NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2006

1. GENERAL

The Company is incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

The address of the Company's registered office is Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda. The principal office in Hong Kong is located at Units 404-411, 4th Floor, Fanling Industrial Centre, 21 On Kui Street, On Lok Tsuen, Fanling, New Territories, Hong Kong.

The Company is an investment holding company. Its subsidiaries are principally engaged in the manufacture of, and trading in, knit-to-shape and non knit-to-shape garments.

2. BASIS OF PRESENTATION

The financial statements have been prepared under the historical cost convention and in accordance with the generally accepted accounting principles in Hong Kong and with the Hong Kong Financial Reporting Standards ("**HKFRS**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**").

The preparation of financial statements in conformity with the HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The estimates and assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and futures periods if the revision affect both current and future periods.

The HKICPA has issued a number of new and revised HKFRS which are effective for accounting periods beginning on or after 1st January, 2005. In 2006, the Group adopted the new/revised HKFRS which are relevant to its operations. The 2005 comparative figures have been restated as required, in accordance with the relevant requirements.

The adoption of new/revised HKASs 1, 2 , 7, 8, 10, 12, 14, 16, 17, 18, 19, 21, 23, 24, 26, 27, 28, 32, 33, 36, 37, 39 and 40 and HKFRSs 1 and 3 do not result in substantial changes to the Group's accounting policies. In summary:

– HKAS 1 has affected the presentation of minority interests, share of net after tax results of associates and other disclosures in the financial statements.

– HKASs 2, 7, 8, 10, 12, 14, 16, 18, 19, 21, 23, 26, 27, 28, 32, 33, 36, 37 and 39 and HKFRSs 1 had no material effect on the Group's accounting policies.

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

2. BASIS OF PRESENTATION *(Continued)*

The adoption of HKAS 17 "Leases" has resulted in a change in the accounting policy relating to leasehold land. In prior years, the leasehold land and buildings were accounted for as property, plant and equipment and carried at cost less accumulated depreciation, amortisation and impairment. Upon adoption of HKAS 17, the Group's leasehold interest in land and buildings is separated into leasehold land and leasehold buildings. The Group's leasehold land is classified as an operating lease, because the title of the land is not expected to pass to the Group by the end of the lease term, and is reclassified from property, plant and equipment to prepaid land premiums, while leasehold buildings continue to be classified as part of the property, plant and equipment. Prepaid land premiums for land lease payments under operating leases are initially stated at cost and amortised on the straight-line basis over the lease term. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease payments are included in the cost of land and buildings as a finance lease in property, plant and equipment. This change in accounting policy, which has no impact on the Group's income statement, has been applied retrospectively and 2005 comparative figures have been restated accordingly

The adoption of HKAS 40 "Investment Property" has resulted in a change in the accounting policy relating to the Group's freehold land held for an undetermined future purpose. In prior years, the freehold held for an undetermined future purpose was accounted for as part of the property, plant and equipment and carried at cost less accumulated impairment. Upon adoption of HKAS 40, such freehold land is recognised as investment property and continues to be carried at cost less accumulated impairment. This change in accounting policy, which has no impact on the Group's income statement, has been applied retrospectively and 2005 comparative figures have been restated accordingly.

With the adoption of HKFRS 3 "Business Combinations" and its transitional provisions, negative goodwill previously recognised prior to 1st April, 2005 and credited to negative goodwill reserve was transferred to the opening balance of retained profits. As a result, the Group's opening retained profits as at 1st April, 2005 was increased by approximately HK$1,232,000 with the corresponding decrease in the negative goodwill reserve of approximately HK$1,232,000.

Certain new standards, amendments and interpretations to existing standards have been published that are mandatory for the Group's accounting periods beginning on 1st April 2006 or later periods but which the Group has not adopted early, are as follows:

HKAS 1 (Amendment)	"Capital Disclosures"
HKAS 19 (Amendment)	"Actuarial Gains and Losses, Group Plans and Disclosures"
HKAS 39 (Amendment)	"Cash Flow Hedge Accounting of Forecast Intragroup Transactions"
HKAS 39 (Amendment)	"The Fair Value Option"
HKAS 39 and HKFRS 4 (Amendment)	"Financial Guarantee Contracts"
HKFRS 1 (Amendment)	"First-time Adoption of Hong Kong Financial Reporting Standards"
HKFRS 6 (Amendment)	"Exploration for and Evaluation of Mineral Resources"
HKFRS 7	"Financial Instruments: Disclosures"
HKFRS-Int 4	"Determining whether an Arrangement contains a Lease"
HKFRS-Int 5	"Rights to Interests arising from Decommission, Restoration and Environmental Rehabilitation Funds"

Management is currently assessing the impact of these new standards, amendments and interpretations but is not yet in a position to state whether they would have a significant impact on the Group's operations and financial position.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2006

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31st March each year.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

All significant intercompany transactions, balances and unrealised gains within the Group are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

(b) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net assets of the acquired subsidiary or associate at the effective date of acquisition. Goodwill is included in intangible assets and interests in associates at cost less accumulated impairment losses and is subject to impairment testing at least annually.

Goodwill is allocated to each cash-generating unit for the purpose of impairment testing. Each of those cash-generating units represents the Group's investment in each country of operation by each primary reporting segment.

Gains or losses on disposal on an entity include the carrying amount of goodwill relating to the entity sold.

Any excess of the Group's share of the net assets of the acquired subsidiary or associate over the cost of an acquisition is recognised immediately in the income statement.

(c) Revenue recognition

Sales of goods are recognised when goods are delivered and title has been passed.

Sub-contracting income is recognised when services are rendered.

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2006

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(d) Leases

Leases are classified as finance leases when the terms of the lease transfer substantially all the risks and rewards of ownership of the assets concerned to the Group. Assets held under finance leases are capitalised at their fair values at the date of acquisition. The corresponding liability to the lessor, net of interest charges, is included in the balance sheet as a finance lease obligation. Finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are charged to the income statement over the period of the relevant lease so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

All other leases are classified as operating leases and the annual rentals (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the relevant lease term.

(e) Foreign currencies

Transactions in foreign currencies are initially recorded at the rates of exchange prevailing on the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are re-translated at the rates prevailing on the balance sheet date. Gains and losses arising on exchange are recognised in the income statement.

On consolidation, the assets and liabilities of the Group's overseas operations are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising, if any, are classified as equity and transferred to the Group's exchange reserve. Such translation differences are recognised as income or as expenses in the period in which the operation is disposed of.

(f) Retirement benefit costs

The Group operates a Mandatory Provident Fund Scheme for all qualifying employees in Hong Kong and has joined a number of defined contribution pension schemes organised by the local governments in The People's Republic of China and Thailand for certain of their employees. The assets of these schemes are held separately from those of the Group in independently administered funds. Contributions are charged to the income statement as they became payable in accordance with the rules of the schemes.

(g) Borrowing costs

Borrowing costs are expensed in the income statement in the period in which they are incurred.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(h) Taxation

Income tax represents the sum of the tax currently payable, together with deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes income statement items that are never taxable or deductible.

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 against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition, other than in a business combination, of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

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 profit 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 period when the liability is settled or the asset is 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.

(i) Temporary textile quota entitlement

The cost of temporary textile quota entitlement is charged to the income statement at the time of utilisation.

(j) Property, plant and equipment

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

Construction in progress is carried at cost less any identified impairment loss. Depreciation of this asset, on the same basis as other property assets, commences when the asset is ready for its intended use.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2006

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

Depreciation and amortisation is provided to write off the cost of property, plant and equipment, other than construction in progress, over their estimated useful lives, using the straight line method, at the following rates per annum:

Freehold land	Nil
Leasehold buildings	Over the shorter of the term of leases or 50 years
Leasehold improvements	Over the remaining term of the relevant leases
Plant and machinery	12.5% to 25%
Furniture, fixtures and equipment	25%
Motor vehicles	25%

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in the income statement.

(k) Investment properties

Properties that are held for long term rental yields or for capital appreciation or both are classified as investment properties. These include land held for a currently undetermined future use.

Investment properties are stated at cost less accumulated deprecation and impairment losses. Deprecation is provided to write off the cost of investment properties over their estimated useful lives using the straight line method.

The gain or loss arising from the retirement or disposal of an investment property, representing the difference between the net disposal proceeds and the carrying amount of the relevant asset, is recognised in the income statement.

(l) Impairment

Assets that have an indefinite useful life are not subject to amortisation, are tested at least annually for impairment and are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows. Such impairment losses are recognised in the income statement except where the asset is carried at valuation and the impairment loss does not exceed the revaluation surplus for that same asset, in which case it is treated as a revaluation decrease.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(l) Impairment *(Continued)*

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. A reversal of impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversal of impairment losses are credited to the income statement except where the asset is carried at valuation, in which case the reversal of impairment loss is treated as a revaluation increase.

(m) Subsidiaries

Investments in subsidiaries are included in the Company's balance sheet at cost less any identified impairment loss.

(n) Associate

The consolidated income statement includes the Group's share of the post-acquisition results of its associate for the year. In the consolidated balance sheet, the interest in the associate is stated at the Group's share of the net assets of the associate.

When the Group transacts with its associate, 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.

(o) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost, calculated on the first-in, first-out basis, comprises materials, direct labour and an appropriate proportion of all production overhead expenditures. Net realisable value is determined on the basis of anticipated sales proceeds less estimated costs of completion and selling expenses.

(p) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost less impairment losses for bad and doubtful debts, except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less impairment losses for bad and doubtful debts.

(q) Trade and other payables

Trade and other payables are initially recognised at fair value and thereafter stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(r) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the income statement over the period of the borrowings using the effective interest method.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2006

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(s) Long service payments

The Group's obligation under long service payments recognised in the balance sheet is determined using the projected unit credit method, with actuarial valuation being carried out at each balance sheet date.

Past service cost is recognised immediately to the extent that the benefits have already been vested.

4. TURNOVER

Turnover represents the amounts received and receivable for goods sold and sub-contracting services provided to outside customers during the year and is analysed as follows:

	2006	2005
	HK$'000	*HK$'000*
Sales of goods	**334,800**	327,580
Sub-contracting income	**6,057**	10,618
	340,857	338,198

5. OTHER OPERATING INCOME

	2006	2005
	HK$'000	*HK$'000*
Bad debts recovered	**328**	–
Exchange gains, net	**195**	1,136
Interest income	**300**	228
Management fee	**2,740**	–
Sundry income	**1,708**	1,459
	5,271	2,823

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2006

6. PROFIT/(LOSS) FROM OPERATIONS

	2006	2005
	HK$'000	*HK$'000*
Profit/(loss) from operations has been arrived at after charging (crediting):		
Provision for inventories	**787**	4,076
Amortisation of prepaid land premiums	**179**	134
Auditors' remuneration	**415**	638
Cost of temporary textile quota entitlements	**495**	19,782
Depreciation and amortisation of property, plant and equipment	**15,992**	13,225
Loss/(gain) on disposal of property, plant and equipment	**459**	(8)
Minimum lease payments under operating leases		
– rented premises	**563**	543
– plant and machinery	**1,980**	–
Staff costs including directors' remuneration		
– salaries, wages and allowances	**90,751**	89,278
– retirement benefit costs - defined contribution schemes	**901**	1,054

7. REMUNERATION OF DIRECTORS AND EMPLOYEES

Details of directors' remuneration for the year ended 31st March 2006 is set out below:

	Fees	Salaries and other benefits	Retirement benefit scheme contributions	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Executive directors				
Cheng Chi Tai	–	898	12	910
Cheng Kwai Chun, John	–	768	12	780
Lin Chick Kwan	–	807	12	819
Lin Wing Chau	–	807	12	819
Independent non-executive directors				
Ko Hay Yin, Karen	40	–	–	40
Chow Chan Lum	40	–	–	40
Ho Man Yee, Esther	40	–	–	40
Total	120	3,280	48	3,448

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2006

7. REMUNERATION OF DIRECTORS AND EMPLOYEES *(Continued)*

Details of directors' remuneration for the year ended 31st March 2005 is set out below:

	Fees	Salaries and other benefits	Retirement benefit scheme contributions	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Executive directors				
Cheng Chi Tai	–	1,138	12	1,150
Cheng Kwai Chun, John	–	768	12	780
Lin Chick Kwan	–	807	12	819
Lin Wing Chau	–	807	12	819
Non-executive director				
Yip Galy Ka Lai	–	198	10	208
Independent non-executive directors				
Ko Hay Yin, Karen	40	–	–	40
Chow Chan Lum	40	–	–	40
Ho Man Yee, Esther	40	–	–	40
Total	120	3,718	58	3,896

Five highest paid individuals

Of the five individuals with the highest emoluments in the Group, four (2005: four) were directors of the Company whose emoluments are included in the disclosures above. The emoluments of the remaining individual were as follows:

	2006	2005
	HK$'000	*HK$'000*
Salary and other benefits	**399**	389
Performance related incentive payments	**77**	66
Retirement benefit scheme contributions	**12**	12
	488	467

The emoluments of the remaining highest paid individual were within the following band:

Nil-HK$1,000,000	**1**	1

During the year, no emoluments were paid by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors waived any emoluments during the year.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2006

8. FINANCE COSTS

	2006	2005
	HK$'000	*HK$'000*
Implied interest on financing the acquisition of property, plant and equipment	**1,666**	1,090
Interest on bank borrowings wholly repayable within five years	**1,668**	894
Interest on amounts due to directors	**417**	–
Finance charges on finance leases	**343**	249
	4,094	2,233

9. INCOME TAX

	2006	2005
	HK$'000	*HK$'000*
The charge/(credit) comprises:		
Over provision of Hong Kong Profits Tax in prior years	**–**	(3)
Deferred tax charge/(credit) *(Note 24)*	**126**	(482)
	126	(485)

No provision for Hong Kong Profits Tax has been made in the financial statements for both years as the companies in the Group either have no assessable profits or have available tax losses brought forward to set off against their assessable profits.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2006

9. INCOME TAX *(Continued)*

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

	2006	2005
	HK$'000	*HK$'000*
Profit/(loss) before taxation	**926**	(29,619)
Less: Profit of an associate	**(1,402)**	–
	(476)	(29,619)
Tax credit at Hong Kong Profits Tax rate of 17.5%	**(83)**	(5,183)
Tax effect of expenses not deductible for tax purpose	**2,654**	1,912
Tax effect of income not taxable	**(3,242)**	(3)
Tax effect of tax losses not recognised	**1,408**	2,794
Over provision of income tax in prior years	**–**	(3)
Utilisation of tax losses previously not recognised	**(611)**	(2)
Income tax charge/(credit) for the year	**126**	(485)

10. DIVIDEND

No dividend was paid or proposed during the year, nor has any dividend been proposed since the balance sheet date (2005: nil).

11. EARNINGS/LOSS PER SHARE

The calculation of the basic earnings/loss per share is based on profit for the year of HK$800,000 (2005: loss of HK$29,134,000) and on 236,402,000 (2005: 236,402,000) ordinary shares in issue during the year.

The diluted profit/loss per share has not been presented as there were no potential ordinary shares in existence during the two years ended 31st March, 2006.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2006

12. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings HK$'000	Leasehold improvements HK$'000	Plant and machinery HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
THE GROUP							
COST							
As previously reported	125,675	9,771	26,485	5,302	7,747	–	174,980
Effect on adoption of HKAS17	(8,856)	–	–	–	–	–	(8,856)
Effect on adoption of HKAS40	(3,125)	–	–	–	–	–	(3,125)
At 1st April, 2004, restated	113,694	9,771	26,485	5,302	7,747	–	162,999
Exchange realignment	110	7	128	10	6	–	261
Additions	28	1,875	37,157	908	387	463	40,818
Eliminated on disposals	–	–	(134)	(139)	(103)	–	(376)
At 31st March, 2005, restated	113,832	11,653	63,636	6,081	8,037	463	203,702
Exchange realignment	240	21	184	6	10	5	466
Additions	1,753	1,605	32,717	296	162	–	36,533
Transfers	373	95	–	–	–	(468)	–
Eliminated on disposals	–	(1,263)	(622)	(302)	(479)	–	(2,666)
At 31st March, 2006	116,198	12,111	95,915	6,081	7,730	–	238,035
DEPRECIATION, AMORTISATION AND IMPAIRMENT							
As previously reported	15,012	3,384	17,182	4,227	6,379	–	46,184
Effect on adoption of HKAS17	(1,008)	–	–	–	–	–	(1,008)
At 1st April, 2004, restated	14,004	3,384	17,182	4,227	6,379	–	45,176
Exchange realignment	(10)	3	39	7	5	–	44
Impairment loss recognised	–	–	836	–	–	–	836
Provided for the year	2,923	981	7,693	745	883	–	13,225
Eliminated on disposals	–	–	(131)	(126)	(101)	–	(358)
At 31st March, 2005, restated	16,917	4,368	25,619	4,853	7,166	–	58,923
Exchange realignment	61	8	123	6	8	–	206
Provided for the year	2,716	935	11,307	605	429	–	15,992
Eliminated on disposals	–	(803)	(378)	(248)	(479)	–	(1,908)
At 31st March, 2006	19,694	4,508	36,671	5,216	7,124	–	73,213
NET BOOK VALUE							
At 31st March, 2006	96,504	7,603	59,244	865	606	–	164,822
At 31st March, 2005, restated	96,915	7,285	38,017	1,228	871	463	144,779

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2006

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

An analysis of the net book value of the Group's land and building is set out below:

	THE GROUP	
	2006	2005
	HK$'000	*HK$'000*
		(restated)
Under medium term leases		
Hong Kong	**5,889**	6,035
The People's Republic of China ("Mainland China")	**75,785**	75,331
Freehold		
Thailand	**14,830**	15,549
	96,504	96,915

The net book value of motor vehicles and the plant and machinery includes an amount of HK$174,000 (2005: HK$288,000) and an amount of HK$8,843,000 (2005: HK$10,594,000) respectively in respect of assets held under finance leases.

13. PREPAID LAND PREMIUMS

	THE GROUP	
	2006	2005
	HK$'000	*HK$'000*
		(restated)
COST		
Beginning of the year	**8,959**	8,856
Exchange realignment	**51**	9
Additions	**–**	94
End of the year	**9,010**	8,959
AMORTISATION		
Beginning of the year	**1,142**	1,008
Exchange realignment	**1**	–
Provided for the year	**179**	134
End of the year	**1,322**	1,142
CARRYING AMOUNT	**7,688**	7,817

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2006

13. PREPAID LAND PREMIUMS *(Continued)*

The prepaid land premiums relate to the Group's interests in leasehold land and land use rights analysed as follows:

	THE GROUP	
	2006	2005
	HK$'000	*HK$'000*
		(restated)
Under medium term leases		
Hong Kong	**3,081**	3,158
Mainland China	**4,607**	4,659
	7,688	7,817

14. INVESTMENT PROPERTIES

	THE GROUP	
	2006	2005
	HK$'000	*HK$'000*
		(restated)
AT COST		
Beginning of the year	**3,150**	3,125
Exchange realignment	**23**	25
End of the year	**3,173**	3,150

The investment properties comprise various parcels of freehold land (known as Land Nos. 2, 8, 50, 51, 72 and 137) located at Highway No. 201, Chongsammor Sub-district, Kengkror District, Chaiyaphum Province, Thailand. In the opinion of the directors, the fair value of the investment properties is approximately HK$11,000,000.

15. INVESTMENTS IN SUBSIDIARIES

	THE COMPANY	
	2006	2005
	HK$'000	*HK$'000*
		(restated)
Unlisted shares, at cost	**187,890**	187,890
Less: Impairment losses	**(74,587)**	(74,587)
	113,303	113,303

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2006

15. INVESTMENTS IN SUBSIDIARIES *(Continued)*

The cost of the unlisted shares is based upon the book value of the underlying net assets of the subsidiaries as at the date on which they were acquired by the Company at the time of the group reorganisation in 2001, after deducting the dividends received by the Company from the profits of certain subsidiaries before the group reorganisation.

An impairment loss of HK$74,587,000 (2005: HK$74,587,000) was recognised based upon the directors' estimation on the net recoverable amount of the investments in subsidiaries.

Particulars of the subsidiaries of the Company as at 31st March, 2006 are as follows:

Name of subsidiary	Place of incorporation or registration	Issued and fully paid ordinary share capital/ registered capital	Proportion of nominal value of issued capital held by the Company	Principal activities
Addlink Limited	British Virgin Islands	US$62,000	100%	Investment holding
Pak Tak Holdings (Hong Kong) Limited	Hong Kong	HK$10,000	100%	Investment holding
Pak Tak Knitting & Garment Factory Limited	Hong Kong	HK$3,000,000	100%	Manufacture of and trading in knit-to-shape and non knit-to-shape garments
Pak Tak Knitting & Garment Factory (Thailand) Company Limited	Thailand	Baht20,000,000	60%	Manufacture of knit-to-shape garments
Rich Source Limited	Hong Kong	HK$10,000	100%	Trading in knit-to-shape and non knit-to-shape garments
Richtime Knitting Limited	Hong Kong	HK$10,000	100%	Manufacture of knit-to-shape garments
普寧市百德針織有限公司	Mainland China	HK$17,000,000	100%	Manufacture of knit-to-shape garments
永州健泰毛織品有限公司	Mainland China	US$1,000,000	100%	Manufacture of knit-to-shape garments
Pak Tak (America) Inc.	U.S.A	US$10	100%	Promotion and exhibition

All of the above subsidiaries, except for Addlink Limited, are indirectly held by the Company.

All subsidiaries operate principally in their respective place of incorporation or registration.

普寧市百德針織有限公司 and 永州健泰毛織品有限公司are wholly foreign owned enterprises.

None of the subsidiaries had issued any debt securities at the end of the year.

16. INTEREST IN AN ASSOCIATE

	THE GROUP	
	2006	2005
	HK$'000	*HK$'000*
Share of net assets	**1,402**	–

Particulars of the Company's associate as at 31st March, 2006 are as follows:

Name of associate	**Place of incorporation and operation**	**Proportion of nominal value of issued capital held by the Group**	**Principal activities**
Pak Tak (Kwong Tai) Knitting Factory Limited ("**Pak Tak Kwong Tai**")	Hong Kong	49%	Trading of knitwear and other apparel products

An extract of the operating results and financial position of the Group's associate, based upon its financial statements for the year ended 31st March, 2006, is as follows:

	2006	2005
	HK$'000	*HK$'000*
Operating results		
Turnover	**59,497**	29,995
Profit before taxation	**4,287**	752
Tax (charge)/credit	**(14)**	1
Profit after taxation	**4,273**	753
Group's share of profit after taxation	**1,402**	–
Financial position		
Non-current assets	**2,620**	1,514
Current assets	**8,861**	10,433
Current liabilities	**(8,489)**	(13,254)
Non-current liabilities	**(132)**	(105)
Net assets/(liabilities)	**2,860**	(1,412)
Group's share of net assets	**1,402**	–

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2006

17. INVENTORIES

	THE GROUP	
	2006	2005
	HK$'000	*HK$'000*
Raw materials	**18,540**	22,026
Work in progress	**18,612**	14,555
Finished goods	**4,380**	1,998
	41,532	38,579

18. TRADE DEBTORS

The Group allows an average credit period of 30 days to its trade customers.

The following is an aged analysis of trade debtors:

	THE GROUP	
	2006	2005
	HK$'000	*HK$'000*
0-30 days	**9,117**	9,110
31-60 days	**613**	2,006
61-90 days	**1,296**	230
Over 90 days	**5,429**	861
	16,455	12,207

19. AMOUNT DUE FROM AN ASSOCIATE

	THE GROUP	
	2006	2005
	HK$'000	*HK$'000*
Interest bearing portion	**2,935**	3,508
Non-interest bearing portion	**232**	799
	3,167	4,307
Provision for impairment of receivables	**(2,099)**	(2,099)
	1,068	2,208

The amount due from Pak Tak Kwong Tai is unsecured and repayable on demand. Interest was charged at 6% (2005: 6%) per annum on the interest bearing portion.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2006

20. TRADE CREDITORS

The following is an aged analysis of trade creditors:

	THE GROUP	
	2006	2005
	HK$'000	*HK$'000*
0-30 days	**8,457**	7,679
31-60 days	**2,302**	4,879
61-90 days	**1,040**	3,478
Over 90 days	**381**	1,144
	12,180	17,180

21. BANK BORROWINGS

	THE GROUP	
	2006	2005
	HK$'000	*HK$'000*
Trust receipt loans	**35,280**	18,187
Export trade finance	**–**	7,937
Term loans	**14,668**	7,500
Packing loans	**–**	1,955
	49,948	35,579

The bank borrowings comprise an amount of HK$2,994,000 (2005. HK$3,630,000) which is secured by certain machinery of the Group with a carrying value of HK$3,015,000 (2005: HK$3,506,000) at 31st March 2006, and an amount of HK$46,954,000 (2005: HK$16,625,000) which is secured by pledged bank deposits of two directors and a legal charge on a property owned by a company controlled by one of the directors.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2006

21. BANK BORROWINGS *(Continued)*

The maturity profile of the above loans is as follows:

	THE GROUP	
	2006	2005
	HK$'000	*HK$'000*
On demand or within one year	**39,778**	29,837
More than one year, but not exceeding two years	**4,744**	1,834
More than two years, but not exceeding five years	**5,426**	3,908
	49,948	35,579
Less: Amount due within one year classified as current liabilities	**(39,778)**	(29,837)
Amount due after one year	**10,170**	5,742

22. OBLIGATIONS UNDER FINANCE LEASES

	Minimum lease payments		Present value of minimum lease payments	
	2006	2005	**2006**	2005
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
THE GROUP				
Amount payable under finance leases:				
Within one year	**2,908**	2,957	**2,668**	2,614
In the second to fifth year inclusive	**5,664**	8,572	**5,481**	8,149
	8,572	11,529	**8,149**	10,763
Less: Future finance charges	**(423)**	(766)	**–**	–
Present value of lease obligations	**8,149**	10,763	**8,149**	10,763
Less: Amount due within one year shown under current liabilities			**(2,668)**	(2,614)
Amount due after one year			**5,481**	8,149

The Group has leased certain of its motor vehicles and plant and machinery under finance leases with a lease term of 3 years and 4.5 years respectively. The interest rate is fixed at the contract date and the average effective rate for the year was 4% (2005: 4%) per annum. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

23. AMOUNTS DUE TO DIRECTORS

The amounts due to directors are unsecured and have no fixed term of repayment. Interest was charged at the interest rate for 6-month fixed deposits as quoted by the Hong Kong Monetary Authority from time to time. The Group has an understanding with these directors that it will not be required to repay any part of the amounts due in the next 12 months

24. DEFERRED TAX

The following are the major deferred tax liabilities and assets recognised by the Group and movements thereon during the current and prior reporting periods:

	Accelerated tax depreciation *HK$'000*	Tax losses *HK$'000*	Total *HK$'000*
THE GROUP			
At 1st April, 2004	3,151	(2,669)	482
Charged/(credited) to income statement *(Note 9)*	4,005	(4,487)	(482)
At 31st March, 2005	7,156	(7,156)	–
Charged/(credited) to income statement *(Note 9)*	1,266	(1,140)	126
At 31st March, 2006	8,422	(8,296)	126

At the balance sheet date, the Group has unused tax losses of approximately HK$90,896,000 (2005: HK$70,042,000). A deferred tax asset has been recognised in respect of approximately HK$47,406,000 (2005: HK$40,894,000) of such losses. No deferred tax asset has been recognised in respect of the remaining balance of approximately HK$43,490,000 (2005: HK$29,148,000) due to the unpredictability of future profit streams. Included in unrecognised tax losses are losses of approximately HK$8,334,000 (2005: HK$4,648,000) that will expire within five years and losses of approximately HK$23,773,000 (2005: HK$20,008,000) that will expire in 2011. Other losses may be carried forward indefinitely.

25. PROVISION FOR LONG SERVICE PAYMENTS

Under the Hong Kong Employment Ordinance, the Group is required to make long service payments to its employees in Hong Kong upon the termination of their employment or retirement when the employee fulfils certain conditions and the termination meets the required circumstances. However, where an employee is simultaneously entitled to a long service payment and to a retirement scheme payment, the amount of the long service payment may be reduced by certain benefits arising from the retirement scheme

The most recent actuarial valuation of the present value of the Group's obligations under long service payments was carried out at 31st March, 2006 by Hewitt Associates LLC, an independent firm of human resource consultants and actuaries. The present value of the Group's obligations under long service payments, the related current service cost and past service cost were measured using the projected unit credit method.

25. PROVISION FOR LONG SERVICE PAYMENTS *(Continued)*

The main actuarial assumptions used in the actuarial valuation are as follows:

Discount rate	5% per annum
Expected rate of salary increases	2.5% per annum

Amounts recognised in income statement in respect of the long service payments are as follows:

	THE GROUP	
	2006	2005
	HK$'000	*HK$'000*
Current service cost	**(11)**	(25)
Interest cost	**46**	48
Actuarial loss/(gain)	**287**	(111)
	322	(88)

The charge/(credit) for the year has been included in administrative expenses.

Movements in the net liability in the current year were as follows:

	THE GROUP	
	2006	2005
	HK$'000	*HK$'000*
At beginning of the year	**776**	864
Amount charged/(credited) to income statement	**322**	(88)
Actual benefit payments	**(295)**	–
At end of the year	**803**	776

26. SHARE CAPITAL

	2006	2005
	HK$'000	*HK$'000*
Authorised:		
500,000,000 ordinary shares of HK$0.1 each	**50,000**	50,000
Issued and fully paid:		
236,402,000 ordinary shares of HK$0.1 each	**23,640**	23,640

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For the year ended 31st March, 2006

27. SHARE OPTION SCHEME

The Company's share option scheme (the "**Scheme**") was adopted pursuant to a shareholders' resolution passed on 9th November, 2001 for the purpose of providing incentives or rewards to directors and full-time employees of the Group and will expire on the tenth anniversary of the date adoption of the Scheme. Under the Scheme, the directors of the Company may grant options to directors and full-time employees of the Group to subscribe for shares in the Company at a price equal to the higher of: (1) the nominal value of the shares; or (2) the average closing prices of the shares as stated in the Stock Exchange's daily quotations for the five trading days immediately preceding the date of grant of the options; or (3) the closing price of the shares as stated in the Stock Exchange's daily quotations on the date of grant of the options, which must be a business day.

Options granted may be accepted by the grantee within 28 days from the date of grant of the option. The exercise period for the share options granted is determinable by the directors of the Company and should not expire later than 10 years from the date of grant. A price of HK$1.00 is payable by the grantee upon acceptance of the grant of an option under the Scheme.

Unless shareholders' approval is sought, the shares which may be issued upon exercise of all options to be granted under the Scheme or any other share option scheme of the Company must not in aggregate exceed 22,800,000 shares of the Company.

In addition, the total number of shares of the Company issued and to be issued upon exercise of the options granted to each participant (including both exercised and unexercised options) under the Scheme or any other share option scheme of the Company in any 12-month period must not exceed 1% of the shares of the Company in issue on the date of grant.

No options had been granted or agreed to be granted under the Scheme since its adoption.

28. RESERVES

	THE COMPANY	
	2006	2005
	HK$'000	*HK$'000*
SHARE PREMIUM		
At beginning and end of the year	**5,987**	5,987
CONTRIBUTED SURPLUS		
At beginning and end of the year	**181,059**	181,059
(DEFICIT)/RETAINED PROFITS		
At beginning of the year	**(66,798)**	7,877
Loss for the year	**(146)**	(74,675)
At end of the year	**(66,944)**	(66,798)
TOTAL RESERVES	**120,102**	120,248

28. RESERVES *(Continued)*

The contributed surplus of the Company represents the difference between the consolidated shareholders' funds of the subsidiaries at the date at which they were acquired by the Company, and the nominal amount of the Company's shares issued for the acquisition at the time of the group reorganisation on 9th November, 2001 and has been adjusted for the dividend declared from this reserve after 9th November, 2001.

Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus account of a company is available for distribution. However, the Company cannot declare or pay or dividend, or make a distribution out of the contributed surplus, if:

(a) it is, or would after the payment be, unable to pay its liabilities as they become due; or

(b) the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

In the opinion of the directors, the Company's reserves available for distribution to shareholders at the balance sheet date were:

	2006	2005
	HK$'000	*HK$'000*
Contributed surplus	**181,059**	181,059
Deficit	**(66,944)**	(66,798)
	114,115	114,261

29. FINANCIAL INSTRUMENTS

The Group's major financial instruments include bank balances, amount due from an associate and bank borrowings. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Credit risk

The Group's principal exposure to credit risk is on the amount due from an associate, trade debtors and bank balances. The management closely monitors the recoverability of the amount due from an associate and trade debtors. In this regard, the directors of the Group consider that the Group's credit risk is significantly reduced.

The credit risk on bank balances is limited because the counterparties are banks with high credit-ratings.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2006

29. FINANCIAL INSTRUMENTS *(Continued)*

Interest rate risk

The Group has exposure to interest rate risk through the impact of any rate changes on bank borrowings. Management considers the interest rate risk exposure is limited and will consider hedging significant interest rate exposure should the need arise.

Foreign currency risk

The Group's foreign currency exposure arises mainly from the exchange rate movements of the Hong Kong dollars and Renminbi.

The Group does not enter into any derivative contracts to hedge its foreign currency risk. However, management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

30. MAJOR NON-CASH TRANSACTION

The Group entered into finance lease arrangements in respect of assets with a total capital value at the inception of the lease of HK$Nil (2005: HK$11,864,000).

31. CAPITAL COMMITMENTS

	THE GROUP	
	2006	2005
	HK$'000	*HK$'000*
Capital expenditure in respect of the acquisition of property, plant and equipment:		
contracted for but not provided for in the financial statements	–	27,328
authorised but not contracted for	–	626

32. LEASE COMMITMENTS

At the balance sheet date, the Group had outstanding commitments, under non-cancellable operating leases in respect of rented premises, which fall due as follows:

	2006	2005
	HK$'000	*HK$'000*
Within one year	**564**	582
In the second to fifth year inclusive	–	562
	564	1,144

Operating leases are negotiated for a term of two to three years without renewal options.

The Company did not have any outstanding operating lease commitments at the balance sheet date.

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For the year ended 31st March, 2006

33. CONTINGENT LIABILITIES

At 31st March 2006, the Group had contingent liabilities in respect of bank guarantees of approximately HK$1,364,000 (2005: HK$70,000) issued in favour of third parties.

At 31st March, 2006, the Company had issued corporate guarantees to banks and other financial institutions in connection with facilities granted to certain of its subsidiaries amounting to approximately HK$65 million (2005: HK$183 million).

34. RELATED PARTY TRANSACTIONS

In addition to the transactions and balances detailed elsewhere in the financial statements, the Group entered into the following material related party transactions during the year:

	2006	2005
	HK$'000	*HK$'000*
Pak Tak Kwong Tai		
Rental income	**–**	8
Sales of goods	**1,194**	11,458
Interest income	**212**	204
Letter of credit issue on behalf	**2,984**	2,926
Commission paid	**455**	941
Cheng Chi Tai and Cheng Kwai Chun, John		
Interest paid	**417**	–

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2006

35. SEGMENT INFORMATION

(a) Business segments

The business activities of the Group can be categorised into knit-to-shape garments, non knit-to-shape garments and sub-contracting. Segment information in respect of these activities is as follows:

RESULTS

	Turnover		Contribution to profit/(loss)	
	2006	2005	**2006**	2005
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Sales of knit-to-shape garments	**332,848**	319,450	**869**	(20,848)
Sales of non knit-to-shape garments	**1,952**	8,130	**201**	(7,125)
Sub-contracting	**14,950**	14,357	**(378)**	(1,488)
Less: Inter-segment transactions	**(8,893)**	(3,739)	**(2,345)**	(748)
	340,857	338,198	**(1,653)**	(30,209)
Other operating income			**5,271**	2,823
Profit/(loss) from operations			**3,618**	(27,386)
Finance costs			**(4,094)**	(2,233)
Share of results of an associate			**1,402**	–
Profit/(loss) before taxation			**926**	(29,619)
Income tax			**(126)**	485
Profit/(loss) for the year			**800**	(29,134)

Inter-segment sales for the year ended 31st March, 2006 and 2005 from sub-contracting segment to sales of knit-to-shape garments segment were charged at cost plus a percentage profit markup.

35. SEGMENT INFORMATION *(Continued)*

(a) Business segments *(Continued)*

FINANCIAL POSITION

	2006	2005
	HK$'000	*HK$'000*
Assets		
Segment assets:		
– Knit-to-shape garments	**196,403**	49,572
– Non knit-to-shape garments	**–**	731
– Sub-contracting	**34,052**	483
– Unallocated segment assets	**3,173**	155,746
Total segment assets	**233,628**	206,532
Unallocated corporate assets	**20,536**	14,891
Consolidated total assets	**254,164**	221,423
Liabilities		
Segment liabilities:		
– Knit-to-shape garments	**72,304**	16,751
– Non knit-to-shape garments	**–**	2,091
– Sub-contracting	**20,116**	–
Total segment liabilities	**92,420**	18,842
Unallocated corporate liabilities	**17,000**	58,693
Consolidated total liabilities	**109,420**	77,535
Capital additions in segment assets		
– Knit-to-shape garments	**30,119**	23,755
– Sub-contracting	**6,414**	17,157
	36,533	40,912
Depreciation and amortisation		
– Knit-to-shape garments	**10,862**	10,843
– Non knit-to-shape garments	**731**	849
– Sub-contracting	**4,578**	1,667
	16,171	13,359
Impairment loss on property, plant and equipment		
– Knit-to-shape garments	**–**	836

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2006

35. SEGMENT INFORMATION *(Continued)*

(b) Geographical market

The Group's operations are located in Hong Kong, Mainland China and Thailand.

The following table provides an analysis of the Group's sales by geographical market, irrespective of origin of the goods and services:

	Sales revenue by geographical market	
	2006	2005
	HK$'000	*HK$'000*
United States of America	**303,798**	296,155
Europe	**16,093**	14,383
Asia	**12,284**	20,597
Australia	**2,121**	3,567
Others	**6,561**	3,496
	340,857	338,198

The following is an analysis of the carrying amount of segment assets and additions to property, plant and equipment and prepaid land premiums, analysed by the geographical area in which the assets are located:

	Carrying amount of assets		Additions to property, plant and equipment and prepaid land premiums	
	2006	2005	**2006**	2005
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Mainland China	**169,948**	148,862	**29,834**	22,902
Hong Kong	**44,369**	37,148	**6,608**	17,930
Thailand	**19,311**	20,522	**91**	80
Total segment assets	**233,628**	206,532	**36,533**	40,912
Unallocated corporate assets	**20,536**	14,891		
Consolidated total assets	**254,164**	221,423		