

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30th June, 2004

1. GENERAL

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

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

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

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has adopted, for the first time, the following Hong Kong Financial Reporting Standard ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), the term of HKFRS is inclusive of Statements of Standard Accounting Practice ("SSAPs") and Interpretations approved by the HKICPA:

SSAP 12 (Revised)	Income taxes
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The principal effect of the implementation of SSAP 12 (Revised) is in relation to deferred tax. SSAP 12 (Revised) requires the adoption of a balance sheet liability method, whereby deferred tax is recognised in respect of all temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, with limited exceptions. In the absence of any specific transitional requirements in SSAP 12 (Revised), the new accounting policy has been applied retrospectively. The adoption of SSAP 12 (Revised) has had no material effect on the results for the current or prior accounting years. Accordingly, no prior year adjustment has been required.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30th June, 2004

3. SIGNIFICANT ACCOUNTING POLICIES

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

Basis of consolidation

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

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

Negative goodwill

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

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

Negative goodwill arising on acquisitions after 1st July, 2001 is presented as deduction from assets and will be released to income based on an analysis of the circumstances from which the balance resulted.

To the extent that the negative goodwill is attributable to losses or expenses anticipated at the date of acquisition, it is released to income in the period in which those losses or expenses arise. The remaining negative goodwill is recognised as income on a straight-line basis over the remaining average useful life of the identifiable acquired depreciable assets. To the extent that such negative goodwill exceeds the aggregate fair value of the acquired identifiable non-monetary assets, it is recognised as income immediately.

Investments in subsidiaries

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30th June, 2004

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Interests in associates

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

Revenue recognition

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

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

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

Property, plant and equipment

Property, plant and equipment, other than leasehold land and buildings, are stated at cost less accumulated depreciation and amortisation and accumulated impairment losses, if any.

Leasehold land and buildings are stated in the balance sheet at their revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and amortisation and any subsequent impairment losses. Revaluations are performed with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair values at the balance sheet date.

Any revaluation increase arising on revaluation of leasehold land and buildings is credited to the revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised as an expense, in which case the increase is credited to the income statement to the extent of the decrease previously charged. A decrease in net carrying amount arising on revaluation of an asset is dealt with as an expense to the extent that it exceeds the balance, if any, on the revaluation reserve relating to a previous revaluation of that asset. On the subsequent sale or retirement of a revalued asset, the attributable revaluation surplus is transferred to accumulated profits.

The valuation of leasehold land is amortised over their respective lease terms and the valuation of buildings is depreciated over forty years using the straight-line method.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30th June, 2004

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Property, plant and equipment – continued

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

Leasehold improvements	33 ¹ / ₃ %
Plant and machinery	20%
Office equipment	20%
Furniture and fixtures	20%
Computer equipment	30%
Motor vehicles	33 ¹ / ₃ %

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

Impairment

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30th June, 2004

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Investment properties

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

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

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

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

Inventories

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

Investments in securities

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

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

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

Operating leases

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30th June, 2004

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Foreign currencies

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

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

Taxation

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30th June, 2004

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Taxation – continued

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

Retirement benefit costs

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

4. TURNOVER

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

5. BUSINESS AND GEOGRAPHICAL SEGMENTS

BUSINESS SEGMENTS

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

Principal activities are as follows:

Garment operation	–	sourcing, manufacturing, processing, wholesaling, marketing and selling of garments
Proprietary trading in securities	–	investments in listed and unlisted equity securities and future contracts and options
Health products development	–	production and trading of health food products

In prior years, the Group also involved in securities broking and dealing and ceased the business on 31st May, 2002. Upon the application of one of the Company's subsidiaries, the Securities and Futures Commission had revoked the subsidiary's registration as a dealer under the Securities Ordinance on 28th June, 2002. The revenue and result of this operation for the prior year were reported under "Securities broking".

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30th June, 2004

5. BUSINESS AND GEOGRAPHICAL SEGMENTS – continued

BUSINESS SEGMENTS – continued

Segment information about these businesses is presented below:

2004

Income Statement

	Garment Operation <i>HK\$'000</i>	Proprietary Trading in Securities <i>HK\$'000</i>	Health Products Development <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
TURNOVER				
External sales	36,812	–	–	36,812
RESULT				
Segment results	(10,373)	810	–	(9,563)
Income from investments				30,824
Gain on disposal of an investment property				2,854
Gain on disposal of other investments				13,007
Net unrealised loss on revaluation of other investments				(9,175)
Impairment loss recognised on investment securities				(24)
Unallocated corporate expenses				(18,291)
Profit from operations				9,632
Share of results of associates			(6,744)	(6,744)
Profit before taxation				2,888
Taxation				–
Net profit for the year				2,888

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30th June, 2004

5. BUSINESS AND GEOGRAPHICAL SEGMENTS – continued

BUSINESS SEGMENTS – continued

Other Information

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

Balance Sheet

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30th June, 2004

5. BUSINESS AND GEOGRAPHICAL SEGMENTS – continued

BUSINESS SEGMENTS – continued

2003

Income Statement

	Garment Operation <i>HK\$'000</i>	Proprietary Trading in Securities <i>HK\$'000</i>	Securities Broking (discontinued) <i>HK\$'000</i>	Health Products Development <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
TURNOVER					
External sales	28,403	–	–	–	28,403
RESULT					
Segment results	(8,598)	505	885	–	(7,208)
Income from investments					42,707
Gain on disposal of other investments					69,847
Net unrealised loss on revaluation of other investments					(2,812)
Impairment loss recognised on investment securities					(12,339)
Unallocated corporate expenses					(22,425)
Profit from operations					67,770
Share of results of an associate				(306)	(306)
Profit before taxation					67,464
Taxation					–
Net profit for the year					67,464

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30th June, 2004

5. BUSINESS AND GEOGRAPHICAL SEGMENTS – continued

BUSINESS SEGMENTS – continued

Other Information

	Garment Operation HK\$'000	Proprietary Trading in Securities HK\$'000	Securities Broking (discontinued) HK\$'000	Others HK\$'000	Consolidated HK\$'000
Additions to property, plant and equipment	810	–	–	100	910
Depreciation and amortisation on property, plant and equipment	5,185	6	–	346	5,537
Amortisation of intangible asset	–	–	21	–	21
Deficit on revaluation of leasehold land and buildings	470	–	–	–	470
Deficit on revaluation of an investment property	–	–	–	2,664	2,664
Impairment loss recognised on investment securities	–	–	–	12,339	12,339

Balance Sheet

	Garment Operation HK\$'000	Proprietary Trading in Securities HK\$'000	Securities Broking (discontinued) HK\$'000	Health Products Development HK\$'000	Consolidated HK\$'000
ASSETS					
Segment assets	41,523	20,549	–	–	62,072
Interests in associates	–	–	–	3,656	3,656
Investments in securities					307,132
Unallocated corporate assets					511,821
Consolidated total assets					884,681
LIABILITIES					
Segment liabilities	2,008	15	1	–	2,024
Unallocated corporate liabilities					63,944
Consolidated total liabilities					65,968

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30th June, 2004

5. BUSINESS AND GEOGRAPHICAL SEGMENTS – continued

GEOGRAPHICAL SEGMENTS

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

	Sales revenue by geographical market		Contribution to profit (loss) from operations	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Hong Kong	5,153	1,961	4,242	3,996
The PRC	31,659	26,442	(6,331)	(11,205)
Europe – Luxemburg	–	–	19,182	78,461
Others	–	–	(7,461)	(3,482)
	36,812	28,403	9,632	67,770

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

	Carrying amount of segment assets		Additions to property, plant and equipment	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Hong Kong	82,532	384,317	73	296
The PRC	27,148	35,259	792	614
Europe				
– Luxemburg	283,488	191,736	–	–
– Belgium	182,190	131,456	–	–
Philippines	12,774	30,035	–	–
Indonesia	–	23,980	–	–
Singapore	216,311	–	–	–
United States of America	7,303	30,656	–	–
Others	11,632	57,242	–	–
	823,378	884,681	865	910

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30th June, 2004

6. OTHER OPERATING INCOME

	2004 HK\$'000	2003 HK\$'000
Bad debt recovered	–	6,544
Dividends from equity investments	4	8
Gain on disposal of intangible asset	–	753
Interest income on:		
– bank deposits	2,655	2,274
– investments in securities	29,043	41,272
– others	–	5
Rental income from investment properties, net of insignificant outgoings	468	385
Sundry income	86	428
	32,256	51,669

Included above is income from listed investments of HK\$19,619,000 (2003: HK\$27,177,000) and unlisted investments of HK\$9,428,000 (2003: HK\$14,103,000).

7. PROFIT FROM OPERATIONS

Profit from operations has been arrived at after charging:

	2004 HK\$'000	2003 HK\$'000
Allowance for bad and doubtful debts	1,452	–
Amortisation of intangible asset (included in administrative expenses)	–	21
Auditors' remuneration	347	348
Deficit on revaluation of leasehold land and buildings	–	470
Deficit on revaluation of an investment property	–	2,664
Depreciation and amortisation of property, plant and equipment	5,073	5,537
Impairment loss recognised on investment securities	24	12,339
Loss on disposal of property, plant and equipment	333	–
Operating lease rentals paid in respect of rented premises	1,391	1,043
Staff costs (including Directors' remuneration, note 8)		
Wages, salaries and other benefits	21,921	24,715
Retirement benefits scheme contributions	423	225
	22,344	24,940

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30th June, 2004

8. DIRECTORS' REMUNERATION

	2004 HK\$'000	2003 HK\$'000
Directors' fees:		
Executive	–	–
Independent Non-Executive	250	240
	<hr/> 250	<hr/> 240
Other emoluments (Executive Directors):		
Salaries and other benefits	10,596	11,635
Compensation for loss of office	602	–
Retirement benefits scheme contributions	30	36
	<hr/> 11,228	<hr/> 11,671
	<hr/> 11,478	<hr/> 11,911

For the year ended 30th June, 2004, the Directors' other emoluments include operating lease rentals paid in respect of an accommodation provided to one of the Executive Directors, amounting to HK\$720,000 (2003: HK\$300,000) to a landlord in which an Executive Director of the Company has a beneficial interest.

The emoluments of the Directors, including the above accommodation benefits, were within the following bands:

	2004 No. of directors	2003 No. of directors
Nil to HK\$1,000,000	3	2
HK\$1,000,001 to HK\$1,500,000	1	1
HK\$3,000,001 to HK\$3,500,000	1	–
HK\$4,000,001 to HK\$4,500,000	–	1
HK\$6,000,001 to HK\$6,500,000	–	1
HK\$6,500,001 to HK\$7,000,000	1	–

There was no arrangement under which a Director waived or agreed to waive any remuneration during the year (2003: Nil). During the year, no emoluments were paid by the Group to the Directors of the Company as an inducement to join or upon joining the Group (2003: Nil).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30th June, 2004

9. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, three (2003: three) were Directors of the Company whose emoluments are included in the disclosures in note 8 above. The emoluments of the remaining two (2003: two) highest paid individuals are as follows:

	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Salaries and other benefits	2,450	1,740
Retirement benefits scheme contributions	24	16
	<hr/> 2,474	<hr/> 1,756

Their emoluments were within the following bands:

	2004 No. of Individuals	2003 No. of Individuals
Nil to HK\$1,000,000	–	2
HK\$1,000,001 to HK\$1,500,000	2	–

During the year, there was no emolument paid by the Group to any of the five highest paid employees as an inducement to join, or upon joining of the Group, or as compensation for loss of office, except for an amount of HK\$602,000 paid to one of the Directors as compensation for loss of office as disclosed in note 8 (2003: Nil).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30th June, 2004

10. TAXATION

Hong Kong Profits Tax is calculated at 17.5% (2003: 17.5%) of the estimated assessable profits for the year. No provision for Hong Kong Profits Tax has been made in the financial statements as the Company and its subsidiaries operating in Hong Kong incurred tax losses for both years.

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

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

	2004 HK\$'000	2003 HK\$'000
Profit before taxation	2,888	67,464
Tax at income tax rate of 17.5% (2003: 17.5%)	505	11,806
Tax effect of expenses not deductible for tax purpose	1,299	4,358
Tax effect of income not taxable for tax purpose	(6,830)	(19,977)
Deferred tax assets in respect of tax losses and other temporary difference not recognised	3,620	4,114
Utilisation of tax losses/deferred tax assets previously not recognised	(165)	(121)
Effect of different tax rates of subsidiaries operating in other jurisdictions	216	70
Tax effect of share of results of associates	1,180	54
Others	175	(304)
Tax expense for the year	–	–

Details of unprovided deferred taxation are set out in note 23.

11. DIVIDEND

	2004 HK\$'000	2003 HK\$'000
Special, proposed – HK16 cents per share (2003: Final, proposed – HK1.5 cents per share)	194,574	18,259

The special dividend of HK16 cents per share for the year ended 30th June, 2004 has been proposed by the Directors and is subject to approval by the shareholders at the forthcoming annual general meeting.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30th June, 2004

12. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the profit for the year of HK\$2,888,000 (2003: HK\$67,464,000) and on the weighted average number of 1,216,952,900 (2003: 1,221,880,225) shares in issue during the year.

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

13. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings HK\$'000	Leasehold improve- ments 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
THE GROUP								
COST OR VALUATION								
At 1st July, 2003	3,450	9,597	13,867	1,824	1,733	2,902	2,241	35,614
Additions	-	756	15	48	3	43	-	865
Disposals	-	(3,387)	-	(275)	(186)	(332)	-	(4,180)
Transfer to investment properties (note 14)	(3,450)	-	-	-	-	-	-	(3,450)
At 30th June, 2004, at cost	-	6,966	13,882	1,597	1,550	2,613	2,241	28,849
DEPRECIATION AND AMORTISATION								
At 1st July, 2003	-	7,788	5,014	1,604	1,667	2,456	1,600	20,129
Provided for the year	37	1,410	2,775	64	22	194	571	5,073
Eliminated on disposals	-	(3,233)	-	(195)	(147)	(272)	-	(3,847)
Transfer to investment properties (note 14)	(37)	-	-	-	-	-	-	(37)
At 30th June, 2004	-	5,965	7,789	1,473	1,542	2,378	2,171	21,318
NET BOOK VALUES								
At 30th June, 2004	-	1,001	6,093	124	8	235	70	7,531
At 30th June, 2003	3,450	1,809	8,853	220	66	446	641	15,485

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30th June, 2004

13. PROPERTY, PLANT AND EQUIPMENT – continued

THE GROUP

The net book value of leasehold land and building at 30th June, 2003 was situated in Hong Kong and was held under medium-term lease.

At 30th June, 2003, the leasehold land and building of the Group in Hong Kong was revalued at 30th June, 2003 by FPD Savills (Hong Kong) Limited, independent professional valuer, on an open market value basis.

If leasehold land and building had not been revalued, they would have been included in these financial statements at historical cost less accumulated depreciation and amortisation at HK\$12,398,000 as at 30th June, 2003.

During the year, the leasehold land and buildings with carrying value of HK\$3,413,000 as at 31st May, 2004 (2003: HK\$21,164,000 as at 14th February, 2003) were reclassified as investment properties.

14. INVESTMENT PROPERTIES

THE GROUP

	2004 HK\$'000	2003 HK\$'000
VALUATION		
Balance brought forward	18,500	–
Disposal	(18,500)	–
Transfer from leasehold land and buildings (<i>note 13</i>)	3,413	21,164
Surplus (deficit) on revaluation	997	(2,664)
	<hr/>	<hr/>
Balance carried forward	4,410	18,500

The investment properties at 30th June, 2004 are situated in Hong Kong and are held under medium-term lease. The investment properties were transferred from leasehold land and buildings at their carrying value as at 31st May, 2004.

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

The investment properties of the Group held as at 30th June, 2004 and 30th June, 2003 were rented out under operating leases.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30th June, 2004

15. INVESTMENTS IN SECURITIES

THE GROUP

	Investment securities		Other investments		Total	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Equity securities						
Listed	99	99	–	54	99	153
Debt securities						
Listed	–	–	276,062	191,735	276,062	191,735
Unlisted	–	–	51,185	135,298	51,185	135,298
	–	–	327,247	327,033	327,247	327,033
Total	99	99	327,247	327,087	327,346	327,186
Listed – in Hong Kong	99	99	–	54	99	153
– elsewhere	–	–	276,062	191,735	276,062	191,735
Unlisted	–	–	51,185	135,298	51,185	135,298
Total	99	99	327,247	327,087	327,346	327,186
Market value of listed securities	1,553	2,901	276,062	191,789	277,615	194,690
Carrying amount analysed for reporting purposes						
Current	–	–	307,247	327,087	307,247	327,087
Non-current	99	99	20,000	–	20,099	99
	99	99	327,247	327,087	327,346	327,186

In the opinion of the Directors, certain investment securities were below their book value or the market value due to their uncertain future prospects and inactive trading. As a result, an impairment loss of HK\$24,000 (2003: HK\$12,339,000) was recognised in the consolidated income statement for the year to reduce the carrying amount of the investment securities to their recoverable amounts.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30th June, 2004

16. INTERESTS IN ASSOCIATES

THE GROUP

	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Share of net deficit of associates	(7,050)	(306)
Advances to an associate	24,706	3,962
	<hr/> 17,656	<hr/> 3,656

THE COMPANY

	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Advances to an associate	–	2,600

As at 30th June, 2004, investments in associates were in the form of equity and loans from the Group. Investment in the form of loans from the Group was comparatively more significant than those in the form of equity, so that the entire amount was treated as quasi-capital. Under these circumstances, losses incurred by the associates were shared by the Group to the extent that the losses did not exceed the aggregate of its equity and loan investments. The relevant amount of share of losses of the associates included in the advances to associates is approximately HK\$7,050,000 (2003: HK\$306,000).

At 30th June, 2004, the advances to associates by the Group are secured by a floating charge over the assets of the associates, non-interest bearing and have no fixed terms of repayment. In the opinion of the Directors, the amounts will not be repaid within the next twelve months from the balance sheet date.

The advances to an associate by the Company as at 30th June, 2003 have been fully repaid during the year.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30th June, 2004

16. INTERESTS IN ASSOCIATES – continued

As at 30th June, 2004, the Group had interests in the following associates:

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

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

Results for the year

	2004 HK\$'000	2003 HK\$'000
Turnover	5,199	–
Loss before taxation	(13,489)	(612)
Loss after taxation attributable to the Group	(6,744)	(306)

Financial position

	2004 HK\$'000	2003 HK\$'000
Non-current assets	3,240	3,170
Current assets	9,764	1,123
Current liabilities	(27,105)	(4,905)
Net liabilities	(14,101)	(612)
Net liabilities attributable to the Group	(7,050)	(306)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30th June, 2004

17. INVESTMENTS IN SUBSIDIARIES

THE COMPANY

	2004 HK\$'000	2003 HK\$'000
Unlisted shares, at cost less dividends received	15,112	15,112
Less: Impairment loss recognised	(9,597)	(9,597)
	5,515	5,515

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

Details of the Company's principal subsidiaries at 30th June, 2004 are as follows:

Name of subsidiary	Place of incorporation/ operation	Issued and fully paid ordinary/ registered share capital	Proportion of nominal value of issued capital/ registered capital held by the Company	Principal activities
Everview Limited	British Virgin Islands	US\$1	100%	Investment holding
First Sign Capital Limited	Hong Kong	HK\$10,000,000	100%	Proprietary trading in securities
First Sign International Garments Limited	Hong Kong	HK\$2	100%	Property holding, trading of garments
First Sign Investments Limited	British Virgin Islands	US\$48	100%	Investment holding
Guangzhou First Sign Apparel Limited	<i>Note</i>	USD2,500,000	100%	Garments manufacturing and trading
Guangzhou Supreme Sign Knitting & Dyeing Company Limited	<i>Note</i>	USD5,000,000	100%	Garments manufacturing and trading

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30th June, 2004

17. INVESTMENTS IN SUBSIDIARIES – continued

Name of subsidiary	Place of incorporation/ operation	Issued and fully paid ordinary/ registered share capital	Proportion of nominal value of issued capital/ registered capital held by the Company	Principal activities
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, 2004 or at any time during the year.

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

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

18. INVENTORIES

THE GROUP

	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
At cost:		
Raw materials	1,419	2,636
Work in progress	1,682	632
	3,101	3,268

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30th June, 2004

19. TRADE DEBTORS

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

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

THE GROUP

	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
0-30 days	184	285
31-60 days	94	48
Over 60 days	–	101
<hr/>		
Total	278	434

20. TRADE CREDITORS

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

THE GROUP

	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
0-30 days	–	14
Over 60 days	43	147
<hr/>		
Total	43	161

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30th June, 2004

21. SHARE CAPITAL

	Number of shares		Share capital	
	2004	2003	2004	2003
Ordinary shares of HK\$0.10 each			HK\$'000	HK\$'000
Authorised				
At beginning and end of year	2,000,000,000	2,000,000,000	200,000	200,000
Issued and fully paid				
At beginning of year	1,217,240,400	1,228,896,400	121,724	122,890
Shares repurchased	(1,150,000)	(11,656,000)	(115)	(1,166)
At end of year	1,216,090,400	1,217,240,400	121,609	121,724

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

Date of repurchase	No. of shares of HK\$0.10 each	Price per share HK\$	Aggregate Consideration Paid HK\$'000
1st April, 2004	1,150,000	0.30	349

The above shares were cancelled upon repurchase.

The Directors believe that the repurchases are in the best interests of the Company and its shareholders and will lead to an enhancement of the net assets and the earnings per share of the Company.

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30th June, 2004

22. RESERVES

THE GROUP

	Share premium HK\$'000	Capital redemption reserve HK\$'000	Special reserve HK\$'000	Capital reserve HK\$'000	Translation reserve HK\$'000	Investment property revaluation reserve HK\$'000	Dividend reserve HK\$'000	Accumulated profits HK\$'000	Total HK\$'000
At 1st July, 2002	240,521	2,186	1,000	18	-	-	-	386,658	630,383
Exchange differences on translation of financial statements of subsidiaries operating outside Hong Kong not recognised in consolidated income statement	-	-	-	-	(115)	-	-	-	(115)
Repurchase of own shares	(743)	1,166	-	-	-	-	-	(1,166)	(743)
Net profit for the year	-	-	-	-	-	-	-	67,464	67,464
Final dividend proposed for the year ended 30th June, 2003	-	-	-	-	-	-	18,259	(18,259)	-
At 30th June, 2003	239,778	3,352	1,000	18	(115)	-	18,259	434,697	696,989
Surplus on revaluation of investment properties	-	-	-	-	-	997	-	-	997
Repurchase of own shares	(234)	115	-	-	-	-	-	(115)	(234)
Net profit for the year	-	-	-	-	-	-	-	2,888	2,888
Prior year final dividend paid	-	-	-	-	-	-	(18,259)	-	(18,259)
Special dividend proposed for the year ended 30th June, 2004	-	-	-	-	-	-	194,574	(194,574)	-
At 30th June, 2004	239,544	3,467	1,000	18	(115)	997	194,574	242,896	682,381

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30th June, 2004

22. RESERVES – continued

THE COMPANY

	Share premium HK\$'000	Capital redemption reserve HK\$'000	Contributed surplus HK\$'000	Dividend reserve HK\$'000	Accumulated profits HK\$'000	Total HK\$'000
At 1st July, 2002	240,521	2,186	15,013	-	409,486	667,206
Repurchase of own shares	(743)	1,166	-	-	(1,166)	(743)
Net loss for the year	-	-	-	-	(11,444)	(11,444)
Final dividend proposed for the year ended 30th June, 2003	-	-	-	18,259	(18,259)	-
At 30th June, 2003	239,778	3,352	15,013	18,259	378,617	655,019
Repurchase of own shares	(234)	115	-	-	(115)	(234)
Net profit for the year	-	-	-	-	3,496	3,496
Prior year final dividend paid	-	-	-	(18,259)	-	(18,259)
Special dividend proposed for the year ended 30th June, 2004	-	-	-	194,574	(194,574)	-
At 30th June, 2004	239,544	3,467	15,013	194,574	187,424	640,022

The accumulated profits of the Group include share of deficit of HK\$7,050,000 (2003: HK\$306,000) attributable to associates of the Group.

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30th June, 2004

22. RESERVES – continued

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

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

In the opinion of the Directors, as at 30th June, 2004, the Company's reserves available for distribution to shareholders consisted of contributed surplus of HK\$15,013,000 (2003: HK\$15,013,000), dividend reserve of HK\$194,574,000 (2003: HK\$18,259,000) and accumulated profits of HK\$187,424,000 (2003: HK\$378,617,000).

23. UNPROVIDED DEFERRED TAXATION

THE GROUP

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

	Decelerated tax depreciation	Tax losses	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
At 1st July, 2002	171	7,889	8,060
Movement for the year	79	3,914	3,993
Effect of change in tax rate	16	688	704
<hr/>			
At 30th June, 2003	266	12,491	12,757
Movement for the year	(61)	3,516	3,455
<hr/>			
At 30th June, 2004	205	16,007	16,212

At 30th June, 2004, the Group has estimated unused tax losses of HK\$92,732,000 (2003: HK\$72,621,000) and deductible temporary difference in respect of decelerated tax depreciation of HK\$1,174,000 (2003: HK\$1,520,000) available for offset against future profits. A deferred tax asset has not been recognised in the financial statements in respect of estimated tax losses and the deductible temporary difference due to the unpredictability of future profit streams. Included in unrecognised estimated tax losses are losses of HK\$8,854,000 (2003: HK\$8,719,000) that will expire within 5 years. Other estimated tax losses may be carried forward indefinitely.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30th June, 2004

24. OPERATING LEASE COMMITMENTS

THE GROUP AS LESSEE

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

	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Within one year	2,262	1,300
In the second to fifth year inclusive	2,803	1,317
	<hr/> 5,065	<hr/> 2,617

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

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

THE GROUP AS LESSOR

Property rental income earned during the year was HK\$468,000 (2003: HK\$385,000). The investment properties are expected to generate rental yields of 12% (2003: 5.5%) 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:

	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Within one year	701	1,020
In the second to fifth year inclusive	609	638
	<hr/> 1,310	<hr/> 1,658

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30th June, 2004

25. CONTINGENT LIABILITIES

At 30th June, 2003, the Company had given guarantee to a bank in respect of general banking facilities granted to its subsidiaries amounting to HK\$23.4 million. No facilities were utilised by the subsidiaries as at 30th June, 2003.

At 30th June, 2004, neither the Group nor the Company have significant contingent liabilities.

26. SHARE OPTION SCHEME

The Company's share option scheme ("the Scheme") was adopted pursuant to a resolution passed on 30th October, 1995 for the primary purpose of providing incentives to directors and eligible employees and will expire on 30th October, 2005. Under the Scheme, the Board of Directors of the Company may at their discretion grant options to eligible employees, including executive directors of the Company and its subsidiaries, to subscribe for shares in the Company from time to time. The maximum number of shares, which may be granted under the Scheme, shall not exceed 10% of the shares of the Company in issue at any point in time, excluding the shares issued pursuant to the Scheme.

The number of shares in respect of which options may be granted to any individual in any one year is not permitted to exceed 2.5% of shares of the Company in issue at any point in time. Options granted must be taken up within 28 days of the date of grant, upon payment of HK\$1 per each grant of the share option. Options may be exercised at any time from a period of 3 years commencing on the expiry of 1 year from the date of grant of the share option to the 10th anniversary of the Scheme, whichever is the earlier.

The subscription price of the share option is determined by the Board of the Directors of the Company, and the amount will not be less than the higher of 80% of the average closing price of the Company's shares on the Stock Exchange for the five business days immediately preceding the date of grant or the nominal value of the shares.

As the Scheme no longer complies with the amended Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") governing the share option scheme, no further option can be granted under the Scheme from 1st September, 2001 unless the grant complies with the amended Chapter 17 of the Listing Rules.

No options under the Scheme were granted or exercised since the adoption of the Scheme and no options were outstanding as at 30th June, 2004 and 30th June, 2003.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30th June, 2004

27. RETIREMENT BENEFITS SCHEMES

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

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

During the year, the total costs charged to income of HK\$423,000 (2003: HK\$225,000) represents contributions payable to these schemes by the Group.

28. RELATED PARTY TRANSACTIONS

During the year, the Group paid rental for a Director's accommodation to a landlord in which Mr. Lau Tung Hoi has a beneficial interest, amounted to HK\$720,000 (2003: HK\$300,000).

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