NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 March 2006

1. GENERAL

The Company is incorporated in Bermuda with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The addresses of the registered office and principal place of business of the Company are disclosed in the "Corporate Information" section of the annual report.

The principal activities of the Company is investment holding. During the year ended 31 March 2006, its subsidiaries were engaged in apparel trading, securities trading and strategic investments.

2. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has applied, for the first time, a number of new Hong Kong Financial Reporting Standards ("HKFRSs"), Hong Kong Accounting Standards ("HKASs") and Interpretations (hereinafter collectively referred to as "new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") that are effective for accounting periods beginning on or after 1 January 2005. The adoption of the new HKFRSs has had no material effect on how the results for the prior accounting years are prepared and presented. Accordingly, no prior year adjustment has been required. The adoption of the new HKFRSs has resulted in changes to the Group's accounting policies in the following areas that have an effect on how the results for the current accounting years are prepared and presented:

HKFRS 2 Share-based Payment

In the current year, the Group has applied HKFRS 2 Share-based Payment which requires an expense to be recognised where the Group buys goods or obtains services in exchange for shares or rights over shares ("equity-settled transactions"), or in exchange for other assets equivalent in value to a given number of share or rights over shares ("cash-settled transactions"). The principal impact of HKFRS 2 on the Group is in relation to the expensing of the fair value of share options granted to directors and employees of the Company, determined at the date of grant of the share options, over the vesting period. Prior to the application of HKFRS 2, the Group did not recognise the financial effect of these share options until they were exercised.

2. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

HKFRS 3 Business combination and HKAS 36 Impairment of Assets

In prior years, goodwill/negative goodwill arising on acquisition prior to 1 April 2001 was held in reserves and was not recognised in the income statement until disposal or impairment of the relevant subsidiary or associate.

Goodwill arising on acquisition after 1 April 2001 was recognised as an asset and amortised on a straight line basis over its estimated useful life and was subject to impairment testing when there was any indication of impairment. Negative goodwill arising on acquisition after 1 April 2001 was carried in the balance sheet and was released to income based on an analysis of the circumstances from which the balance resulted.

Upon adoption of HKFRS 3 Business Combination and HKAS 36 Impairment of Assets, goodwill arising on acquisition is no longer amortised but subject to an annual impairment review (including in the year of its initial recognition), or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Any impairment loss recognised for goodwill is not reversed in a subsequent period.

In excess of the Group's interest in the net fair value of the acquirees' identifiable assets, liabilities and contingent liabilities over the cost of the acquisition of subsidiaries and associates, after reassessment, is recognised immediately in the income statement.

In accordance with the transitional provisions of HKFRS 3, the Group:

i) ceased to amortise goodwill from 1 April 2005 onwards and eliminated at 1 April 2005 the carrying amounts of accumulated amortisation of approximately HK$2,782,000 with a corresponding entry to the cost of goodwill. The effect of the changes is a decrease in amortisation of goodwill of approximately HK$1,843,000 for the year; and

ii) derecognised the existing negative goodwill reserve, which amounted to approximately HK$26,986,000 by way of an adjustment to the accumulated losses at 1 April 2005.

In accordance with the transitional provision of HKFRS 3, comparative amounts have not been restated.

In addition, the excess of the Group's interest in the net fair value of identifiable assets, liabilities and contingent liabilities of a subsidiary acquired by the Group during the year over the cost of acquisition in an amount of approximately HK$36,000 was fully recognised as income for the year.

2. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

HKAS 24 Related Party Disclosures

HKAS 24 Related Party Disclosures has expanded the definition of related parties to include key management of the Group and some other related-party disclosures.

HKAS 32 Financial Instruments: Disclosure and Presentation and HKAS 39 Financial Instruments: Recognition and Measurement

In the current year, the Group has applied HKAS 32 Financial Instruments: Disclosure and Presentation and HKAS 39 Financial Instruments: Recognition and Measurement. HKAS 32 requires retrospective application. HKAS 39, which is effective for annual periods beginning on or after 1 January 2005, generally does not permit the recognition, derecognition or measurement of financial assets and liabilities on a retrospective basis. The application of HKAS 32 has had no material impact on how financial instruments of the Group are presented for current and prior accounting periods. The principal effects resulting from the implementation of HKAS 39 are summarised below:

(i) Classification and measurement of financial assets and financial liabilities

The Group has applied the relevant transitional provisions in HKAS 39 with respect to the classification and measurement of financial assets and financial liabilities that are within the scope of HKAS 39.

By 31 March 2005, the Group classified and measured its equity securities in accordance with the benchmark treatment of Statement of Standard Accounting Practice 24 ("SSAP 24"). Under SSAP 24, investments in equity securities are classified as "investment securities" or "other investments" as appropriate, "investment securities" are carried at cost less impairment losses (if any) while "other investments" are measured at fair value, with unrealised gains or losses included in profit or loss. From 1 April 2005 onwards, the Group has classified and measured its equity securities in accordance with HKAS 39. Under HKAS 39, financial assets are classified as "financial assets at fair value through profit or loss", "available-for-sale financial assets", "loans and receivables", or "held-to-maturity financial assets". "Financial assets at fair value through profit or loss" and "available-for-sale financial assets" are carried at fair value, with changes in fair values recognised in profit or loss and equity respectively. Available-for-sale financial assets that do not have quoted market prices in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments are measured at cost less impairment after initial recognition. "Loans and receivables" and "held-to-maturity financial assets" are measured at amortised cost using the effective interest method after initial recognition.

2. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

HKAS 32 Financial Instruments: Disclosure and Presentation and HKAS 39 Financial Instruments: Recognition and Measurement *(Continued)*

(ii) Financial assets and financial liabilities other than equity securities

From 1 April 2005 onwards, the Group has classified and measured its financial assets and financial liabilities other than equity securities (which were previously outside the scope of SSAP 24) in accordance with the requirements of HKAS 39. As mentioned above, financial assets under HKAS 39 are classified as "financial assets at fair value through profit or loss", "available-for-sale financial assets", "loans and receivables" or "held-to-maturity financial assets". Financial liabilities at fair value through profit or loss are measured at fair value, with changes in fair value being recognised in profit or loss directly. Other financial liabilities are carried at amortised cost using the effective interest method after initial recognition.

The Group has applied the relevant transitional provisional in HKAS 39. On 1 April 2005, the Group classified and measured its debt and equity securities in accordance with the requirements of HKAS 39. Other investments with carrying amount of approximately HK$1,134,000 were reclassified to held-for-trading investments at fair value through profit or loss on 1 April 2005.

HKAS 33 Earnings Per Share

HKAS 33 Earnings Per Share prescribes principles for the determination and presentation of earnings per share. It requires separate disclosure of basic and diluted earnings per share from continuing operations on the face of the income statement. The adoption of HKAS 33 has resulted in changes in the presentation of the Group's earnings per share on the face of the income statement.

2. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

Summary of the effects of the changes in accounting policies

(i) The cumulative effects of the application of the new HKFRSs on 31 March 2005 and 1 April 2005 are summarised below:

	As at 31 March 2005 *HK$'000* (Originally stated)	Prospective adjustments (HKFRS 3 and HKAS 32 & 39) *HK$'000*	As at 1 April 2005 *HK$'000* (Restated)
Balance sheet items			
Property, plant and equipment	1,430	–	1,430
Goodwill	6,433	–	6,433
Other investments	1,134	(1,134)	–
Held-for-trading investments	–	1,134	1,134
Other assets	77,073	–	77,073
Other liabilities	(35,865)	–	(35,865)
Total effect on assets and liabilities	50,205	–	50,205
Share capital	437	–	437
Accumulated losses	(660,141)	26,986	(633,155)
Other reserves	709,909	(26,986)	682,923
Total effect on equity	50,205	–	50,205

2. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

Summary of the effects of the change sin accounting policies *(Continued)*

(ii) The Group has not early applied the following new standards and interpretations that have been issued but are not yet effective. The directors of the Company anticipate that the application of these standards or interpretations will have no or any material impact on the financial statements of the Group.

HKAS 1 (Amendment)	Capital disclosure[1]
HKAS 19 (Amendment)	Actuarial gains and losses, group plans and disclosures[2]
HKAS 21 (Amendment)	The effects of changes in foreign exchange rate – net investment in a foreign operation[2]
HKAS 39 (Amendment)	Cash flow hedge accounting of forecast intragroup transactions[2]
HKAS 39 (Amendment)	The fair value option[2]
HKAS 39 and HKFRS 4 (Amendment)	Financial guarantee contracts[2]
HKFRS 6	Exploration for and evaluation of mineral resources[2]
HKFRS 7	Financial instruments disclosures[1]
HK(IFRIC) – INT 4	Determining whether an arrangement contains a lease[2]
HK(IFRIC) – INT 5	Rights to interests arising from decommissioning, restoration and environmental rehabilitation funds[2]
HK(IFRIC) – INT 6	Liabilities arising from participating in a specific market – waste electrical and electronic equipment[3]
HK(IFRIC) – INT 7	Applying the restatement approach under HKAS 29 financial reporting in hyperinflationary economies[4]
HK(IFRIC) – INT 8	Scope of HKFRS 2[5]
HK(FIRIC) – INT 9	Reassessment of embedded derivatives[6]

[1] Effective from annual periods beginning on or after 1 January 2007
[2] Effective from annual periods beginning on or after 1 January 2006
[3] Effective from annual periods beginning on or after 1 December 2005
[4] Effective from annual periods beginning on or after 1 March 2006
[5] Effective from annual periods beginning on or after 1 May 2006
[6] Effective from annual periods beginning on or after 1 June 2006

3. SIGNIFICANT ACCOUNTS POLICIES

The financial statements are prepared under the historical cost convention, except for financial instruments which are measured at fair values, as explained in the accounting policies set out below.

The financial statements have been prepared in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of Rules Governing the Listing of Securities ("the Listing Rules") on the Stock Exchange. A summary of the significant accounting policies adopted by the Group is set out below.

(a) Basis of consolidation

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

The results of controlled 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.

The investment in unconsolidated subsidiary is stated at the lower of carrying amount and fair value.

All significant inter-company transactions, balances and unrealised gains on transactions within the Group are eliminated on consolidation.

(b) Goodwill

Goodwill arising on an acquisition for which the agreement date is on or after 1 January 2005 represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities of the relevant subsidiary at the date of acquisition.

Goodwill arising on the acquisition of subsidiary is presented separately in the balance sheet. Goodwill is carried at cost less any accumulated impairment losses.

3. SIGNIFICANT ACCOUNTS POLICIES *(Continued)*

(b) Goodwill *(Continued)*

For the purposes of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the acquisition. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, and whenever there is an indication that the unit may be impaired. For goodwill arising on an acquisition in a financial year, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that financial year. When the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in the income statement. An impairment loss for goodwill is not reversed in subsequent periods.

On subsequent disposal, the attributable amount of goodwill capitalised is included in the determination of the amount of profit or loss on disposal.

(c) Revenue recognition

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

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

Rental/Royalty income is recognised on a time proportion basis in accordance with the terms and condition of the tenancy/royalty agreement.

Dividend income is recognised when the shareholders' right to receive payment has been established.

(d) Impairment of assets excluding goodwill

At each balance sheet date, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 March 2006

3. SIGNIFICANT ACCOUNTS POLICIES *(Continued)*

(d) Impairment of assets excluding goodwill *(Continued)*

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation increase.

(e) 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 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 items of income or expense that are never taxable and deductible.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts 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 negative 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.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group 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.

3. SIGNIFICANT ACCOUNTS POLICIES *(Continued)*

(e) Taxation *(Continued)*

Deferred tax is calculated at the tax rates that are expected to apply in the year 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.

(f) Property, plant and equipment

Property, plant and equipment are stated at cost less depreciation and any accumulated impairment losses.

Depreciation is provided to write off the cost of items of property, plant and equipment over their estimated useful lives, using the straight-line method, at the following rates per annum:

Leasehold improvements	10% – 50% or over the remaining unexpired terms of the leases whichever is shorter
Furniture, fixtures and equipment	$12^1/_2$% – $33^1/_3$%

Major costs incurred in restoring property, plant and equipment to their normal working condition are charged to the income statement. Improvements are capitalised and depreciated over their expected useful lives to the Company.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. The gain or loss arising on derecognition 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 in the year in which the asset is derecognised.

(g) Subsidiaries

A subsidiary is a company controlled by the Company. A subsidiary is considered to be controlled if the Company has the power directly or indirectly, to govern the financial and operating policies, so as to obtain benefits from their activities.

Investments in subsidiaries are included in the Company's balance sheet at cost less provision for impairment loss, if necessary. The results of subsidiaries are accounted for by the Company to the extent of dividends received and receivable during the year.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 March 2006

3. SIGNIFICANT ACCOUNTS POLICIES *(Continued)*

(h) Associates

The results, assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting. Under the equity method, investments in associates are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of the profit or loss and of changes in equity of the associate, less any identified impairment loss. When the Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. An additional share of losses is provided for and a liability is recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

Where a group entity transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate.

(i) Operating leases

Leases where substantially all the risks and rewards of ownership of assets remain with the leasing company are accounted for as operating leases. Rentals payable under operating leases are charged to income statement on a straight-line basis over the relevant lease terms.

(j) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the first-in, first-out method. Net realisable value is determined on the basis of anticipated sales proceeds less estimated cost of completion and estimated selling expenses.

(k) Financial instruments

Financial assets and financial liabilities are recognised on the balance sheet when a group entity becomes a party to the contractual provisions of the instruments. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

3. SIGNIFICANT ACCOUNTS POLICIES *(Continued)*

(k) Financial instruments *(Continued)*

Financial assets

The Group's financial assets are classified into financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial assets. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place. The accounting policies adopted in respect of each category of financial assets are set out below.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss has two subcategories, including financial assets held for trading and those designated at fair value through profit or loss on initial recognition. At each balance sheet date subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value, with changes in fair value recognised directly in profit or loss in the year in which they arise.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each balance sheet date subsequent to initial recognition, loans and receivables (including trade and bills receivables, prepayments, deposits and other receivables) are carried at amortised cost using the effective interest method, less any identified impairment losses. An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

3. SIGNIFICANT ACCOUNTS POLICIES *(Continued)*

(k) Financial instruments *(Continued)*

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available for sale or are not classified as any of the other categories (set out above). At each balance sheet date subsequent to initial recognition, available-for-sale financial assets are measured at fair value. Changes in fair value are recognised in equity, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously recognised in equity is removed from equity and recognised in profit or loss. Any impairment losses on available-for-sale financial assets are recognised in profit or loss. Impairment losses on available-for-sale equity investments will not reverse in subsequent periods.

Financial liabilities and equity

Financial liabilities and equity instruments issued by a group entity are classified accounting to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The Group's financial liabilities are generally classified into financial liabilities at fair value through profit or loss and other financial liabilities. The accounting policies adopted in respect of financial liabilities and equity instruments are set out below.

Other financial liabilities

Other financial liabilities including trade and other payables, accruals and deposit received and short term loan are subsequently measured at amortised cost, using the effective interest rate method.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

3. SIGNIFICANT ACCOUNTS POLICIES *(Continued)*

(k) Financial instruments *(Continued)*

Derecognition

Financial assets are derecognised when the rights to receive cash flows the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and the cumulative gain or loss that had been recognised directly in equity is recognised in profit or loss.

For financial liabilities, they are removed from the Group's balance sheet when, and only when, they are extinguished (i.e. when the obligation specified in the relevant contract is discharged, cancelled or expired). The difference between the carrying amount of the financial liability derecognised and the consideration received or receivable is recognised in profit or loss.

(l) Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in its functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity, in which cases, the exchange differences are also recognised directly in equity.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 March 2006

3. SIGNIFICANT ACCOUNTS POLICIES *(Continued)*

(l) Foreign currencies *(Continued)*

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Company (i.e. Hong Kong dollars) at the rate of exchange prevailing at the balance sheet date, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised as a separate component of equity (the translation reserve). Such exchange differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

(m) Related party

Two parties are considered to be related if one party has the ability, directly or indirectly, to control 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 (being members of key management personnel, significant shareholders and/or their close family members) or entities and include entities which are controlled or under the significant influence of related parties of the Group where those parties are individuals, and post-employment benefit plans which are for the benefit of employees of the Group or of any entity that is a related party of the Group.

(n) Provision and contingent liabilities

A provision is recognised when there is a present obligation, legal or constructive, as a result of past event and it is probable (i.e. more likely than not) that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed regularly and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

3. SIGNIFICANT ACCOUNTS POLICIES *(Continued)*

(o) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the cash flow statement.

(p) Employee benefits

(i) Employee leave entitlements

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(ii) Retirement benefits costs

Payments to the defined contribution retirement plan are charged as expenses as they fall due.

(iii) Share-based payment expenses

The fair value of the employee services received in exchange for the grant of the share options is recognised as an expense in the income statement on a straight-line basis over the vesting period, with a corresponding increase in equity (Share-based compensation reserve).

The total amount to be expensed over the vesting period is determined with reference to the fair value of the share options granted. At each balance sheet date, the Company revises its estimates of the number of share options that are expected to become exercisable. It recognises the impact of the revision of original estimates, if any, in the income statement, and a corresponding adjustment to equity (Share-based compensation reserve) in the balance sheet will be made over the remaining vesting periods.

The proceeds received, net of any directly attributable transaction cost, are credited to share capital and share premium accounts when the share options are exercised. When the share options are still not exercised at the expiry date, the amount previously recognised in share-based compensation reserve will be transferred to retained profits.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 March 2006

4. FINANCIAL RISK MANAGEMENT

Exposure to credit, liquidity, interest rate and foreign exchange risks arises in the normal course of the Group's business. These risks are limited by the Group's financial management policies and practices described below.

(a) Credit risk

The Group's credit risk is primarily attributable to trade or other receivables. The Group has no significant concentrations of credit risk. It has policies in place and the exposure to these credit risks are monitored on an ongoing basis.

(b) Liquidity risk

The Group manages its liquidity risk by regularly monitoring current and expected liquidity requirements and ensuring sufficient liquid cash and adequate committed lines of funding from major financial instructions to meet the Group's liquidity requirements in the short and long term.

(c) Interest rate risk

The Group's exposure to changes in interest rate relates primarily to the Group's cash and cash equivalents, bank deposits and short term loan The Group does not use financial derivations to hedge against the interest rate risk. The Group monitors the interest rate risk exposure on a continuous basis and adjust the portfolio of borrowings where necessary.

(d) Foreign exchange risk

The Group mainly operates in Hong Kong and the People's Republic of China (the "PRC") with most of the transactions settled in Hong Kong dollars and Renminbi ("RMB"). The Group did not have significant exposure to foreign exchange risk. The Group did not have a foreign currency hedging policy as at the balance sheet date. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arises.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Trade receivables

The aged debt profile of trade receivables is reviewed on a regular basis to ensure that the trade receivables are collectible and follow up actions are promptly carried out if the agreed credit periods have been exceeded. However, from time to time, the Group may experience delays in collection. Where recoverability of trade receivables are called into doubts, specific provisions for bad and doubtful debts are made based on credit status of the customers, the aged analysis of the trade receivables and write-off history. Certain receivables may be initially identified as collectible, yet subsequently become uncollectible and result in a subsequent write-off of the related receivable to the income statement. Changes in the collectibility of trade receivables for which provisions are not made could affect the Group's results of operations.

(b) Useful lives of property, plant and equipment

In accordance with HKAS 16, the Group estimates the useful lives of property, plant and equipment in order to determine the amount of depreciation expenses to be recorded. The useful lives are estimated at the time the asset is acquired based on historical experience, the expected usage, wear and tear of the assets, as well as technical obsolescence arising from changes in the market demands or service output of the assets. The Group also performs annual reviews on whether the assumptions made on useful lives continue to be valid.

(c) Inventories

Inventories are measured at lower of cost and net realisable value. The Group reviews the carrying amount of inventories at each balance sheet date, and makes allowance for inventory items identified, if any, to be carried at lower recoverable value through estimation of the expected selling prices under the current market conditions.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 March 2006

6. TURNOVER

	2006 HK$'000	2005 HK$'000
Continuing operations		
Apparel trading	**86,887**	90,948
Sales of other investments	**–**	60,991
Sales of held-for-trading investments	**5,004**	–
	91,891	151,939
Discontinued operations *(Note 15)*		
Provision of container depot services and logistics management services	**–**	482
Provision of freight forwarding and vessel operating common carrier services	**–**	1,531
	–	2,013
	91,891	153,952

7. BUSINESS AND GEOGRAPHICAL SEGMENTS

Business segments

The Group is currently organised its operations into the following business segments:

(a) apparel trading

(b) securities trading

(c) strategic investments and others

An analysis of the Group's turnover, contribution to loss from operations for the years ended 31 March 2006 and 2005 and certain asset, liability and expenditure information regarding business segments is as follows:

	Continuing operations				Discontinued operations		
	Apparel trading *HK$'000*	Securities trading *HK$'000*	Strategic investments and others *HK$'000*	Sub-total *HK$'000*	Operation of container depots and logistics management services *HK$'000*	Freight forwarding and vessel operating common carrier services *HK$'000*	Consolidated *HK$'000*
For the year ended 31 March 2006							
Turnover	86,887	5,004	–	91,891	–	–	91,891
Segment results	(11,735)	189	–	(11,546)	–	–	(11,546)
Interest income				38			38
Group overheads				(5,528)			(5,528)
Write back for loan receivables	–	–	211	211	–	–	211
Impairment loss of goodwill arising on acquisition of subsidiaries	(6,433)	–	–	(6,433)	–	–	(6,433)
Loss from operations				(23,258)			(23,258)
Gain on disposal of subsidiaries	–	–	2,400	2,400	–	–	2,400
Finance costs				(1,929)			(1,929)
Loss before taxation				(22,787)			(22,787)
Taxation				–			–
Loss from continuing operations				(22,787)			
Loss for the year							(22,787)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 March 2006

7. BUSINESS AND GEOGRAPHICAL SEGMENTS *(Continued)*

Business segments *(Continued)*

	Continuing operations			Discontinued operations		
	Apparel trading	Securities trading	Strategic investments and others	Operation of container depots and logistics management services	Freight forwarding and vessel operating common carrier services	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
As at 31 March 2006						
ASSETS						
Segment assets	68,820	3,610	–	–	–	72,430
Interests in associates	–	–	–	–	–	–
Unallocated corporate assets						920
Consolidated total assets						73,350
LIABILITIES						
Segment liabilities	15,596	–	–	–	–	15,596
Unallocated corporate liabilities						13,835
Consolidated total liabilities						29,431
OTHER INFORMATION						
Capital additions	2,751	96	–	–	–	2,847
Impairment loss of goodwill arising on acquisition of subsidiaries	6,433	–	–	–	–	6,433
Depreciation	1,679	17	–	–	–	1,696

7. BUSINESS AND GEOGRAPHICAL SEGMENTS *(Continued)*

Business segments *(Continued)*

	Continuing operations				Discontinued operations		
	Apparel trading HK$'000	Securities trading HK$'000	Strategic investments and others HK$'000	Sub-total HK$'000	Operation of container depots and logistics management services HK$'000	Freight forwarding and vessel operating common carrier services HK$'000	Consolidated HK$'000
For the year ended 31 March 2005 (Restated)							
Turnover	90,948	60,991	–	151,939	482	1,531	153,952
Segment results	(9,667)	26	–	(9,641)	88	(228)	(9,781)
Interest income				81			81
Group overheads				(2,726)			(2,726)
Provision for loan receivables	–	–	–	(21)	–	–	(21)
Amortisation of goodwill arising on acquisition of subsidiaries	(1,843)	–	–	(1,843)	–	–	(1,843)
Loss from operations				(14,150)			(14,290)
Gain/(Loss) on disposal of subsidiaries attributable to discontinued operations	–	–	–	–	22,063	(489)	21,574
Finance costs			(1,242)	(1,242)			(1,242)
Share of results of associates	–	–	14	14	–	–	14
Amortisation of goodwill arising on acquisition of associates	–	–	(192)	(192)	–	–	(192)
Impairment loss of goodwill arising on acquisition of associates	–	–	(1,231)	(1,231)	–	–	(1,231)
(Loss)/Profit before taxation				(16,801)			4,633
Taxation				–			–
Loss from continuing operations				(16,801)			
Profit for the year							4,633

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 March 2006

7. BUSINESS AND GEOGRAPHICAL SEGMENTS *(Continued)*

Business segments *(Continued)*

	Continuing operations			Discontinued operations		
	Apparel trading HK$'000	Securities trading HK$'000	Strategic investments and others HK$'000	Operation of container depots and logistics management services HK$'000	Freight forwarding and vessel operating common carrier services HK$'000	Consolidated HK$'000
As at 31 March 2005						
ASSETS						
Segment assets	81,416	1,149	1,159	–	–	83,724
Interests in associates	–	–	–	–	–	–
Unallocated corporate assets						2,346
Consolidated total assets						86,070
LIABILITIES						
Segment liabilities	11,976	–	1,159	–	–	13,135
Unallocated corporate liabilities						22,730
Consolidated total liabilities						35,865
OTHER INFORMATION						
Capital additions	1,187	–	–	–	101	1,288
Amortisation of goodwill arising on acquisition of subsidiaries	1,843	–	–	–	–	1,843
Amortisation of goodwill arising on acquisition of associates	–	–	192	–	–	192
Depreciation	989	15	–	49	13	1,066
Impairment loss of goodwill arising on acquisition of associates	–	–	1,231	–	–	1,231
Write down of inventories to net realisable value	9,186	–	–	–	–	9,186

7. BUSINESS AND GEOGRAPHICAL SEGMENTS *(Continued)*

Geographical segments

The Group's operations are principally located in the PRC and Hong Kong.

An analysis of the Group's turnover and contribution to loss from operations by geographical market, irrespective of the origin of the goods/services is as follows:

	Turnover by geographical market		Contribution to loss from operations	
	2006	2005	**2006**	2005
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
				(Restated)
The PRC	**27,819**	28,406	**2,638**	4,745
Hong Kong	**64,072**	125,546	**(14,184)**	(14,526)
	91,891	153,952	**(11,546)**	(9,781)
Interest income			**38**	81
Group overheads			**(5,528)**	(2,726)
Write back/(Provision) for loan receivables			**211**	(21)
Amortisation of goodwill arising on acquisition of subsidiaries			**–**	(1,843)
Impairment loss of goodwill arising on acquisition of subsidiaries			**(6,433)**	–
Loss from operations			**(23,258)**	(14,290)

An analysis of the carrying amount of segment assets and additions to property, plant and equipment, by geographical areas is as follows:

	Carrying amount of segment assets		Additions to property, plant and equipment	
	2006	2005	**2006**	2005
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
The PRC	**9,932**	28,968	**1,180**	915
Hong Kong	**63,418**	57,102	**1,667**	373
	73,350	86,070	**2,847**	1,288

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 March 2006

8. OTHER REVENUE

	2006	2005
	HK$'000	*HK$'000*
		(Restated)
Dividend income from other investments	**–**	14
Dividend from held-for-trading investments	**16**	–
Interest income	**38**	81
Unrealised gain on held-for-trading investments	**13**	–
Rental income	**–**	747
Royalty income	**205**	1,248
Sundry income	**394**	358
Write back of amounts due to other payables	**–**	2,721
	666	5,169

9. OTHER OPERATING EXPENSES

	2006	2005
	HK$'000	*HK$'000*
Provision for bad and doubtful debts, net	**84**	215
Unrealised loss on other investments, net	**–**	30
	84	245

10. LOSS FROM OPERATIONS

Loss from operations has been arrived at after charging/(crediting):

	2006 HK$'000	2005 HK$'000
Cost of sales		
Apparel trading	41,814	39,451
Write down of inventories to net realisable value	–	9,186
	41,814	48,637
Securities trading	4,844	60,949
	46,658	109,586
Auditors' remuneration		
Current year	450	462
Under/(Over) provision for prior years	6	(13)
	456	449
Depreciation	1,696	1,066
Loss on disposal of property, plant and equipment	47	174
Operating lease rentals in respect of land and buildings	7,066	10,510
Outgoings in respect of rental income	–	242
Royalty expenses	3,377	4,364
Staff salaries and other benefits	18,169	17,125
Staff retirement benefits scheme contributions, net of forfeited contributions of HK$Nil (2005: HK$11,000)	1,603	705
Provision for long service payments	–	44
Total staff costs including directors' emoluments	19,772	17,874
Gain on disposal of other investments, net	–	(42)
Unrealised gain on held-for-trading investments	(13)	–
Write back of provision for slow-moving inventories	(5,195)	–

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 March 2006

11. FINANCE COSTS

	2006	2005
	HK$'000	*HK$'000*
Interests on short term loan wholly repayable within 5 years	**1,929**	1,242

12. DIRECTORS' EMOLUMENTS

The remuneration of every director of the Company for the years ended 31 March 2006 and 31 March 2005, disclosed pursuant to the Listing Rules and Section 161 of the Hong Kong Companies Ordinance, is analysed as follows:

	Directors' fee		Salaries and other allowances		Share-based payment		Retirement benefits scheme contribution		Total	
	2006	2005	**2006**	2005	**2006**	2005	**2006**	2005	**2006**	2005
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Executive directors										
Wong Ching Ping, Alex	**60**	60	**558**	555	**–**	–	**–**	–	**618**	615
Lim Direk	**60**	60	**–**	–	**–**	–	**–**	–	**60**	60
Independent non-executive directors										
Chu Kar Wing	**60**	60	**–**	–	**–**	–	**–**	–	**60**	60
Chow King Wai	**60**	60	**–**	–	**–**	–	**–**	–	**60**	60
Tang Yiu Wing	**60**	32	**–**	–	**–**	–	**–**	–	**60**	32
Non-executive director										
Wan Choi Ha (resigned on 14 March, 2006)	**57**	60	**–**	–	**–**	–	**–**	–	**57**	60
	357	332	**558**	555	**–**	–	**–**	–	**915**	887

Notes:

During the year, no emolument or incentive payments 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 (2005: nil). None of the directors has waived any emoluments during the year.

13. EMPLOYEES' EMOLUMENTS

The five highest paid individuals of the Group include one (2005: one) directors, details of whose emoluments are set out in note 12 above. The total amount of the emoluments of the remaining four individual (2005: four individuals) during the year are as follows:

	2006	2005
	HK$'000	*HK$'000*
Salaries and other allowances	**2,053**	2,001
Retirement benefits scheme contributions	**45**	43
Share-based payment	**–**	–
	2,098	2,044

The emoluments of the remaining four (2005: four) individuals fell within the following bands:

	Number of individuals	
	2006	2005
Emolument bands		
Nil – HK$1,000,000	**4**	4

During the year, no emolument or incentive payments were paid or payable to the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office during the year (2005: nil).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 March 2006

14. TAXATION

The taxation charged to the income statement represents:

	2006	2005
	HK$'000	*HK$'000*
Current – Hong Kong Profits Tax	**–**	–
Deferred taxation	**–**	–
	–	–

No provision for Hong Kong Profits Tax has been made in the financial statements as the Company and its subsidiaries have no assessable profits for the year (2005: nil).

Pursuant to a notice date 7 March 2005 issued by Shanghai Local Tax Bureau Xu Hui Branch, 上海歐裝貿易有限公司 ("上海歐裝"), a subsidiary of the Group, is exempted from PRC enterprise income tax ("EIT") for the period from 1 May 2004 to 31 December 2006. No provision for EIT has been made for other subsidiaries operating in the PRC as they did not generate any assessable profits during the year.

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

	2006	2005
	HK$'000	*HK$'000*
		(Restated)
(Loss)/profit from continuing and discontinued operations before taxation	**(22,787)**	4,633
Taxation (credit)/charge at domestic income tax rate of 17.5% (2005: 17.5%)	**(3,988)**	811
Tax effect of estimated tax losses not recognised	**3,308**	2,056
Tax effect of income not taxable for tax purpose	**(9,640)**	(4,594)
Tax effect of expenses not deductible for tax purpose	**10,320**	1,664
Tax effect of deferred tax asset not recognised	**–**	197
Tax effect of utilisation of tax losses previously not recognised	**–**	(134)
Taxation	**–**	–

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 March 2006

15. DISCONTINUED OPERATIONS

	2006	2005
	HK$'000	*HK$'000*
Gain on disposal of container depots and logistics management services operations	–	22,063
Loss on disposal of freight forwarding and vessel operating common carrier services operations	–	(489)
Gain on disposal of subsidiaries attributable to discontinued operations	–	21,574
Profit from container depots and logistics management services operations	–	88
Loss from freight forwarding and vessel operating common carrier services operations	–	(228)
Loss from discontinued operations before minority interest for the year	–	(140)
Profit from discontinued operations	–	21,434

(a) Container depots and logistics management services operations

On 22 March 2004, the Group entered into a sale and purchase agreement to dispose of its entire 60% equity interest in United Asia Terminal Holdings Limited ("United Asia") and the amount due from United Asia to the Group at a total consideration of HK$33,000,000. United Asia and its subsidiaries ("United Asia Group") were principally engaged in the provision of container depots and logistics management services. Upon the completion of the disposal on 6 April 2004, the Group discontinued its container depots and logistics management services operations. Gain on disposal of the aforesaid discontinued operations of approximately HK$22,063,000 has been credited to the income statement. No income tax expense or credit arose from the disposal.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 March 2006

15. DISCONTINUED OPERATIONS *(Continued)*

(a) Container depots and logistics management services operations *(Continued)*

The turnover, other revenue, results, cash flows, total assets and total liabilities of the container depots and logistics management services operations are as follows:

	2006	2005
	HK$'000	*HK$'000*
Turnover	–	482
Direct operating costs	–	(314)
Gross profit	–	168
Operating expenses	–	(80)
Profit from ordinary activities before taxation	–	88
Taxation	–	–
Profit before minority interests	–	88
Minority interests	–	(35)
Net profit for the year	–	53
Net cash used in operating activities	–	(377)
Net cash used in investing activities	–	–
Net cash from financing activities	–	–
Effect on foreign exchange rate changes	–	–
Total net cash outflow	–	(377)

15. DISCONTINUED OPERATIONS *(Continued)*

(a) Container depots and logistics management services operations *(Continued)*

	2006	2005
	HK$'000	*HK$'000*
Total assets	–	68,479
Total liabilities	–	(93,228)
Minority interests	–	5,648
Net liabilities	–	(19,101)

(b) Freight forwarding and vessel operating common carrier services operations

On 30 March 2004, the Group entered into a sale and purchase agreement to dispose of its entire 100% equity interest in Jungjin Logistics Development Limited ("Jungjin Logistics") and the amount due from Jungjin Logistics to the Group at a total consideration of HK$3,155,000. Jungjin Logistics and its subsidiaries ("Jungjin Logistics Group") were principally engaged in the provision of freight forwarding and vessel operating common carrier services. Upon the completion of the disposal on 22 April 2004, the Group discontinued its freight forwarding and vessel operating common carrier services operations. Loss on disposal of the aforesaid discontinued operations of approximately HK$489,000 has been charged to the income statement. No income tax expense or credit arose from the disposal.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 March 2006

15. DISCONTINUED OPERATIONS *(Continued)*

(b) Freight forwarding and vessel operating common carrier services operations *(Continued)*

The turnover, other revenue, results, cash flows, total assets and total liabilities of the freight forwarding and vessel operating common carrier services operations are as follows:

	2006	2005
	HK$'000	*HK$'000*
Turnover	–	1,531
Direct operating costs	–	(1,302)
Gross profit	–	229
Operating expenses	–	(457)
Loss from operations	–	(228)
Finance costs	–	–
Interest in an associate written off	–	–
Net loss for the year	–	(228)
Net cash used in operating activities	–	(793)
Net cash used in investing activities	–	(101)
Total net cash outflow	–	(894)

	2006	2005
	HK$'000	*HK$'000*
Total assets	–	7,534
Total liabilities	–	(30,160)
Net liabilities	–	(22,626)

16. (LOSS)/EARNINGS PER SHARE

The calculation of basic and diluted (loss)/earnings per share is based on the following data:

	2006	2005
	HK$'000	*HK$'000*
(Loss)/Earnings for the purposes of basis (loss)/earnings per share	**(22,787)**	4,598

	Number of shares (approximately)	
	2006	2005
Weighted average number of shares for the purpose of basic and diluted (loss)/earnings per share	**843,080,000**	385,650,000

Diluted (loss)/earnings per share is not presented as there were no dilutive potential shares in issue during the years ended 31 March 2006 and 2005.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 March 2006

17. PROPERTY, PLANT AND EQUIPMENT

The Group

	Leasehold properties *HK$'000*	Leasehold improvements, furniture, fixtures and equipment *HK$'000*	Motor vehicles, tractors trailers and chassis *HK$'000*	Plant and machinery *HK$'000*	Total *HK$'000*
Cost					
As at 1 April 2004	51,000	6,090	11,795	17,071	85,956
Additions	–	1,288	–	–	1,288
Disposal of subsidiaries	(51,000)	(4,028)	(11,795)	(17,071)	(83,894)
Disposal	–	(567)	–	–	(567)
As at 31 March 2005 and 1 April 2005	–	2,783	–	–	2,783
Additions	–	2,847	–	–	2,847
Disposal	–	(332)	–	–	(332)
As at 31 March 2006	**–**	**5,298**	**–**	**–**	**5,298**
Accumulated depreciation					
As at 1 April 2004	607	3,470	8,793	8,752	21,622
Charge for the year	14	1,018	16	18	1,066
Disposal of subsidiaries	(621)	(2,742)	(8,809)	(8,770)	(20,942)
Disposals	–	(393)	–	–	(393)
As at 31 March 2005 and 1 April 2005	–	1,353	–	–	1,353
Charge for the year	–	1,696	–	–	1,696
Eliminated on disposal	–	(285)	–	–	(285)
As at 31 March 2006	**–**	**2,764**	**–**	**–**	**2,764**
Net book value					
As at 31 March 2006	**–**	**2,534**	**–**	**–**	**2,534**
As at 31 March 2005	–	1,430	–	–	1,430

18. GOODWILL

	The Group
	HK$'000
Cost	
As at 1 April 2004	9,217
Disposal of subsidiaries	(2)
As at 1 April 2005 and 31 March 2006	9,215
Elimination of aggregate amortisation upon application of HKFRS 3	(2,782)
As at 31 March 2006	**6,433**
Aggregate amortisation and impairment losses	
As at 1 April 2004	941
Amount amortised for the year	1,843
Disposal of subsidiaries	(2)
As at 31 March 2005 and 1 April 2005	2,782
Elimination of aggregate amortisation upon application of HKFRS 3	(2,782)
Impairment loss	6,433
As at 31 March 2006	**6,433**
Net book value	
As at 31 March 2006	**–**
As at 31 March 2005	6,433

The goodwill arose on the acquisition of Hamlet Profits Limited ("Hamlet Profits") and its subsidiaries, which are principally engaged in apparel trading. As at 31 March 2006, the Group fully impaired the goodwill as the directors assessed the carrying value of the goodwill based on results projections to determine the estimated goodwill recoverable amount and are of the opinion that business prospect of Hamlet Profits and its subsidiaries is unfavourable.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 March 2006

19. INTERESTS IN SUBSIDIARIES AND AMOUNT DUE TO A SUBSIDIARY

	The Company	
	2006	2005
	HK$'000	*HK$'000*
Unlisted shares, at cost	–	833,671
Amounts due from subsidiaries	**109,055**	84,867
	109,055	918,538
Less: Impairment losses	**(109,055)**	(873,748)
	–	44,790
Amount due to a subsidiary	–	(2,500)

The amounts due from/(to) subsidiaries are unsecured, interest free and have no fixed terms of repayment. In the opinion of the directors, no demand for repayment will be made by the Company or by the subsidiary in the next twelve months. Accordingly, the amounts are shown as non-current.

19. INTERESTS IN SUBSIDIARIES AND AMOUNT DUE TO A SUBSIDIARY *(Continued)*

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

Name	Place of incorporation or registration/ operations	Nominal value of issued ordinary share capital/ registered capital	Percentage of equity attributable to the Group	Principal activities
Interests held directly:				
Value Place Investments Limited	British Virgin Islands/Hong Kong	US$1	100%	Investment holding
Interests held indirectly:				
Aceluck Nominees Limited	Hong Kong	HK$2	100%	Investment holding
Acute Investments Limited	British Virgin Islands/ Hong Kong	US$1	100%	Investment holding
Capital Asia Properties Limited	Hong Kong	HK$2	100%	Investment holding
Capital Asia Property Management (China) Limited	Hong Kong	HK$10,000	100%	Investment holding
Century Lead Limited	Hong Kong	HK$2	100%	Apparel trading
Euro Fashion Trading Company Limited ("Euro Fashion")	Hong Kong	HK$1	100%	Apparel trading
French Trade Marketing Limited ("French Trade")	Hong Kong	HK$10,000	100%	Apparel trading
Full Ahead Limited ("Full Ahead")	British Virgin Islands/ Hong Kong	US$1	100%	Investment holding

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 March 2006

19. INTERESTS IN SUBSIDIARIES AND AMOUNT DUE TO A SUBSIDIARY *(Continued)*

Name	Place of incorporation or registration/ operations	Nominal value of issued ordinary share capital/ registered capital	Percentage of equity attributable to the Group	Principal activities
Interests held indirectly: ***(Continued)***				
Gainwell Corporation Limited	Hong Kong	HK$2	100%	Apparel trading
Gold Stock Resources Limited	Samoa/the PRC	US$1	100%	Apparel trading
Gold Venture Corporation Limited	Hong Kong	HK$2	100%	Securities trading and management services
Goldgain Services Limited	Samoa/the PRC	US$1	100%	Apparel trading
Hamlet Profits	British Virgin Islands/ Hong Kong	US$1	100%	Investment holding
Reward Well Limited	British Virgin Islands /Hong Kong	US$1	100%	Apparel trading
Shrewd Skill Limited	British Virgin Islands/ Hong Kong	US$1	100%	Investment holding
Sinostate Enterprises China) Limited	Hong Kong	HK$2	100%	Investment holding
Sinostate Properties Limited	Hong Kong	HK$2	100%	Investment holding
Super Target Limited	Hong Kong	HK$2	100%	Apparel trading
廣州歐裝貿易有限公司	The PRC	RMB500,000	100%	Apparel trading
上海歐裝	The PRC	RMB500,000	100%	Apparel trading

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results of 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.

20. INTEREST IN AN UNCONSOLIDATED SUBSIDIARY AND AMOUNT DUE TO AN UNCONSOLIDATED SUBSIDIARY

	The Group	
	2006	2005
	HK$'000	*HK$'000*
Interest stated at carrying value	–	3,519
Less: Impairment losses	–	(2,360)
	–	1,159
Amount due to an unconsolidated subsidiary	–	(1,159)

In the prior year, the Group acquired 57% equity interest in Shanghai Fuda Jewellery Company Limited ("Fuda") through the acquisition of Hamlet Profits. The Group has been unable to exercise its rights as a major shareholder of Fuda since the date of acquisition. Accordingly, the Group has been unable either to control the assets and operations or to exercise significant influence over the financial and operating policy decisions of Fuda. In view of the above, the financial statements of Fuda have not been consolidated.

The directors, to their best knowledge, are satisfied that the Group has no material obligations or commitments in respect of Fuda that require either adjustments to or disclosure in the financial statements.

The Group has not been able to obtain the financial information since the date of acquisition of Fuda.

The business licence of Fuda was revoked by the State Administrative of Industry and Commerce in 2005 and the directors considered that the Group's interest in Fuda had ceased. Accordingly, the Group's interest in Fuda was written off against the amount due to Fuda by the same amount of approximately HK$1,159,000. Consequently, there was no effect on the results for the current year.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 March 2006

21. INTERESTS IN ASSOCIATES

	The Group	
	2006	2005
	HK$'000	*HK$'000*
Share of net liabilities	**(212)**	(762)
Goodwill	**212**	212
Amount due from an associate	**–**	550
	–	–

The amount due from an associate is unsecured, interest free and has no fixed terms of repayment. In the opinion of the directors, no demand for repayment will be made by the Group in the next twelve months. Accordingly, the amount is shown as non-current.

Particulars of the associate held by the Group as at 31 March 2006 are as follows:

Name	**Place of incorporation or registration operations**	**Business structure**	**Nominal value of issued ordinary share capital**	**Percentage of equity attributable to the Group** Indirect	**Principal activities**
Global Institute, Inc. ("Global Institute")	British Virgin Islands/ Hong Kong	Corporate	US$50,000	49%	Investment holding (which together with its wholly- owned subsidiary, is engaged in the business of co-ordinating academic training programs)

21. INTERESTS IN ASSOCIATES *(Continued)*

Note: Under the equity method of accounting, the Group's shares of losses of its associate is discontinued when the carrying amount of the interest in an associate reaches zero, unless the Group has incurred obligations or guaranteed obligations in respect of the associate. As at 31 March 2006 and 2005, the Group's share of certain associate's losses exceeded its carrying amount of the interests in an associate. Accordingly, the losses of the associate were not equity accounted for.

The movements of goodwill arising on acquisition of the associate are as follows:

	The Group	
	2006	2005
	HK$'000	*HK$'000*
Cost		
As at 1 April and 31 March	**53,725**	53,725
Aggregate amortisation and impairment losses		
As at 1 April	**53,513**	52,090
Amount amortised for the year	**–**	192
Impairment loss for the year	**–**	1,231
As at 31 March	**53,513**	53,513
Net book value		
As at 31 March	**212**	212

21. INTERESTS IN ASSOCIATES *(Continued)*

Summarised financial information, as extracted from the audited financial statements of Global Institute is as follows:

	2006	2005
	HK$'000	*HK$'000*
Audited consolidated income statement information for the year ended 31 March		
Turnover	**251**	973
(Loss)/Profit from ordinary activities before taxation	**(340)**	27
Taxation	**–**	2
(Loss)/Profit for the year	**(340)**	29
Audited consolidated balance sheet information as at 31 March		
Non-current assets	**111**	13
Current assets	**169**	415
Current liabilities	**(946)**	(861)
Net liabilities	**(666)**	(433)

22. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	The Group	
	2006	2005
	HK$'000	*HK$'000*
Listed equity securities in Hong Kong	**2,807**	–

Following the adoption of HKAS 39 in 2005, certain investment in securities was redesignated as available-for-sale financial assets on 1 April 2005. There was no such redesignation in 2004 as retrospective application of HKAS 39 is not permitted.

23. INVENTORIES

	The Group	
	2006	2005
	HK$'000	*HK$'000*
Merchandise goods for sales		
Apparel	**38,073**	40,728

Inventories of approximately HK$12,922,000 (2005: HK$13,002,000) included in the above are carried at net realisable value.

24. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

The Group allows a credit period normally ranging from cash on delivery to 120 days to its trade customers.

As at 31 March 2006, the balance of trade and other receivables, deposits and prepayments included trade receivables of approximately HK$8,278,000 (2005: HK$6,088,000). An aged analysis of trade receivables, net of provision for bad and doubtful debts, is as follows:

	The Group	
	2006	2005
	HK$'000	*HK$'000*
0 – 60 days	**7,824**	3,603
61 – 90 days	**58**	694
91 – 180 days	**137**	1,073
181 – 365 days	**116**	718
Over 1 year	**143**	–
	8,278	6,088

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 March 2006

25. OTHER INVESTMENTS

	The Group	
	2006	2005
	HK$'000	*HK$'000*
Listed equity securities in Hong Kong	**–**	1,134

Upon the application of HKAS 39 on 1 April 2005, other investments were reclassified as held-for-trading investments (see note 26 for details).

26. HELD-FOR-TRADING INVESTMENTS

	The Group	
	2006	2005
	HK$'000	*HK$'000*
Listed equity securities in Hong Kong	**44**	–

Following the adoption of HKAS 39 in 2005, certain other investments were redesignated as held-for-trading investments on 1 April 2005. There was no such redesignation for the year ended 31 March 2005 as retrospective application of HKAS 39 is not permitted.

27. BANK AND CASH BALANCES

As at 31 March 2006, the bank and cash balances of the Group denominated in RMB amounted to approximately HK$3,482,000 (2005: HK$2,128,000). The remittance of these funds out of the PRC is subject to the foreign exchange control restriction imposed by the PRC government.

28. TRADE AND OTHER PAYABLES, ACCRUALS AND DEPOSITS RECEIVED

As at 31 March 2006, the balance of trade and other payables, accruals and deposits received included trade payables of approximately HK$2,791,000 (2005: HK$4,115,000). An aged analysis of trade payables is as follows:

	The Group	
	2006	2005
	HK$'000	*HK$'000*
0 – 60 days	**1,505**	3,439
61 – 90 days	**38**	578
91 – 180 days	**3**	98
181 – 365 days	**1**	–
Over 1 year	**1,244**	–
	2,791	4,115

29. SHORT TERM LOAN

	The Group	
	2006	2005
	HK$'000	*HK$'000*
Secured loan	**9,443**	16,434

As at 31 March 2006, the short term loan was extended by an independent third party which is interest bearing at 1% per annum over bank's best lending rate and due on 30 September 2006. The loan is secured by a pledge of all the issued share capital in and the shareholder loan to Full Ahead, a wholly-owned subsidiary of the Company. Full Ahead is the holding company of the subsidiaries which are mainly engaged in apparel trading.

30. DEFERRED TAXATION

(a)

	The Group	
	2006	2005
	HK$'000	*HK$'000*
As at 1 April	**–**	3,304
Disposal of subsidiaries	**–**	(3,304)
As at 31 March	**–**	–

(b) As at the balance sheet date, the following unused tax losses and deductible temporary differences have not been recognised as deferred tax assets:

	The Group		The Company	
	2006	2005	**2006**	2005
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Unused tax losses	**46,400**	67,467	**8,068**	4,713
Deductible temporary differences	**5,023**	5,148	**–**	–
	51,423	72,615	**8,068**	4,713

Deferred tax assets have not recognised in respect of the above items because it is not probable that future taxable profits will be available against which the Group and the Company can utilise the benefits. Included in the above unused tax losses are losses of approximately HK$576,000 (2005: HK$870,000) that will expire after five years from the year of assessment they relate to. Other unused tax losses may be carried forward indefinitely.

As at 31 March 2006, there was no significant unrecognised deferred tax liability for taxes that would be payable on the unremitted earnings of certain Group's subsidiaries and associate (2005: Nil).

31. PROVISION FOR LONG SERVICE PAYMENTS

Under the Hong Kong Employment Ordinance, the Group is obliged to make lump sum payments on cessation of employment in certain circumstances to certain employees who have completed at least five years of service with the Group. The amount payable is dependent on the employees' final salary and years of service, and is reduced by entitlements accrued under the Group's retirement plan that are attributable to contributions made by the Group. The Group does not set aside any assets to fund any remaining obligations.

The amount recognised in respect of the probable future long service payments expected to be made is as follows:

	The Group	
	2006	2005
	HK$'000	*HK$'000*
As at 1 April	**959**	959
Provision made during the year	**–**	59
Provision utilised during the year	**–**	(44)
Reversal of unutilised provision	**–**	(15)
As at 31 March	**959**	959

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 March 2006

32. SHARE CAPITAL

	Number of shares	*HK$'000*
Authorised		
As at 31 March 2005 and 2006: Ordinary shares of HK$0.001 each	**300,000,000,000**	**300,000**
Issued and fully paid:		
As at 31 March 2004 and as at 1 April 2004: Ordinary shares of HK$0.001 each	364,308,262	364
Placing of new shares	72,800,000	73
As at 31 March 2005: Ordinary shares of HK$0.001 each	437,108,262	437
Open offer	1,311,324,786	1,311
As at 31 March 2006: Ordinary shares of HK$0.001 each	**1,748,433,048**	**1,748**

On 25 November 2005, 1,311,324,786 ordinary shares ("Offer Shares") of HK$0.001 each were issued at HK$0.023 per share through an open offer ("Open Offer") to the then shareholders of the Company. The subscription price of the Offer Shares represents a discount of approximately 77% to the closing price of the share of the Company on 17 October 2005 and a discount of approximately 76.53% to the average of the closing price of the shares of the Company for the ten trading days up to and including 17 October 2005. The Offer Shares rank pari passu in all respects with the then existing shares of the Company. The premium arose from the issue of the Offer Shares of approximately HK$28,849,000, net of share issuing expenses of approximately HK$805,000, was credited to the share premium account (Note 34). The Company used the net proceeds from the Open Offer of approximately HK$29,355,000 for the Group's general working capital and investment purposes.

33. SHARE OPTION SCHEME

Pursuant to the share option scheme adopted by the shareholders of the Company on 30 August 2002 (the "Share Option Scheme"), the board of directors (the "Board") of the Company may for a consideration of HK$1 offer to selected eligible persons to subscribe for shares of the Company as incentive or rewards for their contribution to the Group. The subscription price will be determined by the Board at its absolute discretion, but in any event shall not be less than the higher of the nominal value for the time being of each share of the Company, the average closing price of the shares of the Company as stated in the daily quotation sheets of the Stock Exchange for the five trading days immediately preceding the date on which the relevant option is granted and the closing price of the shares of the Company as stated in the Stock Exchange's daily quotation sheet on the date on which the relevant option is granted.

The maximum number of share in respect of which options may be granted under the Share Option Scheme and any other schemes of the Company must not, in aggregate, exceed 30% of the issued share capital of the Company from time to time.

The Share Option Scheme became effective for a period of ten years commenced on 26 September 2002.

No option under the Share Option Scheme had been granted to any person since its adoption.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 March 2006

34. RESERVES

The Group

	Attributable to equity holders of the Company											
	Share premium *HK$'000*	Other property revaluation reserve *HK$'000*	Investment revaluation reserve *HK$'000*	Translation reserve *HK$'000*	Negative goodwill reserve *HK$'000*	Goodwill reserve *HK$'000*	Capital redemption reserve *HK$'000*	Reserve funds *HK$'000* *(Note)*	Accumulated losses *HK$'000*	Total *HK$'000*	Minority interest *HK$'000*	Total *HK$'000*
As at 1 April 2004	674,895	21,163	–	992	27,314	(1,843)	1,190	–	(664,604)	59,107	(5,683)	53,424
Reserves realised upon disposal of subsidiaries attributable to discontinued operations	–	(21,163)	–	(983)	(328)	1,843	–	–	–	(20,631)	–	(20,631)
Premium arising from placing of new shares, net of expenses	6,694	–	–	–	–	–	–	–	–	6,694	–	6,694
Opening adjustment in respect of adoption of HKFRS 3	–	–	–	–	(26,986)	–	–	–	26,986	–	–	–
Profit for the year	–	–	–	–	–	–	–	–	4,598	4,598	35	4,633
Disposal of subsidiaries	–	–	–	–	–	–	–	–	–	–	5,648	5,648
Transfer	–	–	–	–	–	–	–	135	(135)	–	–	–
As at 31 March 2005 and as at 1 April 2005	681,589	–	–	9	–	–	1,190	135	(633,155)	49,768	–	49,768
Premium arising from open offer, net of expenses *(Note 32)*	28,044	–	–	–	–	–	–	–	–	28,044	–	28,044
Reserve realised upon disposal of subsidiaries	–	–	–	(9)	–	–	–	–	–	(9)	–	(9)
Change of fair value for available-for-sale financial assets	–	–	(12,845)	–	–	–	–	–	–	(12,845)	–	(12,845)
Loss for the year	–	–	–	–	–	–	–	–	(22,787)	(22,787)	–	(22,787)
As at 31 March 2006	**709,633**	**–**	**(12,845)**	**–**	**–**	**–**	**1,190**	**135**	**(655,942)**	**42,171**	**–**	**42,171**
Attributable to:												
The Company and its subsidiaries	681,589	–	–	–	–	–	1,190	135	(632,744)	50,170	–	50,170
Associates	–	–	–	9	–	–	–	–	(411)	(402)	–	(402)
As at 31 March 2005	681,589	–	–	9	–	–	1,190	135	(633,155)	49,768	–	49,768
Attributable to:												
The Company and its subsidiaries	**709,633**	**–**	**(12,845)**	**–**	**–**	**–**	**1,190**	**135**	**(655,942)**	**42,171**	**–**	**42,171**
Associates	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
As at 31 March 2006	**709,633**	**–**	**(12,845)**	**–**	**–**	**–**	**1,190**	**135**	**(655,942)**	**42,171**	**–**	**42,171**

Note: Pursuant to the relevant laws and regulations in the PRC, a portion of the profit of the Group's subsidiary in the PRC has been transferred to reserve funds which are restricted as to use.

34. RESERVES *(Continued)*

The Company

	Share premium HK$'000	Contributed surplus HK$'000	Capital redemption reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
As at 1 April 2004	674,895	129,298	1,190	(774,067)	31,316
Premium arising from placing of new shares, net of expenses *(Note 32)*	6,694	–	–	–	6,694
Profit for the year	–	–	–	3,278	3,278
As at 31 March 2005 and as at 1 April 2005	681,589	129,298	1,190	(770,789)	41,288
Premium arising from open offer, net of expenses *(Note 32)*	28,044	–	–	–	28,044
Dissolution of subsidiaries	–	(129,298)	–	129,298	–
Loss for the year	–	–	–	(72,386)	(72,386)
As at 31 March 2006	**709,633**	**–**	**1,190**	**(713,877)**	**(3,054)**

The contributed surplus represents the difference between the nominal value of the Company's shares issued in exchange for all the issued ordinary shares of Oriental Union Strategies Limited and the value of net assets of the underlying subsidiaries acquired at 31 August 1994, net of HK$100,000 applied in paying up in full at par the 1,000,000 nil paid shares.

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

As at 31 March 2006 and 2005, the Company had no reserves available for distribution to shareholders.

35. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Disposal of subsidiaries attributable to discontinued operations

As explained in Note 15, on 6 April 2004 and 22 April 2004, the Group discontinued its container depots and logistics management services operations and its freight forwarding and vessel operating common carrier services operations at the time of disposal of United Asia Group and Jungjin Logistics Group, respectively. The net liabilities of these subsidiaries disposal of during the year are as follows:

	2006	2005
	HK$'000	*HK$'000*
Net liabilities disposed of:		
Property, plant and equipment	–	62,952
Trade and other receivables, deposits and prepayments	–	11,208
Bank and cash balances	–	1,853
Trade and other payables, accruals and deposits received	–	(5,711)
Short term loan	–	(1,081)
Amounts due to the Group	–	(76,939)
Amounts due to minority shareholders	–	(36,353)
Deferred taxation	–	(3,304)
Minority interests	–	5,648
	–	(41,727)
Other property revaluation reserve realised	–	(21,163)
Translation reserve realised	–	(983)
Negative goodwill reserve realised	–	(328)
Goodwill reserve realised	–	1,843
Assignment of amounts due from subsidiaries	–	76,939
	–	14,581
Gain on disposal of subsidiaries attributable to discontinued operations	–	21,574
Total consideration – satisfied by cash	–	36,155
Net inflow of cash and cash equivalents arising on disposal of subsidiaries attributable to discontinued operations:		
Cash consideration	–	36,155
Cash and bank balances disposed of	–	(1,853)
Net inflow of cash and cash equivalents	–	34,302

The above subsidiaries disposed of during the year ended 31 March 2005 contributed approximately HK$2,013,000 to the Group's turnover and a loss of approximately HK$140,000 to the Group's profit from ordinary activities before taxation.

35. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT *(Continued)*

(b) Disposal of subsidiaries

	2006	2005
	HK$'000	*HK$'000*
Net assets/(liabilities) disposed of:		
Trade and other receivables, deposits and prepayments	**644**	–
Cash and bank balances	**4**	–
Trade and other payables, accruals and deposits received	**(2,437)**	–
Amounts due from the Group	**–**	1,374
Amounts due to the Group	**(701,977)**	(111)
	(703,766)	1,263
Amounts due from subsidiaries written off	**701,977**	111
Amounts due to subsidiaries written back	**–**	(1,374)
Translation reserve realised	**(9)**	–
Gain on disposal of subsidiaries	**2,400**	–
Total consideration – satisfied by cash *(Note)*	**602**	–
Net inflow of cash and cash equivalents arising on disposal of subsidiaries		
Cash consideration	**602**	–
Cash and bank balances disposed of	**(4)**	–
Net inflow of cash and cash equivalents	**598**	–

The results of the subsidiaries disposed of during the years ended 31 March 2006 and 2005 have no significant impact on the Group's turnover or profit/(loss) from ordinary activities before taxation for the years ended 31 March 2006 and 2005.

Note: There was a consideration of approximately HK$259,000 attributable to the disposal of subsidiaries during the year ended 31 March 2005, however no amount was received by the Group and the said consideration receivable was fully written off.

36. PLEDGE OF ASSETS

At 31 March 2006, the following assets were pledged to secure banking facilities and short term loan granted to the Group:

(a) Bank deposits of the Group of approximately HK$1,736,000 (2005: approximately HK$2,725,000);

(b) All issued share capital of and the shareholder's loan to Full Head, a wholly-owned subsidiary of the Company.

37. COMMITMENTS AND CONTINGENT LIABILITIES

(a) Operating lease commitments

At 31 March 2006, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of rented premises which fall due as follows:

	The Group	
	2006	2005
	HK$'000	*HK$'000*
Within one year	**7,038**	4,123
In the second to fifth year inclusive	**6,247**	1,644
	13,285	5,767

The leases are negotiated for terms ranging from 1 to 4 years. The operating lease rentals of certain outlets are leased on the higher of the minimum guaranteed rental and the sales level leased rental, ranging from 10% to 15% on the sales level. The minimum guaranteed rental has been used to arrive at the above commitments.

37. COMMITMENTS AND CONTINGENT LIABILITIES *(Continued)*

(b) Capital commitments

	The Group	
	2006	2005
	HK$'000	*HK$'000*
Capital expenditure contracted but not provided for:		
Acquisition of property in Malaysia	**105,281**	105,281
Additions to plant and equipment	**79**	–
	105,360	105,281

In the opinion of the directors, no demand for payments of the above amount will be made by the counterparties in the coming year as the counterparties failed to complete the construction work.

The Company had no significant capital commitments as at the balance sheet date.

(c) Other commitments

As at the balance sheet date, the Group had entered into certain licensing and technical assistance arrangements. The future minimum licensing and technical assistance payments committed by the Group in respect of the arrangements are as follows:

	The Group	
	2006	2005
	HK$'000	*HK$'000*
Licensing arrangement		
Within one year	**3,610**	3,610
In the second to fifth year inclusive	**5,170**	8,780
	8,780	12,390

37. COMMITMENTS AND CONTINGENT LIABILITIES *(Continued)*

(c) Other commitments *(Continued)*

The licensing arrangement is contracted for a term up to 31 December 2008. Apart from the guaranteed royalty as disclosed above, if, at any time and during the contractual period, the Group's cumulated net sales are in excess of the sales level bases as referred to in the relevant license agreement, the Group will pay additional royalty to the licenser, at 5% on the cumulated net sales exceeding the sales level base.

The Company had no significant other commitments as at the balance sheet date.

(d) Contingent liabilities

(i) In 2003, Total Resources Limited ("Total Resources") claimed against the Company in a High Court action for HK$1,064,000 being damages for repudiation of a service agreement relating to the provision of company secretary.

A settlement was made between the parties on 4 July 2006, pursuant to which the Company has paid a sum of HK$930,000 in full and final settlement of the claim of Total Resources.

(ii) In August 2005, Orient Rise Limited ("Orient Rise") initiated a legal action against French Trade and Euro Fashion, two wholly-owned subsidiaries of the Group, for a breach of the terms of sublicence causing loss and damages to Orient Rise.

Up to the date of this report, based on the legal advice obtained, the directors believed that there is no ground for Orient Rise to make the claim and therefore, no provision has been made in the financial statements.

38. RETIREMENT BENEFITS SCHEMES

Hong Kong

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance, for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK$20,000 and are charged to the income statement as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

38. RETIREMENT BENEFITS SCHEMES *(Continued)*

The PRC

The Group also participates in a defined contribution retirement scheme organised by the government in the PRC. The Group is required to contribute a specified percentage of the payroll of its employees to the retirement scheme. The contributions are charged to the income statement as they become payable in accordance with the rules of the retirement scheme. No forfeited contributions may be used by the employers to reduce the existing level of contributions.

39. RELATED PARTY TRANSACTIONS

Save as disclosed in the consolidated balance sheet and in Note 21, the Group did not have any significant related party transaction during the year.

40. POST BALANCE SHEET EVENT

Subsequent to the financial year end, a special resolution was passed at a special general meeting of the Company held on 26 April 2006 pursuant to which the paid up capital of the Company was reduced from HK$0.001 per share to HK$0.00005 per share ("Reduced Share") by cancellation of HK$0.00095 of the paid up capital on each issued share ("Capital Reduction"). As a result of the Capital Reduction and based on the number of issued shares of the Company as at 26 April 2006, an amount of approximately HK$1,661,000 from the share capital account of the Company was cancelled and credited to the contributed surplus account of the Company where it will be utilized in accordance with the bye-laws of the Company and all applicable laws, including to set off the accumulated losses of the Company. Upon the Capital Reduction taking effect, every 20 Reduced Shares were consolidated into one share of HK$0.001 ("New Share") each resulting in the total issued share capital of the Company reduced to 87,421,652 New Shares.

41. COMPARATIVE FIGURES

Certain comparative figures have been restated or re-classified as a result of adoption of new HKFRSs.

42. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 14 July 2006.