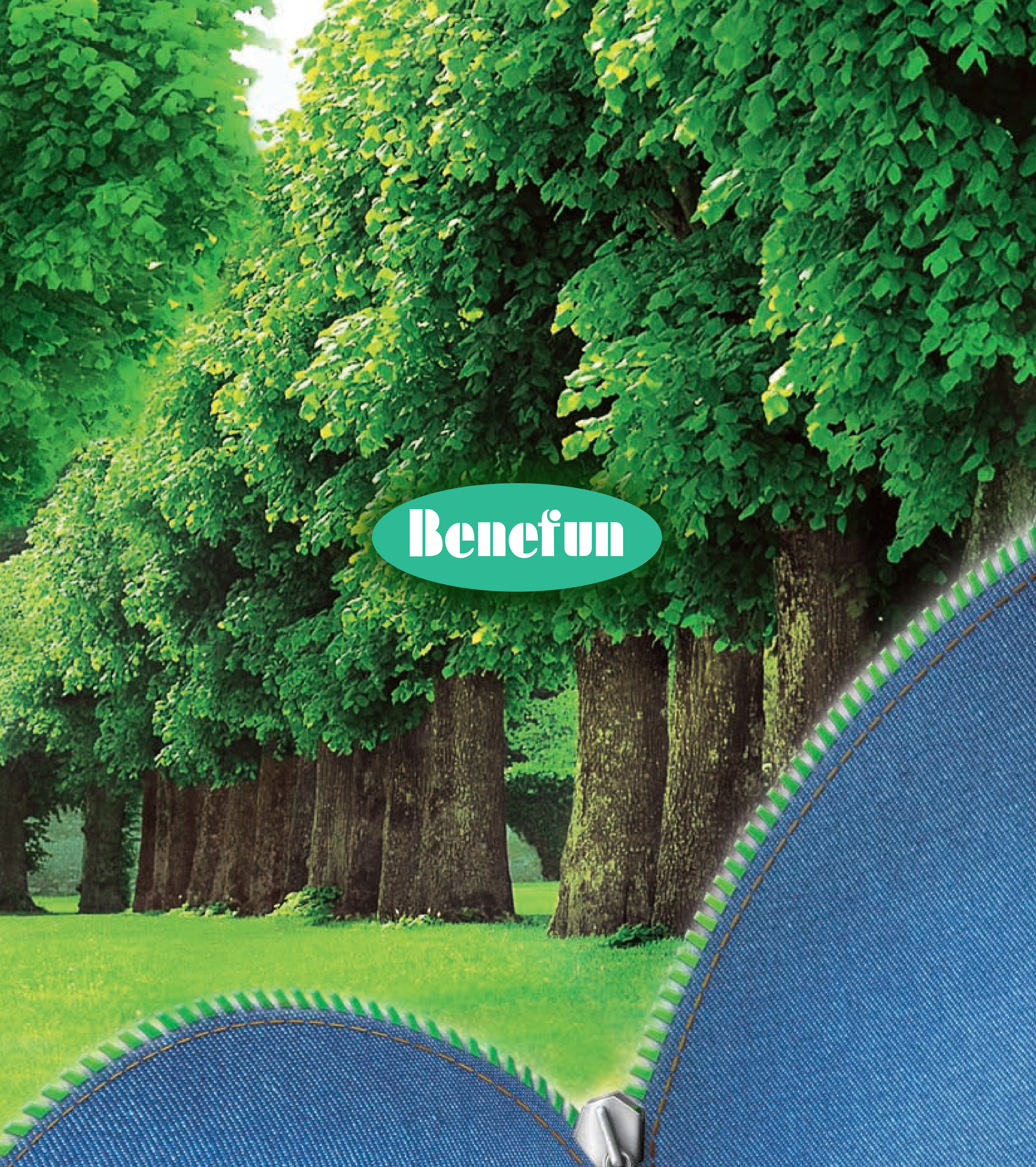

Benefun International Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 1130

2008 ANNUAL REPORT

Contents

EXECUTIVE DIRECTORS

Mr. TAN Sim Chew, *Chairman*
Mr. ZHONG Ma Ming, *Managing Director*
Mr. FU Zi Cong
Mr. LO King Fat, Lawrence
Mr. LEUNG Kwong Choi

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. LI Chun Ming, Raymond
Mr. CHEUNG Ngai Lam
Mr. TSANG Chung Yu

AUDIT AND REMUNERATION COMMITTEE

Mr. LI Chun Ming, Raymond
Mr. CHEUNG Ngai Lam
Mr. TSANG Chung Yu

COMPANY SECRETARY

Mr. LO King Fat, Lawrence
CPA

AUDITORS

BDO McCabe Lo Limited
Certified Public Accountants

PRINCIPAL PLACE OF BUSINESS

1-18 Xinhe Industrial Park
Dianqian, Huli
Xiamen
China

HONG KONG OFFICE

23rd Floor
Sing Ho Finance Building
166-168 Gloucester Road
Wan Chai
Hong Kong

REGISTERED OFFICE

Ugland House
South Church Street, P.O. Box 309
George Town, Grand Cayman
Cayman Islands
British West Indies

HONG KONG SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
Shops 1712-1716
17th Floor
Hopewell Centre
183 Queen's Road East
Wan Chai
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Butterfield Fund Services (Cayman) Limited
Butterfield House
Fort Street, P.O. Box 705
George Town
Grand Cayman
Cayman Islands

PRINCIPAL BANKERS

DBS Bank
Industrial and Commercial Bank of China
Agricultural Bank of China

STOCK CODE

1130

WEBSITE

http://benefun.etnet.com.hk

I hereby present to the shareholders the annual reports of Benefun International Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") for the year ended 30 June 2008.

BUSINESS AND OPERATION REVIEW

In the year under review, China's economic growth had been slowing subsequent to last years' rapid growth. The volatility and instability of the fashion retail sector was particularly apparent. In recent years, the strong demand for presence by new and international retailers had already pushed general shop rentals up by 2 to 3 times. The high turnover of frontline personnel had also made the retail operation very unstable. The result was that retail price competition was harsh, while the cost of product supplies, and the operating cost on shop rental and manpower surged to high levels. Because of this adverse development, the Group's policy was to consolidate our scale of retail operation. The strategy was to exit from loss-making area precisely and re-invest by stages in businesses where profit potential was identified and tested.

In May 2008, the Company entered into a sale agreement with an independent third party for the disposal of the Company's major fashion trademark "FUN". Thereafter, the Group's retail stores had continued to operate "FUN" brand shops but as franchisee and on a small scale only. Nevertheless, following the policy of retrenchment, the Group continued to terminate the leases of loss-making shops immediately or allow them to lapse upon expiry. As at 30 June, 2008, the Group operated 7 fashion stores in China.

The Group had outsourced all production orders to external factories to take benefit on bulk purchasing and to reduce operating risk. The Group took stringent measures to curb operating cost increase. On the other hand, we succeeded to sell quality wears identified with contemporary styles. Casual, denim and contemporary collections of ladies' and men's wears continued to be well structured and delivered to our customers.

China had implemented macroeconomic policies to maintain property market stability. Nevertheless house prices in second tier cities were kept more constant compared with those in big cities like Shanghai and Shenzhen. The Group's property development projects in Zhangzhou City of Fujian Province had progressed according to plan. The construction of a 22-storey commercial/residential building known as "Singapore Ritz" with a usable area of approximately 15,800 square meters was completed and will be available for occupancy in early 2009. Currently, approximately 90 percent of the units have been sold in advance. Additionally the pre-construction plan for another 2 pieces of land with a total land area of approximately 30,000 square meters was also completed.

PROSPECT

The recent global financial crisis has unavoidably been affecting the China economy though to a lesser extent. The China government has a dedication to expand domestic demand in order to maintain macroeconomic, financial and market stability. We foresee that the fashion retail market in China will still expand in coming years. Yet severe competition and higher market risk will make business return more volatile. Our Group insists to operate retail business only under modest risk and low cost. Therefore, we may further consolidate the retail scale and only expand it when the retail environment really improves.

The property market in China has been plummeting since early 2008. This is more apparent in large and urban cities. However, the fall in property price could lead to major industry correction and subsequent easing of rules benefiting the real estate market in the medium term. In Zhangzhou, 90 percent of units in the 22-storey "Singapore Ritz" have been sold in advance. The few remaining units, mostly being street shops, will be ready for sale in early 2009 when the occupancy permit is obtained. The other two pieces of land in Zhangzhou with a total land area of approximately 30,000 square meters are pending for issue of Government permits in the coming year in order to commence the pre-construction work.

In view of the fierce competition of the fashion retailing business, the Group has been continuing to exploit new business opportunities for business diversification. In June 2008, the Group diversified into the ecological plantation business through the acquisition of Ample Rich Enterprises Limited. The latter company is being wholly owned and operates a huge plantation project for a term of 30 years. The plantation land, being flatland area mainly cultivated with poplar trees with timber volume estimated as 632,991 cubic meters, has a market value of Rmb 530,000,000. The plantation land is situated in Shihezi City(石河子市), Xinjiang Region, China. The site is about 150 kilometers west from Urumqi, the provincial capital, and is well connected with the China National Highway No. 312 and railways.

The acquired plantation business mainly includes plantation, research and development on related plantation technologies, manufacture, sale and distribution of plantation products, It includes the plantation of fast growing, high yield, renewable and sustainable wood resource and seasonal crop. Wood resource of poplar tree provides the raw material for wood industry and wood pulp for paper making industry. Seasonal crop such as castor seed oil is the internationally traded raw material for making aviation engines lubricant, paintings and coatings, cosmetics, pharmacy and substitutes to oil derivative products.

According to the Annual Review and Assessment of the World Timber Situation 2007 by the International Tropical Timber Organization, the real gross domestic product in the emerging market and developing economies reached approximately 7.8% in 2007 (with the PRC's real gross domestic product growth of approximately 2.6% in 2007), which has outgrown that of the advanced economies of 11.4%. The demand for housing and thus wood materials in the China is expected to grow in the long run in view of the economic expansion in China. The Plantation business is expected to be on an upward trend due to their scarcity and the increasing demand, particularly when China is now the world's number one importer of industrial wood logs. In light of the above, the acquisition represents a good opportunity for the Company to enter into the plantation industry with huge potential and good future prospect.

APPRECIATION

On behalf of the Board of Directors, I would like to thank all our shareholders, staff, customers, and suppliers for their genuine and continuous support extended to our Group.

By Order of the Board

TAN Sim Chew
Chairman

Hong Kong, 22 October 2008

OPERATING PERFORMANCE

A review of the business operation and the prospect of the Group is contained in the Chairman's Statement.

The Group's turnover for the year ended 30 June 2008 decreased by 21.9 percent to HK$120.0 million. The Group suffered a loss amounting to HK$41.3 million.

The unsatisfactory results for the year under review were mainly due to the following reasons:

1. Market saturation of garment supplies and price war among local and foreign fashion retailing competitors were quite serious at a time of economic instability. Retailers were pressured to reduce stock level and save cash flow by offering huge sales discount even when a new season just began. Profit margin could hardly be secured. This negative practice became a common business situation in China.

2. Substantial slow-moving stock, unrecoverable debts, closed shop furnitures and fixtures, closed shop rental deposits etc were disposed or written off subsequent to the extensive termination of loss-making shops.

3. Cost obligations including redundancy payments etc. were made during shop closures.

LIQUIDITY AND FINANCIAL RESOURCES

The gross profit was HK$29.7 million as compared with HK$53.9 million last year. Gross profit percentage was 24.7% as compared with 35.1% last year.

There was no garment inventory as at 30 June 2008, as compared with an inventory of HK$10.9 million at the prior year-end.

Net cash generated from operating activities was HK$30.2 million for the reporting year, compared with net cash used of HK$27.1 million for the prior year. Cash balance as at 30 June 2008 amounted to HK$28.2 million, compared with HK$20.4 million at the prior year-end.

There was no outstanding bank loan as at 30 June 2008, while the bank loan as at the prior year-end was HK$40 million.

Capital commitment contracted for but not provided in the financial statement as at 30 June 2008 was approximately HK$33.1 million, as compared with HK$29.4 million at the prior year-end.

The Group did not have outstanding loan payable as at 30 June 2008. Therefore the debt equity ratio was zero as at 30 June 2008, as compared with 0.42 at the prior year-end.

The current ratio as at 30 June 2008 was 1.37, as compared with 1.42 at the prior year-end. Quick ratio as at 30 June 2008 was 0.73, as compared with 1.09 at the prior year-end.

HUMAN RESOURCES

Subsequent to the Group's retrenchment policy, most shops were closed during the reporting year. Substantial number of employees was retired and left before the year-end. The Group employed approximately 29 employees as at 30 June 2008, compared with 1,288 staff at the prior year-end. In addition to the basic salary, the Group provides staff benefits, which include retirement scheme contribution and year-end bonus etc. Remuneration packages are determined from staff performance, work contribution and the current market situation.

DIRECTORS

Executive Directors

TAN Sim Chew, aged 61, is the founder and Chairman of the Group which was established in 1986. Mr. Tan is responsible for the overall management and strategic planning of the Group. He has over 25 years of experience in the apparel distribution and manufacturing business.

ZHONG Ma Ming, aged 48, had been the deputy general manager of Fun Corporation, a subsidiary of the Company and our operating company in the PRC. He joined in 1990 and has been responsible for the management and expansion of our retailing operation nationwide in the PRC. He has more than 20 years' experience in retailing management.

LO King Fat, Lawrence, aged 54, joined the Group in 1990 and is the financial controller of the holding company. He has over 25 years of experience in finance, auditing and accounting. Mr. Lo is an associate member of the Hong Kong Institute of Certified Public Accountants.

FU Zi Cong, aged 51, joined Fun Corporation in 1989 and is the financial controller of Fun Corporation. He has over 15 years of experience in financial management. Prior to joining Fun Corporation. Mr. Fu was a finance manager with a trading company. He holds a diploma in business accounting.

LEUNG Kwong Choi, aged 52, was appointed an executive director on 6 October 2008. Mr. Leung holds a Bachelor of Social Science Degree from the Chinese University of Hong Kong. He had been working for 10 years in the marketing department of Hang Lung Development Ltd. since graduation. Mr. Leung had also served the positions of executive director of Top Glory Holdings Ltd., China Food Ltd. and Cheung Tai Hong Holdings Ltd., all of which are companies with shares listed on The Stock Exchange of Hong Kong Limited.

Mr. Leung has over 27 years of real estate and business experience in Hong Kong and the PRC concentrating in property investment and development, acquisition and merger, deal marking and investment projects arrangement.

Independent Non-executive Directors

LI Chun Ming, Raymond, aged 52, is a senior manager of Tony C. M. Yau & Company, Certified Public Accountants. He holds a diploma in accountancy from the Polytechnic. He is an associate member of the Hong Kong Institute of Certified Public Accountants and an associate member of the Association of International Accountants. He has nearly 25 years experience in accounting, auditing, taxation and corporation advisory services.

CHEUNG Ngai Lam, aged 39, was appointed as an independent non-executive director on 4 July 2008. Mr. Cheung is a member of the American Institute of Certified Public Accountants and CPA Australia. Mr. Cheung obtained a Bachelor Degree in Social Sciences from the University of Hong Kong in 1991, a Master of Accounting Degree from Curtin University of Technology, Perth, Australia in 1997 and a Master of Science (Investment Management) Degree in Finance from the Hong Kong University of Science and Technology in 2001. He was an independent non-executive director of Moscote Holdings Limited, a Hong Kong listed company, during the period from 9 March 2005 to 7 April 2008. Mr. Cheung currently works as the Corporate Development Director for Norstar Automobile Industrial Holding Limited. He is also an independent non-executive director of Hong Long Holdings Limited, a Hong Kong listed company. Mr. Cheung has extensive experience in accounting and capital markets; he served at Deloitte Touche from 1991 to 1994, and he was the Vice President and Executive Vice President of Daiwa Securities and Japan Asia Securities from 1994 to 2002 and 2002 to 2005 respectively. Mr. Cheung also worked as the Corporate Finance Director of Grant Thornton from 2005 to 2008.

TSANG Chung Yu, aged 43, was appointed as an independent non-executive director on 16 August 2008. Mr. Tsang graduated from the Chinese University of Hong Kong in 1987 with a Bachelor of Social Science. He obtained his Bachelor of Laws (LLB) from the University of London in 1992 and his Postgraduate Certificate in Laws (PCLL) from the University of Hong Kong in 1993. He obtained his Master of Laws with Merit (LLM) from the University of London in 2003.

Mr. Tsang had served the Hong Kong Government as an executive officer from 1987 to 1988. In August 1988, he joined the Community Relations Department of the Independent Commission Against Corruption where he was responsible for community relations and administration. He stayed there until 1992. In 1993, Mr. Tsang worked as a trainee solicitor in Gallant Y. T. Ho & Co. until 1995. Upon admission in 1995, he stayed with Gallant Y. T. Ho & Co. as an associate. In 1996, he joined Y. T. Chan & Co. as an associate and became a consultant there in August 2000. He left Y. T. Chan & Co. in June 2007 and set up his own firm under the name of C. Y. Tsang & Co.

SENIOR MANAGEMENT

CHAN Yiu Kuen, Holfred, aged 53, is the Group's accountant. He joined in 1998 and is responsible for the review and supervision of the Group's financial reporting process and internal controls. He has nearly 25 years of experience in finance, auditing and accounting. Mr. Chan is a fellow member of the Association of Cost and Executive Accountants in the United Kingdom.

HO Lai Yuet, Brenda, aged 55, is the finance manager of the holding company. She joined in 1985 and is responsible for the finance and accounting functions for the holding company. She has over 25 years experience in accounting.

The Company is dedicated to maintaining a good credible framework of corporate governance with a view to being transparent, open and accountable to our shareholders.

The Company has adopted all the code provisions as set out in the Code on Corporate Governance Practices ("the Code") in Appendix 14 of the Listing Rules as its own code on corporate governance practices.

The Company has complied with code provisions as set out in the Code during the year ended 30 June 2008.

THE BOARD

Composition

During the year ended 30 June 2008, the Board consisted of four Executive Directors, namely Mr. Tan Sim Chew, Mr. Zhong Ma Ming, Mr. Fu Zi Cong and Mr. Lo King Fat, Lawrence and three Independent Non-executive Directors ("INED(s)"), namely Mr. Wong Kwai Sang, Kays, Mr. Tsang Chun Pong and Mr. Li Chun Ming, Raymond, one of whom has the appropriate professional accounting experience and expertise. On 4 July 2008, Mr. Wong Kwai Sang, Kays resigned and Mr. Cheung Ngai Lam was appointed as INED. On 16 August 2008, Mr. Tsang Chun Pong resigned and Mr. Tsang Chung Yu was appointed as INED. On 6 October 2008, Mr. Leung Kwong Choi was appointed as Executive Director. The names and biographical details of each existing Director are disclosed on pages 8 to 9 of this Annual Report.

Each INED has, pursuant to the rule 3.13 of the Listing Rules, confirmed he is independent of the Company and the Company also considers that they are independent. The term of office of each INED is for a period of three years subject to the requirement that one-third of all the Directors shall retire from office by rotation at each annual general meeting pursuant to the bye-laws of the Company. Save as disclosed in the biographical details of each Director, there is no other relationship (including financial, business, family or other material/relevant relationship) among members of the Board.

Function

The Board is responsible both for how the Company is managed and the Company's direction. Approval of the Board is required for the strategy of the Group, major acquisition and disposal, major capital investment, dividend policy and payment, appointment and retirement of Directors, remuneration policy and other major operational and financial matters. Day-to-day operations of the Group are taken up by the Company's management comprising the four Executive Directors.

The Board has established schedule of matters specifically reserved to the Board for its decision and those reserved for the management. The Board reviews this schedule on a periodic basis to ensure that it remains appropriate to the needs of the Company.

The Board held not less than four regular Board meetings at approximately quarterly interval during the year ended 30 June 2008. Additional board meetings were held when necessary. Due notice and board papers were given to all directors prior to the meeting, in accordance with the Listing Rules and the Code. Details of individual attendance of Directors are set out in the table below:–

Attendance of individual Directors at Board meetings held during the year ended 30 June 2008

Number of meetings: 8	
Executive Director	
Tan Sim Chew *(Chairman)*	8
Zhong Ma Ming *(Managing Director)*	5
Lo King Fat, Lawrence	8
Fu Zi Cong	6
INEDs	
Wong Kwai Sang, Kays	5
Tsang Chun Pong	6
Li Chun Ming, Raymond	4

The Board has established procedure, to enable directors, upon reasonable request, to seek independent professional advice in appropriate circumstances at the Company's expenses.

Chairman and Managing Director

The role of the Chairman, Mr. Tan Sim Chew is separate from that of the Managing Director, Mr. Zhong Ma Ming. Such division of responsibilities allows a balance of power between the Board of Directors and the management of the Group, and ensures their independence and accountability.

The Chairman is the leader of the Board and he oversees the Board so that its acts in the best interests of the Group. The Chairman is responsible for deciding the agenda of each Board meeting, taking into account, where appropriate, matters proposed by other directors for inclusion in the agenda. The Chairman has overall responsibility for providing leadership, vision and direction in the development of the business of the Company.

The Managing Director, assisted by other executive directors and senior executives, is responsible for the day-to-day management of the business of the Group, attends to formulation and successful implementation of policies, and assumes full accountability to the Board for all operations of the Group. He ensures smooth operations and development of the Group and maintains continuing dialogue with the Chairman and all directors to keep them fully informed of all major business developments and issues. He is also responsible for building and maintaining an effective executive team to support him in his role.

BOARD COMMITTEES

To strengthen the functions of the Board and to enhance its expertise, there are two Board committees, namely the Audit Committee and Remuneration Committee formed under the Board, with each performing different functions.

Audit Committee

The Audit Committee comprises three INEDs.

The role and function of the Audit Committee include:–

– to serve as a focal point for communication between other Directors and the auditors in respect of the duties relating to financial and other reporting, internal controls, audits, and such other matters as the Board may determine from time to time.

– to assist the Board in fulfilling its responsibility by providing an independent review and supervision of financial reporting, by satisfying themselves as to the effectiveness of the internal controls of the Group and the adequacy of the audits.

– to review the appointment of auditors on an annual basis including the review of the audit scope and approval of the audit fees.

– to review the annual and interim financial statements prior to their approval by the Board, and recommend application of accounting policies and changes to the financial reporting requirements.

– to ensure continuing auditor objectivity and to safeguard independence of the Company's auditors.

Set out below is the summary of work done in year ended 30 June 2008:–

– to review of the financial statements for the year ended 30 June 2008 and for the six months ended 31 December 2007;

– to review of the auditors' statutory audit plan and the letters of representation; and

– to consider and approve the 2008 audit fees and audit work.

The Audit Committee held three meetings during the year. Details of individual attendance of its members are set out in the table below:–

Attendance of individual members at Audit Committee meetings during the year ended 30 June 2008

Number of meetings: 3	
INED	
Wong Kwai Sang, Kays *(Chairman)*	2
Tsang Chun Pong	3
Li Chun Ming, Raymond	2

Note: On 4 July 2008, Mr. Wong Kwai Sang, Kays resigned and Mr. Cheung Ngai Lam was appointed as audit committee member. On 16 August 2008, Mr. Tsang Chun Pong resigned and Mr. Tsang Chung Yu was appointed as audit committee member.

Remuneration Committee

The Board has established a Remuneration Committee, comprising three INEDs and Mr. Lo King Fat, Lawrence. The role and function of the Remuneration Committee include formulation of the remuneration policy, review and recommending to the Board the annual remuneration policy, and determination of the remuneration of the Executive Directors.

Set out below is the summary of work of the Remuneration Committee done for the year ended 30 June 2008

– to review of the remuneration policy for 2007/2008; and

– to review of the remuneration of the Executive Directors and the INEDs.

The Remuneration Committee held one meeting during the year ended 30 June 2008. Details of individual attendance of its members are set out in the table below:–

Attendance of individual members at Remuneration Committee meetings during the year ended 30 June 2008

Number of meetings: 1	
Executive Director	
Lo King Fat, Lawrence *(Chairman)*	1
INEDs	
Wong Kwai Sang, Kays	1
Tsang Chun Pong	1
Li Chun Ming, Raymond	1

Note: On 4 July 2008, Mr. Wong Kwai Sang, Kays resigned and Mr. Cheung Ngai Lam was appointed as remuneration committee member. On 16 August 2008, Mr. Tsang Chun Pong resigned and Mr. Tsang Chung Yu was appointed as remuneration committee member.

Other information

The Board of Directors has not established a nomination committee. According to the articles of association of the Company, the Board has the power from time to time and at any time to appoint any person as a director either to fill a casual vacancy or as an addition to the Board. In assessing nomination of new directors, the Board will take into consideration of the nominee's qualification, ability and potential contributions to the Company. There was no change in directorship during the year ended 30 June 2008. Changes of the directorship of the Company after 30 June 2008 are set out in the composition of the Board above.

REVIEW OF SYSTEM OF INTERNAL CONTROL

The management of the Group has reviewed the effectiveness of the internal control and risk management systems of the Group during the year ended 30 June 2008 and submitted the findings and recommendations to the Audit Committee and the Board. The Audit Committee and the Board discussed such findings and agreed that the management should implement the same.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") as set out in Appendix 10 of the Listing Rules as the codes of conduct regarding securities transactions by directors and by relevant employees (as defined in the Code). All Directors have confirmed, following specific enquiry by the Company, that they fully complied with the Model Code throughout the year.

The Company has also established written guidelines regarding securities transaction on no less exacting terms of the Model Code for senior management and specific individual who may have access to price sensitive information in relation to the securities of the Company.

AUDITORS' REMUNERATION

During the year, the fees paid to the Company's Auditors, BDO McCable Lo Limited amounted to HK$838,000 and Pan-China (Xiamen) Certified Public Accountants in PRC amounted to HK$135,000 in respect of audit services. No non-audit services was provided by the Company's Auditor during the year.

DIRECTORS' RESPONSIBILITY FOR PREPARING THE FINANCIAL STATEMENTS

The Directors acknowledge that it is their responsibilities in preparing the Financial Statements. The finance department of the Company is taken charge by the qualified accountant of the Company. With the assistance of the financial department, the directors ensure that the Group's financial statements have been properly prepared in accordance with relevant regulations and applicable accounting principles. The Statement of the Auditors about their reporting responsibilities on the Financial Statements and the qualified opinion arising from limitation of audit scope are set out in the Auditors' Report on pages 25 and 26.

SHAREHOLDER COMMUNICATION

The objective of shareholder communication is to provide our shareholders with detailed information about the Company so that they can exercise their rights as shareholders in an informed manner.

The Company uses a range of communication tools to ensure its shareholders are kept well informed of key business imperatives. These include annual general meeting, annual report, various notices, announcements and circulars. Procedure for voting by poll has been included in circular of the Company accompanying notice convening general meeting and has been read out by the chairman at the general meeting.

At the annual general meeting held on 14 December 2007, separate resolution was proposed by the chairman in respect of each separate issue, including re-election Directors. The chairman of the Board and the chairman of the audit committee and remuneration committee attended the meetings to answer questions of shareholders.

The directors submit herewith their annual report together with the audited financial statements for the year ended 30 June 2008.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of its subsidiaries are manufacturing, retailing and distribution of apparel and property development.

An analysis of the Group's revenue and contribution to results of the Company and its subsidiaries (collectively referred to as the "Group") by business segments and geographical area of customers for the financial year is set out in note 5 to the financial statements.

SUBSIDIARIES

Particulars of the Company's subsidiaries at 30 June 2008 are set out in note 20 to the financial statements.

FINANCIAL STATEMENTS

The results of the Group for the year ended 30 June 2008 and the state of the Company's and the Group's affairs as at that date are set out in the financial statements on pages 27 to 78.

DIVIDENDS AND RESERVES

The directors do not recommend the payment of any dividend for the year ended 30 June 2008 (2007: HK$Nil).

Movements in reserves during the year are set out in note 29 to the financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

The Group's five largest customers combined did not exceed 30% of the Group's total turnover for the year ended 30 June 2008.

The information in respect of the Group's purchases attributable to the major suppliers during the financial year is as follows:

	Percentage of the Group's total Purchases
The largest supplier	16%
Five largest suppliers in aggregate	53%

At no time during the year have the directors, their associates or any shareholder of the Company (which to the knowledge of the directors owns more than 5% of the Company's share capital) had any interest in these major suppliers.

PROPERTY, PLANT AND EQUIPMENT

Details of changes in the property, plant and equipment during the year are set out in note 16 to the financial statements.

PROPERTIES UNDER DEVELOPMENT

A summary of major properties held for/under development is set out on page 79.

DIRECTORS

The directors during the financial year and up to date of this report were:

Executive directors

Tan Sim Chew, Chairman	
Zhong Ma Ming, Managing Director	
Fu Zi Cong	
Lo King Fat, Lawrence	
Leung Kwong Choi	(appointed on 6 October 2008)

Independent non-executive directors

Li Chun Ming, Raymond	
Cheung Ngai Lam	(appointed on 4 July 2008)
Tsang Chung Yu	(appointed on 16 August 2008)
Wong Kwai Sang, Kays	(resigned on 4 July 2008)
Tsang Chun Pong	(resigned on 16 August 2008)

In accordance with the Company's Articles of Association, Mr. Zhong Ma Ming, Fu Zi Cong, Mr. Leung Kwong Choi and Mr. Li Chun Ming, Raymond shall retire from the board at the forthcoming annual general meeting. Mr. Zhong Ma Ming and Mr. Fu Zi Cong will not offer themselves for re-election at the annual general meeting whereas the other retiring directors, Mr. Leung Kwong Choi and Mr. Li Chung Ming, Raymond, being eligible, will offer themselves for re-election at the annual general meeting.

The Company has received annual confirmation from each of the independent non-executive directors concerning their independence to the Company and considers that each of the independent non-executive directors is independent to the Company.

The biographical details of directors are set out in pages 8 to 9.

DIRECTORS' SERVICE CONTRACTS

No director proposed for re-election at the forthcoming annual general meeting has an unexpired service contract which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation, other than normal statutory obligations.

The service contracts of the three independent non-executive directors are: Mr. Li Chun Ming, Raymond, Mr. Cheung Ngai Lam and Mr. Tsang Chung Yu for a term of 3 years commencing on 29 September 2007, 4 July 2008 and 16 August 2008 respectively. Their remunerations are HK$60,000, HK$120,000 and HK$120,000 per annum respectively subject to any adjustments as the board of directors may approve from time to time.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SHARES

As at 30 June 2008, the interests and short positions of the directors of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept by the Company under Section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") were as follows:

Long positions in shares in the Company

	Number of ordinary shares of HK$0.01 each *(Note)*	**Percentage of total issued shares at 30 June 2008**
Tan Sim Chew	291,265,226	14.90%
Fu Zi Cong	19,874,000	1.02%
Lo King Fat, Lawrence	19,300,000	0.99%

Note: These shares are held by the respective directors personally as beneficial owner.

Save as disclosed above, as at 30 June 2008, none of the directors or chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any associated corporation which have been recorded in the register required to be kept by the Company pursuant to section 352 of the SFO or any interests which are required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

SHARE OPTION SCHEMES

The existing share option scheme of the Company was approved on 16 December 2005 ("Share Option Scheme"). The purpose of the Share Option Scheme is to provide the Group with a flexible means of giving incentive to, rewarding, remunerating, and/or providing benefits to the participant and to provide the participant with the opportunity to acquire a personal stake in the Group and to build common objectives of the Group and the participant for the betterment of business and profitability of the Group and its shareholders as a whole.

The Board may, at their discretion, invite any participant to take up options. An option is deemed to have been granted and accepted by the grantee upon his or her signing the duplicate letter comprising acceptance of the option and paying HK$1 by way of consideration for the grant thereof.

The subscription price for shares in the Company under the Share Option Scheme will be highest of (i) the closing price of the shares in the Company as stated in the Stock Exchange's daily quotations sheet on the offer date (which date must be a business day), (ii) a price being the average of the closing prices of the shares in the Company as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the offer date, and (iii) the nominal value of a share of the Company.

The total number of shares in the Company which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of the Company shall not in aggregate exceed 10% of the total number of shares in the Company in issue as at the date of approval of the Share Option Scheme. An option may be exercised during a period to be determined by the Directors in its absolute discretion and in any even such period shall not be longer than 10 years from the date upon which the option is granted.

The maximum entitlement for any one participant is that the total number of shares issued and to be issued upon exercise of the options granted to each participant under the Share Option Scheme in any 12-month period shall not exceed 1% of the total number of shares in issue of the Company. Any further grant of options in excess of the 1% limit shall be subject to shareholders' approval in general meeting with such participant and his or her associates abstaining from voting. The Share Option Scheme will remain in force for a period of 10 years from 16 December 2005.

Movement of share options during the year ended 30 June 2008 was as follows:–

Directors	No. of options outstanding at 1 July 2007	No. of options granted	No. of options exercised	No. of options outstanding at 30 June 2008	% of issued share capital at 30 June 2008
Tan Sim Chew	–	16,000,000	–	16,000,000	0.82%
Fu Zi Cong	–	16,000,000	–	16,000,000	0.82%
Zhong Ma Ming	–	16,000,000	–	16,000,000	0.82%
Lo King Fat, Lawrence	–	16,000,000	–	16,000,000	0.82%
Aggregate of employees	–	2,600,000	–	2,600,000	0.13%
		66,600,000		66,600,000	

The above options were granted on 25 January 2008 and exercisable at a subscription price of HK$0.0804 per share during the period from 26 July 2008 to 25 July 2011. Each option entitled its holder to subscribe for one share of HK$0.01 each in the Company.

The closing price of the shares immediately before the date on which the above options were granted was HK$0.08. During the year ended 30 June 2008. No share option was exercised, cancelled or lapsed during the year.

Apart from the foregoing, at no time during the year was the Company or any of its subsidiaries a party to any arrangement to enable the directors or chief executive of the Company or any of their spouses or children under eighteen years of age to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

SUBSTANTIAL INTERESTS IN THE SHARE CAPITAL OF THE COMPANY

As at 30 June 2008, the person having an interest in 5% or more of the issued share capital of the Company as recorded in the register of interest in shares and short positions required to be kept under section 336 of the Part XV of SFO was as follows:

Director	**Number of ordinary shares interested**	**Percentage of total issued shares**
Tan Sim Chew *(Note 1)*	291,265,226	14.90%
Leader Symbol Holdings Limited *(Note 2)*	178,242,477	9.12%
Ng Guek Keow *(Note 2)*	178,242,477	9.12%
Fan Po Lo	192,000,000	9.82%
Neo Hock Soon	181,000,000	9.26%

Notes:

1. These 291,265,226 shares are held by Mr. Tan Sim Chew personally.

2. These 178,242,477 shares were held by Leader Symbol Holdings Limited. Ms. Ng Guek Keow had 100% interest in Leader Symbol Holdings Limited and accordingly was deemed to have interest in these 178,242,477 shares.

Save as disclosed herein, no other person was recorded in the register of interests and short positions maintained under section 336 of Part XV of the SFO as having an interest of in 5% of more of the issued share capital of the Company as at 30 June 2008.

DIRECTORS' INTERESTS IN CONTRACTS

No contracts of significance, to which the Company or any of its subsidiaries was a party and in which a director of the Company had a material interest, subsisted at the end of the year or at any time during the year.

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

Neither the Company nor its subsidiaries repurchased, sold or redeemed any of the Company's listed securities during the year.

FIVE YEAR SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 80.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's articles of association although there are no restrictions against such rights under Companies Law in the Cayman Islands.

PENSION SCHEMES

The Group implements the Mandatory Provident Fund scheme for its employees in Hong Kong, under which the Group is required to make contributions to the scheme at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK$20,000.

For employees of certain subsidiaries who were employed via the Xiamen Labour Services Company ("XLSC"), the Group is required to pay monthly contributions, being a certain percentage of monthly payroll costs, for each employee to XLSC. The Group's other employees are required to participate in a central pension scheme operated by the local municipal government. The Group is required to contribute a certain percentage of their payroll costs to the central pension scheme.

Contributions paid in respect of retirement benefits for the year totaled HK$103,000 (2007: HK$569,000).

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, as at the date of this report, there is sufficient public float of not less than 25% of the Company's issued shares as required under the Listing Rules.

By Order of the Board

Tan Sim Chew
Chairman

Hong Kong, 22 October 2008

BDO McCabe Lo Limited
Certified Public Accountants

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德豪嘉信會計師事務所有限公司

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TO THE SHAREHOLDERS OF BENEFUN INTERNATIONAL HOLDINGS LIMITED
(incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Benefun International Holdings Limited set out on pages 27 to 78, which comprise the consolidated and Company balance sheets as at 30 June 2008, 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 FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation and the true and fair presentation of these financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and 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 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 financial statements based on our audit. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Except as described in the basis for qualified opinion paragraph, 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 financial statements.

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

BASIS FOR QUALIFIED OPINION

Included in the total cost of sales in the consolidated income statement for the year ended 30 June 2008 are alleged purchase of finished goods of approximately $30.63 million for which we were not able to obtain any purchase invoices nor any evidence of goods receipts. Management attributed this situation to the closure of shops and factories during the year resulting in difficulty in locating the underlying records for the relevant transactions. There were no other satisfactory audit procedures that we could adopt to satisfy ourselves as to the nature of the recorded transactions and whether those transactions and balance were free from material misstatement. At the balance sheet date, there were no outstanding payables arising from the recorded transactions.

QUALIFIED OPINION ARISING FROM LIMITATION OF AUDIT SCOPE

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to satisfy ourselves as to the recorded purchase transactions, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 30 June 2008 and of the Group's loss 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 Hong Kong Companies Ordinance.

BDO McCabe Lo Limited
Certified Public Accountants

Lee Ka Leung Daniel
Practising Certificate Number P01220

Hong Kong, 22 October 2008

Consolidated Income Statement

For the year ended 30 June 2008 (Expressed in Hong Kong dollars)

	Notes	2008 $'000	2007 $'000
Turnover	6	**120,019**	153,726
Cost of sales		**(90,349)**	(99,825)
Gross profit		**29,670**	53,901
Other income and gains	7	**30,277**	8,897
Distribution costs		**(48,551)**	(63,080)
Administrative and other operating expenses		**(46,398)**	(36,838)
Loss from operations	8	**(35,002)**	(37,120)
Finance costs	12	**(3,024)**	(1,595)
Loss before income tax expense		**(38,026)**	(38,715)
Income tax (expense)/credit	13	**(3,309)**	468
Loss attributable to equity holders of the Company		**(41,335)**	(38,247)
Loss per share			
– Basic and Diluted	15	**(2.30 cents)**	(2.66 cents)

Consolidated Balance Sheet

As at 30 June 2008 (Expressed in Hong Kong dollars)

	Notes	2008 $'000	2007 $'000
Non-current assets			
Property, plant and equipment	16	**1,092**	20,151
Investment properties	17	**54,379**	39,784
Construction in progress	18	**-**	1,272
Payment for leasehold land held for own use under operating leases	19	**-**	109
Deferred tax assets	27	**203**	36
Total non-current assets		**55,674**	61,352
Current assets			
Inventories	21	**62,239**	27,771
Trade and other receivables	22	**38,740**	72,753
Tax recoverable		**3,772**	435
Cash and cash equivalents		**28,199**	20,416
Total current assets		**132,950**	121,375
Current liabilities			
Trade and other payables	23	**90,637**	45,466
Provision	26	**6,598**	–
Other financial liabilities	24	**-**	40,041
Total current liabilities		**97,235**	85,507
Net current assets		**35,715**	35,868
Total assets less current liabilities		**91,389**	97,220
Non-current liabilities			
Deferred tax liabilities	27	**5,514**	1,802
		5,514	1,802
Net assets		**85,875**	95,418
Capital and reserves attributable to equity holders of the Company			
Share capital	28	**19,550**	16,350
Reserves	29	**66,325**	79,068
Total equity		**85,875**	95,418

On behalf of the Board

Tan Sim Chew
Chairman

Lo King Fat, Lawrence
Finance Director

Balance Sheet

As at 30 June 2008 (Expressed in Hong Kong dollars)

	Notes	2008 $'000	2007 $'000
Non-current assets			
Interests in subsidiaries	20	**12,552**	35,704
Current assets			
Trade and other receivables	22	**62,906**	39,351
Cash and cash equivalents		**1,496**	3,045
Total current assets		**64,402**	42,396
Current liabilities			
Trade and other payables	23	**3,593**	1,635
Net current assets		**60,809**	40,761
Net assets		**73,361**	76,465
Capital and reserves			
Share capital	28	**19,550**	16,350
Reserves	29	**53,811**	60,115
Total equity		**73,361**	76,465

On behalf of the board

Tan Sim Chew
Chairman

Lo King Fat, Lawrence
Finance Director

Consolidated Statement of Changes in Equity

For the year ended 30 June 2008 (Expressed in Hong Kong dollars)

	Issued share capital $'000	Share premium $'000	Employee share-based compensation reserve $'000	Legal reserve $'000	Foreign exchange revaluation reserve $'000	Revaluation reserve $'000	Accumulated losses $'000	Total $'000
At 1 July 2006	13,319	128,529	1,646	3,090	2,934	19,205	(69,213)	99,510
Placing of new shares	3,031	-	-	-	-	-	-	3,031
Premium on placing of new shares	-	23,645	-	-	-	-	-	23,645
Translation differences on overseas operations	-	-	-	-	2,745	-	-	2,745
Transfer between reserves	-	1,646	(1,646)	-	-	(1,864)	1,864	-
Change in fair value of buildings	-	-	-	-	-	5,570	-	5,570
Deferred tax arising from change in valuation of buildings	-	-	-	-	-	(836)	-	(836)
Loss for the year	-	-	-	-	-	-	(38,247)	(38,247)
At 30 June 2007	16,350	153,820	-	3,090	5,679	22,075	(105,596)	95,418
Placing of new shares	3,200	-	-	-	-	-	-	3,200
Premium on placing of new shares	-	19,840	-	-	-	-	-	19,840
Translation differences on overseas operations	-	-	-	-	5,643	-	-	5,643
Employee share option benefits	-	-	2,401	-	-	-	-	2,401
Change in fair value of buildings	-	-	-	-	-	944	-	944
Deferred tax arising from change in valuation of buildings	-	-	-	-	-	(236)	-	(236)
Loss for the year	-	-	-	-	-	-	(41,335)	(41,335)
At 30 June 2008	19,550	173,660	2,401	3,090	11,322	22,783	(146,931)	85,875

Consolidated Cash Flow Statement

For the year ended 30 June 2008 (Expressed in Hong Kong dollars)

	2008 $'000	2007 $'000
Cash flows from operating activities		
Loss before income tax expense	**(38,026)**	(38,715)
Adjustments for:		
Interest income	**(277)**	(150)
Interest expense	**3,024**	1,595
Employee share option benefits	**2,401**	–
Depreciation on property, plant and equipment	**4,558**	9,410
Fair value gain on investment properties	**(7,288)**	–
Amortisation on interest in leasehold land held for own use under operating leases	**5**	147
Write-down of inventories	**–**	3,305
Impairment loss on trade and other receivables	**16,658**	6,631
Reversal of impairment loss on trade and other receivables	**(3,416)**	–
Net loss on disposal of property, plant and equipment and construction in progress	**14,520**	2,073
Operating loss before working capital changes	**(7,841)**	(15,704)
Increase in inventories	**(16,471)**	(14,883)
Decrease/(increase) in trade and other receivables	**2,775**	(10,989)
Increase in provision	**6,598**	–
Increase in trade and other payables	**45,169**	14,460
Cash generated from/(used in) operations	**30,230**	(27,116)
Income tax paid outside Hong Kong	**(3,290)**	(822)
Net cash from/(used in) operating activities	**26,940**	(27,938)
Cash flows from investing activities		
Payment for purchase of property, plant and equipment	**(333)**	(740)
Payment for construction in progress	**(1,679)**	(3,080)
Net proceeds from sale of property, plant and equipment	**699**	477
Net proceeds from sale of construction in progress	**177**	414
Interest received	**277**	150
Net cash used in investing activities	**(859)**	(2,779)
Cash flows from financing activities		
Proceeds from bank borrowings	**–**	80,082
Repayment of bank borrowings	**(40,041)**	(45,861)
Net proceeds from issuance of new shares	**23,040**	13,331
Interest paid	**(3,024)**	(1,595)
Net cash (used in)/from financing activities	**(20,025)**	45,957
Net increase in cash and cash equivalents	**6,056**	15,240
Effect of exchange rate changes on cash and cash equivalents	**1,727**	448
Cash and cash equivalents at beginning of year	**20,416**	4,728
Cash and cash equivalents at end of year	**28,199**	20,416
Analysis of the balances of cash and cash equivalents:		
Cash at banks and in hand	**28,199**	20,416

1. CORPORATE INFORMATION

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

2. ADOPTION OF NEW OR REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRS")

(a) In the current year, the Group has applied all the new and revised standards, amendments and interpretations ("new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), that are relevant to its operation and effective for the current accounting period of the Group and the Company.

The adoption of these new HKFRSs did not affect recognition or measurement of the amounts recognised in the financial statements for the current or prior accounting periods. As a result, no prior period adjustment has been required.

However, the adoption of "HKFRS 7 Financial instruments: Disclosure" and "Amendment to HKAS 1, Presentation of financial statements: Capital disclosures" resulted in much extensive disclosures in respect of financial instruments and an additional disclosure on capital management policy respectively. Comparative information has been restated or included to achieve a consistent presentation.

(b) Potential impact arising on HKFRSs not yet effective

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

For the year ended 30 June 2008 (Expressed in Hong Kong dollars)

2. ADOPTION OF NEW OR REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRS") *(Continued)*

(b) *Potential impact arising on HKFRSs not yet effective* *(Continued)*

Amendments to HKAS 32 and HKAS1	Puttable Financial Instruments and Obligations Arising on Liquidation [1]
HKAS 1 (Revised)	Presentation of Financial Statements [1]
HKAS 23 (Revised)	Borrowing Costs [1]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements [4]
HKFRS 2 Amendment	Share-based Payment - Vesting Conditions and Cancellations [1]
HKFRS 3 (Revised)	Business Combinations [4]
HKFRS 8	Operating Segments [1]
HK(IFRIC) - Interpretation 12	Service Concession Arrangements [3]
HK(IFRIC) - Interpretation 13	Customer Loyalty Programmes [2]
HK(IFRIC) - Interpretation 14	HKAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their interaction [3]
HK(IFRIC) - Interpretation 15	Agreements for the Construction of Real Estate [1]
HK(IFRIC) - Interpretation 16	Hedges of a Net Investment in a Foreign Operation [5]

[1] Effective for annual periods beginning on or after 1 January 2009
[2] Effective for annual periods beginning on or after 1 July 2008
[3] Effective for annual periods beginning on or after 1 January 2008
[4] Effective for annual periods beginning on or after 1 July 2009
[5] Effective for annual periods beginning on or after 1 October 2008

3. BASIS OF PREPARATION

(a) *Statement of compliance*

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

3. BASIS OF PREPARATION *(Continued)*

(b) Basis of measurement

The financial statements have been prepared under the historical cost basis except for certain properties, which are measured at fair values or revalued amounts as explained in the accounting policies set out below.

(c) Use of estimate and judgements

The preparation of financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 34.

(d) Functional and presentation currency

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

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

4. PRINCIPAL ACCOUNTING POLICIES

(a) Basis of consolidation

The consolidated financial statements comprise of the financial statements of the Company and its subsidiaries. Inter-company transactions and balances between group companies are eliminated in full in preparing the consolidated financial statements.

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

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continued to be consolidated until the date that such control ceased.

In the Company's balance sheet, investments in subsidiaries are stated at cost less impairment loss, if any.

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(b) Subsidiaries

A subsidiary is an entity over which the Company is able to exercise control. Control is achieved where the Company, directly or indirectly, has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account.

(c) Property, plant and equipment

The building component of owner-occupied leasehold properties are stated at valuation less accumulated depreciation and accumulated impairment losses. Revaluations are performed with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair values at the balance sheet date. Increases in valuation are credited to the revaluation reserve. Decreases in valuation are first offset against increases on earlier valuations in respect of the same property and are thereafter charged to the income statement. Any subsequent increases are credited to the income statement up to the amount previously charged and thereafter to revaluation reserve.

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

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

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

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

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

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(c) Property, plant and equipment (Continued)

The gain or loss on disposal of an item of property, plant and equipment is the difference between the net sale proceeds and its carrying amount, and is recognised in the income statement on disposal.

(d) Investment properties

Investment properties are properties held for long-term rental yields or for capital appreciation and not occupied by the Group. Investment properties are carried at fair value, representing market value determined by directors by reference to observable prices in an active market or recent market transactions on arm's length terms by reference to independent qualified valuer at each balance sheet date. Changes in fair value are recognised in the income statement.

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 income statement in the year in which the item is derecognised.

If an item of property, plant and equipment becomes an investment property because its use has changed, any difference resulting between the carrying amount and the fair value of this item at the date of transfer is recognised in equity as revaluation of properties, plant and equipment. However, if a fair value gain reverses a previous impairment loss, the gain is recognised in the income statement.

(e) Construction in progress

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

(f) Payments for leasehold land held for own use under operating leases

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

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(g) Leasing

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

The Group as Lessor

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

The Group as lessee

The total rentals payable under operating lease are charged to the income statement on the straight-line basis over the lease term.

(h) Financial instruments

(i) *Financial assets*

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

(ii) *Impairment loss on financial assets*

Objective evidence that the asset is impaired includes observable data that comes to the attention of the Group includes the following loss events:

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- granting concession to a debtor because of debtors' financial difficulty;
- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(h) Financial instruments (Continued)

(ii) Impairment loss on financial assets (Continued)

An impairment loss is recognised in the income statement 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. The carrying amount of financial asset is reduced through the use of allowance account. When any part of financial asset is determined as uncollectible, it is written off against the allowance account for the relevant financial asset.

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.

(iii) Financial liabilities

The Group classifies its financial liabilities depending on the purpose for which the liabilities were incurred.

- Trade payables and other short-term monetary liabilities are initially recognised at fair value and subsequently measured at amortised cost using effective interest method.

- Bank borrowings, which are initially recognised at the amount advanced net of any transaction costs directly attributable to the issue of the instrument. Such interest bearing liabilities are subsequently measured at amortised cost using the effective interest method, which ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried in the balance sheet. "Interest expense" in this context includes initial transaction costs and premium payable on redemption, as well as any interest or coupon payable while the liability is outstanding.

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(h) Financial instruments *(Continued)*

(iv) Derecognition

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

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires.

(v) Equity instruments

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

(i) Inventories

Apparel Manufacturing

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

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

Net realisable value is determined by reference to the sales proceeds of items sold in the ordinary course of business after the balance sheet date or to management estimates based on prevailing market conditions less estimated costs of completion and estimated costs necessary to make the sale.

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

Properties under development

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

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(j) Revenue recognition

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

Sale of apparel

Revenue from sales of goods is recognised on transfer of risks and rewards of ownership, which generally is when the goods are delivered to customers and title is passed.

Sale of properties

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

Rental income from operating leases

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

Sub-contracting fee income

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

Franchising fee

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

Interest income

Interest income is accrued on a time basis on the principal outstanding at the applicable interest rate.

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(k) Income taxes

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

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

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

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

(l) Foreign currency

Transactions entered into by Group entities in currencies other than the currency of the primary economic environment in which it operates (the "functional currency") are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the balance sheet date. 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 the income statement in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in the income statement for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity, in which cases, the exchange differences are also recognised directly in equity.

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(l) Foreign currency *(Continued)*

On consolidation, the results of foreign operations are translated into the presentation currency of the Group (i.e. $) at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the rates approximating to those ruling when the transactions took place are used. All assets and liabilities of foreign operations are translated at the rate ruling at the balance sheet date. Exchange differences arising on translating the opening net assets at opening rate and the results of foreign operations at actual rate are recognised directly in equity (the "foreign exchange reserve"). Exchange differences recognised in the income statement of group entities' separate financial statements on the translation of long-term monetary items forming part of the Group's net investment in the foreign operation concerned are reclassified to the foreign exchange reserve.

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

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation on or after 1 January 2005 are treated as assets and liabilities of that foreign operation and translated at the rate of exchange prevailing at the balance sheet date. Exchange differences arising are recognised in the foreign exchange reserve.

(m) Employee benefits

(i) Paid leave carried forward

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

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(m) Employee benefits *(Continued)*

(ii) Defined contribution retirement plan

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

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

Contributions to defined contribution retirement plans are recognised as an expenses in the income statement when services are rendered by the employees.

(iii) Termination benefits

Termination benefits are recognised when, and only when, the Group demonstrably commits itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal.

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(n) Share based payments

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

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

Where equity instruments are granted to persons other than employees, the income statement is charged with the fair value of goods or services received unless the goods or services qualify for recognition as assets. A corresponding increase in equity is recognised. For each-settled share based payments, a liability is recognised at the fair value of the goods or services received.

(o) Impairment of other assets

At each balance sheet date, the Group reviews the carrying amounts of the following assets to determine whether there is any indication that those assets have suffered an impairment loss or an impairment loss previously recognised no longer exists or may have decreased:

- property, plant and equipment;
- interests in leasehold land held for own use under operating leases;
- investments in subsidiaries; and
- construction in progress

If the recoverable amount (i.e. the greater of the fair value less costs to sell and value in use) 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 HKFRS, in which case the impairment loss is treated as a revaluation decrease under that HKFRS.

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(o) Impairment of other assets (Continued)

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

(p) Capitalisation of borrowing costs

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

(q) Provisions and contingent liabilities

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

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

5. BUSINESS AND GEOGRAPHICAL SEGMENTS

Business segments

An analysis of the Group's revenue, results, assets, liabilities and other financial information by business segments for the year ended 30 June 2008, together with the comparative figures for the corresponding period in 2007, is as follows:

	Apparel manufacturing		Property rental		Property development		Consolidated	
	2008 $'000	2007 $'000	**2008 $'000**	2007 $'000	**2008 $'000**	2007 $'000	**2008 $'000**	2007 $'000
Segment revenue:								
Turnover	**113,256**	150,311	**6,763**	3,415	**-**	-	**120,019**	153,726
Other income	**22,623**	8,747	**7,288**	-	**-**	-	**29,911**	8,747
Total segment revenue	**135,879**	159,058	**14,051**	3,415	**-**	-	**149,930**	162,473
Interest income and other unallocated income							**366**	150
Total revenue							**150,296**	162,623
Segment results	**(44,751)**	(32,582)	**13,443**	3,415	**1,367**	(5,647)	**(29,941)**	(34,814)
Unallocated results							**(5,427)**	(2,456)
Interest and other unallocated income							**366**	150
Loss from operations							**(35,002)**	(37,120)
Finance cost							**(3,024)**	(1,595)
Loss before income tax expense							**(38,026)**	(38,715)
Income tax (expense)/credit							**(3,309)**	468
Loss attributable to the shareholders							**(41,335)**	(38,247)
Segment assets	**32,404**	68,873	**54,379**	39,914	**93,756**	56,028	**180,539**	164,815
Unallocated assets							**8,085**	17,912
Total assets							**188,624**	182,727
Segment liabilities	**24,323**	53,162	**868**	-	**65,473**	30,121	**90,664**	83,283
Unallocated liabilities							**12,085**	4,026
Total liabilities							**102,749**	87,309
Other segment information:								
Depreciation and amortisation	**4,476**	9,530	**-**	-	**82**	27	**4,558**	9,557
Write-down of inventories recognised	**-**	3,305	**-**	-	**-**	-	**-**	3,305
Impairment loss on trade and other receivables recognised	**16,658**	2,524	**-**	-	**-**	4,107	**16,658**	6,631
Capital expenditure incurred during the year	**1,813**	3,815	**199**	-	**-**	5	**2,012**	3,820

5. BUSINESS AND GEOGRAPHICAL SEGMENTS *(Continued)*

Geographical segments

The Group comprises the following main geographic segments:

	Mainland China		Hong Kong		Unallocated		Consolidated	
	2008	2007	**2008**	2007	**2008**	2007	**2008**	2007
	$'000	$'000	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000
Turnover from external customers	**120,019**	153,726	**-**	-	**-**	-	**120,019**	153,726
Segment assets	**180,539**	164,850	**7,882**	17,841	**203**	36	**188,624**	182,727
Capital expenditure								
– property, plant and equipment	**333**	740	**-**	-	**-**	-	**333**	740
– construction in progress	**1,679**	3,080	**-**	-	**-**	-	**1,679**	3,080
	2,012	3,820	**-**	-	**-**	-	**2,012**	3,820

6. TURNOVER

Turnover represents the net invoiced value of goods sold, after allowances for goods returned and trade discounts and income from leasing of property earned by the Group. The amounts of each significant category of revenue during the year are as follows:

	2008	2007
	$'000	$'000
Turnover and revenue		
Manufacturing, retailing and trading of apparel	**113,256**	150,311
Rental income	**6,763**	3,415
	120,019	153,726

7. OTHER INCOME AND GAINS

	2008	2007
	$'000	*$'000*
Interest income	**277**	150
Sub-contracting fees	**1,382**	5,446
Franchising fees	**-**	1,246
Gain on disposal of trademark	**21,617**	–
Change in fair value of investment properties	**7,288**	–
Others	**(287)**	2,055
	30,277	8,897

8. LOSS FROM OPERATIONS

Loss from operations is arrived at after charging/(crediting):

	2008	2007
	$'000	*$'000*
Staff costs *(note 9)*	**17,960**	39,887
Depreciation on property, plant and equipment *(note 16)*	**4,558**	9,410
Amortisation on interests in leasehold land held for own use under operating leases	**5**	147
Cost of inventories sold	**90,349**	96,520
Write-down of inventories	**-**	3,305
Auditor's remuneration	**973**	1,020
Minimum lease payments under operating leases		
– Property rentals (including retail shops)	**11,482**	17,850
– Contingent rentals of retail shops	**11,204**	15,296
Net loss on disposal of property, plant and equipment and construction in progress	**14,520**	2,073
Exchange differences, net	**-**	(1,755)
Direct operating expenses from investment property that generating rental income during the year	**608**	–
Impairment loss on trade and other receivables	**16,658**	6,631
Reversal of impairment loss on trade and other receivables	**(3,416)**	–

9. STAFF COSTS

	2008	2007
	$'000	$'000
Staff costs (including directors) comprise:		
Salaries, wages and other benefits	15,456	39,497
Contributions on defined contribution retirement plans	103	390
Share based payment expense - equity settled	2,401	–
	17,960	39,887

10. DIRECTORS' REMUNERATION

The emoluments paid or payable to each of the 7 (2007: 7) directors were as follows:

Name of director	Fees	Salary	Share based payments	Other benefits	Employer's contribution to pension scheme	Total 2008
	$'000	$'000	$'000	$'000	$'000	$'000
Executive directors						
Tan Sim Chew	-	650	577	-	-	1,227
Fu Zi Cong	-	397	577	-	-	974
Lo King Fat	-	559	577	26	12	1,174
Zhong Ma Ming	-	416	577	-	-	993
Independent non-executive directors						
Wong Kwai Sang	60	-	-	-	-	60
Tsang Chun Pong	60	-	-	-	-	60
Li Chun Ming	60	-	-	-	-	60
	180	2,022	2,308	26	12	4,548

10. DIRECTORS' REMUNERATION *(Continued)*

Name of director	Fees	Salary	Share based payments	Other benefits	Employer's contribution to pension scheme	Total 2007
	$'000	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*
Executive directors						
Tan Sim Chew	–	650	–	–	–	650
Fu Zi Cong	–	397	–	–	–	397
Lo King Fat	–	559	–	12	12	583
Zhong Ma Ming	–	406	–	–	–	406
Independent non-executive directors						
Wong Kwai Sang	60	–	–	–	–	60
Tsang Chun Pong	60	–	–	–	–	60
Li Chun Ming	60	–	–	–	–	60
	180	2,012	–	12	12	2,216

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

11. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, four (2007: four) were directors of the Company whose emoluments included in the disclosure disclosed in note 10 above. The emoluments of the remaining one (2007: one) individual is as follows:

	2008	2007
	$'000	*$'000*
Salaries and other emoluments	**382**	646
Share based payments	**93**	–
Retirement scheme contributions	**12**	–
	487	646

12. FINANCE COSTS

	2008	2007
	$'000	*$'000*
Interest on banking borrowings wholly repayable within five years	**3,024**	1,595

13. INCOME TAX (EXPENSE)/CREDIT

The amount of taxation in the consolidated income statement represents:

	2008	2007
	$'000	*$'000*
Current tax - overseas		
– tax for the year	**-**	(89)
Deferred tax *(note 27)*		
– current year	**(1,995)**	557
– effect of change in tax rate	**(1,314)**	–
Income tax (expense)/credit	**(3,309)**	468

No provision for Hong Kong Profits Tax has been made in the financial statements (2007: Nil) as the Group's Hong Kong operations sustained a loss for taxation purposes during the year.

Overseas tax is calculated at the rates applicable in the respective jurisdictions.

Pursuant to the new People's Republic of China ("PRC") Corporate Income Tax Law passed by the Tenth National People's Congress on 16 March 2007, the new Corporate Income Tax rates for almost all enterprises established in the PRC shall be subject to a unified rate of 25% over a five-year transition period and will be effective from 1 January 2008. The State Council of the PRC issued an implementation guideline on 26 December 2007 and the Minstry of Finance and the State Administration of Taxation of the PRC further issued another implementation guideline on 20 February 2008 (collectively, "Implementation Guidance") which set out the details of how the existing preferential income tax rate will be adjusted to the standard rate of 25%. According to the Implementation Guidance, foreign investment manufacturing enterprises which have not fully utilized their tax holiday and concession will be allowed to continue to receive the benefits of the full exemption and concession in the transitional income tax rate during the five-year transition period. The transitional tax rates for 2008 to 2012 are 18%, 20%, 22%, 24% and 25%, respectively. The new rates were considered to measure the Group's deferred tax assets and deferred tax liabilities as at 30 June 2008. The enactment of the new PRC Corporate Income Tax Law is not expected to have any financial effect on the amounts accrued in the balance sheet in respect of current tax payable.

13. INCOME TAX (EXPENSE)/CREDIT *(Continued)*

The income tax (expense)/credit for the year can be reconciled to the loss per the consolidated income as follows:

	2008	2007
	$'000	*$'000*
Loss before tax	**38,026**	38,715
Tax calculated at applicable PRC tax rate of 18-25% (2007: 15%)	**9,507**	5,807
Effect of different tax rates of group companies operating in different jurisdictions	**(2,994)**	(1,401)
Tax effect of expenses not deductible for tax purpose	**(1,258)**	(2,266)
Effect on opening deferred tax balances resulting from an increase in applicable tax rate	**(1,314)**	–
Tax effect of tax loss not recognised	**(7,250)**	(1,672)
Income tax (expense)/credit	**(3,309)**	468

14. LOSS ATTRIBUTABLE TO SHAREHOLDERS

Loss attributable to shareholders includes an amount of $28,545,000 (2007: $3,698,000) which has been dealt with in the financial statements of the Company.

15. LOSS PER SHARE

The calculation of basic loss per share is based on the consolidated loss attributable to shareholders of HK$41,335,000 (2007: HK38,247,000) and the weighted average of 1,795,563,000 ordinary shares (2007: 1,439,991,000 ordinary shares) in issue during the year. The diluted loss per share for the year ended 30 June 2008 and 2007 is the same as basic loss per share because the effect of the assumed exercise of all potential ordinary shares is anti-dilutive.

16. PROPERTY, PLANT AND EQUIPMENT

Group

	Buildings $'000	Leasehold improvements $'000	Plant and machinery $'000	Furniture, fixtures and office equipment $'000	Motor vehicles $'000	Total $'000
Cost or valuation						
At 1 July 2007	7,742	24,947	15,133	10,574	9,722	68,118
Exchange difference	307	2,728	1,355	1,156	832	6,378
Additions	199	-	-	134	-	333
Disposals	-	(30,257)	(13,750)	(6,207)	(7,621)	(57,835)
Surplus on revaluation	944	-	-	-	-	944
Transfer to investment properties *(note 17)*	(9,192)	-	-	-	-	(9,192)
Transfer from construction in progress	-	2,582	-	-	-	2,582
At 30 June 2008	-	-	2,738	5,657	2,933	11,328
Representing:						
Cost	-	-	2	5,657	821	6,480
Valuation – 1994	-	-	2,736	-	2,112	4,848
At 30 June 2008	-	-	2,738	5,657	2,933	11,328
Accumulated depreciation and impairment						
At 1 July 2007	3,432	19,535	9,008	7,915	8,077	47,967
Exchange difference	124	2,125	686	870	613	4,418
Charge for the year	204	2,114	347	972	921	4,558
Eliminated on disposals	-	(23,774)	(7,303)	(5,019)	(6,851)	(42,947)
Transfer to investment properties *(note 17)*	(3,760)	-	-	-	-	(3,760)
At 30 June 2008	-	-	2,738	4,738	2,760	10,236

16. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

Group

	Buildings	Leasehold improvements	Plant and machinery	Furniture, fixtures and office equipment	Motor vehicles	Total
	$'000	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*
Cost or valuation						
At 1 July 2006	70,304	21,104	20,692	9,706	9,189	130,995
Exchange difference	1,548	1,235	1,051	568	414	4,816
Additions	–	–	28	421	291	740
Disposals	–	–	(6,638)	(121)	(172)	(6,931)
Surplus on revaluation	5,570	–	–	–	–	5,570
Transfer to investment properties *(note 17)*	(69,680)	–	–	–	–	(69,680)
Transfer from construction in progress *(note 18)*	–	2,608	–	–	–	2,608
At 30 June 2007	7,742	24,947	15,133	10,574	9,722	68,118
Representing:						
Cost	1,098	24,947	12,397	10,574	7,610	56,626
Valuation						
– 1994	–	–	2,736	–	2,112	4,848
– 2007	6,644	–	–	–	–	6,644
At 30 June 2007	7,742	24,947	15,133	10,574	9,722	68,118
Accumulated depreciation and impairment						
At 1 July 2006	30,256	15,456	11,212	6,913	7,347	71,184
Exchange difference	552	898	496	407	285	2,638
Charge for the year	3,508	3,181	1,418	703	600	9,410
Eliminated on disposals	–	–	(4,118)	(108)	(155)	(4,381)
Transfer to investment properties *(note 17)*	(30,884)	–	–	–	–	(30,884)
At 30 June 2007	3,432	19,535	9,008	7,915	8,077	47,967
Net book value						
At 30 June 2008	–	–	–	919	173	1,092
At 30 June 2007	4,310	5,412	6,125	2,659	1,645	20,151

16. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

i) Buildings of the Group as at 30 June 2008 were revalued by directors by reference to observable prices in an active market or recent market transactions on arm's length basis after taking into account a valuation report as at 31 March 2008 prepared by Xiamen Chengde Land and Property Valuation Consultant Company Limited, a firm of valuers registered in the PRC. The valuations are on the basis of open market value or depreciated replacement cost. Depreciated replacement cost is used where there is insufficient market data to arrive at market value by means of market-based evidence.

The carrying amount of the buildings with $5,432,000 (2007: $38,796,000) was transferred to investment properties as at balance sheet date.

ii) Certain plant and machinery and motor vehicles that have been fully depreciated were valued by China Certified Accountant and Financial Management, a firm of valuers registered in the PRC at 30 April 1994, no further revaluation have been made as the Group has adopted the transitional provisions in paragraph 80A of HKAS 16. The valuation was carried out on a depreciated replacement cost basis.

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

17. INVESTMENT PROPERTIES

	Group	
	2008	2007
	$'000	*$'000*
FAIR VALUE		
At beginning of year	**39,784**	–
Exchange adjustments	**1,753**	–
Transfer from property, plant and equipment *(note 16)*	**5,432**	38,796
Transfer from payment for leasehold land held for own use under operating leases *(note 19)*	**122**	988
Change in fair value	**7,288**	–
At end of year	**54,379**	39,784

17. INVESTMENT PROPERTIES *(Continued)*

(a) The Group's investment properties were held under medium-term leases and outside Hong Kong which were revalued by directors by reference to observable prices in an active market or recent market transactions on arm's length terms after taking into account a valuation report as at 31 March 2008 prepared by Xiamen Chengde Land and Property Valuation Consultant Company Limited, a firm of valuers registered in the PRC. The valuations are on the basis of open market value or depreciated replacement cost. Depreciated replacement cost is used where there is insufficient market data to arrive at market value by means of market-based evidence.

(b) Investment properties have been pledged to bank to secure a bank loan granted to the Group as at 30 June 2007, the pledge is released during the year when the bank loan has been repaid (note 24).

(c) Gross rental income from investment properties amounted to $6,763,000 (2007: $3,415,000).

18. CONSTRUCTION IN PROGRESS

	Group	
	2008	2007
	$'000	*$'000*
At beginning of year	**1,272**	1,147
Exchange adjustments	**139**	67
Additions	**1,679**	3,080
Transfer to property, plant and equipment *(note 16)*	**(2,582)**	(2,608)
Disposal	**(508)**	(414)
At end of year	**-**	1,272

19. PAYMENT FOR LEASEHOLD LAND HELD FOR OWN USE UNDER OPERATING LEASES

The Group's payment for leasehold land held for own use under operating leases comprise:

	Group	
	2008	2007
	$'000	*$'000*
Leasehold land outside Hong Kong – medium-term lease	**-**	109

The remaining portions of the interest in leasehold land were transferred to investment properties as the Group has leased out the properties for long-term rental yields.

20. INTERESTS IN SUBSIDIARIES

	Company	
	2008	2007
	$'000	*$'000*
Unlisted shares and equity interest at cost	**192,310**	192,310
Less: Impairment loss	**(179,758)**	(156,606)
	12,552	35,704

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

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20. INTERESTS IN SUBSIDIARIES *(Continued)*

Name of company	Place of incorporation/ establishment and operation	Percentage of equity held by the Company	Percentage of equity held by subsidiaries	Particulars of issued/registered and paid up capital	Principal activity
Fun (Xiamen) Enterprise Corporation Limited *	PRC	–	100	Singapore Dollar ("S$")15,300,000	Garment manufacturing and retailing
Anxi Sing Garments Company Limited *	PRC	–	100	$3,380,000	Deregistered in 2007
Anxi Fenfa Enterprise Company Limited*	PRC	–	100	S$1,000,000	Deregistered in 2006
Benefun (BVI) Limited	British Virgin Islands ("BVI")	100	–	1 share of US$1	Investment holding
Wylkeen Investment Limited	BVI	100	–	1 share of US$1	Investment holding
Wingo Asia Limited	BVI	–	100	1 share of US$1	Garment distribution
Zhangzhou Golden River Estate Development Co. Ltd. *	PRC	100	–	RMB13,300,000	Property development
Zhangzhou City Gao Hui Property Development Company Limited #	PRC	–	100	RMB3,280,000	Property development
Top Ace Enterprises Limited	Hong Kong	–	100	2 shares of $1 each	Provision of management services
Sichuan Fun Garments Company Limited#	PRC	100	–	RMB300,000	Garment distribution
Timar Investment Limited	BVI	–	100	1 share of US$1	Provision of management services

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

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

21. INVENTORIES

	Group	
	2008	2007
	$'000	$'000
Apparel manufacturing		
Raw materials	**-**	7,269
Work in progress	**-**	9
Finished goods	**-**	3,605
	-	10,883
Property development		
Properties under development	**62,239**	16,888
	62,239	27,771

Properties under development included construction cost and cost of land use right which is located in Zhangzhou City of PRC.

22. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2008	2007	**2008**	2007
	$'000	$'000	**$'000**	$'000
Trade debtors	**2,572**	8,870	**-**	–
Prepayments, deposits and other receivables	**30,581**	50,538	**112**	99
Receivable from placing of new shares	**-**	13,345	**-**	13,345
Amounts due from related parties *(note a)*	**5,587**	–	**-**	–
Amounts due from subsidiaries *(note b)*	**-**	–	**62,794**	25,907
	38,740	72,753	**62,906**	39,351

22. TRADE AND OTHER RECEIVABLES *(Continued)*

(a) Details of amounts due from related parties disclosed pursuant Section 161B of the Hong Kong Companies Ordinances are as follows:

Names of related parties	**Tan Han San**	**Chen Hai Yan**	**Fan Yi Ru**	
Relationship with the Group	**General Manager and Son of the director, Tan Sim Chew**	**Cashier and Daughter-in-law of the director, Tan Sim Chew**	**Cashier and Daughter-in-law of the director, Tan Sim Chew**	**Total**
Balance of the relevant amounts	***$'000***	***$'000***	***$'000***	***$'000***
At 30 June 2008	1,489	1,639	2,459	5,587
At 1 July 2007	–	–	–	–
Maximum balance outstanding during the year	1,489	2,522	3,957	7,968

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

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

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

	Group	
	2008	2007
	$'000	*$'000*
Less than 1 month past due	**64**	2,145
1 to 3 months past due	**424**	2,185
More than 3 months but less than 12 months past due	**2,068**	2,862
More than 12 months past due	**16**	1,678
Amount past due at balance sheet date but not impaired *(note c)*	**2,572**	8,870
Total trade debtors	**2,572**	8,870

(c) The balances that were past due but not impaired related to a number of customers that have a good track record with the Group. Based on the past experience, the management estimated that the carrying amounts could be fully recovered.

22. TRADE AND OTHER RECEIVABLES *(Continued)*

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

During the year, the Group continued certain property development projects for resale. As at the balance sheet date, included in the balance of prepayments, deposits and other receivables was an aggregate balance of deposits and instalments of $21,309,000 (2007: $19,208,000) for the acquisition of certain land use rights in Zhangzhou City, the PRC in respect of the aforesaid projects.

The below table reconciled the impairment loss of trade and other receivables for the year:

	Group		**Company**	
	2008	2007	**2008**	2007
	$'000	*$'000*	***$'000***	*$'000*
At 1 July	**20,913**	20,101	**-**	–
Exchange difference	**2,287**	1,253	**-**	–
Impairment loss recognised	**16,658**	6,631	**-**	–
Recovery of impairment loss previously recognised	**(3,416)**	–	**-**	–
Bad debts written off	**(8,362)**	(7,072)	**-**	–
At 30 June *(note d)*	**28,080**	20,913	**-**	–

(d) The Group and the Company recognised impairment loss on individual assessment based on the accounting policy stated in Noted 4(h)(ii).

23. TRADE AND OTHER PAYABLES

	Group		Company	
	2008	2007	**2008**	2007
	$'000	*$'000*	***$'000***	*$'000*
Trade creditors	**17,449**	10,367	**-**	–
Property forward sales deposits and instalments received	**66,581**	16,353	**-**	–
Amount due to a director (a)	**1,935**	–	**1,935**	–
Other payable and accrued liabilities	**4,672**	18,746	**1,658**	1,635
	90,637	45,466	**3,593**	1,635

(a) The amount due to a director, Tan Sim Chew is unsecured, interest-free and repayable on demand.

Included in the trade and other payables are trade creditors with the following ageing analysis as of the balance sheet date:

	2008	2007
	$'000	*$'000*
Within 1 month or on demand	**8,047**	7,238
1 to 3 months	**7,696**	197
More than 3 months but within 6 months	**1,706**	58
Over 6 months	**-**	2,874
Total trade creditors	**17,449**	10,367

Property forward sales deposits and instalments received arising from the property under development (Note 21) with carrying amount of $62,239,000 (2007: $16,888,000).

24. OTHER FINANCIAL LIABILITIES

	Group	
	2008	2007
	$'000	*$'000*
Interest bearing:		
Secured – bank loans	**-**	40,041

24. OTHER FINANCIAL LIABILITIES *(Continued)*

The total current and non-current bank loans and other borrowings were repayable as follows:

	2008	2007
	$'000	*$'000*
Within one year	**-**	40,041
Within two to five years	**-**	–
	-	40,041

The bank loans were interest-bearing at 7.58% (2007: 6.02%) and secured by the Group's interest in leasehold land and building. The loans had been fully repaid during the year.

25. FINANCIAL INSTRUMENTS – RISK MANAGEMENT

Financial assets of the Group include cash and cash equivalents and trade and other receivables. Financial liabilities of the Group include trade and other payables and bank borrowings. The Company has not issued and does not hold any financial instruments for trading purposes at the balance sheet date.

The main financial risks faced by the Group are credit risk and liquidity risk.

The Group does not have any written financial risk management policies and guidelines. However, the board of directors meets periodically to analyse and formulate measures to manage the Group's exposure to these risks. Generally, the Group introduces conservative strategies on its financial risk management. The directors review and agree policies for managing each of these risks and they are summarised as follows:

25. FINANCIAL INSTRUMENTS – RISK MANAGEMENT *(Continued)*

(a) Credit risk

The Group's exposure to credit risk arises through their trade and other receivables. Management has a formal credit policy in place and exposure to credit risk is monitored through regular reviews of receivables and follow-up enquiries on overdue accounts. Credit evaluations are performed on all customers requiring credit over a certain amount. At the balance sheet date, there is no significant concentration of credit risk in receivables. The maximum exposure to the credit risk of the Group is represented by the carrying amount of trade receivables presented in the consolidated balance sheet. Further quantitative data in respect of the Group's exposure to credit risk arising from trade and other receivables is disclosed in note 22 to the financial statements.

Cash and cash equivalents are normally placed with licensed banks in PRC that have high credit ratings. Given their high credit ratings, management does not expect any licensed bank to fail to meet its obligations.

(b) Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank and other borrowings.

The maturity profile of the Group's financial liabilities as at the balance sheet date, based on the contracted undiscounted payments is as follow:

	On demand	Less than 3 months	3 to less than 12 months	More than 12 months	Total
	$'000	*$'000*	*$'000*	*$'000*	*$'000*
2008					
Trade and other payables	**23,396**	**-**	**66,581**	**660**	**90,637**
Interest-bearing bank and other borrowings	**-**	**-**	**-**	**-**	**-**
	23,396	**-**	**66,581**	**660**	**90,637**
2007					
Trade and other payables	28,991	–	16,353	122	45,466
Interest-bearing bank and other borrowings	–	–	43,076	–	43,076
	28,991	–	59,429	122	88,542

26. PROVISIONS

	Onerous Contracts
	$'000
At 1 July 2007	–
Provisions made for the year	6,598
At 30 June 2008	6,598

Provision are made for obligations under onerous contracts, principally relate to tenancy agreements, where the net unavoidable costs of meeting the obligations exceed the economic benefits expected to be received.

27. DEFERRED TAX

Details of the deferred tax assets and liabilities recognised and movements during the current and prior years:

Deferred tax assets/(liabilities)	**Revaluation of properties**	**Provision for inventories and receivables**	**Accelerated (depreciation allowances)/ accounting depreciation**	**Other temporary differences**	**Total**
	$'000	*$'000*	*$'000*	*$'000*	*$'000*
As at 1 July 2006	(3,390)	3,917	661	(2,675)	(1,487)
(Charged)/credited to Income statement	328	955	306	(1,032)	557
(Charged) to equity	(836)	–	–	–	(836)
As at 30 June 2007	(3,898)	4,872	967	(3,707)	(1,766)
Effect of change in tax rate	(2,599)	3,248	715	(2,678)	(1,314)
(Charged)/credited to income statement	(1,820)	(6,612)	2,586	3,851	(1,995)
(Charged) to equity	(236)	–	–	–	(236)
As at 30 June 2008	(8,553)	1,508	4,268	(2,534)	(5,311)

27. DEFERRED TAX *(Continued)*

For the purpose of balance sheet presentation, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	2008	2007
	$'000	*$'000*
Net deferred tax asset recognised on the balance sheet	**203**	36
Net deferred tax liability recognised on the balance sheet	**(5,514)**	(1,802)
	(5,311)	(1,766)

At the balance sheet date, the Group has unused tax losses of $56,092,000 (2007: $36,171,000) available for offset against future profits. No deferred tax asset has been recognised due to the unpredictability of future profit streams. The tax losses can be carried forward for a period of five years, which will be expiring on:

	2008	2007
	$'000	*$'000*
1 January 2008	**-**	15,492
1 January 2009	**16,057**	14,474
1 January 2010	**4,176**	3,764
1 January 2011	**-**	–
1 January 2012	**2,707**	2,441
1 January 2013	**33,152**	–
	56,092	36,171

28. SHARE CAPITAL

(a) Authorised and issued share capital

	2008		2007	
	Number of shares	$'000	Number of shares	$'000
Authorised				
Ordinary shares of $0.01 each	**10,000,000,000**	**100,000**	10,000,000,000	100,000
Issued and fully paid				
At beginning of year	**1,635,029,000**	**16,350**	1,331,929,000	13,319
Issue of new shares	**320,000,000**	**3,200**	303,100,000	3,031
At end of the year	**1,955,029,000**	**19,550**	1,635,029,000	16,350

Issue of new shares

Pursuant to the share subscription agreement dated 6 February 2007, 151,600,000 new ordinary shares of $0.01 each, rank pari passu with the existing shares in the Company were issued to a subscriber, Leader Symbol Holdings Limited, for cash consideration at a subscription price of HK$0.066 each. The closing market price was HK$0.08 per share as quoted on the Stock Exchange on 6 February 2007.

Pursuant to another share subscription agreement dated 11 June 2007, 85,000,000 new ordinary shares of $0.01 each, rank pari passu with the existing shares in the Company were issued to two subscribers for cash consideration at a subscription price of HK$0.157 each. The closing market price was HK$0.195 per share as quoted on the Stock Exchange on the last trading date 8 June 2007.

Pursuant to a new share subscription agreement dated 4 January 2008, 320,000,000 new ordinary shares of $0.01 each, rank pari passu with the existing shares in the Company were issued to Neo Hock Soon, Neo Guek Peng and Fan Po Lo for cash consideration at a subscription price of HK$0.072 each. The closing market price was HK$0.09 per share as quoted on the Stock Exchange on 18 January 2008.

28. SHARE CAPITAL *(Continued)*

(b) Capital management policy

The Company's objective when managing capital is to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders. The Company sets the amount of capital in proportion to risk. The company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, issue new shares, or sell assets to reduce debt.

29. RESERVES

(a) Group

	Share premium	Employee share-based compensation reserve	Legal reserve	Foreign exchange revaluation reserve	Revaluation reserve	Accumulated losses	Total
	$'000	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*
At 1 July 2006	128,529	1,646	3,090	2,934	19,205	(69,213)	86,191
Premium on placing of new shares	23,645	-	-	-	-	-	23,645
Translation differences on overseas operations	-	-	-	2,745	-	-	2,745
Transfer between reserves	1,646	(1,646)	-	-	(1,864)	1,864	-
Change in fair value of buildings	-	-	-	-	5,570	-	5,570
Deferred tax arising from change in valuation of buildings	-	-	-	-	(836)	-	(836)
Loss for the year	-	-	-	-	-	(38,247)	(38,247)
At 30 June 2007	**153,820**	**-**	**3,090**	**5,679**	**22,075**	**(105,596)**	**79,068**
Premium on placing of new shares	**19,840**	**-**	**-**	**-**	**-**	**-**	**19,840**
Translation differences on overseas operations	**-**	**-**	**-**	**5,643**	**-**	**-**	**5,643**
Change in fair value of buildings	**-**	**-**	**-**	**-**	**944**	**-**	**944**
Employee share option benefits	**-**	**2,401**	**-**	**-**	**-**	**-**	**2,401**
Deferred tax arising from change in valuation of buildings	**-**	**-**	**-**	**-**	**(236)**	**-**	**(236)**
Loss for the year	**-**	**-**	**-**	**-**	**-**	**(41,335)**	**(41,335)**
At 30 June 2008	**173,660**	**2,401**	**3,090**	**11,322**	**22,783**	**(146,931)**	**66,325**

29. RESERVES *(Continued)*

(b) Company

	Share premium $'000	Employee share-based compensation reserve $'000	Contributed surplus $'000	Accumulated losses $'000	Total $'000
At 1 July 2006	128,529	1,646	65,261	(155,268)	40,168
Premium on placing of new shares	23,645	–	–	–	23,645
Transfer between reserves	1,646	(1,646)	–	–	–
Loss for the year	–	–	–	(3,698)	(3,698)
At 30 June 2007	**153,820**	**-**	**65,261**	**(158,966)**	**60,115**
Premium on placing of new shares	**19,840**	**-**	**-**	**-**	**19,840**
Employee share option benefits	**-**	**2,401**	**-**	**-**	**2,401**
Loss for the year	**-**	**-**	**-**	**(28,545)**	**(28,545)**
At 30 June 2008	**173,660**	**2,401**	**65,261**	**(187,511)**	**53,811**

29. RESERVES *(Continued)*

The following describes the nature and purpose of each reserve within owners' equity.

Reserve	Description and purpose
(i) Share premium	Amount subscribed for share capital in excess of nominal value. Under the Bye-Laws of the Company, the amount is distributable subject to certain restrictions.
(ii) Employee share-based compensation reserve	Cumulative expenses recognised on the granting and in writing off the fair value of share options granted to the employees over the vesting period.
(iii) Legal reserve	According to the relevant enterprises regulations in the PRC, certain subsidiaries which are foreign investment enterprises are required to transfer at least 10% of their profit after taxation, as determined under accounting principles generally accepted in the PRC, to the legal reserve until the balance reaches 50% of their registered capital. The legal reserve can be used to make good losses and to increase the capital of the subsidiaries.
(iv) Foreign exchange revaluation reserve and revaluation reserve	The foreign exchange revaluation reserve and revaluation reserve have been set up and dealt with in accordance with the accounting policies adopted for the revaluation of property, plant and equipment and translation of the financial statements of foreign subsidiaries as set out in note 20. The transfer from revaluation reserve to accumulated loss in income statement represents the reserve realised on the retirement or disposal of the revalued assets and the additional depreciation made during the year.

For the year ended 30 June 2008 (Expressed in Hong Kong dollars)

29. RESERVES *(Continued)*

(v)	Contributed surplus	The excess value of the shares in the subsidiaries acquired pursuant to the Group reorganisation scheme over the nominal value of the shares in the Company issued in exchange of $65,261,000 was credited to the contributed surplus account. Under the Bye-Laws of the Company, contributed surplus is distributable subject to certain restrictions.
(vi)	Retained earnings	Cumulative net gains and losses recognised in the consolidated income statement.

30. SHARE-BASED PAYMENT

Share option scheme

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

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

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

30. SHARE-BASED PAYMENT *(Continued)*

Share option scheme *(Continued)*

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

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

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

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

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

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

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

(iii) the nominal value of a Share.

30. SHARE-BASED PAYMENT *(Continued)*

Share option scheme (Continued)

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

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

On 6 November 2006, all share options were exercised by the five grantees and no option is outstanding at 30 June 2007.

On 25 January 2008, the Company granted in total 66,600,000 share options without option premium to four executive directors and one employee at an exercise price of $0.0804 per share under the share option scheme. All these share options are exercisable on or after 25 July 2008 and will expire on 24 February 2011.

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

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

	2008			2007		
		Weighted average exercise price	**Number of options (’000)**		Weighted average exercise price	Number of options (’000)
Outstanding at the beginning of year			**-**			66,500
Granted during the year	**$**	**0.0804**	**66,600**	$	–	–
Exercised during the year	**$**	**-**	**-**	$	0.05	(66,500)
Cancelled during the year			**-**			–
Exercisable at the end of the year			**66,600**			–

For the year ended 30 June 2008 (Expressed in Hong Kong dollars)

30. SHARE-BASED PAYMENT *(Continued)*

Share option scheme (Continued)

No share options were exercised during the year (2007: 66,500,000 share options with an exercise price of $0.05 were exercised).

Of the total number of options outstanding at the end of the year, none of them had vested and was exercisable at the end of the year.

The following information is relevant in the determination of the fair value of options granted during the year under the equity-settled share based remuneration schemes operated by the Group.

	2008	2007
Equity-settled		
Option pricing model used	**Black-Scholes**	–
Fair value at measurement date	**$0.036**	–
Weighted average share price at grant date	**$0.08**	–
Exercise price	**$0.0804**	–
Weighted average contractual life	**3 years**	–
Expected volatility	**108.34%**	–
Risk-free interest rate	**1.45%**	–

The volatility assumption, measured at the standard deviation of expected share price returns, is based on a statistical analysis of daily share prices over the last three years.

The Group did not enter into any share-based payment transactions with parties other than employees during the current or previous period.

31. LEASES

(a) *Operating leases – lessor*

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

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

	2008	2007
	$'000	*$'000*
Not later than one year	**3,539**	1,678
Later than one year but not later than five years	**-**	3,195
	3,539	4,873

(b) *Operating leases – lessee*

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

The lease payments recognised as an expenses are as follows:

	2008	2007
	$'000	*$'000*
Minimum leases payments	**11,482**	17,850
Contingent rents	**11,204**	15,296
	22,686	33,146

31. LEASES *(Continued)*

(b) Operating leases – lessee *(Continued)*

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

	2008	2007
	$'000	*$'000*
Not later than one year	**4,546**	14,469
Later than one year but not later than five years	**2,261**	11,997
Later than five years	**-**	35
	6,807	26,501

32. CAPITAL COMMITMENTS

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

	2008	2007
	$'000	*$'000*
Contracted for but not provided	**33,063**	29,351

33. RELATED PARTY TRANSACTION

Remuneration for key management personnel amounts paid to the Company's directors as disclosed in note 10.

34. KEY SOURCES OF ESTIMATION UNCERTAINTY

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Impairment on trade and other receivables

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

Provision for properties for development

The Group assesses the carrying amounts of properties for development according to their net realize value based on the realisability of these properties, taking into account costs to completion based on past experience and net sales value based on prevailing market conditions. Provision is made when events or changes in circumstances indicate that the carrying amounts may not be realized.

Estimated fair value of investment properties

The best evidence of fair value is current prices in an active market for the properties with similar lease and other contracts. In the absence of such information, the Group determines the amount within a range of reasonable fair value estimates. In making its estimation, the Group considers information from a variety of sources including:

– recent prices of similar properties in less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices; and

– discounted cash flow projections based on reliable estimates of future cash flows, derived from the terms of any existing lease and other contracts and (where possible) from external evidence such as current market rents for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

34. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

The Group assess the fair value of its investment properties based on valuations determined by independent and qualified professional valuer.

35. EVENTS AFTER BALANCE SHEET DATE

On 24 June 2008, the Company entered into an acquisition agreement with Blackpool Stadium Limited for the acquisition of 100% equity interest and the loan in the Target Company – Ample Rich Enterprises Limited at a total consideration of $500 million. The consideration shall be satisfied by: 1) issue of the $100 million Promissory Note which will be repayable on demand at any time commencing from 24 December 2009. The Promissory Noter shall be returned to the Company for cancellation if the Acquisition cannot be completed; 2) issue of $400 million of Convertible Notes with a conversion price at $0.064 per Conversion Share to Blackpool Stadium Limited upon completion. The completion of the acquisition is subject to fulfilment of certain conditions, inter alia, the approval of the shareholders at the extraordinary general meeting. The extraordinary general meeting was held on 20 October 2008 and the shareholders had approved the aforesaid acquisition.

36. APPROVAL OF FINANCIAL STATEMENTS

The financial statements on pages 27 to 78 were approved and authorised for issue by the Board of Directors on 22 October 2008.

Properties under Development

Particulars of properties under development held by the Group as at 30 June 2008 are set out below:

Project	**Location**	**Intended use**	**Stage of completion**	**Expected date of completion**	**Site area** *(sq. m)*	**Gross floor area** *(sq. m)*	**Group's interest** *(%)*
Golden River Square	Sheng Li Dong Lu/ Dan Xia Lu, Zhangzhou City, Fujin	Commercial & residential	100%	N/A	2,569	15,800	100
Silver River Square	Zhang Hua Lu/ Dan Xia Lu, Zhangzhou City, Fujin	Commercial & residential	20%	December 2009 for the First phase	26,428	100,000	100

Five Year Summary

(Expressed in Hong Kong dollars)

	2004	2005	2006	2007	**2008**
	$'M	$'M	$'M	$'M	**$'M**
Results					
Turnover	189.5	206.9	219.4	153.7	**120.0**
Profit/(loss) before income tax expense	7.6	9.7	(5.1)	(38.7)	**(38.0)**
Income tax (expense)/credit	(3.7)	(3.7)	(1.0)	0.5	**(3.3)**
Profit/(loss) attributable to shareholders	3.9	6.0	(6.1)	(38.2)	**(41.3)**
Assets and liabilities					
Properties, plant and equipment	70.6	58.8	59.8	20.1	**1.1**
Investment properties	–	–	–	39.8	**54.4**
Construction in progress	1.8	3.0	1.1	1.3	**-**
Payment for leasehold land held for own use under operating leases	–	1.2	1.2	0.1	**-**
Deferred tax assets	1.8	0.1	0.1	0.1	**0.2**
Net current assets/(liabilities)	15.3	41.0	44.6	35.8	**35.7**
Total assets less current liabilities	89.5	104.1	106.8	97.2	**91.4**
Non-current liabilities					
Other financial liabilities	–	–	5.8	–	**-**
Deferred tax liabilities	–	1.4	1.5	1.8	**5.5**
Net assets	89.5	102.7	99.5	95.4	**85.9**
Share capital	11.3	13.3	13.3	16.3	**19.6**
Reserves	78.2	89.4	86.2	79.1	**66.3**
Total equity	89.5	102.7	99.5	95.4	**85.9**
Earnings/(loss) per share					
Basic	0.36 cent	0.47 cent	(0.46) cent	(2.66) cents	(2.30) cents