NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30th September 2005

1. Basis of preparation and accounting policies

These unaudited condensed consolidated interim financial statements ("Interim Report") have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants.

The Interim Report has not been audited by the Company's auditors but has been reviewed by the Company's Audit Committee and should be read in conjunction with the annual financial statements for the year ended 31st March 2005.

The accounting policies and methods of computation used in the preparation of this Interim Report are consistent with those used in the annual financial statements for the year ended 31st March 2005, except that the Group has changed certain of its accounting policies following its adoption of new/revised Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards ("new HKFRS") which are effective for accounting periods commencing on or after 1st January 2005.

The changes to the Group's accounting policies and the effect of adopting these new policies are set out in Note 2 below.

During the period, the Group adopted the new/revised standards of HKFRS below, which are relevant to its operations. The comparatives figures have been amended as required, in accordance with the relevant requirements.

2. Changes in accounting policies

HKAS 1	Presentation of Financial Statements
HKAS 2	Inventories
HKAS 7	Cash Flow Statements
HKAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
HKAS 10	Events after the Balance Sheet Date
HKAS 14	Segment Reporting
HKAS 16	Property, Plant and Equipment
HKAS 17	Leases
HKAS 21	The Effects of Changes in Foreign Exchange Rates
HKAS 23	Borrowing Costs
HKAS 24	Related Party Disclosures
HKAS 27	Consolidated and Separate Financial Statements
HKAS 32	Financial Instruments: Disclosure and Presentation
HKAS 33	Earnings per Share
HKAS 36	Impairment of Assets
HKAS 38	Intangible Assets
HKAS 39	Financial Instruments: Recognition and Measurement
HKFRS 3	Business Combinations
HK-Int 4	Lease – Determination of the Length of Lease Term in respect of Hong Kong Land Leases

2. Changes in accounting policies *(Continued)*

The adoption of new/revised HKASs 1, 2, 7, 8, 10, 14, 16, 21, 23, 24, 27, 33 and HK-Int 4 did not result in substantial changes to the Group's accounting policies. In summary:

– HKAS 1 has affected the presentation of minority interest and other disclosures.

– HKAS 2, 7, 8, 10, 14, 16, 23, 27, 33 and HK-Int 4 had no material effect on the Group's policies.

– HKAS 21 had no material effect on the Group's policy. The functional currency of each of the consolidated entities has been re-evaluated based on the guidance to the revised standard. All the Group entities have the same functional currency as the presentation currency for respective entity financial statements.

– HKAS 24 has affected the identification of related parties and some other related-party disclosures.

The adoption of revised HKAS 17 has resulted in a change in the accounting policy relating to the reclassification of leasehold land and land use rights from property, plant and equipment to operating leases. The up-front prepayments made for the leasehold land and land use rights are expensed in the income statement on a straight-line basis over the period of the lease or where there is impairment, the impairment is expensed in the income statement. In priors, the leasehold land was accounted for at cost less accumulated depreciation and accumulated impairment.

The adoption of HKASs 32 and 39 has resulted in a change in the accounting policy relating to the classification of financial assets at fair value through profit or loss and available-for-sale financial assets. It has also resulted in the recognition of derivative financial instruments at fair value and the change in the recognition and measurement of hedging activities.

The adoption of HKASs 36, 38 and HKFRS 3 results in a change in the accounting policy for goodwill. Until 31st March 2005, goodwill was amortised on a straight-line basis over 15 years; and assessed for an indication of impairment at each balance sheet date.

In accordance with the provisions of HKFRS 3:

– The Group ceased amortisation of goodwill from 1st April 2005;

– Accumulated amortisation as at 31st March 2005 has been eliminated with a corresponding decrease in the cost of goodwill;

– From the year ending 31st March 2006 onwards, goodwill is tested annually for impairment, as well as when there is indication of impairment.

2. **Changes in accounting policies** *(Continued)*

All changes in the accounting policies have been made in accordance with the transition provisions in the respective standards. All standards adopted by the Group require retrospective application other than the following standards:

- HKAS 16 – the initial measurement of an item of property, plant and equipment acquired in an exchange of assets transaction is accounted at fair value prospectively only to future transaction;
- HKAS 21 – prospective accounting for goodwill and fair value adjustments as part of foreign operations;
- HKAS 39 – does not permit to recongise, derecognise and measure financial assets and liabilities in accordance with this standard on a retrospective basis.
- HKFRS 3 – prospectively after the adoption date.

Summary of the change in accounting policies

The adoption of HKAS 17, 32 and 39 resulted in:

Consolidated balance sheet (Unaudited)

	As at 30th September 2005		As at 31st March 2005	
	HKAS 17	**HKAS 32 &39**	HKAS 17	HKAS 32 & 39
Increase in leasehold land and land use rights	**5,943**	**–**	6,164	–
Decrease in property, plant and equipment	**(5,943)**	**–**	(6,164)	–
Decrease in available-for-sale financial assets	**–**	**(28,655)**	–	–

Consolidated Income statement (Unaudited)

	Six months ended 30th September 2005		Six months ended 30th September 2004	
	HKAS 17	**HKAS 32 &39**	HKAS 17	HKAS 32 & 39
Impairment of available-for-sale financial assets	**–**	**28,655**	–	–
Total increase in loss for the period	**–**	**28,655**	–	–
Increase in loss per share, HK cents	**–**	**9.0**	–	–

3. Segment information

The principal activity of the Company is investment holding. The principal activities of its subsidiaries are provision of (i) apparel trading (ii) apparel sourcing and (iii) sales support services.

An analysis of the Group's turnover and operating results by segments during the period is shown as follows:

(i) Primary segment

	Unaudited											
	Continuing operations								Discontinued operation			
	Apparel sourcing Six months ended 30th September		Apparel trading Six months ended 30th September		Sales support services Six months ended 30th September		Subtotal Six months ended 30th September		Marketing and compliance monitoring services Six months ended 30th September		Consolidated Six months ended 30th September	
	2005	2004	**2005**	2004	**2005**	2004	**2005**	2004	**2005**	2004	**2005**	2004
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue	**3,298**	59,561	**26,131**	–	**–**	–	**29,429**	59,561	**–**	14,673	**29,429**	74,234
Segment results	**(3,307)**	6,081	**1,029**	–	**(609)**	(967)	**(2,887)**	5,114	**–**	11,396	**(2,887)**	16,510
Impairment of available-for-sale financial assets											**(28,655)**	–
Finance costs											**(116)**	(98)
Tax											**(169)**	(581)
(Loss)/Profit for the period											**(31,827)**	15,831
Attributable to:												
Equity holders of the Company											**(31,537)**	13,135
Minority interests											**(290)**	2,696
											(31,827)	15,831

3. Segment information *(Continued)*

(ii) Secondary segment

	Unaudited			
	Turnover		Operating results	
	Six months ended 30th September		Six months ended 30th September	
	2005	2004	**2005**	2004
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong	**11,202**	851	**501**	650
PRC	**5,908**	9,426	**108**	6,863
Macau	**9,020**	–	**1,029**	–
Russia	**581**	22,636	**(1,106)**	2,421
South Korea	**1,098**	23,704	**(1,129)**	2,565
Panama	**510**	11,082	**(728)**	3,423
United States	**1,110**	6,535	**(1,562)**	588
	29,429	74,234	**(2,887)**	16,510

There are no material sales between the geographical segments.

No analysis of capital expenditure by geographical location is presented as majority of the Group's capital assets acquired during the period are located in Hong Kong and Macau.

4. (Loss)/Profit from operations

The Group's (loss)/profit from operations is arrived at after charging/(crediting):

	Unaudited	
	Six months ended 30th September	
	2005	2004
	HK$'000	*HK$'000*
Cost of inventories sold	**23,224**	48,683
Depreciation of property, plant and equipment	**724**	555
Operating leases in respect of land and buildings	**468**	427
Amortisation of intangible assets		
– Goodwill	**–**	170
– System development cost	**–**	232
Interest income	**(201)**	(14)
Dividend income from available-for-sale financial assets	**(31)**	(40)

5. Finance costs

	Unaudited Six months ended 30th September	
	2005	2004
	HK$'000	*HK$'000*
Interest expenses on:		
Mortgage loan not wholly repayable within five years	**112**	97
Bank charges	**4**	1
	116	98

6. Taxation

Hong Kong profits tax has been provided at the rate of 17.5% (2004: 17.5%) on the estimated assessable profits for the period. Taxation on overseas profits has been calculated on the estimated assessable profit for the period at the rates of taxation prevailing in the countries in which the Group operates.

The amount of taxation charged to the consolidated income statement represents:

	Unaudited Six months ended 30th September	
	2005	2004
	HK$'000	*HK$'000*
Current taxation:		
– Hong Kong profit tax	**59**	–
– Overseas taxation	**110**	581
	169	581

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

7. Interim dividend

The directors do not recommend the payment of interim dividend for the six months ended 30th September 2005 (2004: Nil).

8. Loss per share

The calculation of basic loss per share is based on the Group's net loss attributable to shareholders for the period ended 30th September 2005 of HK$31,537,000 (2004: net profit attributable to shareholders of HK$13,135,000) and the weighted average of 320,000,000 (2004: 320,000,000) ordinary shares in issue during the period.

There were no potential dilutive shares in existence for the two periods ended 30th September 2005 and 2004, accordingly, no diluted earnings per share has been presented.

9. Capital expenditure

	Unaudited	
	Property, plant and equipment	**Leasehold land and land use rights**
	HK$'000	*HK$'000*
Opening net book value as at 1st April 2005, as previously reported	22,720	–
Change in accounting policy	(6,164)	6,164
Opening net book value as at 1st April 2005, as restated	16,556	6,164
Addition	165	–
Disposal	(732)	–
Depreciation	(503)	(221)
Closing net book value as at 30th September 2005	15,486	5,943

10. Trade receivables

General credit terms granted by the Group to its customers ranged from 0 – 60 days (31st March 2005: 0 – 30 days). The following is an aged analysis of the trade receivables at the balance sheet date.

	As at 30th September 2005 (Unaudited) *HK$'000*	As at 31st March 2005 (Audited) *HK$'000*
Within 30 days	**3,659**	8,485
31 – 60 days	**1,861**	484
61 – 90 days	**248**	–
	5,768	8,969

11. Trade and other payables

An aged analysis of the trade and other payables as at the balance sheet date is as follows:

	As at 30th September 2005 (Unaudited) *HK$'000*	As at 31st March 2005 (Audited) *HK$'000*
Trade creditors		
– Within 30 days	**3,829**	4,628
– 31 days to 60 days	**1,901**	–
– 61 days to 90 days	**252**	–
	5,982	4,628
Accrued expenses due within 30 days or on demand	**1,440**	2,281
	7,422	6,909

12. Share capital

	As at 30th September 2005 (Unaudited) *HK$'000*	As at 31st March 2005 (Audited) *HK$'000*
Authorised:		
1,000,000,000 shares of HK$0.01 each	**10,000**	10,000
Issued and fully paid:		
320,000,000 shares of HK$0.01 each	**3,200**	3,200

13. Commitments and contingent liabilities

Contingent liabilities

(i) As at 30th September 2005, the Group's liability for long services payments was approximately HK$89,000 (31st March 2005: HK$52,000). No provision has been made for this amount in the financial statements.

(ii) In 2004, the Inland Revenue Department issued estimated assessments to a former subsidiary of the Group in respect of its potential taxation liabilities for the year of assessment of 1998/1999. However, no provision for tax penalty has been made in the financial statements as in the opinion of the Directors of the Company, the estimated assessments were incorrect and it would be premature to endeavour to determine whether any tax penalty would arise.

Operating lease commitments

As at 30th September 2005, the total future minimum lease payments under non-cancellable operating leases in respect of rented premises are payable as follows:

	As at 30th September 2005 (Unaudited) *HK$'000*	As at 31st March 2005 (Audited) *HK$'000*
Amounts payable:		
– within one year	**847**	303
– within two to five years	**1,994**	329
	2,841	632

14. Pledge of assets

The Group's leasehold land and building, with an aggregate net book value of approximately HK$9,364,000 as at 30th September 2005 (31st March 2005: HK$9,289,000), was pledged to secure a mortgage loan granted to the Group.

15. Approval of Interim Report

The Interim Report was approved by the Board of Directors on 23rd December 2005.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

For the six months ended 30th September 2005, the Group's unaudited loss attributable to equity holders of the Company amounted to approximately HK$31.5 million, while it was a profit attributable to equity holders of the Company of approximately HK$13.1 million for the corresponding period in 2004. The decrease is mainly due to the effect of changes in the accounting policies related in respect of the Group's investment securities.

During the period, the Group adopted a number of new or revised Hong Kong Accounting Standards which are effective for accounting periods commencing on 1st January 2005. In accordance with the new Hong Kong Accounting Standards, the Group's investment securities has to be revalued to its fair value and the different between the cost and the fair value are required to recognise in the income statement. The Group previously recognised the investment securities at cost, as a result, due to the adoption of the new Hong Kong Accounting Standards, approximately HK$28.7 million loss of the Group's investment securities has to be recognised as an expense in the income statement, which lead to the significant loss incurred for the six months ended 30th September 2005.

Regardless of the effect of significant loss recognised for the changes in accounting standards, the Group incurred a loss of approximately HK$2.8 million from its apparel sourcing and apparel trading operations. The significant decrease in operating results is mainly due to two reasons; (i) the closure of marketing and compliance monitoring services in last year, and (ii) the Group has minimised the apparel sourcing division. Due to these two reasons, the Group's unaudited consolidated turnover for the six months ended 30th September 2005 decreased by 60% to approximately HK$29.4 million, while it was approximately HK$74.2 million for the last corresponding period in 2004.