

Financial Statements

Millenarianism Tower Limited and Controlled Entities

For the year ended 30 June 2008

(Prepared under Australian equivalents to International Financial Reporting Standards)

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Income statement

	Notes	Consolidated Group		Parent Entity	
		2008 AUD	2007 AUD	2008 AUD	2007 AUD
Revenue	2	59,419,752	-	-	-
Cost of sales		(49,566,087)	-	-	-
Gross profit		9,853,665	-	-	-
Other income	3	1,443,804	-	181	-
Operating costs		(1,411,521)	-	-	-
Administrative expenses		(1,357,383)	-	-	-
Finance costs		(3,530,662)	-	(517)	-
Other expenses		(191,104)	-	-	-
Profit before taxation		4,806,799	-	(336)	-
Taxation expense	4	(273,681)	-	-	-
Profit for the period attributable to shareholders		4,533,118	-	(336)	-

The annexed notes form an integral part of and should be read in conjunction with these financial statements.

Balance sheet

		Consolidated Group		Parent Entity	
	Notes	2008 AUD	2007 AUD	2008 AUD	2007 AUD
ASSETS					
Current assets					
Cash and cash equivalents	6	29,195,219	-	10,724	-
Trade and other receivables	7	49,894,996	-	-	-
Related party receivables	8	1,729,295	-	498,287	-
Inventories	9	22,759,561	-	-	-
Prepayments	10	129,234	-	-	-
TOTAL CURRENT ASSETS		103,708,305	-	509,011	-
Non-current assets					
Property, plant and equipment	11	13,398,718	-	-	-
Investments in subsidiaries	16	-	-	5,105,872	-
TOTAL NON-CURRENT ASSETS		13,398,718	-	5,105,872	-
TOTAL ASSETS		117,107,023	-	5,614,883	-
LIABILITIES					
Current liabilities					
Trade and other payables	12	40,275,742	-	1,144,052	-
Other payables	13	3,892,164	-	-	-
Related party payables	14	-	-	905,039	-
Notes payables	15	27,899,868	-	-	-
Short term borrowings	15	37,038,429	-	-	-
Current tax payable	4	253,747	-	-	-
TOTAL CURRENT LIABILITIES		109,359,950	-	2,049,091	-
TOTAL LIABILITIES		109,359,950	-	2,049,091	-
NET ASSETS		7,747,073	-	3,565,792	-
EQUITY					
Capital contribution	23	3,233,472	-	3,233,472	-
Retained profits		4,533,118	-	(336)	-
Foreign exchange translation reserve		(19,584)	-	332,656	-
Other reserves		67	-	-	-
TOTAL EQUITY		7,747,073	-	3,565,792	-

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Statement of changes in equity

Consolidated Group

	Capital contribution AUD	Retained profits AUD	Foreign exchange translation reserve AUD	Other reserves AUD	Total AUD
Balance as at 1 July 2006	-	-	-	-	-
Net profit for the year	-	-	-	-	-
Foreign exchange reserve movement	-	-	-	-	-
<hr/>					
Balance as at 30 June 2007	-	-	-	-	-
Share capital issued as part of merger of entities	2,417,361	-	-	-	2,417,361
Share capital issued during the period	816,111	-	-	-	816,111
Net profit for the year	-	4,533,118	-	-	4,533,118
Foreign exchange reserve movement	-	-	(19,584)	-	(19,584)
Other reserve movement	-	-	-	67	67
<hr/>					
Balance as at 30 June 2008	3,233,472	4,533,118	(19,584)	67	7,747,073

The annexed notes form an integral part of and should be read in conjunction with these financial statements.

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Parent Entity

	Capital Contribution	Retained profits	Foreign exchange translation reserve	Other Reserves	Total
	AUD	AUD	AUD	AUD	AUD
Balance as at 1 July 2006	-	-	-	-	-
Net profit for the year	-	-	-	-	-
Foreign exchange reserve movement	-	-	-	-	-
<hr/>					
Balance as at 30 June 2007	-	-	-	-	-
Share capital issued in the period	3,233,472	-	-	-	3,233,472
Net profit for the year	-	(336)	-	-	(336)
Foreign exchange reserve movement	-	-	332,656	-	332,656
<hr/>					
Balance as at 30 June 2008	3,233,472	(336)	332,656	-	3,565,792

The annexed notes form an integral part of and should be read in conjunction with these financial statements.

Consolidated cash flow statement

	Notes	2008 AUD	2007 AUD
Cash Flows from Operating Activities			
Receipts from customers		56,120,605	181
Payments to suppliers and employees		(44,867,041)	-
Finance costs		(3,530,662)	(517)
Interest received		838,871	-
Income tax expense		(19,934)	-
		<u> </u>	<u> </u>
Net cash flows from operating activities	20	<u>8,541,839</u>	<u>(336)</u>
Cash Flows from Investing Activities			
Purchase of property, plant and equipment		(8,570,775)	-
Costs associated with merger of entities		-	11,060
		<u> </u>	<u> </u>
Net cash flows from investing activities		<u>(8,570,775)</u>	<u>11,060</u>
Cash Flows from Financing Activities			
Proceeds from borrowings		9,351,488	-
Proceeds from issue of shares		796,593	-
		<u> </u>	<u> </u>
Net cash flows from financing activities		<u>10,148,081</u>	<u>-</u>
Net increase in cash and cash equivalents		10,119,145	10,724
Cash and cash equivalents at beginning of period		-	-
Cash obtained as part of merger of entities		19,076,074	-
		<u> </u>	<u> </u>
Cash and cash equivalents at end of period	6	<u>29,195,219</u>	<u>10,724</u>

The annexed notes form an integral part of and should be read in conjunction with these financial statements.

Notes to the financial statements

1 Statement of significant accounting policy

The financial report includes the consolidated financial statements and notes of Millenarianism Tower Limited and controlled entities (the Consolidated Group or the Group), and separate financial statements and notes of Millenarianism Tower Limited (the Parent Entity or the Company) as an individual parent entity. Millenarianism Tower Limited is incorporated and domiciled in Hong Kong.

Basis of Preparation

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board.

The principal activities of the company are investment holding, manufacturing and trading of textile products.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in a financial report containing relevant and reliable information about transactions, events and conditions to which they apply. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards. Material accounting policies adopted in the preparation of this financial report are presented below. They have been consistently applied unless otherwise stated.

The accounting policies set out below have been consistently applied to all years presented.

Compliance with IFRS

Australian Accounting Standards include Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the financial report of Millenarianism Tower Limited complies with International Financial Reporting Standards (IFRS).

Reporting Basis and Conventions

The financial report has been prepared on an accruals basis and is based on historical costs modified by the revaluation of selected non-current assets, financial assets and financial liabilities for which the fair value basis of accounting has been applied.

Accounting Policies

a. Principles of Consolidation

A controlled entity is any entity the Company has the power to control the financial and operating policies so as to obtain benefits from its activities. In assessing the power to govern, the existence and effect of holdings of actual and potential voting rights are considered.

A list of controlled entities is contained in Note 16 to the financial statements. All controlled entities incorporated in Hong Kong have a March year end and those incorporated in China have a December year end.

As at reporting date, the assets and liabilities of all controlled entities have been incorporated into the consolidated financial statements as well as their results for the year ended. Where controlled entities have entered (left) the consolidated group during the year, their operating results have been included (excluded) from the date that control was obtained (ceased).

All inter-company balances and transactions between entities in the consolidated group, including any unrealised profits or losses, have been eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistencies with those policies applied by the parent entity.

Minority interest, being that portion of the profit or loss and net assets of subsidiaries attributable to equity interests held by persons outside the group, are shown separately within the Equity section of the consolidated Balance Sheet and in the consolidated Income Statement.

b. Business Combinations

Business combinations occur where control over another business is obtained and results in the consolidation of its assets and liabilities. All business combinations, including those involving entities under common control, are accounted for by applying the purchase method. The purchase method requires an acquirer of the business to be identified and for the cost of the acquisition and fair values of the identifiable assets, liabilities and contingent liabilities to be determined as at acquisition date, being the date that control was obtained. Cost is determined as the aggregate of fair values of assets given, equity issued and liabilities assumed in exchange for control together with costs directly attributable to the business combination. Any deferred consideration payable is discounted to present value using the entity's incremental borrowing rate.

Goodwill is recognised initially at the excess of cost over the acquirers interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If the fair value of the acquirer's interests is greater than cost, the surplus is immediately recognised in the profit or loss.

c. Income Tax

The charge for current income tax expense is based on the profit for the year adjusted for any non-assessable or disallowed items. It is calculated using the tax rates that have been enacted or are substantially enacted by the balance sheet date.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is credited in the income statement except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the consolidated group will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

d. Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of manufactured products includes direct materials, direct labour and an appropriate portion of variable and fixed overheads. Overheads are applied on the basis of normal operating capacity. Costs are assigned on the basis of weighted average costs.

e. Work in Progress

Work in progress is valued at cost. Cost includes both variable and fixed costs, and those costs that are attributable to the inventory in general and that can be allocated on a reasonable basis.

f. Property, Plant and Equipment

Each class of property, plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation and impairment losses.

Property

Land assets are classified as land use rights represent the right to occupy the land over a legally recognised period of time. The assets are amortised over the life of the right to occupy the land.

Buildings and leasehold improvements are measured and shown on the cost basis, less subsequent depreciation.

Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

Plant and Equipment

Plant and equipment are measured on the cost basis.

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

The cost of fixed assets constructed within the consolidated group includes the cost of materials, direct labour, borrowing costs and an appropriate proportion of fixed and variable overheads.

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

Increases in the carrying amount arising on revaluation of land and buildings are credited to a revaluation reserve in equity. Decreases that offset previous increases of the same asset are charged against fair value reserves directly in equity; all other decreases are charged to the income statement. Each year the difference between depreciation based on the revalued carrying amount of the asset charged to the income statement and depreciation based on the asset's original cost is transferred from the revaluation reserve to retained earnings.

Depreciation

The depreciable amount of all fixed assets including building and capitalised lease assets, but excluding freehold land, is depreciated on a straight-line basis over their useful lives to the consolidated group commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The depreciation rates used for each class of depreciable assets are:

Class of Fixed Asset	Depreciation Rate
Land use right	50 years
Land, buildings and leasehold improvements	20 years
Office equipment	5 years
Plant and machinery	5 – 10 years
Motor vehicle	5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

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

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the income statement. When revalued assets are sold, amounts included in the revaluation reserve relating to that asset are transferred to retained earnings.

Any changes in the estimates for the costs are accounted on a prospective basis. In determining the costs of site restoration, there is uncertainty regarding the nature and extent of the restoration due to community expectations and future legislation. Accordingly the costs have been determined on the basis that the restoration will be completed within one year of abandoning the site.

g. Financial Instruments

Recognition

Financial instruments are initially measured at cost on trade date, which includes transaction costs, when the related contractual rights or obligations exist. Subsequent to initial recognition these instruments are measured as set out below.

Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are stated at amortised cost using the effective interest rate method.

Financial Liabilities

Non-derivative financial liabilities are recognised at amortised cost, comprising original debt less principal payments and amortisation.

Fair Value

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

Impairment

At each reporting date, the group assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether impairment has arisen. Impairment losses are recognised in the income statement.

h. **Impairment of Assets**

At each reporting date, the group reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the income statement.

Impairment testing is performed annually for goodwill and intangible assets with indefinite lives.

Where it is not possible to estimate the recoverable amount of an individual asset, the group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

i. **Foreign Currency Transactions and Balances**

Functional and Presentation Currency

The functional currency of each of the group's entities is measured using the currency of the primary economic environment in which that entity operates. The Parent entity functional currency is USD, the groups functional currency is RMB and the consolidated financial statements are presented in Australian dollars, the presentation currency.

Transaction and Balances

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items are recognised in the income statement, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange differences arising on the translation of non-monetary items are recognised directly in equity to the extent that the gain or loss is directly recognised in equity; otherwise the exchange difference is recognised in the income statement.

Group Companies

The financial results and position of foreign operations whose functional currency is different from the group's presentation currency are translated as follows:

- assets and liabilities are translated at year-end exchange rates prevailing at that reporting date;
- income and expenses are translated at average exchange rates for the period; and
- retained earnings are translated at the exchange rates prevailing at the date of the transaction.

Exchange differences arising on translation of foreign operations are transferred directly to the group's foreign currency translation reserve in the balance sheet. These differences are recognised in the income statement in the period in which the operation is disposed.

j. **Employee Benefits**

Provision is made for the group's liability for employee benefits arising from services rendered by employees to balance date.

k. **Provisions**

Provisions are recognised when the group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

l. **Cash and Cash Equivalents**

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the balance sheet.

m. **Revenue**

Revenue from the sale of goods is recognised upon the delivery of goods to customers.

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

All revenue is stated net of the amount of value added tax (VAT).

n. **Trade Receivables**

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for doubtful debts.

Collectibility of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for doubtful receivables is established where there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables.

o. **Trade and Other Payables**

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

p. **Borrowing Costs**

Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to prepare for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in income in the period in which they are incurred.

q. **Value Added Tax (VAT)**

Revenues, expenses and assets are recognised net of the amount of VAT, except where the amount of VAT incurred is not recoverable from the tax office. In these circumstances the VAT is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the balance sheet are shown inclusive of VAT.

Cash flows are presented in the cash flow statement on a gross basis, except for the VAT component of investing and financing activities, which are disclosed as operating cash flows.

r. **Comparative Figures**

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

Critical Accounting Estimates and Judgments

The directors evaluate estimates and judgments incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the group.

Key Estimates – Impairment

The group assesses impairment at each reporting date by evaluating conditions specific to the group that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. Value-in-use calculations performed in assessing recoverable amounts incorporate a number of key estimates.

Impairment in Investment in Subsidiary

Determining whether investment in subsidiary is impaired requires an estimation of the value in use of that investment. The value in use calculation requires the group to estimate the future cash flows expected from the cash-generating units and an appropriate discount rate in order to calculate the present value of the future cash flows. Management has evaluated the recoverability of the investment based on such estimate.

Acquisition of Subsidiaries

Millenarianism Tower Limited, the ultimate holding entity of the group was incorporated in the financial year ending 30 June 2008. Millenarianism Tower Limited acquired the entities disclosed as part of the consolidated group (refer Note 15). The financial statements reflect the financial performance of the consolidated group for the financial year.

Mr Jack Huang ultimately controlled all entities within the group pre and post acquisition by Millenarianism Tower Limited.

(Prepared under Australian equivalents to International Financial Reporting Standards)

2 Revenue

Revenue represents the sale of manufactured textile products, excluding applicable value-added tax.

3 Other income

Other income relates to interest income, rental income, foreign exchange gains and sundry income as a result of non operating activities.

4 Taxation

	<u>Consolidated Group</u>		<u>Parent Entity</u>	
	2008	2007	2008	2007
	AUD	AUD	AUD	AUD
Current year taxation	273,681	-	-	-

The tax expense on the results of the financial period varies from the amount of income tax determined by applying the statutory rate of income tax on the group and the company's profit as a result of the following:

	<u>Consolidated Group</u>		<u>Parent Entity</u>	
	2008	2007	2008	2007
	AUD	AUD	AUD	AUD
Profit before tax *	1,722,227	-	(336)	-
Net Loss from 2007	(627,503)	-	-	-
Taxable Profits	1,094,724	-	-	-
Tax rate	25%	-	-	-
Taxation Expense	273,681	-	-	-
Tax Paid	(16,845)	-	-	-
	256,836	-	-	-
Exchange Rate Difference	(3,089)	-	-	-
Income Tax Payable	253,747	-	-	-

* Millenarianism Tower Limited (parent entity) is registered in Hong Kong. Wholly owned subsidiaries of the parent entity include Shaoxing Don Dragon Kitting Textile and Garments Ornament Company Ltd and Zhejiang Don Dragon Import and Export Company Ltd and are registered in China.

Chinese entities are subject to a tax rate of 25%. In accordance with section 8 of the People's Republic of China Foreign Invested Company and Foreign Enterprise Tax Law foreign invested manufacturing companies with expected operations above ten years are exempt from company income tax for the first two years beginning when the company becomes profitable, and company income tax on profits for three years after are to be halved.

The major operating subsidiary Shaoxing Don Dragon Kitting Textile and Garments Ornament Company Ltd is profitable for the first time in the 2008 period and are exempt from company income tax under the above provisions. Zhejiang Don Dragon Import and Export Company Ltd are taxed at the normal rate.

5 Related parties transactions and balances

Related parties transactions

	<u>Consolidated Group</u>		<u>Parent Entity</u>	
	2008	2007	2008	2007
	AUD	AUD	AUD	AUD
Sales	2,766,154	-	-	-
Purchases	2,766,154	-	-	-
Net related party transactions	-	-	-	-

Inter company transactions have been eliminated on consolidation. Inter company transactions incur a mark up. Inter company profit is eliminated on consolidation and as a result all profit or loss is recognised upon sale to external parties.

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Related parties balances

Related parties balances are included in the following accounts

	<u>Consolidated Group</u>		<u>Parent Entity</u>	
	2008 AUD	2007 AUD	2008 AUD	2007 AUD
Director related receivables	1,729,295	-	-	-
Related company receivables	-	-	498,287	-
Director related payables	-	-	-	-
Related company payables	-	-	905,039	-

Key management personnel

The directors are the only key management personnel. No other person had the authority and responsibility for planning, directing and controlling the activities of the group and the company, directly or indirectly, during the financial year.

The directors in the group as at 30 June 2008 are:

- Mr Jack Huang
- Mrs Rose Huang
- Mr Zhi Liang Li

The directors received the following remuneration from the group and the company.

<u>Director</u>	<u>Consolidated Group</u>		<u>Parent Entity</u>	
	2008 AUD	2007 AUD	2008 AUD	2007 AUD
Mr Jack Huang				
Salary and wages	7,265	-	-	-
Bonuses	-	-	-	-
Other remuneration benefits	-	-	-	-
Total remuneration	7,265	-	-	-

<u>Director</u>	<u>Consolidated Group</u>		<u>Parent Entity</u>	
	2008 AUD	2007 AUD	2008 AUD	2007 AUD
Mrs Rose Huang				
Salary and wages	9,617	-	-	-
Bonuses	-	-	-	-
Other remuneration benefits	-	-	-	-
Total remuneration	9,617	-	-	-

<u>Director</u>	<u>Consolidated Group</u>		<u>Parent Entity</u>	
	2008 AUD	2007 AUD	2008 AUD	2007 AUD
Mr Zhi Liang Li				
Salary and wages	5,449	-	-	-
Bonuses	-	-	-	-
Other remuneration benefits	-	-	-	-
Total remuneration	5,449	-	-	-

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6 Cash and cash equivalents

For the purpose of cash flow statement, the cash and cash equivalents comprise the following:

	<u>Consolidated Group</u>		<u>Parent Entity</u>	
	2008 AUD	2007 AUD	2008 AUD	2007 AUD
Cash in hand and at bank	29,119,544	-	10,724	-
Bills Receivable	75,675	-	-	-
	29,195,219	-	10,724	-

Included in cash and cash equivalents are the following amounts held as securities for notes payable (Note 15)

	<u>Consolidated Group</u>		<u>Parent Entity</u>	
	2008 AUD	2007 AUD	2008 AUD	2007 AUD
Amount held as securities for notes payable	27,140,891	-	-	-

7 Trade and other receivables

	<u>Consolidated Group</u>		<u>Parent Entity</u>	
	2008 AUD	2007 AUD	2008 AUD	2007 AUD
Trade receivables	49,850,182	-	-	-
Other receivables	44,814	-	-	-
	49,894,996	-	-	-

Current trade and term receivables are non interest bearing and generally on 6 month terms. A provision for impairment is recognised when there is objective evidence that an individual trade or term receivable is impaired. These amounts have been included in the other expenses item.

Other receivables arise from transaction outside the usual operating activities of the Group and are unsecured, interest free and repayable on demand. Due to the short term nature of these receivables, their carrying value approximates their fair value. Impaired assets are provided in full.

There are no balances within trade and other receivables that contain assets that are not impaired and are past due. It is expected these balances will be received when due. An assessment on the ageing of 30 June 2008 receivables has been detailed below.

Ageing of trade receivables

	<u>Consolidated Group</u>		<u>Parent Entity</u>	
	2008 AUD	2007 AUD	2008 AUD	2007 AUD
Receivable 0 to 6 months	41,498,989	-	-	-
Receivable 6 to 12 months	8,351,193	-	-	-
Receivable 1 to 5 years	-	-	-	-
Total	49,850,182	-	-	-
Amounts past due	-	-	-	-
Impairment provision	-	-	-	-
Total	49,850,182	-	-	-

Receivables owed between 6 to 12 months represent amounts receivable from Shaoxing Guangxia Textile & Clothing Limited who has a long standing relationship with Zhejiang Don Dragon Import and Export Co Limited and as such are provided with more favourable terms of payment.

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8 Related party receivables

	<u>Consolidated Group</u>		<u>Parent Entity</u>	
	2008 AUD	2007 AUD	2008 AUD	2007 AUD
Mr Jack Huang	1,729,295	-	-	-
Zhejiang Don Dragon Import and Export Co Limited	-	-	104,005	-
Royal International Holdings Limited	-	-	394,282	-
	1,729,295	-	498,287	-

9 Inventories

	<u>Consolidated Group</u>		<u>Parent Entity</u>	
	2008 AUD	2007 AUD	2008 AUD	2007 AUD
At cost:				
Raw materials	91,701	-	-	-
Work in progress	20,927,156	-	-	-
Finished goods	1,740,704	-	-	-
	22,759,561	-	-	-

10 Prepayments

Prepayments primarily represent the payment in advance of goods and services as part of operational activities and potential Initial Public Offering costs incurred to date. Prepayments relating to advance payment of costs incurred to date in relation to the potential listing on the Australian Stock Exchange amount to \$98,966.

Millenarianism Tower Limited and Controlled Entities
Financial statements for the year ended 30 June 2008
(Prepared under Australian equivalents to International Financial Reporting Standards)

11 Property, plant and equipment

Consolidated Group

	Buildings AUD	Land improvements AUD	Plant and machinery AUD	Motor vehicles AUD	Office equipment AUD	Land use rights AUD	Total AUD
<u>Cost</u>							
At 1 July 2007	-	-	-	-	-	-	-
Assets acquired as part of merger of entities	5,012,388	90,915	960,040	335,250	32,096	142,758	6,573,447
Additions	-	-	8,516,458	44,862	1,286	8,168	8,570,774
At 30 June 2008	5,012,388	90,915	9,476,498	380,112	33,382	150,926	15,144,221
<u>Accumulated Depreciation</u>							
At 1 July 2007	-	-	-	-	-	-	-
Accumulated depreciation acquired as part of merger of entities	(807,012)	(13,499)	(162,350)	(61,999)	(5,364)	(23,295)	(1,073,519)
Depreciation for the period	(270,082)	(5,115)	(321,828)	(61,315)	(2,631)	(11,013)	(671,984)
At 30 June 2008	(1,077,094)	(18,614)	(484,178)	(123,314)	(7,995)	(34,308)	(1,745,503)
<u>Net book value</u>							
At 30 June 2007	-	-	-	-	-	-	-
At 30 June 2008	3,935,294	72,301	8,992,320	256,798	25,387	116,618	13,398,718

Depreciation and amortisation included in administrative expenses is \$671,984 (2007: Nil) respectively.

Land use right assets reflect the amount paid at cost to occupy land. These assets are being recognised over the right to occupy this land.

Financial statements for the ended 30 June 2008

(Prepared under Australian equivalents to International Financial Reporting Standards)

12 Trade and other payables

	<u>Consolidated Group</u>		<u>Parent Entity</u>	
	2008	2007	2008	2007
	AUD	AUD	AUD	AUD
Trade payables	38,811,188	-	-	-
Other payables	1,464,554	-	1,144,052	-
	40,275,742	-	1,144,052	-

Other payables are interest-free advances from third and related parties, and are unsecured and repayable on demand.

Due to the short term nature of these payables, their carrying value approximates their fair value.

Unearned income represents monies received in advance for goods yet to be supplied.

13 Other payables

Other payables represent deposits received in advance for the provision of goods and services.

14 Related party payables

	<u>Consolidated Group</u>		<u>Parent Entity</u>	
	2008	2007	2008	2007
	AUD	AUD	AUD	AUD
China Prosper Enterprises Ltd	-	-	905,039	-
	-	-	905,039	-

15 Financial liabilities

15.1 Bank Guarantee's

The following bank guarantees exist at balance date:

Zhejiang Don Dragon Import and Export Company Limited:

Financial institution	Consolidated 2008 AUD
Shanghai Pudong Development Bank	908,100
Shaoxing Rural Cooperative Bank	378,375
	1,286,475

Shaoxing Don Dragon Knitting Textile and Garments Ornament Company Limited:

Financial institution	Consolidated 2008 AUD
Shaoxing Rural Cooperative Bank	983,775
Shanghai Pudong Development Bank	1,513,500
Shenzhen Development Bank	3,027,000
Construction Bank of China	1,513,500
	7,037,775

15.2 Notes payable

Notes payable are short term, non-interest bearing promissory notes, with maturities of less than 6 months, and are secured against various bank deposits held with financial institutions. Due to the short term nature of note payables, their carrying value approximates their fair value.

Zhejiang Don Dragon Import and Export Company Limited:

	Consolidated 2008 AUD
Financial institution	
Guangdong Development Bank	2,961,920
Bank of China	349,620
Bank of Communications	3,025,487
Agricultural Bank of China	6,617,025
Shanghai Pudong Development Bank	4,540,501
China Merchants Bank	454,050
China Merchants Bank	2,103,766
Shaoxing District Commercial Bank	1,967,551
Shaoxing Rural Cooperative Bank	2,096,198
Shaoxing Rural Cooperative Bank	756,750
China Development Bank	1,513,500
	<hr/>
	26,386,368

Shaoxing Don Dragon Knitting Textile and Garments Ornament Company Limited:

	Consolidated 2008 AUD
Financial institution	
China Merchants Bank	1,513,500
	<hr/>
Total notes payable	27,899,868

15.3 Short term borrowings

Short term borrowings are secured over the group's assets.

Zhejiang Don Dragon Import and Export Company Limited:

Current:

Financial Institution	Maturity	Rate	Consolidated 2008 AUD
China Merchants Bank	18/10/2008	7.31%	302,700
China Merchants Bank	28/11/2008	7.31%	908,100
Shaoxing Commercial Bank	20/10/2008	7.12%	983,775
Shaoxing Commercial Bank	02/09/2008	6.57%	681,075
Agricultural Bank of China	29/08/2008	6.57%	832,425
Agricultural Bank of China	27/07/2008	6.57%	1,059,450
Shanghai Pudong Development Bank	19/02/2009	6.85%	1,210,800
Shanghai Pudong Development Bank	20/01/2009	6.85%	1,059,450
China Merchants Bank	09/09/2008	8.00%	726,688
China Merchants Bank	24/07/2008	8.00%	436,012
Guangdong Development Bank	07/11/2008	6.57%	877,830
Shaoxing Rural Cooperative Bank	19/03/2009	5.48%	151,350
Shaoxing Rural Cooperative Bank	19/03/2009	5.48%	1,059,450
Bank of China	30/07/2008	1.47%	10,479,245
Bank of China	28/05/2009	7.32%	1,051,102
Bank of China	15/01/2009	5.85%	1,478,810
Bank of China	27/05/2009	7.32%	1,129,480
Agricultural Bank of China	23/09/2008	7.30%	467,156
Agricultural Bank of China	12/07/2008	5.71%	612,494
Agricultural Bank of China	27/07/2008	7.37%	1,318,419
Agricultural Bank of China	14/09/2008	7.31%	695,544
Bank of Communications	03/09/2008	6.18%	1,515,663
			<hr/>
			29,037,018

Shaoxing Don Dragon Kitting Textile and Garments Ornament Company Limited:

Current:

Financial institution	Maturity	Rate	Consolidated 2008 AUD
China Merchants Bank	10/09/2008	8.38%	877,830
China Merchants Bank	15/10/2008	8.38%	983,775
China Merchants Bank	13/10/2008	8.21%	529,725
Guangdong Development Bank	10/04/2008	0.30%	756,750
Agricultural Bank of China	13/07/2008	6.00%	423,780
Shaoxing Rural Cooperative Bank	20/07/2008	0.62%	756,750
Shaoxing Rural Cooperative Bank	20/07/2008	0.87%	756,750
Shaoxing Rural Cooperative Bank	18/07/2008	0.87%	756,750
Agricultural Bank of China	15/07/2008	7.32%	861,644
Agricultural Bank of China	06/09/2008	7.29%	560,588
Agricultural Bank of China	09/09/2008	7.28%	249,150
Agricultural Bank of China	22/09/2008	7.30%	487,919
			8,001,411
Total short term borrowings			37,038,429

There are cross guarantees between Zhejiang Don Dragon Import and Export Company Limited and Shaoxing Don Dragon Kitting Textile and Garments Ornament Company Limited on external party borrowings.

16 Subsidiaries

	2008 AUD	Parent Entity	2007 AUD
<u>Investment in subsidiaries - at cost</u>	5,105,872		-

The subsidiaries of Millenarianism Tower Limited include:

<u>Name</u>	<u>Country of incorporation/ principal place of business</u>	<u>Cost of investment</u>		<u>Effective percentage of equity held</u>		<u>Principal activities</u>
		2008 AUD	2007 AUD	2008	2007	
Shaoxing Don Dragon Knitting Textile and Garments Ornament Company Limited	China	4,803,044	-	100%	-	Investment holding company, manufacturing of and trading in textile products
China Prosper Enterprises Limited	Hong Kong	1,482	-	100%	-	Trading in textile products
Don International Trading and Finance Limited	Hong Kong	296,882	-	100%	-	Trading in textile products
Royal International Holdings Limited	Hong Kong	1,488	-	100%	-	Trading in textile products
Express International Enterprise Limited	Hong Kong	1,488	-	100%	-	Trading in textile products

The subsidiaries of Shaoxing Don Dragon Kitting Textile and Garments Ornament Co Limited:

<u>Name</u>	<u>Country of incorporation/ principal place of business</u>	<u>Cost of investment</u>		<u>Effective percentage of equity held</u>		<u>Principal activities</u>
		2008 AUD	2007 AUD	2008	2007	
Zhejiang Don Dragon Import and Export Company Limited	China	12,108,003	3,027,083	100%	80%	Manufacturing of trading of textile products
Don International Trading Co Limited	Hong Kong	1,488	-	100%	-	Trading in textile products

17 Merger of entities

As at 1 July 2007 Millenarianism Tower Limited merged with all entities in the Millenarianism Tower Limited group of companies (as disclosed in Note 15). As a result, the net tangible assets of the entities merged have come across at the following values at 1 July 2007.

	\$
Fair value of investment in subsidiaries of Millenarianism Tower Limited at 1 July 2007	2,417,361
Assets and liabilities of subsidiaries which merger at 1 July 2007 are	Fair Value
Cash and cash equivalents	19,076,074
Trade and other receivables	47,720,211
Inventories	8,399,844
Property, plant and equipment	5,499,928
Trade and other payables	(22,691,886)
Borrowings	<u>(55,586,810)</u>
Total net assets as part of merger at 30 June 2007	<u>2,417,361</u>
Accounted for as	
Share capital	1,940,634
Reserves	(25,134)
Retained profits	<u>501,861</u>
Value applied by the client upon merger	<u>2,417,361</u>

18 Commitments

Capital commitments

There are no capital commitments not provided for in the financial statements.

19 Segment information

The group's principal activities include the manufacturing of and trading in textile products.

During the year, sales were made to the following countries

- China
- South Africa
- North America
- South America
- Europe
- Asia Other (excludes China)

Accordingly, geographical information is presented.

Financial statements for the year ended 30 June 2008

(Prepared under Australian equivalents to International Financial Reporting Standards)

2008

	China AUD	South Africa AUD	North America AUD	South America AUD	Europe AUD	Asia Other AUD	Total AUD
<u>REVENUE</u>							
Sales Revenue	27,950,608	4,197,258	1,829,690	17,788,421	1,942,488	5,711,287	59,419,752
<u>RESULTS</u>							
Segment results (Gross margin)	1,534,301	1,281,702	483,632	5,582,617	512,411	459,002	9,853,665

Segment assets and liabilities represent those assets and liabilities of the Chinese and Hong Kong companies and cannot be attributed to the segments as reported above.

20 Reconciliation of consolidated profit after income tax to net cash flow from operating activities

	<u>Consolidated Group</u>	
	2008 AUD	2007 AUD
Profit for the year	4,533,118	(336)
Depreciation	671,984	-
(Increase)/Decrease in trade and other receivables	(3,904,080)	-
(Increase)/Decrease in inventory	(14,359,717)	-
(Increase)/Decrease in other assets	(129,234)	-
Increase/(Decrease) in Trade and other payable	21,476,021	-
Increase/(Decrease) in Current Tax Payable	253,747	-
Net cash flow from operating activities	8,541,839	(336)

21 Events after balance sheet date

No matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the group, the results of those operations, or the state of affairs of the group in future financial years.

22 Financial risk management

The group's financial instruments consist mainly of deposits with banks, accounts receivable and payable, and notes receivables.

For certain international transactions, the group enters into forward exchange contracts with financial institutions to buy or sell specified amounts of foreign currencies in the future at stipulated exchange rates. The group does not engage in any foreign exchange speculations and all risks associated with foreign exchange fluctuations are borne by the financial institutions issuing the exchange contracts.

22.1 Treasury risk management

The management meet regularly to evaluate treasury management strategies in the context of the most recent economic conditions and forecasts.

22.2 Financial risks

The main risks the group is exposed to through its financial instruments are interest rate risk, foreign currency risk, liquidity risk, credit risk and price risk.

22.2.1 Interest rate risk

The group's exposure to interest rate risk relates principally to its borrowings and short-term deposits placed with financial institutions.

22.2.2 Currency risk

The group has sales and purchases denominated in Chinese Yuan and United States dollar respectively. Accordingly, the exposure to foreign exchange risk mainly relates to sales and purchases made in currencies other than the functional currency.

22.2.3 Credit risk

The maximum exposure to credit risk at balance date to recognised financial assets is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the balance sheet and notes to the financial statements.

The group performs ongoing credit evaluation of its customers' financial condition and requires no collateral from its customers. The allowance for doubtful debts is based upon a review of the expected collectibility of all trade and other receivables.

The group does not have any material credit risk exposure to any single receivable or group of receivables under financial instruments entered into by the consolidated group.

22.2.4 Liquidity risk

The group reviews its cash flow regularly to ensure that the group maintains adequate level of liquidity for its operations to meet this commitment to the banks.

22.2.5 Price risk

The group is exposed to commodity price risk, primarily the cost of yarn (raw materials) and the cost of dying materials.

22.3 Financial instrument composition and maturity analysis

The tables below reflect undiscounted contractual settlement terms for financial instruments of a fixed period of maturity, as well as management's expectations of the settlement period for all other financial instruments. As such, the amounts may not reconcile to the balance sheet.

22.4 Fair values

The carrying amount of financial assets and liabilities with a maturity of less than one year is assumed to approximate their fair values.

The group does not anticipate that the carrying amounts recorded at balance sheet date would be significantly different from the values that would eventually be received or settled.

Financial statements for the year ended 30 June 2008

(Prepared under Australian equivalents to International Financial Reporting Standards)

Consolidated Group

	Weighted Average Interest Rate		Non Interest Bearing		Floating Interest Rate		Fixed Interest Rate Maturing Within 1 Year	
	2008	2007	2008	2007	2008	2007	2008	2007
	%	%	\$	\$	\$	\$	\$	\$
Financial Assets								
Cash & cash equivalents	1.54	-	-	-	29,119,544	-	75,675	-
Trade & other receivables	-	-	49,894,996	-	-	-	-	-
Related party receivables	-	-	1,729,295	-	-	-	-	-
	-	-	51,624,291	-	29,119,544	-	75,675	-
Financial Liabilities								
Trade & other payables	-	-	44,167,906	-	-	-	-	-
Note payables	-	-	27,899,868	-	-	-	-	-
Borrowings	6.87	-	-	-	-	-	37,038,429	-
	-	-	72,067,774	-	-	-	37,038,429	-

Trade and other payables are expected to be paid as follows

	Consolidated Group	
	2008	2007
	\$	\$
Less than 6 months	20,965,137	-
6 months to 1 year	14,052,808	-
1 to 5 years	9,149,961	-
Total	44,167,906	-

Parent Entity

	Weighted Average Interest Rate		Non Interest Bearing		Floating Interest Rate		Fixed Interest Rate Maturing Within 1 Year	
	2008	2007	2008	2007	2008	2007	2008	2007
	%	%	\$	\$	\$	\$	\$	\$
Financial Assets								
Cash & cash equivalents	-	-	10,724	-	-	-	-	-
Related party receivables	-	-	498,287	-	-	-	-	-
Investments	-	-	5,105,872	-	-	-	-	-
	-	-	5,614,883	-	-	-	-	-
Financial Liabilities								
Trade & other payables	-	-	1,144,052	-	-	-	-	-
Related party payables	-	-	905,039	-	-	-	-	-
Borrowings	-	-	-	-	-	-	-	-
	-	-	2,049,091	-	-	-	-	-

Trade and other payables are expected to be paid as follows

	Parent Entity	
	2008	2007
	\$	\$
Less than 6 months	1,144,052	-
6 months to 1 year	-	-
1 to 5 years	-	-
Total	1,144,052	-

23 Capital management

Management controls the capital of the group in order to maintain a good debt to equity ratio, provide the shareholders with adequate returns and to ensure that the group can fund its operations and continue as a going concern.

The group's debt and capital includes ordinary share capital and financial liabilities supported by financial assets. There are no imposed capital requirements.

Management effectively manages the group's capital by assessing the group's financial risks and adjusting its capital structure in response to changes in these risks and in the market. These responses include the management of debt levels, distributions to share holders and share issues.

24 Financial instruments

Derivative financial instruments

Derivative financial instruments are used by the consolidated group to hedge exposures to exchange rate risk associated with foreign currency borrowings.

Collars and roll forward exchange options are utilised to mitigate exchange risks.

At 30 June 2008 the Zhejiang Don Dragon Import and Export Company Ltd and are registered in China had the following collars and roll forward exchange options in place.

Exchange Collar

Derivative instrument	Exchange Collar	Terms *
Financial institution	Agricultural Bank of China	The Bank has paid USD \$260,000 on entering the contract. If within the observation period the exchange rate did not increase above the UL but decreased below the LL the entity must buy USD \$20,000,000 at the UL rate and sell the equivalent in Japanese YEN.
Cost (USD)	Nil	
Face value (USD)	\$20,000,000	
Observation period	27/02/2008 to 27/08/2008	
Upper limit (UL) (YEN:USD)	109.50 : 1	
Lower limit (LL) (YEN:USD)	98.50 : 1	
Expiry date	29/08/2008	

* The amount received from the Agricultural Bank of China has been recorded as a payable and will be recognised as income on expiry of the contract once the collar position is confirmed. The exchange rate did not meet the requirements of the Upper Limit during the observation period.

Roll Forward Exchange Put Options

Two roll forward exchange put options are in place with the Agricultural Bank of China with various exercise dates and exchange rates. The options can be cancelled at no further cost to the company.

Derivative instrument	Roll Forward Put Option	Terms
Financial institution	Agricultural Bank of China	Zhejiang has the ability to exchange \$5,500,000 only once on the 18 th of each month between 01/02/2008 and 31/12/2008. No bank guarantee required for entering this transaction.
Cost (USD)	Nil	
Face value (USD)	\$5,500,000	
Exchange period	01/02/2008 to 31/12/2008	
Rate of exchange	Various each month	
Derivative instrument	Roll Forward Put Option	Terms
Financial institution	Agricultural Bank of China	Zhejiang has the ability to exchange \$1,000,000 only once on the 20 th of each quarter between 20/02/2008 and 20/12/2008. No bank guarantee required for entering this transaction.
Cost (USD)	Nil	
Face value (USD)	\$1,100,000	
Exchange period	20/02/2008 to 20/11/2008	
Rate of exchange	Various each quarter	

25 Change in accounting policy

The following Australian Accounting Standards issued or amended which are applicable to the parent entity and the consolidated group but are not yet effective and have not been adopted in the preparation of financial statements at reporting date.

AASB Amendment	Standards Affected	Outline of Amendment	Application Date of the Standard	Application date for Group
AASB 2007-3 Amendments to Australian Accounting Standards	AASB 5: Non Current Assets held for Sale AASB 102: Inventories AASB 107: Cash Flow Statements AASB 127: Consolidated and Separate Financial Statements AASB 136: Impairment of Assets	The disclosure requirements of AASB 114: Segment Reporting has been replaced due to the issuing of AASB 8: Segment Reporting in February 2007. These amendments will involve changes to segment reporting disclosures within the financial report. However it is anticipated there will be no direct impact on recognition and measurement criteria amounts included in the financial report, as the entity does not fall within the scope of AASB 8.	1.1.2009	1.7.2009
AASB 8 Operating Segments	AASB 114: Segment Reporting	As above.	1.1.2009	1.7.2009
AASB 2007-6 Amendments to Australian Accounting Standards	AASB 1: First time Adoption of AIFRS AASB 101: Presentation of Financial Statements AASB 107: Cash Flow Statements AASB 116: Property Plant and Equipment AASB 138: Intangible Assets	The revised AASB 123: Borrowings Costs issued in June 2007 has removed the option to expense all borrowing costs. This amendment will require the capitalisation of all borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset.	1.1.2009	1.7.2009
AASB 123: Borrowing Costs	AASB 123: Borrowing Costs	As above.	1.1.2009	1.7.2009
AASB 2007 -8 Amendments to Australian Accounting Standards	AASB 101: Presentation of Financial Statements	The revised AASB 101: Presentation of Financial Statements issued in September 2007 requires the presentation of a statement of comprehensive income and makes changes to the statement of changes in equity.	1.1.2009	1.7.2009
AASB 101	AASB 101: Presentation of Financial Statements	As above.	1.1.2009	1.7.2009
AASB 2008 -3 Amendments to Australian Accounting Standards	AASB 3: Business Combinations	The revised AASB 3: Business Combinations has removed the option to capitalise acquisition costs. This amendment will require the expense of all acquisition costs directly attributable to the acquisition.	1.1.2009	1.7.2009
AASB 3	AASB 3: Business Combinations	As above.	1.1.2009	1.7.2009

26 Company details

The registered office of the company and principal place of business is


Millenarianism Tower Limited
Pingshui Industrial Park
Shaoxing
ZHEJIANG 312050
CHINA

Directors declaration

In the opinion of the directors,

- (a) the financial statements and notes set out on pages 2 to 27:
 - (i) comply with International Financial Reporting Standards and other mandatory reporting requirements; and
 - (ii) present fairly the entity's financial position as at 30 June 2008 and its performance for the year ended on that date; and
- (b) there are reasonable grounds to believe that Millenarianism Tower Limited will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the directors



Jack Huang
Director