

## NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

### 1. **Basis of preparation**

The unaudited condensed consolidated interim results are prepared in accordance with Hong Kong Accounting Standard (“HKAS”) No. 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and Appendix 16 of the Rules Governing the Listing of Securities (“Listing Rules”) on the Stock Exchange of Hong Kong Limited (“Stock Exchange”).

### 2. **Principal accounting policies**

The unaudited condensed consolidated interim results have been prepared under the historic cost convention, as modified for the revaluation of certain properties.

In the current period, the Group has applied, for the first time, a number of new Hong Kong Financial Reporting Standards (“HKFRSs”), HKASs and Interpretations (hereinafter collectively referred to as “new HKFRSs”) issued by the HKICPA that are effective for accounting periods beginning on or after 1 st January, 2005. The accounting policies and basis of preparation adopted in these unaudited condensed interim results are consistent with those used in the annual accounts for the year ended 31 March 2005. The application of these new HKFRSs have no material impact on the unaudited condensed consolidated interim results.

### 3. **Turnover**

Turnover represents the net invoiced value of goods sold, after allowances for returns and trade discounts during the period.

#### 4. Segmental information

The following tables present revenue, profit and certain expenditure information for the Group's business and geographical segments:

##### (a) Business segments

	Unaudited for the six months ended 30 September 2005				Consolidated HK\$'000
	Fur HK\$'000	Leather HK\$'000	Fabric garments HK\$'000	Corporate and others HK\$'000	
Segment revenue:					
Sales to external customers	<u>44,347</u>	<u>13,121</u>	<u>15,187</u>	<u>144</u>	<u>72,799</u>
Segment results	<u>5,628</u>	<u>2,956</u>	<u>5,170</u>	<u>(5,536)</u>	<u>8,218</u>
Interest income					<u>345</u>
Profit from operating activities					<u>8,563</u>
Finance costs					<u>(495)</u>
Profit before tax					<u>8,068</u>
Tax					<u>(221)</u>
Net profit from ordinary activities attributable to shareholders					<u>7,847</u>

	Unaudited for the six months ended 30 September 2004				Consolidated HK\$'000
	Fur HK\$'000	Leather HK\$'000	Fabric garments HK\$'000	Corporate and others HK\$'000	
Segment revenue:					
Sales to external customers	<u>52,476</u>	<u>14,116</u>	<u>11,037</u>	<u>480</u>	<u>78,109</u>
Segment results	<u>5,667</u>	<u>3,946</u>	<u>3,915</u>	<u>(5,990)</u>	<u>7,538</u>
Interest income					<u>95</u>
Profit from operating activities					<u>7,633</u>
Finance costs					<u>(127)</u>
Profit before tax					<u>7,506</u>
Tax					<u>(22)</u>
Net profit from ordinary activities attributable to shareholders					<u>7,484</u>

#### 4. Segmental information (Continued)

##### (b) Geographical segments

	Unaudited for the six months ended 30 September 2005						Consolidated HK\$'000
	Hong Kong	Mainland China	Germany	Spain	United States of America	Other countries	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Segment revenue:							
Sales to external customers	<u>29,589</u>	<u>9,953</u>	<u>19,846</u>	<u>4,466</u>	<u>2,028</u>	<u>6,917</u>	<u>72,799</u>
Segment results	<u>2,622</u>	<u>1,912</u>	<u>5,555</u>	<u>1,403</u>	<u>669</u>	<u>1,591</u>	13,752
Corporate expenses							<u>(5,534)</u>
Profit from operating activities before interest income							<u>8,218</u>

	Unaudited for the six months ended 30 September 2004						Consolidated HK\$'000
	Hong Kong	Mainland China	Germany	Spain	United States of America	Other countries	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Segment revenue:							
Sales to external customers	<u>33,923</u>	<u>10,691</u>	<u>20,375</u>	<u>1,776</u>	<u>6,171</u>	<u>5,173</u>	<u>78,109</u>
Segment results	<u>3,460</u>	<u>1,603</u>	<u>5,865</u>	<u>571</u>	<u>1,010</u>	<u>1,010</u>	13,519
Corporate expenses							<u>(5,981)</u>
Profit from operating activities before interest income							<u>7,538</u>

## 5. Profit from operating activities

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

	<b>For the six months ended 30 September</b>	
	<b>2005</b>	2004
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	HK\$'000
Cost of inventories sold (including inventory provision)	<b>46,728</b>	49,536
Depreciation	<b>752</b>	845
Auditors' remuneration	<b>326</b>	296
Operating lease rentals in respect of land and buildings	<b>263</b>	195
Foreign exchange (gains)/losses, net	<b>(289)</b>	171
Staff costs (including directors' remuneration)	<b>7,680</b>	7,314
Interest income	<b>(345)</b>	(95)

## 6. Finance costs

	<b>For the six months ended 30 September</b>	
	<b>2005</b>	2004
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	HK\$'000
Interest on bank overdrafts	<b>492</b>	117
Interest on hire purchase contract	<b>3</b>	10

## 7. Tax

No provision for Hong Kong profits tax has been made for the period as the Group has available tax losses brought forward from prior years to offset the assessable profits generated during the period. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, practices and interpretations in respect thereof.

	<b>For the six months ended 30 September</b>	
	<b>2005</b>	<b>2004</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Current tax charge in Mainland China	<u><b>221</b></u>	<u><b>22</b></u>

## 8. Interim dividend

	<b>For the six months ended 30 September</b>	
	<b>2005</b>	<b>2004</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Interim dividend – HK5.0 cents (2004: HK0.6 cents) per ordinary share	<u><b>15,852</b></u>	<u><b>1,902</b></u>

The Board has resolved to declare an interim dividend of HK5.0 cents (2004: HK0.6 cents) per ordinary share for the six months ended 30 September 2005 payable to all the shareholders whose names appear on the Company's Register of Members on 18 January 2006. This declaration has been incorporated in the interim results as an allocation of retained profits or contributed surplus within the capital and reserves section of the balance sheet. The interim dividend warrants will be dispatched on or about 25 January 2006.

## 9. Earnings per share

The calculation of basic earnings per share is based on the net profit from ordinary activities attributable to shareholders for the period of HK\$7,847,000 (2004: HK\$7,484,000) and 317,035,700 ordinary shares in issue during the periods.

Diluted earnings per share amounts for the period ended 30 September 2005 and 2004 have not been disclosed as no diluting events existed during these periods.

## 10. Long term investments

	<b>30 September 2005 (Unaudited) HK\$'000</b>	31 March 2005 (Audited) HK\$'000
Unlisted equity investments, at cost	<b>3,364</b>	3,364
Less: Provision for impairment	<b>(3,364)</b>	(3,364)
	<u>          </u>	<u>          </u>
	<u>          </u>	<u>          </u>

## 11. Trade and bills receivables

An aged analysis of the trade and bills receivables as at the balance sheet date, based on the invoice date, is as follows:

	<b>30 September 2005 (Unaudited) HK\$'000</b>	31 March 2005 (Audited) HK\$'000
Trade receivables:		
Within 3 months	<b>9,522</b>	6,220
4 to 6 months	<b>4,450</b>	396
7 to 12 months	<b>210</b>	4,993
Over 1 year	<b>403</b>	407
	<u>          </u>	<u>          </u>
	<b>14,585</b>	12,016
Less: Provisions for bad and doubtful debts	<b>(539)</b>	(529)
	<u>          </u>	<u>          </u>
	<b>14,046</b>	11,487
Bills receivables:	<b>3,313</b>	–
	<u>          </u>	<u>          </u>
	<u><b>17,359</b></u>	<u>11,487</u>

The Group's trading terms with its customers are mainly on credit, except for new customers where payment in advance is normally required. The credit period is generally for a period of one to three months, extending up to six months for major customers. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management.

**12. Hire purchase contract payables**

The Group purchased a motor vehicle under a hire purchase contract with a term of three years. At the balance sheet date, the total future minimum lease payments under the hire purchase contract and their present values were as follows:

	<b>Minimum lease payments</b>		<b>Present value of minimum lease payments</b>	
	<b>As at</b>		<b>As at</b>	
	<b>30 September 2005 (Unaudited) HK\$'000</b>	<b>31 March 2005 (Audited) HK\$'000</b>	<b>30 September 2005 (Unaudited) HK\$'000</b>	<b>31 March 2005 (Audited) HK\$'000</b>
Amounts payable:				
Within one year	<u>37</u>	<u>147</u>	<u>37</u>	<u>144</u>
Total minimum hire purchase contract payments	<b>37</b>	147	<b><u>37</u></b>	<b><u>144</u></b>
Future finance charges	<u>-</u>	<u>(3)</u>		
Total net hire purchase contract payables classified as current liabilities	<b><u>37</u></b>	<b><u>144</u></b>		

**13. Trade payables**

An aged analysis of the trade payables as at the balance sheet date, based on the invoice date, is as follows:

	<b>30 September 2005 (Unaudited) HK\$'000</b>	<b>31 March 2005 (Audited) HK\$'000</b>
Within 3 months	<b>7,869</b>	1,518
4 to 6 months	<b>533</b>	1,146
7 to 12 months	<b>60</b>	387
Over 1 year	<b><u>480</u></b>	<u>146</u>
	<b><u>8,942</u></b>	<b><u>3,197</u></b>

#### 14. Share Capital

<b>30 September 2005 (Unaudited) HK\$'000</b>	31 March 2005 (Audited) HK\$'000
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*Authorised:*

1,000,000,000 ordinary shares of HK\$0.10 each  
At 1 st April 2005 and 30 th September 2005

<u><b>100,000</b></u>	<u>100,000</u>
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*Issued and fully paid:*

317,035,700 ordinary shares of HK\$0.10 each  
At 1 st April 2005 and 30 th September 2005

<u><b>31,704</b></u>	<u>31,704</u>
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#### 15. Share Options

No share options were granted during the current period or the prior period and there were no share options outstanding at the balance sheet date.

#### 16. Pledge of Assets

At the balance sheet date, the banking facilities of the Group were secured by the Group's bank deposits and leasehold land and buildings with carrying values of HK\$29,398,000 (at 31 March 2005 HK\$29,370,000) and HK\$13,180,000 (at 31 March 2005 HK\$13,180,000), respectively; and guarantees given by the Company.

#### 17. Contingent liabilities

At the balance sheet date, the contingent liabilities not provided for in the financial statements were as follows:

- (a) The Group had a contingent liability in respect of possible future long term service payments to employees under the Hong Kong Employment Ordinance with a maximum possible amount of HK\$1,935,000 as at 30 September 2005 (at 31 March 2005: HK\$1,895,000). The contingent liability has been arisen because, at the balance sheet date, a number of current employees have achieved the required number of years of service to the Group, in order to be eligible for long service payments under the Employment Ordinance if their employment is terminated in the circumstances specified. A provision has not been recognized in respect of such possible payments, as it is not considered probable that the situation will result in a material future outflow of resources from the Group.
- (b) The Company had given guarantees to banks in connection with banking facilities granted to a subsidiary amounting HK\$81,930,000 (at 31 March 2005: HK\$81,930,000), of which HK\$9,417,000 (at 31 March 2005: HK\$13,669,000) was utilized at the balance sheet date.

## 18. Operating lease arrangements

The Group leased certain of its office premises under operating lease arrangements. The lease is negotiated for twenty years at the balance sheet date.

At the balance sheet date, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	As at	
	30 September 2005 (Unaudited) HK\$'000	31 March 2005 (Audited) HK\$'000
Within one year	21	–
In the second to fifth years	86	–
In the sixth to nineteenth years, inclusive	329	–
	<u>436</u>	<u>–</u>

## 19. Commitments

At the balance sheet date, in addition to the operating lease commitments detailed in note 18 above, the Group had the following capital commitments:

	As at	
	30 September 2005 (Unaudited) HK\$'000	31 March 2005 (Audited) HK\$'000
Contracted, but not provided for:		
construction work for an office premises	107	–
contribution to a subsidiary's share capital	3,000	–
	<u>3,107</u>	<u>–</u>

At the balance sheet date, the Company had no other capital commitments.

## 20. Approval of unaudited interim financial statements

The unaudited condensed consolidated interim financial statements of the Company were approved by the Directors on 21 December 2005.