1. CORPORATE INFORMATION

The registered office of the Company is located at Century Yard, Cricket Square, Hutchins Drive, P.O. Box 2681 GT, George Town, Grand Cayman, British West Indies.

The principal activity of the Company is investment holding. The principal activities of the Company's principal subsidiaries are set out in note 17 to the financial statements.

The directors consider the Company's ultimate holding company at 31st March 2005 to be Star Master International Limited, which is incorporated in the British Virgin Islands.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Hong Kong Institute of Certified Public Accountants (the "HKICPA") has issued a number of new and revised Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards ("collectively referred to as the "new HKFRS") which are effective for accounting periods commencing on or after 1st January 2005. The Group has not early adopted these new HKFRSs in the financial statements for the year ended 31st March 2005. The new HKFRSs may result in changes in the future as to how the Group's financial performance and financial position are prepared and presented.

The financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (which also include Statements of Standard Accounting Practice and Interpretations) issued by the HKICPA, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance and applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"). A summary of significant accounting policies followed by the Group in the preparation of the financial statements is set out below:

(a) Basis of preparation

The measurement basis used in the preparation of the financial statements is historical cost as modified for the revaluation of certain properties as explained in the accounting policies set out below.

(b) Basis of presentation and consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31st March 2005. The results of subsidiaries acquired or disposed during the year are consolidated from or to their effective dates of acquisition or disposal, respectively.

All significant intercompany transactions and balances within the Group are eliminated on consolidation.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(c) Subsidiaries

A subsidiary is an enterprise controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. Subsidiaries are incorporated in the financial statements so long as the controls are not intended to be temporary because the subsidiaries were acquired and held exclusively with a view to its subsequent disposal in the near future.

In the Company's balance sheet, the investments in subsidiaries are stated at cost less any impairment losses. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

(d) Associates

An associate is an enterprise over which the Group is in a position to exercise significant influence, but not control or joint control, through participation in the financial and operating policy decisions of the investee.

The Group's share of post-acquisition results and reserves of associates is included in the consolidated income statement and consolidated reserves, respectively. The Group's interests in associates are stated in the consolidated balance sheet at the Group's share of net assets under the equity method of accounting, less any impairment losses.

Where a group enterprise transacts with an associate of the Group, unrealised profits and losses are eliminated to the extent of the Group's interest in the relevant associate, except where unrealised losses provide evidence of an impairment of the asset transferred.

(e) Investment in securities

Investments held on a continuing basis for an identified long-term purpose with no significant influence exercised by the Group are classified as investment securities. Investment securities are recognised on a trade-date basis and are stated in the balance sheet at cost less any provision for diminution in value which is expected to be other than temporary. The amounts of provision or any profits or losses arising from sale of investment securities are accounted for in the income statement.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(f) Property, plant and equipment

i. *Valuation*

Land and buildings held for use in the production or supply of goods or for administrative purpose are stated in the balance sheet at their revaluated amounts, being the fair value on the basis of their existing use at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Any revaluation increase arising on the revaluation of such land and buildings is credited to the revaluation reserve, except to the extent that it reverses a revaluation decrease for the same asset previously recognised as an expense, in which case the increase is credited to the income statement to the extent of the decrease previously charged. A decrease in carrying amount arising on the revaluation of such land and buildings is charged as an expense to the extent that it exceeds the balance, if any, held in the revaluation reserve relating to a previous revaluation of that asset.

On the subsequent sale or retirement of a revaluated property, the attributable revaluation surplus remaining in the revaluation reserve is transferred to retained profits.

Construction in progress is investment in land and buildings on which construction work has not been completed and which, upon completion, management intend to hold for production purposes. These properties are carried at cost except for the land which is revalued at the fair value on the basis of their existing use at the date of valuation, which includes development and construction expenditure incurred and interest and other direct costs attributable to the development less any accumulated impairment losses. On completion, the properties are transferred to land and buildings at valuation less accumulated impairment losses.

Property, plant and equipment other than land and buildings and construction in progress are stated at cost less accumulated depreciation and accumulated impairment losses.

The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after the property, plant and equipment have been put into operations, such as repairs and maintenance, is normally charged to the income statement in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the property, plant and equipment, the expenditure is capitalised as an additional cost of that asset.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(f) Property, plant and equipment *(Continued)*

ii. Depreciation

Depreciation is provided on the straight-line basis to write off the cost of each asset over its estimated useful life, and after taking into account their estimated residual value. The principal annual rates used for this purpose are as follows:

Leasehold land	:	Over the unexpired terms of respective leases
Buildings	:	2% to 5%
Construction in progress	:	Nil
Leasehold improvements	:	20%
Plant and machinery	:	6.67%
Furniture and fixtures	:	20%
Office equipment	:	10% to 20%
Motor vehicles	:	10% to 30%

iii. Disposition

Gains or losses arising from the retirement or disposal of property, plant and equipment are determined as the difference between the estimated net disposal proceeds and the carrying amount of the relevant asset and are recognised in the income statement on the date of retirement or disposal.

(g) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost of raw materials is determined on the first-in, first-out basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of manufacturing overheads, and/or, where appropriate, subcontracting charges. Net realisable value is based on estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

(h) Leased assets

Assets held under finance leases have been capitalised. The interest element of the rental payments is charged to the income statement over the period of the lease and represents a constant proportion of the balance of capital repayments outstanding. Depreciation is provided in accordance with the Group's depreciation policies.

All other leases are accounted for as operating leases and the rental payments are charged to the income statement on a straight-line basis over the relevant lease term.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Current assets and current liabilities

Current assets are expected to be realised within twelve months of the balance sheet date or in the normal course of the Company's operating cycle. Current liabilities are expected to be settled within twelve months of the balance sheet date or in the normal course of the Company's operating cycle.

(j) Taxation

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

The tax currently payable is based on taxable profit for the year. Taxable profit is the profit for the year, determined in accordance with the rules established by the taxation authorities, upon which income taxes are payable.

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

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

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

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

(k) Cash equivalents

Cash equivalents represent short term highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(l) Recognition of revenue

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

i. sale of goods is recognised when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;

ii. interest income is recognised on a time-apportioned basis taking into account the principal outstanding and the effective interest rate applicable; and

iii. dividend income from investment in securities is recognised when the shareholder's right to receive payment is established.

(m) Impairment of assets

Internal and external sources of information are reviewed at each balance sheet date to determine whether there is any indication of impairment of assets (other than inventories, assets arising from construction contracts, deferred tax assets, financial assets other than interests in subsidiaries, associates and joint ventures, and investment properties), or whether there is any indication that an impairment loss previously recognised no longer exists or may have decreased. If any such indication exists, the recoverable amount of the asset is estimated. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. An impairment loss is charged to the income statement in the period in which it arises, unless the asset is carried at a revalued amount, when the impairment loss is accounted for in accordance with the relevant policy for that revalued asset.

i. Calculation of recoverable amount

The recoverable amount of an asset is the higher of its net selling price and value in use. The net selling price is the amount obtainable from the sale of an asset in an arm's length transaction while value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of asset that generates cash inflows independently (i.e. a cash-generating unit).

ii. Reversals of impairment losses

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount of an asset, however not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation), had no impairment loss been recognised for the asset in prior years.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(n) Provisions

A provision is recognised when the Group has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Where the effect of the time value of money is material, the amount of a provision is the present value at the balance sheet date of the expenditures expected to be required to settle the obligation.

(o) Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably. A contingent liability is not recognised but is disclosed in the notes to the financial statements. When a change in the probability of an outflow occurs so that outflow is probable, they will then be recognised as a provision.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain events not wholly within the control of the Group. Contingent assets are not recognised but are disclosed in the notes to the financial statements when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognised.

(p) Foreign currencies

Transactions in foreign currencies are translated into Hong Kong dollars at the applicable rates of exchange ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the applicable rates of exchange ruling at that date. All gains and losses on translation of foreign currencies are dealt with in the income statement.

On consolidation, the balance sheet items of overseas subsidiaries, jointly-controlled entities and associates are translated into Hong Kong dollars at the applicable rates of exchange ruling at the balance sheet date whilst the income and expense items are translated at the average rates for that period. The resulting translation differences are dealt with in the exchange reserve.

(q) Related party transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(r) Employee benefits

i. Salaries, annual bonuses, paid annual leave, leave passage and the cost to the Group of non-monetary benefits are accrued in the year in which the associated services are rendered by employees of the Group. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

ii. Contributions to Mandatory Provident Funds as required under the Hong Kong Mandatory Provident Fund Schemes Ordinance and to the state-managed retirement benefits schemes for the employees of the Group's entities in the People's Republic of China (the "PRC") are recognised as an expense in the income statement as incurred.

iii. When the Group grants employees options to acquire shares of the Company at nil consideration, no employee benefit cost or obligation is recognised at the date of grant. When the options are exercised, equity is increased by the amount of the proceeds received.

iv. 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.

(s) Deferred expenditure

Material items of expenditure that do not relate solely to revenue which has already been accounted for are deferred to the extent that they are recoverable out of future revenue, and will contribute to the future earning capacity of the Group.

Deferred expenditure is amortised over the period in which the related benefits are expected to be realised. Deferred expenditure is reviewed annually to determine the amount, if any, that is no longer recoverable and any such amount is written off to the income statement in the year of determination.

3. SEGMENT INFORMATION

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

In accordance with the Group's internal financial reporting system, the Group has determined that business segments as the primary reporting format and geographical segment information as the secondary reporting format.

In determining the Group's geographical segments, revenues and results are based on the country in which the customer is located.

3. SEGMENT INFORMATION *(Continued)*

Analysis of assets and liabilities by business segments and by geographical segments have not been prepared as most of the Group's assets and liabilities were unable to be allocated in view of the nature of the Group's business.

(a) Business segments

	Woven wear 2005 HK$'000	Knitwear 2005 HK$'000	Sweaters 2005 HK$'000	Premium 2005 HK$'000	Consolidated 2005 HK$'000
Segment revenue	50,318	69,600	34,372	7,832	162,122
Segment results	2,554	76	(506)	579	2,703
Finance costs					(2,183)
Impairment loss on investment					(8,500)
Share of results of an associate					711
Loss before tax and minority interests					(7,269)
Tax					(556)
Loss after tax and before minority interests					(7,825)
Minority interests					1,366
Net loss from ordinary activities attributable to shareholders					(6,459)

	Woven wear 2004 HK$'000	Knitwear 2004 HK$'000	Sweaters 2004 HK$'000	Premium 2004 HK$'000	Consolidated 2004 HK$'000
Segment revenue	59,295	69,451	8,534	7,281	144,561
Segment results	7,708	7,385	1,045	577	16,715
Finance costs					(1,802)
Share of results of an associate					566
Profit before tax and minority interests					15,479
Tax					(1,435)
Profit after tax and before minority interests					14,044
Minority interests					209
Net profit from ordinary activities attributable to shareholders					14,253

3. SEGMENT INFORMATION *(Continued)*

(b) Geographical segments

	Chile 2005 HK$'000	Australia 2005 HK$'000	Europe 2005 HK$'000	Canada 2005 HK$'000	PRC 2005 HK$'000	Peru 2005 HK$'000	Others 2005 HK$'000	Consoli-dated 2005 HK$'000
Segment revenue	81,799	14,573	–	9,218	19,795	12,991	23,746	162,122
Segment results	1,636	(219)	–	681	(86)	286	405	2,703

	Chile 2004 HK$'000	Australia 2004 HK$'000	Europe 2004 HK$'000	Canada 2004 HK$'000	Others 2004 HK$'000	Consolidated 2004 HK$'000
Segment revenue	98,512	15,704	14,762	6,910	8,673	144,561
Segment results	11,197	1,942	1,821	898	857	16,715

4. TURNOVER AND REVENUE

Turnover represents the net invoiced value of goods sold, after allowances for returns and trade discounts. All significant intra-group transactions have been eliminated on consolidation.

An analysis of the Group's turnover and other revenue is as follows:

	2005 HK$'000	2004 HK$'000
Turnover:		
Sale of goods	162,122	144,561
Other revenue:		
Interest income	6	4
Dividend income from unlisted investments	–	83
Sales of forfeited goods *(Note)*	6,521	–
Sundry income	641	524
	7,168	611
Total revenue	169,290	145,172

Note:

The amount represents the compensation from the investment in 北京吉嘉諾服裝服飾有限公司. Details please refer to note 7 to the financial statements.

5. PROFIT FROM OPERATIONS

The Group's profit from operations is arrived at after charging:

	2005 HK$'000	2004 HK$'000
Staff costs (excluding directors' remuneration):		
Wages and salaries	5,563	5,160
Retirement benefits contributions	137	134
	5,700	5,294
Cost of inventories *(Note)*	129,562	102,888
Depreciation		
– owned assets	1,379	2,028
– assets held under finance leases	58	73
Auditors' remuneration		
– (over)/under provision for the previous year	(138)	200
– provision for the year	650	700
Rental payment in respect of premises under operating leases	519	240
Amortisation of deferred expenditure	75	75
Impairment loss on deferred expenditure	1,275	–
and after crediting:–		
Other income:–		
Gain on disposal of investment in securities	122	–
Gain on reversal of revaluation deficit	484	–
Exchange gain	172	–
	778	–

Note: Cost of inventories includes approximately HK$464,000 (2004: HK$382,000) and HK$3,827,000 (2004: HK$2,016,000) relating to depreciation expenses and staff costs respectively, which amount is also included in the respective total amounts disclosed separately above for each of these types of expenses.

6. FINANCE COSTS

	2005 HK$'000	2004 HK$'000
Interest expenses on:		
Bank loans and overdrafts wholly repayable within five years	652	413
Import and export loan wholly repayable within five years	293	145
Obligations under finance leases	10	22
	955	580
Bank charges	1,228	1,222
	2,183	1,802

7. IMPAIRMENT LOSS ON INVESTMENT

During the year, the Group made an investment in a company in Beijing, namely 北京吉嘉諾服裝服飾有限公司(「北京吉嘉諾」), a company incorporated in the PRC with limited liability with three independent PRC partners ("PRC Partners") for the purpose of commencing the retail trading operation in Beijing. The investment made by the Group amounted to approximately HK$8,500,000.

In January 2005, the PRC Partners requested additional capital injection in 北京吉嘉諾 for the purpose of increasing working capital to expand the retail operation in Beijing. The Group has considered the uncertainty for such expansion and refused to inject additional funds in 北京吉嘉諾. As a result, the Group decided to terminate the investment in 北京吉嘉諾 and requested the PRC Partners to repay the investment contributed by the Group. Agreement was reached by the Group and the PRC Partners that the Group is entitled to obtain certain amounts of forfeited goods for compensation of the investment in 北京吉嘉諾. Subsequently, the Group sold the finished goods for approximately HK$6,521,000.

8. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES

Directors' remuneration disclosed pursuant to the Listing Rules and Section 161 of the Hong Kong Companies Ordinance is as follows:

	Group	
	2005	2004
	HK$'000	HK$'000
Fees	**188**	171
Other emoluments:		
Basic salaries, housing benefits, other allowances and benefits in kind	**1,674**	3,260
Mandatory provident fund scheme contribution	**36**	29
	1,898	3,460

Included in the directors' remuneration were fees of approximately HK$188,000 (2004: HK$171,000) paid to independent non-executive directors during the year.

The emoluments of the directors were within the following bands:

	Number of directors	
	2005	2004
Nil – HK$1,000,000	**5**	4
HK$1,000,000 – HK$1,500,000	**–**	1

There was no arrangement under which a director waived or agreed to waived any emoluments during the year.

8. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES *(Continued)*

The five highest paid employees during the year included in three (2004: three) directors, detail of whose remuneration are set out above. Details of the remuneration of the remaining two (2004: two) non-director, highest paid employees are as follows:

	Group	
	2005	2004
	HK$'000	HK$'000
Basic salaries, housing benefits, other allowances and benefits in kind	519	433
Mandatory provident fund scheme contribution	24	11
	543	444

During the year, no emoluments were paid by the Group to the directors or any of the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

9. TAX

	2005	2004
	HK$'000	HK$'000
Current tax:		
Provision for the year		
– Hong Kong	298	1,327
– PRC	70	–
	368	1,327
Under provision in prior year		
– Hong Kong	72	–
Share of taxation of associates in the PRC	116	108
	556	1,435

Hong Kong Profits Tax is calculated at 17.5% (2004: 17.5%) of the estimated assessable profit for the year. Provisions for overseas subsidiaries were made at prevailing local tax rate.

No provision for deferred tax liabilities has been made as the Group and the Company had no material temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements (2004: Nil).

9. TAX *(Continued)*

The charge for the year can be reconciled to the (loss)/profit per the income statement as follows:

	2005		2004	
	HK$'000	%	HK$'000	%
(Loss)/Profit before tax	(7,269)		15,479	
Tax at the domestic income tax rate of 17.5%	(1,272)	(17.5)	2,708	17.5
Tax effect of income that are not taxable in determining taxable profit	(1)	–	(1,349)	(8.7)
Tax effect of expenses that are not deductible in determining taxable profit	1,630	22.4	(32)	(0.2)
Tax effect of unrecognised temporary difference	11	0.1	–	–
Tax effect of under provision in prior year	72	1.0	–	–
Share of taxation of associate in the PRC	116	1.6	108	0.7
Tax expenses and effective tax rate for the year	556	7.6	1,435	9.3

The Group has not recognised deferred tax assets in respect of tax losses due to the unpredictability of future profit streams.

10. NET (LOSS)/PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS

The net loss from ordinary activities attributable to shareholders dealt with in the financial statements of the Company for the year ended 31st March 2005 was approximately HK$862,000 (2004: HK$1,297,000).

11. DIVIDENDS

The directors do not recommend the payment of dividend for the year ended 31st March 2005. (2004: Nil).

12. (LOSS)/EARNINGS PER SHARE

The calculation of basic (loss)/earnings per share is based on the net loss from ordinary activities attributable to shareholders for the year of approximately HK$6,459,000 (2004: net profit from ordinary activities attributable to shareholders of approximately HK$14,253,000) and the weighted average of 1,607,550,108 (2004: 1,600,136,180) ordinary shares in issue during the year.

The weighted average number of shares used to calculate the basic earnings per share for the year ended 31st March 2004 were adjusted according to an ordinary resolution passed in the Annual General Meeting of the Company held on 18th September 2003 in connection to the bonus issue of 200,000,000 shares on the basis of one bonus ordinary share for every one existing share in the issued share capital of the Company on 18th September 2003 and according to an ordinary resolution passed in the Extraordinary General Meeting of the Company held on 20th February 2004 in connection to the bonus issue of 1,200,000,000 shares on the basis of three bonus ordinary shares for every one existing share in the issued share capital of the Company on 21st January 2004.

Diluted (loss)/earnings per share amount for the years ended 31st March 2005 and 2004 have not been presented as the effect of the assumed conversion of the Company's outstanding share options would be anti-dilutive.

13. EMPLOYEE BENEFITS

Retirement benefits scheme

The Group operates a Mandatory Provident Fund Scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong) for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. 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 scheme at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK$20,000. Contributions to the scheme vest immediately.

The employees of the Company's subsidiary in the People's Republic of China (the "PRC") are members of the state-sponsored retirement benefit scheme organised by the relevant local government authority in the PRC. The subsidiary is required to contribute, based on a certain percentage of the basic salary of its employees, to the retirement benefit scheme and has no further obligations for the actual payment of pensions or post-retirement benefits beyond the annual contributions. The state-sponsored retirement benefit scheme represent for the entire pension obligations payable to retired employees.

There is no forfeited contribution which could be utilized to reduce the level of the contribution by the Group and therefore there was no such balance as at 31st March 2005.

The Group does not have any other pension schemes for its employees in respect of its subsidiaries outside Hong Kong and PRC. In the opinion of the directors of the Company, the Group did not have any significant contingent liabilities as at 31st March 2005 in respect of the retirement of its employees.

14. DEFERRED EXPENDITURE

Deferred expenditure represents expenditure incurred to establish and launch retail business in the PRC. Such expenditure is deferred and written off on straight-line basis over a period of not more than 20 years to reflect the pattern in which the related economic benefits are recognised.

Group	HK$'000
Cost:	
At 1st April 2004 and 31st March 2005	**1,500**
Amortisation and impairment losses:	
At 1st April 2004	150
Charge for the year	75
Impairment in value	1,275
At 31st March 2005	**1,500**
Net book value:	
At 31st March 2005	**–**
At 31st March 2004	1,350

The directors of the Company reassessed the recoverable amount of the deferred expenditure at 31st March 2005 and recognised a total impairment loss of HK$1,275,000, which was determined with reference to the estimated economic benefits obtainable from the launch of retail business in the PRC.

15. DEPOSITS AND PREPAYMENTS

On 31st August 2005, Falcon Vision Limited, a wholly owned subsidiary of the Company entered into a sales and purchase agreement with Li Fang and Chen Shu Yun which are independent of and not connected with the directors, chief executive or substantial shareholders of the Company or any of its subsidiaries or an associate of any of them (the "Vendors") in respect of acquisition of the entire share capital of Wisefull International Limited ("Wisefull") for a cash consideration of approximately HK$27,721,000. Wisefull owns 30% equity interests in 北京朗坤服裝有限公司（"北京朗坤"）, a company established on 9th September 2002 under the laws of the People's Republic of China with a registered capital of US$1,800,000. The principal activity of 北京朗坤 is engaged in the sale and manufacture of garment products. As at 31st March 2005, the deposits and prepayments amounted to approximately HK$27,721,000 have already been paid to an independent third party in the PRC for the purpose of settling the acquisition.

16. PROPERTY, PLANT AND EQUIPMENT

Group

	Land and buildings HK$'000	Construction in progress HK$'000	Leasehold improvements HK$'000	Plant and machinery HK$'000	Furniture & fixture HK$'000	Office equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
At cost or valuation:								
At 1st April 2004	23,337	7,109	5,276	3,435	1,552	1,011	1,761	43,481
Additions	174	2,562	94	328	420	15	530	4,123
Reclassification	–	–	–	(285)	128	–	157	–
Transfer from CIP	7,054	(7,688)	501	48	85	–	–	–
Revaluation surplus	4,742	–	–	–	–	–	–	4,742
Adjustment on revaluation	(1,391)	–	–	–	–	–	–	(1,391)
Disposal	–	(114)	–	–	–	(80)	(41)	(235)
Exchange realignment	–	150	–	–	–	1	8	159
At 31st March 2005	**33,916**	**2,019**	**5,871**	**3,526**	**2,185**	**947**	**2,415**	**50,879**
Depreciation:								
At 1st April 2004	1,151	–	2,256	267	833	895	653	6,055
Charge for the year	377	–	322	246	202	40	250	1,437
Adjustment on revaluation	(1,528)	–	–	–	–	–	–	(1,528)
Written back on disposal	–	–	–	–	–	–	(8)	(8)
At 31st March 2005	**–**	**–**	**2,578**	**513**	**1,035**	**935**	**895**	**5,956**
Carrying amount:								
At 31st March 2005	**33,916**	**2,019**	**3,293**	**3,013**	**1,150**	**12**	**1,520**	**44,923**
At 31st March 2004	22,186	7,109	3,020	3,168	719	116	1,108	37,426

As at 31st March 2005, land and buildings which are situated in Hong Kong and the PRC and motor vehicles with carrying amounts of approximately HK$26,710,000 (2004: HK$22,331,000) and HK$499,000 (2004: HK$700,000) respectively were pledged to banks under fixed charges for general banking facilities granted to the Group.

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

Group *(Continued)*

The Group's land and buildings in Hong Kong and the PRC were revalued at 31st March 2005 by an independent valuer, DTZ Debenham Tie Leung Limited, on an open market value. Based on the valuation, the directors of the Company considered that a revaluation surplus of approximately HK$5,255,000 for land and buildings situated in Hong Kong and in the PRC existed as at 31st March 2005. Of this amount, approximately HK$4,742,000 is attributable to the Group's share and the surplus has been credited to the revaluation reserve. On the other hand, certain leasehold land and building of the Group situated in the PRC were valued by an independent professional qualified valuers in the PRC, 湖州市中信房地產評估所有限公司 on an open market basis at approximately HK$6,367,000. Based on the valuation, the directors of the Company consider that a revaluation deficit of approximately HK$460,000 existed as at 31st March 2005 and the provision for revaluation deficit has been recognised as expense immediately. DTZ Debenham Tie Leung Limited is a member of the Hong Kong Institute of Surveyors.

Apart from the Group's land and buildings which are stated at valuation, all fixed assets are stated at cost.

At 31st March 2005, had all of the land and buildings of the Group been carried at historical cost less accumulated depreciation and accumulated impairment losses, their carrying amount would have been approximately HK$33,917,000.

The carrying amount of the Group's land and buildings comprises:

	2005 HK$'000	2004 HK$'000
In Hong Kong, held under long-term leases	19,500	15,038
Outside Hong Kong, held under medium-term leases	7,210	7,293
	26,710	22,331

The carrying amount of the Group's motor vehicles includes an amount of HK$499,000 (2004: HK$700,000) in respect of assets held under finance leases.

17. INVESTMENTS IN SUBSIDIARIES

	Company	
	2005 HK$'000	2004 HK$'000
Unlisted shares, at cost	42,769	42,769
Due from subsidiaries	28,944	26,877
	71,713	69,646

17. INVESTMENTS IN SUBSIDIARIES *(Continued)*

The balances with subsidiaries of the Company are as follows:

Name of company	Place of incorporation/ establishment and operation	Particulars of issued and paid-up share capital/ registered capital	Percentage of equity attributable to the Company	Principal activities
Falcon Vision Limited	British Virgin Islands	Ordinary US$1,000	100%	Investment holding
Magic Ace Enterprises Limited	British Virgin Islands	Ordinary US$1	100%	Investment holding
Rontex Holdings Limited	Hong Kong	Ordinary HK$100,000	100%	Trading of garment products
Ronco Trading Company Limited	Hong Kong	Ordinary HK$1,000,000	100%	Trading of premium products and investment holding
Take Luck Development Limited	Hong Kong	Ordinary HK$10,000	100%	Property holding and investment holding
Keen Choice Technology Limited	Hong Kong	Ordinary HK$10,000	100%	Investment holding
Shanghai Rontex Company Limited	Hong Kong	Ordinary HK$2	100%	Sale of garment products
寧波朗迪紡織品有限公司* (Rontex Co., Ltd.)	People's Republic of China	Registered capital US$1,380,000	51%	Manufacture and sale of garment products
湖洲朗迪毛衫有限公司** (Huzhou Ronco Sweater Co., Ltd.)	People's Republic of China	Registered capital US$1,209,000	52%	Manufacture and sale of garment products

* Rontex Co., Ltd. Was formed as a Chinese foreign equity joint venture company in the People's Republic of China under the joint venture agreement dated 27 October 2003 entered into between Ronco Trading Co. Ltd., Mr. Niu Teng and Mr. Wang Wei Ben (the "JV agreement"). Pursuant to the JV agreement, the paid-up capital of Rontex Co., Ltd. Increased from US$700,000 to US$1,380,000 while the capital contributed by the Group remained unchanged. Prior to the execution of the JV Agreement, Rontex Co., Ltd. is a wholly-owned subsidiary of the Company held through Ronco Trading Company Limited. Accordingly, the Group's interest in Rontex Co., Ltd. has been diluted from 100% to 51%.

** Huzhou Ronco Sweater Co., Ltd. ("Huzhou Ronco") was formed as a Chinese-foreign equity joint venture in the People's Republic of China. Huzhou Ronco has commenced business in April 2004.

17. INVESTMENTS IN SUBSIDIARIES *(Continued)*

Except Falcon Vision Limited, which is directly owned by the Company, all other subsidiaries are indirectly held.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

18. INTERESTS IN AN ASSOCIATE

	Group	
	2005	2004
	HK$'000	HK$'000
Share of net assets	**8,597**	9,767
Loan to an associate	**1,376**	1,376
	9,973	11,143

The balances with the associate are unsecured, interest-free and have no fixed repayment terms and are used for general working capital purposes. In the opinion of the directors, the amounts are unlikely to be repaid within one year from the balance sheet date and are therefore classified as non-current.

Particulars of the associates are as follows:

Name of company	Business structure	Place of establishment/ registration and operation	Percentage of equity interest attributable to the Group	Principal activities
北京朗迪服裝有限公司 (Beijing Rontex Garments Co., Limited)	Corporate	the People's Republic of China	40%	Manufacture and sale of garment products

As at 31st March 2005, the land and buildings of the associate was valued on an open market basis by an Independent valuer, DTZ Debenham Tie Leung Limited, at a total of HK$19,700,000. Based on the revaluation, the directors of the Company consider that a revaluation deficits of HK$4,413,000 existed as at 31st March 2005. Of this amount, approximately HK$1,765,000 is attributable to the Group's share in Beijing Rontex Garments Co., Limited for the year ended 31st March 2005. As the revaluation surplus for the year ended 31st March 2005 is lower than the revaluation surplus on the land and buildings based on the valuation by DTZ Debenham Tie Leung Limited on 31st March 2002, the deficits on revaluation of HK$1,765,000 has been debited to revaluation reserve during the year ended 31st March 2005.

19. OPTION TO ACQUIRE AN EQUITY INTEREST OF A COMPANY

During the year ended 31st March 2004, the Group acquired from an independent third party, which are independent of and not connected with the directors, chief executive or substantial shareholders of the Company or any of its subsidiaries or an associate of any of them, the option (the "Option") to acquire equity interests of a Company (the "Investee Company"). The Company paid HK$15,000,000 as consideration to the independent third party for the grant of the Option.

On 5th April 2005, the Company exercised the Option and was being granted 10,000,000 shares of the Investee Company. Details of the investment is listed as below:

Name	Place of incorporation	Principal activities	Particular of issued shares held
Macau Asia Investments, Ltd	United States of America	Provision of computer consultancy services, trading of computer hardware and trading of securities	10,000,000

20. INVESTMENTS IN SECURITIES

	Group 2005 HK$'000	2004 HK$'000
Investments in securities:		
Unlisted equity securities outside Hong Kong, at cost	–	600
Listed equity securities in Hong Kong, at cost	9,346	9,346
	9,346	9,946
Market value of listed equity securities in Hong Kong	2,006	8,966

21. INVENTORIES

	Group 2005 HK$'000	2004 HK$'000
Raw materials	1,729	236
Work in progress	4,630	988
Finished goods	542	4,130
	6,901	5,354

As at 31st March 2005, no inventories were stated at net realizable value (2004: Nil).

22. TRADE RECEIVABLES

An ageing analysis of trade receivables (net of provisions for bad and doubtful debts) at the balance sheet date is as follows:

	Group	
	2005	2004
	HK$'000	HK$'000
0 – 30 days	**5,735**	5,331
31 – 60 days	**179**	167
61 – 90 days	**4,258**	417
Over 90 days	**1,221**	468
	11,393	6,383

23. INTEREST – BEARING BANK BORROWINGS – SECURED

	Group	
	2005	2004
	HK$'000	HK$'000
Bank loan, secured:		
Within one year	**8,735**	8,466
In the second year but within five years	**1,512**	4,114
Portion classified as current liabilities	**(8,735)**	(8,466)
Long term portion	**1,512**	4,114

24. TRADE PAYABLES

An ageing analysis of trade payables at the balance sheet date is as follows:

	Group	
	2005	2004
	HK$'000	HK$'000
0 – 30 days	**10,985**	4,378
31 – 60 days	**433**	1,482
61 – 90 days	**5,080**	146
Over 90 days	**397**	757
	16,895	6,763

25. FINANCE LEASE PAYABLES

The Group leases a motor vehicle. These leases are classified as finance leases and have remaining lease terms of one year.

At 31st March 2005, the total future minimum lease payments under finance leases and their present values were as follows:

Group

	Minimum lease payments		Present value of minimum lease payments	
	2005	2004	**2005**	2004
	HK$'000	HK$'000	**HK$'000**	HK$'000
Amount payable:				
Within one year	**80**	159	**79**	149
In the second year	**–**	85	**–**	84
	80	244	**79**	233
Less: Future finance charges	**(1)**	(11)	**–**	–
Present value of lease obligations	**79**	233	**79**	233
Portion classified as current liabilities			**(79)**	(149)
Non-current portion			**–**	84

26. SHARE CAPITAL

	2005	2004
	HK$'000	HK$'000
Authorised:		
10,000,000,000 ordinary shares of HK$0.01 each	**100,000**	100,000
Issued and fully paid:		
1,629,364,000 (2004: 1,602,208,000) ordinary shares of HK$0.01 each	**16,294**	16,022

During the year ended 31st March 2005, for 27,156,000 new ordinary shares of par value HK$0.01 each were issued at subscription price of HK$0.102 each on exercise of 27,156,000 bonus warrants.

26. SHARE CAPITAL *(Continued)*

A summary of the above movement in the issued share capital of the Company is as follow:

	Number of shares issued	Issued share capital HK$'000	Share premium account HK$'000	Total HK$'000
Ordinary shares of HK$0.01 each				
At 1st April 2003	200,000,000	2,000	26,071	28,071
Bonus issue of shares on the basis of one bonus share for every one ordinary share	200,000,000	2,000	(2,000)	–
Bonus issue of shares on the basis of three bonus share for every one ordinary share	1,200,000,000	12,000	(12,000)	–
Exercise of share options	2,208,000	22	712	734
At 31st March 2004 and 1st April 2004	1,602,208,000	16,022	12,783	28,805
Exercise of bonus warrants	27,156,000	272	2,499	2,771
At 31st March 2005	**1,629,364,000**	**16,294**	**15,282**	**31,576**

27. SHARE OPTION SCHEME

The Company operates a share option scheme (the "Scheme") for the purpose of providing incentives or rewards to eligible persons for their contributions to the Group. Eligible persons of the Scheme include any full-time or part-time employees of the Company or any member of the Group, including any directors, advisors or consultants of the Group. The Scheme became effective upon the listing of the Company's shares on the Stock Exchange on 8th November 2002, and unless otherwise cancelled or amended, will remain in force for a period of 10 years from that date.

The maximum number of unexercised share options currently permitted to be granted under the scheme must not exceed 30% of the shares in issue from time to time.

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval by all independent non-executive directors. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the closing price of the Company's shares at the date of the grant) in excess of HK$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

27. SHARE OPTION SCHEME *(Continued)*

The offer of a grant of share options may be accepted for a period of 28 days from the date of the offer, upon payment of a nominal consideration of HK$1 in total by the grantee. The exercisable period of the share options granted is determined by the directors, which the share options must be exercised in any event not later than 10 years from the date of grant. The Scheme does not require a minimum period for which the share options must be held or a performance target which must be achieved before the share options can be exercised.

The exercise price of the share options granted is not recorded in the balance sheet of the Company nor the Group until such time as the options are exercised, and no charge is recorded in the income statement or balance sheet for their cost. Upon the exercise of the share options, the resulting shares issued are recorded by the Company as additional share capital at the nominal value of the shares, and the excess of the exercise price per share over the nominal value of the shares is recorded by the Company in the share premium account. Options which are cancelled prior to their exercisable date are deleted from the register of outstanding options.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

On 4th November 2003, all executive directors of the Company and 12 employees were granted options to subscribe for an aggregate of 20,000,000 shares (representing 10% of the shares in issue as at the date of commencement of listing of Shares on the Stock Exchange) under the Scheme.

27. SHARE OPTION SCHEME *(Continued)*

The following share options were granted on 4th November 2003 and remain outstanding under the Scheme during the period from 1st April 2004 to 31st March 2005:

Name or category of participant	At 1st April 2004	Granted during the year	Exercised during the year	Lapsed during the year	At 31st March 2005	Date of grant of share options* (dd/mm/yyyy)	Exercise period of share options (dd/mm/yyyy)	Adjusted Exercise price of share options* HK$	Adjusted Closing Price of Company's share on 3rd November 2003 immediately before grant date of share options** HK$
Directors									
Mr. Cheung Keng Chin ("Mr. Cheung")	7,400,000	–	–	–	7,400,000 ****	04/11/2003	01/11/2003 to 03/11/2008	0.3325	0.35
Madam Chou Mei ("Mrs. Cheung")	7,400,000	–	–	–	7,400,000 ****	04/11/2003	04/11/2003 to 03/11/2008	0.3325	0.35
Mr. Lau Ka Man, Kevin	12,000,000	–	–	–	12,000,000	04/11/2003	04/11/2003 to 03/11/2008	0.3325	0.35
Employees other than directors									
In aggregate	19,224,000	–	–	–	19,224,000	04/11/2003	04/11/2003 to 03/11/2008	0.3325	0.35
	46,024,000	–	–	–	46,024,000				

27. SHARE OPTION SCHEME *(Continued)*

* The vesting period of the share options is from the date of grant until the commencement of the exercise period.

** The number of issuable shares and the exercise price of the share options is subject to adjustment in the case of capitalization issue, rights issue, sub-division or consolidation of the Company's shares or reduction of capital of the Company. On 20 February 2004, an ordinary resolution was passed in extraordinary general meeting in connection with the bonus issue of shares on the basis of three bonus share for every one existing share. Before adjustment the old exercise price was HK$1.33 each share.

*** Before adjustment as a result of bonus issue of shares on 20 February 2004, the closing price of the Company's share immediate before the grant date of share option was HK$1.40.

**** As spouse, Mr. Cheung and Mrs. Cheung are respectively deemed to have interest in the share option held by each other.

At 31st March 2005, the Company has 46,024,000 share options outstanding under the Scheme. The exercise in full of the outstanding share options would, under the capital structure of the Company as at 31st March 2005, result in the issue of 46,024,000 additional ordinary shares of HK$0.01 each of the Company and additional share capital of HK$460,000 and share premium of HK$14,843,000.

Valuation of share option

The directors of the Company do not consider it is appropriate to disclose a theoretical value of the options granted, because a number of factors crucial for the valuation cannot be determined. Accordingly, the directors believe that any valuation of the share options based on various speculative assumptions would not be meaningful, but would be misleading to the shareholders of the Company.

28. WARRANTS

In the Extraordinary General Meeting held on 18th June 2004, an ordinary resolution of bonus issue of warrants ("Warrants") on the basis of one bonus warrant for every five shares held by shareholders whose names appear on the Register on 18th June 2004 was passed. Each warrant is issued in registered form and entitles the holder thereof to subscribe for fully-paid new shares at the initial subscription price of HK$0.102 per Share, subject to adjustment from the date of issue, which is on 28th June 2004, to the date of expiry of one year from the date of issue which is 27th June 2005 (both days inclusive in accordance with the terms of Warrants). Exercise in full of the warrants at the aforesaid initial subscription price would result in the issue of 320,441,600 shares and the receipt by the Company would be approximately HK$32,685,043.

During the year, 27,156,000 Warrants were exercised for 27,156,000 ordinary shares of HK$0.01 at a price of HK$0.102 per share. At the balance sheet date, the Company had 293,285,600 warrants outstanding.

29. RESERVES

Group

	Share premium HK$'000	Contributed surplus HK$'000 *(note 29(a))*	Exchange reserve HK$'000	Revaluation reserve HK$'000	Retained profits HK$'000	Total HK$'000
At 1st April 2003	26,071	918	22	8,022	46,360	81,393
Exercise of share options	712	–	–	–	–	712
Bonus issue of shares	(14,000)	–	–	–	–	(14,000)
Profit for the year	–	–	–	–	14,253	14,253
Dilution of Group's share of interest in a subsidiary	–	–	–	(907)	–	(907)
Exchange realignment	–	–	(71)	–	–	(71)
At 31st March 2004	12,783	918	(49)	7,115	60,613	81,380
At 1st April 2004	12,783	918	(49)	7,115	60,613	81,380
Premium on issue of new shares on exercise of bonus warrants	2,499	–	–	–	–	2,499
Loss for the year	–	–	–	–	(6,459)	(6,459)
Surplus on revaluation of properties owned by the Group	–	–	–	4,742	–	4,742
Deficits on revaluation of properties of an associate attributable to the Group	–	–	–	(1,765)	–	(1,765)
Exchange differences on translation of financial statements of PRC operations	–	–	42	–	–	42
At 31st March 2005	**15,282**	**918**	**(7)**	**10,092**	**54,154**	**80,439**
Reserves retained by:						
Company and subsidiaries	15,282	918	(7)	5,666	51,710	73,569
Associate	–	–	–	4,426	2,444	6,870
At 31st March 2005	15,282	918	(7)	10,092	54,154	80,439
Reserves retained by:						
Company and subsidiaries	12,783	918	(49)	924	58,924	73,500
Associate	–	–	–	6,191	1,689	7,880
At 31st March 2004	12,783	918	(49)	7,115	60,613	81,380

29. RESERVES *(Continued)*

Company

	Share premium HK$'000	Contributed surplus HK$'000 *(note 29(a))*	Retained profits HK$'000	Total HK$'000
At 1st April 2003	26,071	42,569	(200)	68,440
Issue of shares on exercise of share option	712	–	–	712
Bonus issue of shares	(14,000)	–	–	(14,000)
Loss for the year	–	–	(1,097)	(1,097)
At 31st March 2004	12,783	42,569	(1,297)	54,055
At 1st April 2004	12,783	42,569	(1,297)	54,055
Premium on issue of new shares on exercise of bonus warrants	2,499	–	–	2,499
Loss for the year	–	–	(862)	(862)
At 31st March 2005	15,282	42,569	(2,159)	55,692

Notes:

(a) The contributed surplus of the Group represents the difference between the nominal value of share capital of the subsidiaries acquired pursuant to the Group reorgansiation during the year 31st March 2003, over the nominal value of the shares of the Company issued in exchange therefore.

The contributed surplus of the Company represents the excess of the fair value of the subsidiaries acquired pursuant to the Group reorgansiation during the year 31st March 2003, over the nominal value of the shares of the Company issued in exchange therefor.

Under the Companies Law (2001 Second Revision) of the Cayman Islands, the contributed surplus account is distributable to the shareholders of the Company under certain circumstances.

30. DEEMED DISPOSAL OF A SUBSIDIARY

Rontex Co., Ltd was formed as a Chinese foreign equity joint venture company in the PRC under the joint venture agreement dated 27th October 2003 entered into between Ronco Trading Co. Ltd., Mr. Niu Teng and Mr. Wang Wei Ben. Pursuant to the JV agreement, the paid-up capital of Rontex Co., Ltd increased from US$700,000 to US$1,380,000 while the capital contributed by the Group remained unchanged. Prior to the execution of the JV Agreement, Rontex Co., Ltd. Is wholly-owned subsidiary of the Company held through Ronco Trading Company Limited. Accordingly, the Group's interest in Rontex Co., Ltd has been diluted from 100% to 51%.

The effect of the deemed disposal to the financial statements were as follows:

	2005 HK$'000	2004 HK$'000
Net assets acquired:		
Deferred expenditure	–	1,425
Fixed assets	–	12,784
Trade receivables	–	3,354
Inventories	–	2,382
Prepayments, deposits and other receivables	–	5,232
Cash and bank balances	–	5,295
Trade and other payables	–	(7,087)
Interest bearing bank borrowings	–	(5,761)
Accruals and other payables	–	(1,552)
Amount due from immediate holding company	–	(2,317)
Finance lease obligation	–	(310)
Minority interests	–	(6,454)
	–	6,991
Share of asset revaluation reserves and exchange reserves on dilution of interest	–	(994)
Loss on deemed disposal of a subsidiary	–	(702)
Cash inflow from dilution of interest in a subsidiary	–	5,295

For the year ended 31st March 2004, deemed disposal of the subsidiary did not has significant effect to the Group's results as a whole.

31. DISPOSAL OF A SUBSIDIARY

	2005	2004
Net assets disposed of:		
Cash on hand	**8**	–
Gain or loss on disposal	**–**	–
Consideration satisfied by cash	**8**	–
Net cash flow arising on disposal	**–**	–

During the year, the Group disposed a subsidiary, Sunexpress Limited, which did not contribute significantly to the Group's cash flows. The disposal of the subsidiary did not have material impact on the Group's results as a whole. The inter-company balances of Sunexpress Limited with subsidiaries of the Company were assigned to Suregold Enterprises Limited which is another subsidiary of the Company.

32. OPERATING COMMITMENTS

At 31st March 2005, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2005	2004
	HK$'000	HK$'000
Within one year	**–**	180
In the second to fifth years inclusive	**–**	–
	–	180

As at 31st March 2005, the Company did not have any significant operating lease commitments (2004: Nil).

33. PLEDGED OF ASSETS

As at 31st March 2005, the Group had obtained aggregate banking facilities which were secured/guaranteed by the followings:

(1) legal charges on the Group's certain land and buildings located in Hong Kong and in the PRC with an aggregate net book value of approximately HK$26,710,000 (2004: HK$22,331,000);

(2) cross guarantees among the subsidiaries of the Group;

(3) assignment of documentary credit issued in favour of a subsidiary; and

(4) an corporate guarantee provided by the Company.

34. CONTINGENT LIABILITIES

As at 31st March 2005, the Group had contingent liabilities in respect of the following:

	2005	2004
	HK$'000	HK$'000
Contingent liabilities arising from bills of exchange discounted with recourse	**8,587**	3,910
Long service payment	**139**	137
	8,726	4,047

The Group is liable to make long service payment upon the termination of employment of certain employees who have completed the required number of years of services and met the required circumstances under the Employment Ordinance. No provision has been made for this account in the financial statements as it is expected that the amounts will not crystallize in the foreseeable future.

As at 31st March 2005, the Company did not have any material contingent liabilities.

35. SUBSEQUENT EVENTS

On 31st August 2005, Fakon Vision Limited a wholly owned subsidiary of the Company entered into a sales and purchase agreement with an independent third party in respect of acquisition of the entire share capital of Wisefull International Limited which owns 30% equity interest in 北京朗坤服裝有限公司 for a total consideration of HK$27,720,000. 北京朗坤服裝有限公司 is a company established on 9th September 2002 under the laws of the People's Republic of China with a registered capital of US$1,800,000 and is principally engaged in the sale and manufacture of garment products.

36. AUTHORISATION FOR ISSUE OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 14th September 2005.