report, the Group had changed the proposed use of part of the proceeds from the new issue in 1995 which amounted to HK$254,000,000 for the following purposes:

(a) approximately HK$15,000,000 for developing the Group's own brand "IXESSE" in Hong Kong and the PRC and to enhance the image and popularity of the brand;

(b) approximately HK$50,000,000 to acquire plant, machinery, office setup and equipment to expand and improve the Group's own manufacturing facilities in Guangzhou, the PRC for the production of clothing, leather goods, accessories or other related products; and

(c) the remaining balances of approximately HK$189,000,000 for herbal and health products, skin care and pharmaceutical products and other business ventures.

USE OF PROCEEDS FROM NEW ISSUE – continued

An analysis of the use of proceeds up to 30th June, 2007 is as follows:

		Up to 30th June, 2006	Amounts incurred in the year under review	Accumulated spending
		HK$'000	*HK$'000*	*HK$'000*
(a)	Promotion of its own brand "IXESSE" in Hong Kong and the PRC	7,618	401	8,019
(b)	Acquisition of plant and machinery in Hong Kong and the PRC	21,166	1,301	22,467
(c)	Development of health and herbal products	24,804	2,501	27,305
	Total	53,588	4,203	57,791

CAPITAL STRUCTURE

As at 30th June, 2007, the Company had 1,215,870,400 shares in issue with total shareholders' funds of HK$643,904,000.

EMPLOYEES AND REMUNERATION POLICIES

As at 30th June, 2007, the Group employed approximately 170 full time employees in Hong Kong and the PRC. The Group remunerates its Directors and employees by reference to their performance, experience and prevailing industry practice. Employee benefits provided by the Group include provident fund scheme, medical scheme, discretionary performance-related bonus and a share option scheme.

Biographical Details of Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. Lau Tung Hoi – Chairman, aged 56, is the founder of the Group and is primarily responsible for the overall strategic planning and management of the Group. He has extensive experience in the garment business. He was a member of the Chinese People's Political Consultative Conference, Guangdong Province. He was a director of the Tung Wah Group of Hospitals for the periods from 1st April, 1995 to 31st March, 2000, from 1st April, 2001 to 31st March, 2002 and from 1st April, 2006 to 31st March, 2007. He was also a member of the Tung Wah Group of Hospitals Advisory Board for the period from 1st April, 2000 to 31st March, 2001.

Ms. Yan Miu King – Deputy Chairman, aged 40, is a fellow of the Association of Chartered Certified Accountants and an associate of the Hong Kong Institute of Certified Public Accountants. Ms. Yan has over 19 years experience in accounting and she joined the Group in 1993 as the assistant accounting manager of the Company.

The Executive Directors represent the senior management of the Group.

NON–EXECUTIVE DIRECTOR

Mr. Wu Wing Kit, aged 50, holds a bachelor of laws degree from the University of Hong Kong and a master of laws degree from the City University of Hong Kong and has been practising as a solicitor in Hong Kong for more than 25 years. Mr. Wu is presently a partner of Fred Kan & Co and is a notary public in Hong Kong and a China appointed attesting officer. Mr. Wu is also a director of a number of companies in Hong Kong.

INDEPENDENT NON–EXECUTIVE DIRECTORS

Mr. Man Mo Leung, aged 54, is a certified public accountant in Hong Kong, fellow of the Hong Kong Institute of Certified Public Accountants, the Institute of Chartered Accountants in England and Wales and the Hong Kong Institute of Directors. Mr. Man holds a Bachelor of Science Degree from the University College London. Mr. Man is the Executive Chairman of an international accounting firm in Hong Kong and is also a director of Taifook Securities Group Limited.

Mr. Ho Yau Ming, aged 56, holds a Master Degree in Finance from the University of Leicester, UK and had worked in the banking industry for over 28 years in offical and senior executive positions including The HongKong and Shanghai Banking Corporation Limited and Dao Heng Bank Limited (now known as DBS (Hong Kong) Limited).

Mr. Hung Kwok Keung, Keith, aged 42, is a certified public accountant of Hong Kong and fellow member of Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants. Mr. Hung is currently the sole proprietor of an accountancy firm in Hong Kong.

The Directors present their annual report and the audited consolidated financial statements of the Company for the year ended 30th June, 2007.

PRINCIPAL ACTIVITIES

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.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 30th June, 2007 are set out in the consolidated income statement on page 22.

The directors now recommend the payment of a final dividend of HK1 cent per share to the shareholders on the register of members on 22nd October, 2007, amounting to HK$12,159,000.

SHARE CAPITAL

Details of the share capital of the Company are set out in note 25 to the consolidated financial statements.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the year, the Company repurchased certain of its own shares through the Stock Exchange of Hong Kong Limited ("the Stock Exchange"), details of which are set out in note 25 to the consolidated financial statements. The directors considered that, as the Company's shares were trading at a discount to the net asset value per share, the repurchases would increase the net asset value per share of the Company.

During the year, none of the Company's subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

RESERVES AND DISTRIBUTABLE RESERVES

Details of movements in the reserves of the Group during the year are set out in the consolidated statement of changes in equity of this Annual Report.

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

(a) the company is, or would after the payment be, unable to pay its liabilities as they become due: or

(b) the realisable value of the company's assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

In the opinion of the Directors, as at 30th June, 2007, the Company's reserves available for distribution to shareholders consisted of contributed surplus of HK$15,012,000 (2006: HK$15,012,000) and retained profits of HK$35,531,000 (2006: accumulated loss of HK$1,895,000).

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

PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

The Group's investment properties were revalued at 30th June 2007. The net increase in fair value of investment properties which has been credited to the consolidated income statement, amounted to HK$1,550,000.

Details of these and other movements in the property, plant and equipment and investment properties of the Group during the year are set out in notes 15 and 16 to the consolidated financial statements, respectively.

MAJOR CUSTOMERS AND SUPPLIERS

The five largest customers of the Group together accounted for approximately 50.9% of the Group's revenue for the year ended 30th June, 2007, with the largest customer accounted for approximately 13.6%. The five largest suppliers of the Group together accounted for approximately 66.1% of the Group's total purchases for the year ended 30th June, 2007, with the largest supplier accounted for approximately 42.4%.

None of the Directors, or any of the associate of a Director or any shareholder of the Company (which to the knowledge of the Directors own more than 5% of the Company's issued share capital) has an interest in the share capital of any of the Group's five largest customers or suppliers.

DIRECTORS

The Directors of the Company during the year and up to the date of this report were:

Executive Directors:
Mr. Lau Tung Hoi (Chairman)
Ms. Yan Miu King (Deputy Chairman)

Non-Executive Director:
Mr. Wu Wing Kit

Independent Non-Executive Directors:
Mr. Man Mo Leung
Mr. Ho Yau Ming
Mr. Hung Kwok Keung, Keith

With the exception of the Chairman of the Board, all other Directors are subject to retirement by rotation in accordance with the Company's Bye-laws.

In accordance with the provisions of the Company's Bye-laws, Mr. Hung Kwok Keung, Keith and Ms. Yan Miu King will retire at the forthcoming annual general meeting and, being eligible, offer themselves for re-election. All other remaining Directors continue in office.

The term of office of each Non-Executive Director and Independent Non-Executive Directors is the period up to his retirement by rotation in accordance with the Company's Bye-laws.

No Director being proposed for re-election at the forthcoming annual general meeting has a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

At 30th June, 2007, the interests of the Directors, chief executives and their associates in the shares, underlying shares and debentures of the Company and its associated corporations, within the meaning of the Securities and Futures Ordinance ("SFO") as recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies ("Model Code"), were as follows:

Long positions in ordinary shares of HK$0.10 each of the Company

Name of Director	Capacity	Number of issued ordinary shares held	Percentage of the issued share capital of the Company
Lau Tung Hoi	Held by trust *(Note)*	867,010,000	71.31%
Ho Yau Ming	Beneficial owner	500,000	0.04%
Yan Miu King	Beneficial owner	370,000	0.03%

Note:

These shares are held by Linwood Services Ltd. ("Linwood"), 48 shares of Linwood (representing the entire issued share capital of Linwood) are owned by Money Belt Worldwide Limited ("Money Belt"). Money Belt is a company incorporated in the British Virgin Islands and the entire issued share capital of which is held by HSBC International Trustee Limited as trustee of a discretionary trust, the discretionary objects of which include Mr. Lau Tung Hoi and his family members.

Save as disclosed above, none of the Directors, chief executives nor their associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations as at 30th June, 2007, which were required to be recorded pursuant to Section 352 of the SFO, or as otherwise, notified to the Company and the Stock Exchange pursuant to the Model Code.

SHARE OPTIONS

Particulars of the Company's share option schemes are set out in note 28 to the consolidated financial statements.

No option under the above schemes has been granted or exercised since the adoption of the schemes and no option was outstanding as at 30th June, 2007.

ARRANGEMENTS TO ACQUIRE SHARES OR DEBENTURES

Other than as disclosed in the section headed "Share Options" above, at no time during the year was the Company, any of its holding companies or subsidiaries a party to any arrangements to enable the Directors of the Company or their associates to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate and none of the Directors or their spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right during the year.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Other than the operating lease rental paid for a Director's accommodation to a landlord in which a Director of the Company has a beneficial interest, as disclosed in note 30 to the consolidated financial statements, no other contracts of significance to which the Company, any of its holding companies or subsidiaries was a party and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

SUBSTANTIAL SHAREHOLDERS

As at 30th June, 2007, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO showed that, apart from the interests disclosed above in respect of Mr. Lau Tung Hoi, the Company has not been notified of any other interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under Part XV of the SFO.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Bye-laws, or the laws of Bermuda, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

CONFIRMATION OF INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each of Mr. Man Mo Leung, Mr. Ho Yau Ming and Mr. Hung Kwok Keung, Keith an annual confirmation of his independence pursuant to the Rule 3.13 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited ("Listing Rules") and the Company considers the Independent Non-Executive Directors are independent.

CORPORATE GOVERNANCE

The Company has complied throughout the year with the code provisions same as disclosed in the Corporate Governance Report and most of the recommended best practices in the Code on Corporate Governance Practices as set out in the Listing Rules.

SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained a sufficient public float throughout the year ended 30th June, 2007.

AUDITOR

A resolution will be submitted to the forthcoming annual general meeting of the Company to re-appoint Messrs. Deloitte Touche Tohmatsu as auditor of the Company.

On behalf of the Board

LAU TUNG HOI
Chairman

Hong Kong, 21st September, 2007

CORPORATE GOVERNANCE PRACTICES

The board of directors of the Company (the "Board") is responsible for ensuring high standards of corporate governance are maintained and for accounting to shareholders. On 1st July, 2006, the Company has applied the principles and complied with all the applicable code provision of the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules") for the year ended 30th June, 2007, except for the following deviations:

1. **Code Provision A.2.1**

   Under the code provision A.2.1 of the Code, the roles of chairman and chief executive officer ("CEO") should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and CEO should be clearly established and set out in writing.

   The Company dose not maintain the office of CEO, however, the day-to-day operation of the Group is managed by the chairman of the Company. Given the Group's current stage of development, the Board considers that vesting the roles of both chairman and CEO in the same person facilitates the execution of the Group's business strategies and maximises effectiveness of its operation.

2. **Code Provision A.4.1**

   Under the code provision A.4.1 of the Code, non-executive directors should be appointed for a specific term and subject to re-election. However, all the Independent Non-Executive Directors and Non-Executive Director of the Company are not appointed for specific terms but are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the provision of the Company's Bye-laws. The Company considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are no less exacting than those in the Code.

3. **Code Provision B.1.4 and C.3.4**

   Under note 1 to the code provisions B.1.4 and C.3.4 of the Code, the issuer should make available the terms of reference of its remuneration committee and audit committee on request and by including the information on the issuer's website.

   Since the Company has yet to establish its own website, the above requirement regarding provision of such information on website cannot be met accordingly. However, the terms of reference of the two committees are available on request.

CODE OF CONDUCT FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules for securities transactions by directors of the Company. All the directors have confirmed, following specific enquiry by the Company, that they have complied with the required standard set out in the Model Code throughout the year ended 30th June, 2007. The Model Code also applies to other specified senior management of the Group.

BOARD OF DIRECTORS

The Board comprises of two Executive Directors, namely Mr. Lau Tung Hoi (Chairman and Managing Director) and Ms. Yan Miu King (Deputy Chairman), three Independent Non-executive Directors, namely Mr. Man Mo Leung, Mr. Ho Yau Ming and Mr. Hung Kwok Keung, Keith and one Non-executive director namely Mr. Wu Wing Kit. The biographic details of the Board members are provided in the "Directors Profile" section of the annual report.

There is a clear division of responsibilities between the Board and the management. The Board is responsible for providing high-level guidance and effective oversight of the management while day-to-day management of the Group is delegated to the management team of each respective subsidiary. Generally speaking, the Board is responsible for:

- Formulating the Group's long term strategy and monitoring the implementation thereof
- Recommending of interim and year end dividend
- Reviewing and approving the annual and interim reports
- Ensuring good corporate governance and compliance
- Monitoring the performance of the management
- Reviewing and approving any material acquisition and assets disposal

The Board authorises the management to carry out the strategies that have been approved.

The Board meets regularly at least four times a year and additional meetings or telephone conference are convened as and when the Board considers necessary. During the year ended 30th June, 2007, four board meetings were held. Details of the Directors' attendance record in the year are as follows:

Directors	**Attendance/ Number of meetings held**
Mr. Lau Tung Hoi	4/4
Ms. Yan Miu King	4/4
Mr. Wu Wing Kit	4/4
Mr. Man Mo Leung	4/4
Mr. Ho Yau Ming	4/4
Mr. Hung Kwok Keung, Keith	4/4

The Board complied with the Rules 3.10(1) and (2) of the Listing Rules relating to the appointment of at least three Independent Non-executive Directors and one of the Independent Non-executive Directors has appropriate professional qualifications on accounting or related finance management expertise. Each of the Independent Non-executive Director has made an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules. The Company is of the view that all Independent Non-executive Directors meet the independence guidelines set out in Rule 3.13 of the Listing Rules.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Code Provision A.2.1 stipulates that the roles of chairman and chief executive officer should be separated and should not be performed by the same individual.

The Company dose not at present have any officer with the title of CEO but instead the duties of a CEO are performed by the Managing Director ("MD"). The positions of both Chairman and MD are currently held by Mr. Lau Tung Hoi. The Board believes that vesting the roles of both Chairman and MD in the same person provides the Group with strong and consistent leadership and allows for more effective planning and execution of long-term business strategies. In addition, through the supervision of the Board which comprised of three Independent Non-executive Directors, representing more than half of the Board, the interests of the shareholders are adequately and fairly represented.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

Code Provision A.4.1 stipulates that Non-executive Directors should be appointed for a specific term, subject to re-election.

None of the existing Non-executive Directors (including Independent Non-executive Directors) is appointed for a specific term. This constitutes a deviation from the Code. In accordance with the provisions of the Bye-laws of the Company, any director appointed by the Board during the year shall retire and submit themselves for re-election at the first general meeting immediately following his/her appointment. Further, at each annual general meeting, one-third of the Directors for the time being, or if their number is not three or multiple of three, then the number nearest to but not exceeding one-third, shall retire from office. The Directors to retire by rotation shall be those who have been longest in office since their last re-election or appointment. At such, the Company considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are similar to those in the Code.

Code provision A.4.2 stipulates that all Directors appointed to fill a casual vacancy should be subject to election by shareholders at the next following annual general meeting after their appointment, and every Director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

According to the Bye-laws of the Company, the Chairman or Managing Director is not subject to retirement by rotation or taken into account on determining the number of Directors to retire. This constitutes a deviation from the Code. As continuation is a key factor to the successful implementation of any long term business plans, the Board believes that, together with the reasons for deviation from Code Provision A.2.1, that the present arrangement is most beneficial to the Company and the Shareholders of the Company as a whole.

REMUNERATION OF DIRECTORS

The Company has established the Remuneration Committee in January 2006 with terms of reference substantially the same as those contained in paragraph B.1.3 of the Code. A majority of the members of the Remuneration Committee is Independent Non-executive Directors and members of the Committee are listed as below.

The Remuneration Committee is primarily responsible for the following duties:

1. to make recommendations to the Board on the Company's policy and structure for all remuneration of Directors and senior management and on the establishment of a formal and transparent procedure for developing the policy on such remuneration;

2. to have the delegated responsibilities to determine the specific remuneration packages of all Executive Directors and senior management;

3. to review and approve performance-based remuneration by reference to corporate goals and objectives resolved by the Board from time to time;

4. to review and approve the compensation payable to Executive Directors and senior management in connection with any loss or termination of their office or appointment to ensure that such compensation is determined in accordance with relevant contractual terms and that such compensation is otherwise fair and not excessive for the Company;

5. to review and approve compensation arrangements relating to dismissal or removal of Directors for misconduct to ensure that such arrangements are determined in accordance with relevant contractual terms and that any compensation payment is otherwise reasonable and appropriate; and

6. to ensure that no Director or any of his/her associates is involved in deciding his/her own remuneration.

The overriding objective of the remuneration policy is to ensure that the Company is able to attract, retain, and motivate a high-caliber team which is essential to the success of the Company.

The Remuneration Committee will meet at least once each year. During the year under review, one meeting was held. Details of the Committee' attendance record in the year are as follows:

Committee member		**Attendance/ Number of meetings held**
Mr. Hung Kwok Keung, Keith	(Independent Non-executive Director & Chairman of the Remuneration Committee)	1/1
Mr. Ho Yau Ming	(Independent Non-executive Director)	1/1
Mr. Man Mo Leung	(Independent Non-executive Director)	1/1
Mr. Wu Wing Kit	(Non-executive Director)	1/1

NOMINATION OF DIRECTORS

The Company has not established any nomination committee. The Board will identify individuals who are suitably qualified to become board members when necessary. The Board will give due consideration to the suitability of a candidate for directorship after taking into account of his/her experience, qualification and other relevant factors. All candidates must also meet the standards as set forth in Rules 3.08 and 3.09 of the Listing Rules. A candidate who is to be appointed as an Independent Non-executive Director should also meet the independence criteria set out in Rule 3.13 of the Listing Rules.

AUDITOR'S REMUNERATION

For the year ended 30th June, 2007, the auditor of the Group, Messrs. Deloitte Touche Tohmatsu, received approximately HK$500,000 for audit services and HK$8,000 for tax and consultancy services.

AUDIT COMMITTEE

The Audit Committee was established in 1999 and comprises four members who are Independent Non-executive Directors or Non-executive Director, all of them are not involved in the day-to-day management of the Company. The Audit Committee has adopted the same terms of reference, which describes the authority and duties of the Committee, as quoted under code provision C.3.3 of the Code.

The Audit Committee will meet at least twice each year. In 2007, the Audit Committee met twice considering the financial reporting matters, assessing changes in accounting policies and practices, discussing major judgmental area and compliance with applicable legal and accounting requirements and standards, discussing with the auditor of the Company on internal control. Details of Committee members and their attendance records are listed as below:

Committee member		**Attendance/ Number of meetings held**
Mr. Man Mo Leung	(Independent Non-executive Director & Chairman of the Audit Committee)	2/2
Mr. Ho Yau Ming	(Independent Non-executive Director)	2/2
Mr. Hung Kwok Keung, Keith	(Independent Non-executive Director)	2/2
Mr. Wu Wing Kit	(Non-executive Director)	2/2

DIRECTOR'S RESPONSIBILITIES FOR THE FINANCIAL STATEMENT

The Directors acknowledge their responsibility for (i) overseeing the preparation of the financial statements of the Group with a view to ensuring such financial statements are in accordance with statutory requirements and applicable accounting standards and (ii) selecting suitable accounting policies and applying them consistently with the support of reasonable and prudent judgments and estimates.

The independent auditor's report of the Company about their reporting responsibilities on the consolidated financial statements of the Group is set out on pages 21 of this Annual Report.

INTERNAL CONTROL

A sound and effective internal control system is important to safeguard the shareholders' investment and the Company's assets. During the year, the Board reviewed and satisfied the effectiveness of the internal control system of the Group including financial, operation, compliance controls and risk management functions.

On behalf of the Board

LAU TUNG HOI
Chairman

Hong Kong, 21st September, 2007

Deloitte.
德勤

TO THE MEMBERS OF
FIRST SIGN INTERNATIONAL HOLDINGS LIMITED
(Incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of First Sign International Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 22 to 55, which comprise the consolidated balance sheet as at 30th June, 2007, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the consolidated financial statements
The directors of the Company are responsible for the preparation and the true and fair presentation of these consolidated financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 30th June, 2007 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

21st September, 2007

Consolidated Income Statement

For the year ended 30th June, 2007

	Notes	2007 HK$'000	2006 HK$'000
Revenue	6	**47,570**	47,388
Cost of sales		**(9,052)**	(9,983)
Gross profit		**38,518**	37,405
Other income	8	**17,917**	14,235
Increase in fair value of investment properties		**1,550**	1,520
Gain on disposal of available-for-sale investments		**111**	27
Fair value change of financial assets held for trading		**11,995**	(18,929)
Gain on foreign exchange		**5,078**	1,149
Selling expenses		**(11,548)**	(14,212)
Administrative expenses		**(28,393)**	(20,943)
Allowance for advance to an associate		**(2,501)**	–
Profit before taxation	9	**32,727**	252
Taxation	12	**–**	–
Profit for the year		**32,727**	252
Earnings per share – basic	14	**HK2.69 cents**	HK0.02 cents

Consolidated Balance Sheet

At 30th June, 2007

	Notes	2007 HK$'000	2006 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	15	**5,675**	1,066
Investment properties	16	**5,670**	8,570
Available-for-sale investments	17	**10,356**	10,522
Interests in associates	20	**–**	–
Advance to an associate	20	**–**	–
		21,701	20,158
CURRENT ASSETS			
Inventories	21	**2,624**	2,744
Trade debtors	22	**406**	23
Other debtors, prepayments and deposits		**3,678**	5,640
Convertible note receivable	18	**–**	20,000
Financial assets held for trading	19	**266,227**	272,423
Bank balances and cash	23	**376,400**	305,580
		649,335	606,410
CURRENT LIABILITIES			
Trade creditors	24	**252**	58
Other creditors and accrued charges		**9,266**	4,165
Tax liabilities		**17,614**	17,614
		27,132	21,837
NET CURRENT ASSETS		**622,203**	584,573
		643,904	604,731
CAPITAL AND RESERVES			
Share capital	25	**121,587**	121,609
Reserves		**522,317**	483,122
		643,904	604,731

The financial statements on pages 22 to 55 were approved and authorised for issue by the Board of Directors on 21st September, 2007 and are signed on its behalf by:

Lau Tung Hoi
Director

Yan Miu King
Director

Consolidated Statement of Changes in Equity

For the year ended 30th June, 2007

	Share capital HK$'000	Share premium HK$'000	Capital redemption reserve HK$'000	Special reserve HK$'000 (Note)	Translation reserve HK$'000	Investment revaluation reserve HK$'000	Dividend reserve HK$'000	Accumulated profits HK$'000	Total HK$'000
At 1st July, 2005	121,609	239,544	3,467	1,000	(115)	2,190	18,241	234,596	620,532
Fair value change on available-for-sale investments	–	–	–	–	–	1,387	–	–	1,387
Exchange differences arising on translation of foreign operations	–	–	–	–	801	–	–	–	801
Income recognised directly in equity	–	–	–	–	801	1,387	–	–	2,188
Profit for the year	–	–	–	–	–	–	–	252	252
Total recognised income for the year	–	–	–	–	801	1,387	–	252	2,440
Prior year final dividend paid	–	–	–	–	–	–	(18,241)	–	(18,241)
At 30th June, 2006	121,609	239,544	3,467	1,000	686	3,577	–	234,848	604,731
Fair value change on available-for-sale investments	**–**	**–**	**–**	**–**	**–**	**6,269**	**–**	**–**	**6,269**
Exchange differences arising on translation of foreign operations	**–**	**–**	**–**	**–**	**499**	**–**	**–**	**–**	**499**
Income recognised directly in equity	**–**	**–**	**–**	**–**	**499**	**6,269**	**–**	**–**	**6,768**
Transfer to profit or loss on sales of available-for-sale investments	**–**	**–**	**–**	**–**	**–**	**(276)**	**–**	**–**	**(276)**
Profit for the year	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**32,727**	**32,727**
Total recognised income for the year	**–**	**–**	**–**	**–**	**–**	**(276)**	**–**	**32,727**	**32,451**
Repurchase of own shares	**(22)**	**(24)**	**22**	**–**	**–**	**–**	**–**	**(22)**	**(46)**
At 30th June, 2007	**121,587**	**239,520**	**3,489**	**1,000**	**1,185**	**9,570**	**–**	**267,553**	**643,904**

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

For the year ended 30th June, 2007

	2007 HK$'000	2006 HK$'000
OPERATING ACTIVITIES		
Profit before taxation	**32,727**	252
Adjustments for:		
Dividends from listed equity securities	**(6)**	(4)
Interest income from bonds	**(5,418)**	(6,679)
Interest income from convertible note receivable	**(800)**	(800)
Interest income from structure loan notes	**(16,681)**	(16,444)
Interest income on bank deposits	**(17,319)**	(13,234)
Allowance for advance to an associate	**2,501**	–
Depreciation of property, plant and equipment	**1,155**	3,316
Fair value change of financial assets held for trading	**(11,995)**	18,929
Increase in fair value of investment properties	**(1,550)**	(1,520)
Gain on disposal of available-for-sale investments	**(111)**	(27)
Write down of inventories	**1,198**	2,708
Property, plant and equipment written off	**–**	391
Gain on disposal of property, plant and equipment	**(72)**	–
Operating cash flows before movements in working capital	**(16,371)**	(13,112)
(Increase) decrease in inventories	**(999)**	201
(Increase) decrease in trade debtors	**(371)**	204
Decrease (increase) in other debtors, prepayments and deposits	**444**	(256)
Decrease in financial assets held for trading	**19,656**	8,552
Increase (decrease) in trade creditors	**187**	(2)
Decrease in other creditors and accrued charges	**5,077**	2,423
CASH FROM (USED IN) OPERATION	**7,623**	(1,990)
Dividends received from listed equity securities	**6**	4
Interest received from bonds	**6,476**	6,718
Interest received from convertible note receivable	**1,192**	800
Interest received from structure loan notes	**16,526**	16,446
NET CASH FROM OPERATING ACTIVITIES	**31,823**	21,978

Consolidated Cash Flow Statement

For the year ended 30th June, 2007

	2007 HK$'000	2006 HK$'000
INVESTING ACTIVITIES		
Interest received from bank deposits	**17,560**	12,948
Proceeds on disposal of available-for-sale investments	**6,885**	6,860
Repayment from convertible note receivable	**20,000**	–
Proceeds on disposal of property, plant and equipment	**81**	–
Purchases of property, plant and equipment	**(1,301)**	(214)
Purchases of available-for-sale investments	**(615)**	(13,608)
Advance to an associate	**(2,501)**	–
NET CASH FROM INVESTING ACTIVITIES	**40,109**	5,986
FINANCING ACTIVITIES		
Payment on repurchase of own shares	**(46)**	–
Dividend paid	**–**	(18,241)
CASH USED IN FINANCING ACTIVITIES	**(46)**	(18,241)
NET INCREASE IN CASH AND CASH EQUIVALENTS	**71,886**	9,723
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	**305,580**	295,159
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	**(1,066)**	698
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR represented by bank balances and cash	**376,400**	305,580

For the year ended 30th June, 2007

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 is Hong Kong dollars. The directors consider this presentation is more appropriate as the Company is listed on the Stock Exchange in Hong Kong.

3. APPLICATION OF NEW/REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

In the current year, the Group has applied, for the first time, a number of new standard, amendments and interpretations ("new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") that are effective for the Group's financial year beginning on 1st July, 2006. The adoption of the new HKFRSs had no material effect on the Group's results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior year adjustment has been required.

The Group has not early applied the following new and revised standards, amendment or interpretations that have been issued but are not yet effective. The directors of the Company anticipate that the application of these new and revised standards, amendment or interpretations will have no material impact on the results and the financial position of the Group.

HKAS 1 (Amendment)	Capital Disclosures[1]
HKAS 23 (Revised)	Borrowing Costs[2]
HKFRS 7	Financial Instruments: Disclosure[1]
HKFRS 8	Operating Segments[2]
HK(IFRIC)–Int 10	Interim Financial Reporting and Impairment[3]
HK(IFRIC)–Int 11	HKFRS 2 – Group and Treasury Transaction[4]
HK(IFRIC)–Int 12	Service Concession Arrangements[5]

[1] Effective for annual periods beginning on or after 1st January, 2007
[2] Effective for annual periods beginning on or after 1st January, 2009
[3] Effective for annual periods beginning on or after 1st November, 2006
[4] Effective for annual periods beginning on or after 1st March, 2007
[5] Effective for annual periods beginning on or after 1st January, 2008

For the year ended 30th June, 2007

4. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared on the historical cost basis except for investment properties and certain 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 Hong Kong Financial Reporting Standards 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 entities controlled by the Company (its subsidiaries). 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.

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.

Interest in associates

An associate is an entity over which the investor has significant influence and that is neither a subsidiary nor an interest in joint venture.

The results and assets and liabilities of associates are incorporated in these consolidated 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 net assets 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.

For the year ended 30th June, 2007

4. SIGNIFICANT ACCOUNTING POLICIES – continued

Revenue recognition

Revenue is measured at the fair value of the amount received or receivable and represents amounts receivable for goods sold in the normal course of business, net of returns, allowances and discounts and interest income and dividends income.

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.

Property, plant and equipment

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

Leasehold land and building originally classified as investment properties carried at fair value is transferred to property, plant and equipment at a deemed cost equal to its fair value at the date of change in use.

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 consolidated 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.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use or no future economic benefits are expected from its disposals. 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 asset) is included in the consolidated income statement in the year in which the item is derecognised.

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 realised value represents the estimated selling price less all estimated costs to completion and costs to be incurred in marketing, selling and distribution.

For the year ended 30th June, 2007

4. SIGNIFICANT ACCOUNTING POLICIES – continued

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 consolidated income statement on a straight-line basis over the term of the relevant lease.

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 the respective 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 in 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 dollars) 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 rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised as a separate component of equity (translation reserve). Such exchange differences are recognised in profit or loss the period in which the foreign operation is disposed of.

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 consolidated 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 at the balance sheet date.

For the year ended 30th June, 2007

4. SIGNIFICANT ACCOUNTING POLICIES – continued

Taxation – continued

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the consolidated 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 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 year when the liability is settled or the asset is realised. Deferred tax is charged or credited to the profit or loss, 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 and state-managed retirement benefit scheme are charged as expenses when employees have rendered service entitling them to the contribution.

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 of loss recognised immediately in profit or loss.

Financial assets

The Group's financial assets are classified into one of three categories, including financial assets helding for trading, 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 held for trading

At each balance sheet date subsequent to initial recognition, financial assets held for trading are measured at fair value, with changes in fair value recognised directly in profit or loss in the period in which they arise.

For the year ended 30th June, 2007

4. SIGNIFICANT ACCOUNTING POLICIES – continued

Financial assets – continued

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 advance to an associate, trade debtors, other debtors and deposits, convertible note receivable 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 financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investments. 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 be reversed in subsequent years.

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 of its liabilities.

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

Financial liabilities

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.

For the year ended 30th June, 2007

4. SIGNIFICANT ACCOUNTING POLICIES – continued

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 receivable and the cumulative gain or loss that had been recognised directly in equity is recognised in profit or loss.

Financial liabilities are derecognised 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.

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, such that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

For the year ended 30th June, 2007

5. FINANCIAL INSTRUMENTS

Financial risk management objectives and policies

The Group's major financial instruments include available-for-sale investments, trade and other debtors, deposits, financial assets held for trading, bank balances, trade and other creditors. 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

Certain bank balances of the Group are denominated in foreign currencies other than the functional currency of the relevant group companies, which expose the Group to foreign currency risk. 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 arise.

The Group's fair value interest rate risk relates to the bank deposits and debt securities with fixed interest rate. The Group manages its interest rate exposure based on the interest rate level and outlook as well as potential impact on the Group's financial position arising from volatility of the interest rate. The management will consider hedging significant interest rate exposure should the need arise.

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, 2007 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 and debt securities at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. The Group closely monitors the subsequent settlement of the customers and does not grant long credit period to customers. 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 of bank deposits are banks with high credit ratings assigned by international credit-rating agencies.

The Group's credit risk on debt securities is also limited as the issuers of such debt securities have high credit rating assigned by international credit-rating agencies.

The Group has no significant concentration of credit risk, with exposure spread over a number of counterparties and customers.

For the year ended 30th June, 2007

5. FINANCIAL INSTRUMENTS – continued

Financial risk management objectives and policies – continued

Price risk

The Group is exposed to equity securities price risk through its available-for-sale investments and financial assets held for trading. The management would manage this exposure by closely monitoring the performance of the investments and market conditions. The management would consider diversifying the portfolio of investments as they consider appropriate.

Fair value

The fair value of financial assets and financial liabilities are determined as follows:

- the fair values of financial assets with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market bid prices; and
- the fair values of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

6. REVENUE

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

	2007 ***HK$'000***	2006 *HK$'000*
Sales of goods	**24,665**	23,461
Dividends from listed equity securities	**6**	4
Interest income from bonds	**5,418**	6,679
Interest income from convertible note receivable	**800**	800
Interest income from structured loan notes	**16,681**	16,444
	47,570	47,388

For the year ended 30th June, 2007

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

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

2007
INCOME STATEMENT

	Garment Operation *HK$'000*	Direct Investments *HK$'000*	Consolidated *HK$'000*
REVENUE			
External sales	**24,665**	**22,905**	**47,570**
RESULT			
Segment results	**(3,537)**	**35,011**	**31,474**
Other income			**17,917**
Increase in fair value of investment properties			**1,550**
Gain on foreign exchange			**5,078**
Allowance for advance to an associate			**(2,501)**
Unallocated corporate expenses			**(20,791)**
Profit before taxation			**32,727**
Taxation			**–**
Profit for the year			**32,727**

For the year ended 30th June, 2007

7. BUSINESS AND GEOGRAPHICAL SEGMENTS – continued

Business segments – continued

2007

OTHER INFORMATION

	Garment Operation HK$'000	Direct Investments HK$'000	Others HK$'000	Consolidated HK$'000
Additions to property, plant and equipment	345	–	956	1,301
Depreciation of property, plant and equipment	785	–	370	1,155
Gain on disposal of property, plant and equipment	37	–	35	72

BALANCE SHEET

	Garment Operation HK$'000	Direct Investments HK$'000	Consolidated HK$'000
ASSETS			
Segment assets	3,830	279,249	283,079
Unallocated corporate assets			387,957
Consolidated total assets			671,036
LIABILITIES			
Segment liabilities	1,939	–	1,939
Unallocated corporate liabilities			25,193
Consolidated total liabilities			27,132

For the year ended 30th June, 2007

7. BUSINESS AND GEOGRAPHICAL SEGMENTS – continued

Business segments – continued

2006

INCOME STATEMENT

	Garment Operation HK$'000	Direct Investments HK$'000	Consolidated HK$'000
REVENUE			
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
Gain on foreign exchange			1,149
Unallocated corporate expenses			(13,151)
Profit before taxation			252
Taxation			–
Profit for the year			252

OTHER INFORMATION

	Garment Operation HK$'000	Direct Investments HK$'000	Others HK$'000	Consolidated HK$'000
Additions to property, plant and equipment	194	–	20	214
Depreciation of property, plant and equipment	3,013	–	303	3,316
Property, plant and equipment written off	391	–	–	391

For the year ended 30th June, 2007

7. BUSINESS AND GEOGRAPHICAL SEGMENTS – continued

Business segments – continued

2006

BALANCE SHEET

	Garment Operation HK$'000	Direct Investments HK$'000	Consolidated HK$'000
ASSETS			
Segment assets	4,754	307,294	312,048
Unallocated corporate assets			314,520
Consolidated total assets			626,568
LIABILITIES			
Segment liabilities	3,251	–	3,251
Unallocated corporate liabilities			18,586
Consolidated total liabilities			21,837

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	
	2007	2006
	HK$'000	*HK$'000*
Hong Kong and Macau	**920**	947
The PRC	**24,551**	23,318
Europe		
– Luxemburg	**550**	6,679
– France	**1,976**	1,960
– United Kingdom	**12,985**	9,116
– Dublin	**352**	–
United States of America	**5,411**	5,368
Russia	**256**	–
Singapore	**397**	–
Others	**172**	–
	47,570	47,388

For the year ended 30th June, 2007

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, unlisted securities are issued or listed securities are traded.

	Carrying amount of segment assets		**Additions to property, plant and equipment**	
	2007	2006	**2007**	2006
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong	**10,356**	31,261	**956**	20
The PRC	**3,830**	4,754	**345**	194
Europe				
– Luxemburg	**–**	88,052	**–**	–
– France	**20,959**	20,036	**–**	–
– United Kingdom	**146,669**	106,061	**–**	–
– Dublin	**10,072**	–	**–**	–
Singapore	**7,709**	–	**–**	–
United States of America	**63,663**	61,884	**–**	–
Others	**19,821**	–	**–**	–
	283,079	312,048	**1,301**	214

8. OTHER INCOME

	2007	2006
	HK$'000	*HK$'000*
Gain on disposal of property, plant and equipment	**72**	–
Interest income on bank deposits	**17,319**	13,234
Rental income from investment properties, net of outgoings of HK$168,000 (2006: HK$168,000)	**518**	693
Sundry income	**8**	308
	17,917	14,235

For the year ended 30th June, 2007

9. PROFIT BEFORE TAXATION

Profit before taxation has been arrived at after charging:

	2007 HK$'000	2006 HK$'000
Auditor's remuneration	445	439
Depreciation of property, plant and equipment	1,155	3,316
Property, plant and equipment written off	–	391
Operating lease rentals paid in respect of rented premises	952	866
Cost of inventories recognised as an expense	9,052	9,983
Write down of inventories	1,198	2,708
Staff costs (including directors' remuneration, *note 10*)		
Wages, salaries and other benefits	24,460	16,461
Retirement benefits scheme contributions	588	441
	25,048	16,902

10. DIRECTORS' REMUNERATION

The emoluments paid or payable to each of the six (2006: six) directors were as follows:

	Independent Non-Executive Directors			Non-Executive Director	Executive Directors		
2007	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	–	–	–	–	9,510	1,116	10,626
Retirement benefits scheme contributions	–	–	–	–	12	12	24
	120	120	120	120	9,522	1,128	11,130

For the year ended 30th June, 2007

10. DIRECTORS' REMUNERATION – continued

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

There was no arrangement under which a director has waived or agreed to waive any remuneration in both years.

11. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, two (2006: two) were directors of the Company whose emoluments are included in the disclosures in note 10 above. The emoluments of the remaining three (2006: three) highest paid individuals are as follows:

	2007	2006
	HK$'000	*HK$'000*
Salaries and other benefits	**2,462**	2,151
Retirement benefits scheme contributions	**24**	24
	2,486	2,175

Their emoluments were within the following bands:

	2007 No. of Individuals	2006 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.

For the year ended 30th June, 2007

12. TAXATION

No provision for Hong Kong Profits Tax has been made in the consolidated 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:

	2007	2006
	HK$'000	*HK$'000*
Profit before taxation	**32,727**	252
Taxation at income tax rate of 17.5%	**5,727**	44
Tax effect of expenses not deductible for tax purpose	**1,131**	4,499
Tax effect of income not taxable for tax purpose	**(10,419)**	(7,075)
Deferred tax assets in respect of tax losses not recognised	**3,688**	2,530
Utilisation of tax losses previously not recognised	**(139)**	(139)
Effect of different tax rates of subsidiaries operating in other jurisdictions	**12**	141
Taxation for the year	**–**	–

Details of deferred taxation not recognised in the financial statements are set out in note 26.

13. DIVIDEND

During the year ended 30th June, 2006, the Company has paid the final dividend for the year ended 30th June, 2005 of HK$18,241,000 (HK1.5 cents per share).

The final dividend of HK1 cent (2006: nil) per share has been proposed by the directors, which is expected to be payable on 5th November, 2007 and is subject to approval by the shareholders in the coming annual general meeting. The dividend will be payable to the shareholders whose names appear on the Register of Members of the Company at the close of business of 18th October, 2007.

14. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the Group's profit for the year of HK$32,727,000 (2006: HK$252,000) and the weighted average number of ordinary shares of 1,215,937,907 (2006: 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.

For the year ended 30th June, 2007

15. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and building HK$'000	Leasehold improvements HK$'000	Plant and machinery HK$'000	Office equipment HK$'000	Furniture and fixtures HK$'000	Computer equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
COST								
At 1st July, 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
Exchange realignment	–	99	435	3	–	14	17	568
Additions	–	420	81	25	22	80	673	1,301
Transfer from investment properties	4,450	–	–	–	–	–	–	4,450
Disposals	–	–	–	(14)	–	–	(648)	(662)
At 30th June, 2007	**4,450**	**6,503**	**15,125**	**1,599**	**1,572**	**2,794**	**2,504**	**34,547**
ACCUMULATED DEPRECIATION								
At 1st July, 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
Exchange realignment	–	99	414	2	–	14	17	546
Provided for the year	28	48	754	28	1	37	259	1,155
Eliminated on disposals	–	–	–	(6)	–	–	(647)	(653)
At 30th June, 2007	**28**	**6,118**	**15,049**	**1,566**	**1,551**	**2,699**	**1,861**	**28,872**
CARRYING VALUES								
At 30th June, 2007	**4,422**	**385**	**76**	**33**	**21**	**95**	**643**	**5,675**
At 30th June, 2006	–	13	728	43	–	52	230	1,066

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

Leasehold land and building	2$^{1}/_{2}$%
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, 2007

16. INVESTMENT PROPERTIES

	HK$'000
FAIR VALUE	
At 1st July, 2005	7,050
Increase in fair value recognised in the income statement	1,520
At 30th June, 2006	8,570
Transfer to property, plant and equipment	(4,450)
Increase in fair value recognised in the income statement	1,550
At 30th June, 2007	**5,670**

The fair values of the Group's investment properties at 30th June, 2007 have been arrived at on the basis of a valuation carried out on that date by Savills Valuation and Professional Services 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

	2007 ***HK$'000***	2006 *HK$'000*
Listed investments:		
Equity securities listed in Hong Kong	**10,356**	10,522
Unlisted investments:		
Equity securities in overseas	**258**	258
Less: Impairment loss recognised	**(258)**	(258)
	–	–
Total	**10,356**	10,522
Analysed for reporting purpose as:		
Non-current asset	**10,356**	10,522

For the year ended 30th June, 2007

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 values cannot be measured reliably. Fair value of listed investments have 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

	2007	2006
	HK$'000	*HK$'000*
Unlisted debt securities	–	20,000

At 30th June, 2006, the Group had convertible note receivable (the "Note") of HK$20,000,000. The original maturity date of 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 has agreed to extend the maturity date of the Note from 30th June, 2004 to 30th June, 2007. The Note carried 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, 2006, the Group had the right to convert the outstanding principal amount of the Note into shares of the Note Issuer.

The Note contained 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 was 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 had 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 was insignificant.

The Note matured and the principle amount of HK$20,000,000 was repaid by the Note Issuer at 30th June, 2007.

For the year ended 30th June, 2007

19. FINANCIAL ASSETS HELD FOR TRADING

	2007	2006
	HK$'000	*HK$'000*
Debt securities listed elsewhere	**35,519**	86,278
Unlisted debt securities	**230,708**	186,145
	266,227	272,423

Listed debt securities represent listed bonds bearing fixed interest rates ranging from 5.5% to 9.8% with maturity date ranging from February 2007 to February 2025 or perpetual callable.

Unlisted debt securities represent structured loan notes issued by banks or multinational companies. The notes bear fixed interest rates ranging from 7.1% to 8.8% with maturity date ranging from December 2014 to February 2020.

20. INTERESTS IN ASSOCIATES

	2007	2006
	HK$'000	*HK$'000*
Cost of investment in associates, unlisted	**–**	–
Share of post-acquisition losses	**–**	–
	–	–
Advance to an associate	**27,207**	24,706
Less: allowance for advance to an associate	**(27,207)**	(24,706)
	–	–

The cost of investment in associates and share of post-acquisition losses were HK$50 respectively.

The advance to an associate by the group at 30th June, 2007 and 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.

During the year, additional advance of HK$2,501,000 was granted to an associate for the continuance of clinical trial and animal tests to prove the function of the health food products developed by the associate. However, the operation of the associate is still not satisfactory which could not generate sufficient income to achieve breakeven position.

The directors had reassessed the recoverability of the advance to an associate as at 30th June, 2007 and 2006 by reference to the future prospects and expected revenue to be generated from the associate and determined that allowances of HK$27,207,000 (2006: HK$24,706,000) was required. The carrying amount of the interests in associates was zero as at both 30th June, 2007 and 2006.

For the year ended 30th June, 2007

20. INTERESTS IN ASSOCIATES – continued

As at 30th June, 2007, 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

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

	2007 **HK$'000**	2006 HK$'000
Total assets	**3,006**	2,454
Total liabilities	**(28,112)**	(25,731)
Net liabilities	**(25,106)**	(23,277)
Group's share of net assets of associates	**–**	–
Revenue	**7,481**	8,257
Loss for the year	**(1,834)**	(255)

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:

	2007 **HK$'000**	2006 HK$'000
Unrecognised share of losses of associates for the year	**917**	128
Accumulated unrecognised share of losses of associates	**12,557**	11,640

For the year ended 30th June, 2007

21. INVENTORIES

	2007	2006
	HK$'000	*HK$'000*
At cost:		
Raw material	**2,488**	1,449
Work in progress	**136**	1,295
Total	**2,624**	2,744

22. TRADE DEBTORS

The Group allows an average credit period of 90 days to its garment trade customers.

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

	2007	2006
	HK$'000	*HK$'000*
0 – 30 days	**90**	23
31 – 60 days	**44**	–
61 – 90 days	**272**	–
Total	**406**	23

23. BANK BALANCES AND CASH

The amounts comprise short-term bank deposits at market interest rates from 1.71% to 8.68% (2006: 2.88% to 7.01%) with an original maturity of three months or less.

The bank balances and cash that are denominated in currencies other than functional currency of the relevant group entities as set out below:

	2007	2006
	HK$'000	*HK$'000*
New Zealand dollars	**13**	22,564
United States dollars	**3,399**	4,409
Euro dollars	**15,781**	71,497
Hong Kong dollars	**17,412**	20,418

For the year ended 30th June, 2007

24. TRADE CREDITORS

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

	2007 HK$'000	2006 HK$'000
0 – 30 days	–	14
31 – 60 days	35	–
Over 60 days	217	44
Total	252	58

25. SHARE CAPITAL

	Number of shares		Share capital	
Ordinary shares of HK$0.10 each	2007	2006	2007 HK$'000	2006 HK$'000
Authorised				
At beginning and end of the year	2,000,000,000	2,000,000,000	200,000	200,000
Issued and fully paid				
At beginning of the year	1,216,090,400	1,216,090,400	121,609	121,609
Shares repurchased and cancelled	(220,000)	–	(22)	–
At the end of the year	1,215,870,400	1,216,090,400	121,587	121,609

During the year, the Company repurchased its own shares through the Stock Exchange as follows:

Month of repurchase	No. of ordinary shares of HK$0.1 each	Price per share Highest HK$	Price per share Lowest HK$	Aggregate consideration paid HK$
October 2006	220,000	0.208	0.208	45,707

The above shares were cancelled upon repurchase.

None of the Company's subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year.

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26. 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	**Tax losses**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
At 1st July, 2005	(637)	637	–
Movement for the year	(266)	266	–
At 30th June, 2006	(903)	903	–
Movement for the year	244	(244)	–
At 30th June, 2007	**(659)**	**659**	**–**

At 30th June, 2007, the Group has estimated unused tax losses of HK$139,828,000 (2006: HK$124,429,000) available for offset against future profits. A deferred tax asset has been recognised in the financial statements in respect of HK$3,766,000 (2006: HK$5,160,000) of the estimated tax losses. No deferred tax asset has been recognised of the remaining estimated tax losses of HK$136,062,000 (2006: HK$119,269,000) due to the unpredictability of future profit streams. Included in unrecognised estimated tax losses are losses of HK$7,336,000 (2006: HK$11,587,000) that will expire within 5 years. Other estimated tax losses may be carried forward indefinitely.

For the year ended 30th June, 2007

27. 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:

	2007	2006
	HK$'000	*HK$'000*
Within one year	**2,046**	928
In the second to fifth year inclusive	**658**	319
	2,704	1,247

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

The Group as lessor

The investment properties are expected to generate rental yields of 5% (2006: 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:

	2007	2006
	HK$'000	*HK$'000*
Within one year	**250**	590
In the second year	**297**	541
	547	1,131

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

For the year ended 30th June, 2007

28. 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.

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, 2007 and 2006.

For the year ended 30th June, 2007

29. 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 consolidated 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 consolidated income statement in the sum of HK$588,000 (2006: HK$441,000) represents contributions payable to these schemes by the Group.

30. 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$820,000 (2006: HK$720,000).

Compensation of key management personnel

The remuneration of members of key management of the Group during the year as follows:

	2007 ***HK$'000***	2006 *HK$'000*
Salaries and other short-term employee benefits	**12,173**	9,127
Retirement benefits costs	**24**	24
	12,197	9,151

The remuneration of directors and key executives is determined by the remuneration committee having regard to the performance of individuals and market trend.

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31. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Details of the Company's principal subsidiaries at 30th June, 2007 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, 2007 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.

Financial Summary

RESULTS

	Year ended 30th June,				
	2003	2004	2005	2006	**2007**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	***HK$'000***
Revenue	69,683	65,859	55,479	47,388	**47,570**
Profit before taxation and allowance for advance to an associate	67,770	9,632	23,942	252	**35,228**
Allowance for advance to an associate	(306)	(6,744)	(17,656)	–	**(2,501)**
Profit before taxation	67,464	2,888	6,286	252	**32,727**
Taxation	–	–	–	–	**–**
Profit for the year	67,464	2,888	6,286	252	**32,727**

ASSETS AND LIABILITIES

	At 30th June,				
	2003	2004	2005	2006	**2007**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	***HK$'000***
Total assets	884,681	823,378	637,739	626,568	**671,036**
Total liabilities	65,968	19,388	19,397	21,837	**27,132**
Equity attributable to equity holders	818,713	803,990	618,342	604,731	**643,904**