

Notes to the financial statements

March 31, 2006

1. General

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

Its registered office is at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda and principal place of business is at Suites 701-702, Grandtech Centre, 8 On Ping Street, Siu Lek Yuen, Shatin, N.T., Hong Kong.

The financial statements are presented in Hong Kong dollars, which is the same as the functional currency of the Company.

The Company is a subsidiary of Gay Giano (BVI) Group Limited, a company incorporated in the British Virgin Islands, which is considered by the directors to be the Company's ultimate holding company.

The Company acts as an investment holding company. The Group is principally involved in the manufacturing, retailing and wholesaling of fashion apparel and complementary accessories. The activities of its principal subsidiaries are set out in note 32.

2. Principal accounting policies

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), Hong Kong Accounting Standards ("HKASs") and Interpretations (hereinafter collectively referred to as the "HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). In addition, the consolidated financial statements also comply with the applicable disclosures required by the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange and by the Hong Kong Companies Ordinance.

(b) Basis of preparation

The financial statements have been prepared under the historical cost basis except for certain properties and financial instruments, which are measured at revalued amounts or fair values.

In the current year, the Group has applied, for the first time, a number of new HKFRSs issued by the HKICPA that are effective for accounting periods beginning on or after January 1, 2005. The application of the new HKFRSs has resulted in a change in the presentation of the consolidated income statement, consolidated balance sheet and the consolidated statement of changes in equity. The changes in presentation have been applied retrospectively.

The applicable HKFRSs are set out as below.

HKAS 1	Presentation of Financial Statements
HKAS 2	Inventories
HKAS 7	Cash Flow Statements
HKAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
HKAS 10	Events after the Balance Sheet Date
HKAS 12	Income Taxes
HKAS 14	Segment Reporting
HKAS 16	Property, Plant and Equipment
HKAS 17	Leases
HKAS 18	Revenue

2. Principal accounting policies (continued)

(b) Basis of preparation (continued)

HKAS 19	Employee Benefits
HKAS 21	The Effects of Changes in Foreign Exchange Rates
HKAS 23	Borrowing Costs
HKAS 24	Related Party Disclosures
HKAS 27	Consolidated and Separate Financial Statements
HKAS 32	Financial Instruments: Disclosure and Presentation
HKAS 33	Earning Per Share
HKAS 36	Impairment of Assets
HKAS 37	Provisions, Contingent Liabilities and Contingent Assets
HKAS 39	Financial Instruments: Recognition and Measurement
HKAS 40	Investment Property
HKFRS 2	Share-based Payments
HKAS-INT 15	Operating Leases — Incentives
HKAS-INT 21	Income Taxes — Recovery of Revalued Non-Depreciable Assets

The adoption of HKAS 1, 2, 7, 8, 10, 12, 14, 16, 17, 18, 19, 21, 23, 24, 27, 33, 36, 37 and 40, HKFRS 2, and HKAS-INT 15 and 21 did not result in substantial changes to the Group's accounting policies. In summary:

- HKAS 1 affects certain presentation in the income statement, balance sheet, and statement of changes in equity.
- HKAS 8, 16 and 21 affect certain disclosures of the financial statements.
- HKAS 2, 7, 10, 12, 14, 18, 19, 23, 27, 33, 36, 37 and 40, and HKAS-INT 15 and 21 do not have any impact on the Group as the Group's accounting policies already comply with the standards.
- HKAS 24 affects the identification of related parties and the disclosure of related party transactions.

HKAS 17 "Leases"

The adoption of HKAS 17 "Leases" has resulted in a change in accounting policy relating to leasehold land. In previous years, owner-occupied leasehold land and buildings were included in property, plant and equipment and measured using the revaluation model. In the current year, the Group has applied HKAS 17. Under HKAS 17, the land and buildings elements of a lease of land and buildings are considered separately for the purposes of lease classification, unless the lease payments cannot be allocated reliably between the land and buildings elements, in which case, the entire lease is generally treated as a finance lease. To the extent that the allocation of the lease payments between the land and buildings elements can be made reliably, the leasehold interests in land are reclassified to "Interests in leasehold land held for own use under operating leases", which are carried at cost and amortised over the lease term on a straight-line basis. The related revaluation reserve on the leasehold land is de-recognised and the related deferred taxation reversed. Alternatively, where the allocation between the land and buildings elements cannot be made reliably, the leasehold interests in land are accounted for as property, plant and equipment. The adoption of HKAS 17 has no significant impact on the financial statements for current and prior years. The 2005 financial statements have not been restated.

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 shares 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 directors' and employees' share options 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. The Group has applied HKFRS 2 to share options granted on or after April 1, 2005. In relation to share options granted before April 1, 2005, the Group chooses not to apply HKFRS 2 with respect to share options granted on or before November 7, 2002 or vested before April 1, 2005. Since the share options of the Company were vested before April 1, 2005, the HKFRS 2 has no significant impact on the financial statements for current and prior years. The 2005 financial statements have not been restated.

2. Principal accounting policies (continued)

(b) Basis of preparation (continued)

HKAS 32 "Financial Instruments: Disclosure and Presentation"

HKAS 39 "Financial Instruments: Recognition and Measurement"

In 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 accounting periods beginning on or after January 1, 2005, generally does not permit the recognition, derecognition or measurement of financial assets and liabilities on a retrospective basis. The principal effects resulting from the implementation of HKAS 32 and HKAS 39 are summarised below:

Classification and measurement of financial assets and financial liabilities

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

From April 1, 2005 onwards, the Group classifies and measures its financial assets and financial liabilities 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" that are not part of a hedging relationship and "available-for-sale financial assets" are carried at fair value, with changes in fair values recognised in profit or loss and equity respectively. "Loans and receivables" and "held-to-maturity financial assets" are measured at amortised cost using the effective interest method after initial recognition. Financial liabilities are generally classified as "financial liabilities at fair value through profit or loss" or "financial liabilities other than financial liabilities at fair value through profit or loss (other financial liabilities)". "Other financial liabilities" are carried at amortised cost using the effective interest method. This change did not have significant impact on the financial statements for current and prior years. Comparative figures for 2005 have not been restated.

Financial assets and financial liabilities other than debt and equity securities

From April 1, 2005 onwards, the Group classifies and measures its financial assets and financial liabilities other than debt and 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".

Derecognition

Under HKAS 39, a financial asset is derecognised, when and only when, either the contractual rights to the asset's cash flows expire, or the asset is transferred and the transfer qualifies for derecognition in accordance with HKAS 39. The decision as to whether a transfer qualifies for derecognition is made by applying a combination of risks and rewards and control tests. The Group has applied the relevant transitional provisions and applied the revised accounting policy prospectively for transfers of financial assets on or after April 1, 2005.

(c) Basis of consolidation

Where the Company has the power, either directly or indirectly, to govern the financial and operating policies of another entity or business so as to obtain benefits from its activities, it is classified as a subsidiary. The consolidated financial statements present the results of the Company and its subsidiaries ("the Group") as if they formed a single entity. Inter-company transactions and balances between group companies are therefore eliminated in full.

On acquisition, the assets and liabilities of the relevant subsidiaries are measured at their fair values at the date of acquisition. The interest of minority shareholders is stated at the minority's proportion of the fair values of the assets and liabilities recognised.

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

The Company's interests in subsidiaries are stated at cost less impairment loss, if any.

2. Principal accounting policies (continued)

(d) Subsidiaries

A subsidiary is an entity in which the Company is able to exercise its control on it. Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

(e) Revenue recognition

Revenue from the sale of goods is recognised when title of goods sold has passed to the purchaser.

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

Royalty fee income is recognised on accrual basis in accordance with the terms of the agreements.

(f) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset. Capitalisation of such borrowing costs ceases when the asset is substantially ready for its intended use or sale.

All other borrowing costs are charged to the income statement in the year in which they are incurred.

(g) Leased assets

Where substantially all of the risks and rewards incidental to ownership of a leased asset have been transferred to the Group (a "finance lease"), the asset is treated as if it had been purchased outright. The amount initially recognised as an asset is the present value of the minimum lease payments payable over the term of the lease. The corresponding lease commitment is shown as a liability. Lease payments are analysed between capital and interest. The interest element is charged to the income statement over the period of the lease and is calculated so that it represents a constant proportion of the lease liability. The capital element reduces the balance owed to be lessor.

Where substantially all of the risks and rewards incidental to ownership of a leased asset are retained by the lessor (an "operating lease"), the total rentals payable under the lease are charged to the income statement on a straight-line basis over the lease term.

(h) Income taxes

Income taxes for the year comprise current tax and deferred tax.

Current tax is based on the profit or loss from ordinary activities adjusted for items that are non-assessable or disallowable for income tax purposes and is calculated using tax rates that have been enacted or substantively enacted at the balance sheet date.

Deferred tax arises from temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for tax purposes and is accounted for using the balance sheet liability method. Except for recognised assets and liabilities that affect neither accounting nor taxable profits, deferred tax liabilities are recognised for all temporary differences. 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. Deferred tax is measured at the tax rates expected to apply in the period when the liability is settled or the asset is realised based on tax rates that have been enacted or substantively enacted at the balance sheet date.

Deferred taxes are recognised in the income statement except when they relate to items directly recognised to equity in which case the taxes are also directly recognised in equity.

2. Principal accounting policies (continued)

(i) Share-based payment

Where share options are awarded to employees, the fair value of the options at the date of grant is charged to the income statement over the vesting period. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each balance sheet date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether the market vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition.

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to the income statement over the remaining vesting period.

Where equity instruments are granted to persons other than employees, the income statement is charged with the fair value of goods and services received.

The Group also operates a share option scheme. An option pricing model is used to measure the Group's liability at each balance sheet date, taking into account the terms and conditions on which the bonus is awarded and the extent to which employees have rendered service. Movements in the liability (other than cash payments) are recognised in the income statement.

(i) Employee benefits

(i) *Defined contribution pension plan*

Obligations for contributions to defined contribution retirement plan are recognised as an expense in the income statement as incurred.

(ii) *Long service payments*

The Group's net obligations in respect of lump sum long service amounts payable on cessation of employment in certain circumstances under the Hong Kong Employment Ordinance is the amount of future benefit that employees have earned in return for their services in the current and prior periods. The obligations is calculated using the projected unit credit method, discounted to its present value, and the fair value of any related plan assets is deducted. The discount rate is the yield at balance sheet date on government bonds that have maturity dates approximating the terms of the Group's obligations.

(iii) *Termination benefits*

Termination benefits are recognised when, and only when, the Group demonstrably commits itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal.

(iv) *Employee entitlements*

Employee entitlements to annual leave and long service payment are recognised when they accrue to the employees. A provision is made for the estimated liability for annual leave and long service payment 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.

(k) Foreign currency

Transactions entered into by the Group entities in a currency other than the currency of the primary economic environment in which it operates (the "functional currency") are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the balance sheet date. Exchange differences arising on the retranslation of unsettled monetary assets and liabilities are similarly recognised immediately in the income statement, except for foreign currency borrowings qualifying as a hedge of a net investment in a foreign operation.

2. Principal accounting policies (continued)

(k) Foreign currency (continued)

On consolidation, the results of overseas operations are translated into Hong Kong Dollars at rates approximating to those ruling when the transactions took place. All assets and liabilities of overseas operations are translated at the rate ruling at the balance sheet date. Exchange differences arising on translating the opening net assets at opening rate and the results of overseas operations at actual rate are recognised directly in equity (the "foreign exchange reserve"). Exchange differences recognised in the income statement of group entities' separate financial statements on the translation of long-term monetary items forming part of the Group's net investment in the overseas operation concerned are reclassified to the foreign exchange reserve if the item is denominated in the functional currency of the Group or the overseas operation concerned.

(l) Impairment of non-financial assets

Impairment tests on goodwill and other intangible assets with indefinite useful economic lives are undertaken annually on March 31. Other non-financial assets are subject to impairment tests whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Where the carrying value of an asset exceeds its recoverable amount (i.e. the higher of value in use and fair value less costs to sell), the asset is written down accordingly.

Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the asset's cash-generating unit (i.e. the lowest group of assets in which the asset belongs for which there are separately identifiable cash flows). Goodwill is allocated on initial recognition to each of the Group's cash-generating units that are expected to benefit from the synergies of the combination giving rise to the goodwill.

Impairment charges are included in the administrative expenses line item in the income statement, except to the extent they reverse gains previously recognised in the statement of recognised income and expense.

(m) Property, plant and equipment

The building component of owner-occupied leasehold properties are stated at valuation less accumulated depreciation. Fair value is determined by the property valuer based on independent valuations which are performed periodically. The directors review the carrying value of the leasehold buildings and adjustment is made where they consider that there has been a material change. Increases in valuation are credited to the leasehold land and buildings revaluation reserve. Decreases in valuation are first offset against increases on earlier valuations in respect of the same property and are thereafter charged to the income statement. Any subsequent increases are credited to the income statement up to the amount previously charged and thereafter to leasehold land and buildings revaluation reserve.

Other property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

Property, plant and equipment are depreciated at rates sufficient to write off their cost net of expected residual value over their estimated useful lives. The useful lives and residual value are reviewed, and adjusted if appropriate, at each balance sheet date. The principal annual rates are as follows:

Leasehold land	2% on straight-line basis
Buildings	Over the lease terms
Leasehold improvements	20 – 50% on reducing balance basis
Plant and machinery	20 – 50% on reducing balance basis
Furniture and fixtures	20 – 50% on reducing balance basis
Motor vehicles	25 – 50% on reducing balance basis

Assets held under finance leases are depreciated over their estimated useful lives on the same basis as owned assets.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenances costs are charged to the income statement during the year in which they are incurred.

An asset is written down immediately to its recoverable amount if its carrying amount is higher than the asset's estimated recoverable amount.

2. Principal accounting policies (continued)

(m) Property, plant and equipment (continued)

All non-qualifying expenditures and expenses incurred on other non-qualifying development activities are charged as expenses to the income statement in the period in which such expenses are incurred.

The gain or loss on disposal of a property, plant and equipment other than leasehold building is the difference between the net sale proceeds and the carrying amount of the relevant asset, and is recognised in the income statement.

(n) Inventories

Inventories are initially recognised at cost, and subsequently at the lower of cost and net realisable value. Cost comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

First-in, first-out cost is used to determine the cost of ordinarily interchangeable items.

(o) Cash equivalents

Cash equivalents represent short term, highly liquid investments which are readily convertible into known amounts of cash and which are within three months of maturity when acquired, less advances from banks repayable within three months from the date of the advance.

(p) Related parties

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party, or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities.

(q) Financial instruments

(i) *Financial assets*

The Group classifies its financial assets into one of the following categories, depending on the purpose for which the asset was acquired. The Group's accounting policy for each category is as follows:

Fair value through profit or loss: This category comprises the financial assets that have been acquired for the purpose of selling or repurchasing it in the short-term or if so designated by management. This category includes derivatives which are not qualified for hedge accounting. Debt securities and bank deposits with embedded derivatives for yield enhancement whose economic characteristics and risks are not closely related to the host securities and deposits are designated as financial assets at fair value through profit or loss. They are carried in the balance sheet at fair value with changes in fair value recognised in the income statement.

Loans and receivables: These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (trade receivables), but also incorporate other types of contractual monetary asset. At each balance sheet date subsequent to initial recognition, they are carried at amortised cost.

Held-to-maturity investments: These assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. At each balance sheet date subsequent to initial recognition, held-to-maturity investment are measured at amortised cost using effective interest rate method, less any identified impairment losses.

Available-for-sale: Non-derivative financial assets not included in the above categories are classified as available-for-sale and comprise the Group's strategic investments in entities not qualifying as subsidiaries, associates or jointly controlled entities. They are carried at fair value with changes in fair value recognised directly in equity. Where a decline in the fair value of an available-for-sale financial asset constitutes objective evidence of impairment, the amount of the loss is removed from equity and recognised in the income statement.

2. Principal accounting policies (continued)

(q) Financial instruments (continued)

(ii) *Financial liabilities*

The Group classifies its financial liabilities into one of two categories, depending on the purpose for which the asset was acquired. The Group's accounting policy for each category is as follows:

Financial liabilities at fair value through profit or loss has two subcategories, including financial liabilities 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 liabilities 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 period in which they arise.

Other financial liabilities: Other financial liabilities include the following items:

- Trade payables and other short-term and long-term monetary liabilities, which are recognised at amortised cost, using the effective interest rate method.
- Bank borrowing are initially recognised at the amount advanced net of any transaction costs directly attributable to the issue of the instrument. Such interest bearing liabilities are subsequently measured at amortised cost using the effective interest rate method, which ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried in the balance sheet. "Interest expense" in this context includes initial transaction costs and premium payable on redemption, as well as any interest payable while the liability is outstanding.

(iii) *Derecognition*

The Group derecognise a financial asset where the contractual rights to the future cash flows in relation to the investment expire or where the financial asset has been transferred and the transfer meets the criteria for derecognition in accordance with HKAS 39.

(r) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, which will probably result in an outflow of economic benefits that can be reasonably estimated.

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, the existence of which 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.

(s) Dividends

Interim dividends are recognised directly as a liability when they are proposed and declared by the directors.

Final dividends proposed by the directors are classified as a separate allocation of retained profits within capital and reserves in the balance sheet. Final dividends are recognised as a liability when they are approved by the shareholders.

3. Potential impact arising on the new accounting standards not yet effective

The Group has not yet applied the following new HKFRSs that have been issued but not yet been effective. The directors of the Company anticipated that the application of these new HKFRSs will have no material impact on the financial statements of the Group.

HKAS 1 Amendment	Capital Disclosures
HKAS 19 Amendment	Actuarial Gains and Losses, Group Plans and Disclosures
HKAS 21 Amendment	Net Investment in a Foreign Operation
HKAS 39 Amendment	Cash Flow Hedge Accounting of Forecast Intragroup Transactions
HKAS 39 Amendment	The Fair Value Option
HKAS 39 & HKFRS 4 Amendments	Financial Guarantee Contracts
HKFRS 6	Exploration for and Evaluation of Mineral Resources
HKFRS 7	Financial Instrument: Disclosures
HKFRS — Interpretation 4	Determining whether an Arrangement contains a lease
HKFRS — Interpretation 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
HK(IFRIC) — Interpretation 6	Liabilities arising from Participating in a Specific Market — Waste Electrical and Electronic Equipment
HK(IFRIC) — Interpretation 7	Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies
HK(IFRIC) — Interpretation 8	Scope of HKFRS 2
HK(IFRIC) — Interpretation 9	Reassessment of Embedded Derivatives

4. Turnover

Turnover represents the net invoiced value of goods sold, after goods returns and trade discounts, from retail and wholesale of ladies' and men's fashion apparel and complementary accessories.

5. Segment information

Business segments

No segment analysis for business segment is presented as the Group principally operates in one business segment, which is the retail and wholesale of fashion apparel.

Geographical segments

The following table presents the revenue, results, assets and expenditure information for the geographical segments of the Group:

	Hong Kong		PRC		Consolidated	
	2006	2005	2006	2005	2006	2005
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue						
Sales to external customers	131,337	122,417	1,448	3,987	132,785	126,404
Segment results	1,950	14,926	(130)	(479)	1,820	14,447
Other segment information:						
Segment assets	57,841	52,405	10,597	10,941	68,438	63,346
Capital expenditure	2,912	3,077	115	13	3,027	3,090

6. Profit from operations

	THE GROUP	
	2006	2005
	HK\$'000	HK\$'000
Profit from operations is stated after charging:		
Cost of inventories sold	44,123	38,076
Staff costs (excluding directors' emoluments, note 8)*		
Wages and salaries	35,573	32,987
Retirement benefits	1,805	1,833
Provision for long service payments	539	—
	<hr/>	<hr/>
	37,917	34,820
Write-down of inventories to net realisable value*	877	1,797
Depreciation of property, plant and equipment*		
— Owned	3,358	1,962
— Leased	102	116
Minimum lease payments under operating leases on land and buildings*	31,996	29,643
Auditors' remuneration	320	310
Loss on write-off and disposals of property, plant and equipment, net	1,329	—
Exchange losses, net*	—	472
and after crediting:		
Surplus on revaluation of investment properties	—	1,270
Gain on write-off and disposals of property, plant and equipment, net	—	3,601
Royalty fee income	616	616
Interest income	176	11
Exchange gains, net*	741	—
	<hr/>	<hr/>

* Cost of inventories sold includes direct staff costs, operating lease rentals on land and buildings, write-down of inventories to net realisable value, net exchange gains/losses and depreciation of property, plant and equipment in aggregate of HK\$7,109,000 (2005: HK\$7,860,000), which are included in the above respective captions of expenses.

7. Finance costs

	THE GROUP	
	2006	2005
	HK\$'000	HK\$'000
Interest expenses on:		
Bank loans and overdrafts	123	128
Obligations under finance leases	12	29
Other loan wholly repayable within five years	5	—
Other loan not wholly repayable within five years	—	108
	<hr/>	<hr/>
Total finance costs	140	265
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8. Directors' and employees' emoluments

(a) Directors' emoluments

The aggregate amounts of the directors' emoluments, disclosed pursuant to the Listing Rules and Section 161 of Hong Kong Companies Ordinance, are as follows:

Name of directors	Fees HK\$'000	Basic salaries and allowances HK\$'000	Retirement benefits schemes contributions HK\$'000	2006 Total HK\$'000
Executive directors:				
Cheung Yin Sheung Subraina (Chairman)	—	820	12	832
Tong Kwong Fat	—	805	12	817
Yung Wing Sze Vivian	—	723	12	735
Non-executive director:				
To Ming Oi Wendy	60	—	—	60
Independent non-executive directors:				
Chan Ka Ling Edmond	85	—	—	85
Tsang Wai Kit	45	—	—	45
Lo Wa Kei Roy	36	—	—	36
Total	226	2,348	36	2,610
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	Fees HK\$'000	Basic salaries and allowances HK\$'000	Retirement benefits schemes contributions HK\$'000	2005 Total HK\$'000
Executive directors:				
Cheung Yin Sheung Subraina (Chairman)	—	666	12	678
Tong Kwong Fat	—	653	12	665
Yung Wing Sze Vivian	—	604	12	616
Independent non-executive directors:				
Chan Ka Ling Edmond	80	—	—	80
Tsang Wai Kit	36	—	—	36
Lo Wa Kei Roy	35	—	—	35
Total	151	1,923	36	2,110

No directors waived any emoluments in the years ended March 31, 2006 and 2005.

During the years ended March 31, 2006 and 2005, no emoluments were paid by the Group to any of the directors as an inducement to join, or upon joining the Group or as compensation for loss of office.

8. Directors' and employees' emoluments (continued)

(b) The five highest paid individuals

The five highest paid individuals during the year included three (2005: three) directors. Details of the emoluments of the remaining two (2005: two) highest paid individuals are as follows:

	THE GROUP	
	2006 HK\$'000	2005 HK\$'000
Employees		
– basic salaries and allowances	2,920	1,992
– retirement benefits scheme contributions	24	24
	<hr/>	<hr/>
	2,944	2,016

The number of highest paid and non-director employees whose emoluments fell within the following bands is as follows:

	Number of employees	
	2006	2005
Nil – HK\$1,000,000	–	1
HK\$1,000,000 – HK\$1,500,000	2	1
	<hr/>	<hr/>
	2	2

No highest paid and non-director employees waived any emoluments in the years ended March 31, 2006 and 2005.

During the years ended March 31, 2006 and 2005, no emoluments were paid by the Group to any of the two (2005: two) highest paid and non-director employees as an inducement to join or upon joining the Group or as compensation for loss of office.

9. Tax expense

The amount of tax expense in the consolidated income statement represents:

	THE GROUP	
	2006 HK\$'000	2005 HK\$'000
Current tax – provision for Hong Kong Profits Tax		
– tax for the year	5	187
– under provision in respect of prior years	68	–
	<hr/>	<hr/>
	73	187
Current tax – overseas		
– tax for the year	35	48
Deferred tax (note 13)		
– current year	(571)	–
	<hr/>	<hr/>
	(463)	235

Hong Kong Profits Tax is calculated at 17.5% (2005: 17.5%) of the estimated assessable profits for the year.

The Company's subsidiary established in the PRC is subject to Enterprise Income Tax at a rate of 15% (2005: 15%). Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

9. Tax expense (continued)

The tax expense for the year can be reconciled to the profit per the consolidated income statement as follows:

	THE GROUP	
	2006 HK\$'000	2005 HK\$'000
Profit before tax	1,680	14,182
Tax calculated at the domestic income tax rate of 17.5% (2005: 17.5%)	294	2,482
Net tax effect of revenue and expenses not subject to tax and not deductible for tax purpose	568	(783)
Tax effect of utilisation of tax losses not previously recognised	(991)	(1,742)
Tax losses for the year not recognised	184	164
Tax effect of temporary differences not recognised	(660)	93
Under provision in the prior year	68	—
Effect of different tax rates of subsidiaries operating in other jurisdictions	74	21
Tax expense for the year	(463)	235

10. Dividend

No dividend were paid or proposed during the year of 2006 and 2005, nor has any dividend been proposed since the balance sheet date.

11. Earnings per share

The calculation of basic earnings per share is based on the profit for the year of HK\$2,143,000 (2005: HK\$13,947,000) and the weighted average number of 200,127,000 (2005: 200,031,000) ordinary shares in issue during the year, calculated as follows:

Weighted average number of ordinary shares

	2006 Number of shares '000	2005 Number of shares '000
Issued ordinary shares at beginning of the year	200,060	200,030
Effect of share options exercised	67	1
Weighted average number of ordinary shares at end of the year	200,127	200,031

The calculation of diluted earnings per share is based on the profit for the year of HK\$2,143,000 (2005: HK\$13,947,000) and the weighted average number of 200,133,000 (2005: 200,652,000) ordinary shares. The weighted average number of ordinary shares used in the calculation is the weighted average number of 200,127,000 (2005: 200,031,000) ordinary shares in issue during the year, as used in the basic earnings per share calculation and the weighted average of 6,000 (2005: 621,000) ordinary shares assumed to have been issued at no consideration upon exercise of all share options outstanding during the year.

12. Property, plant and equipment

	Leasehold land and buildings HK\$'000	Leasehold improvements HK\$'000	Plant and machinery HK\$'000	Furniture and fixtures HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
THE GROUP						
COST OR VALUATION:						
At April 1, 2005	5,150	11,960	3,362	14,452	3,612	38,536
Additions	—	1,656	28	1,110	233	3,027
Write-off and disposals	—	(3,033)	—	(1,230)	(400)	(4,663)
Change in fair value	250	—	—	—	—	250
Exchange realignments	—	131	131	21	8	291
At March 31, 2006	5,400	10,714	3,521	14,353	3,453	37,441
Analysis of cost or valuation:						
At cost	—	10,714	3,521	14,353	3,453	32,041
At valuation	5,400	—	—	—	—	5,400
	5,400	10,714	3,521	14,353	3,453	37,441
ACCUMULATED DEPRECIATION:						
At April 1, 2005	—	8,326	2,877	10,689	1,982	23,874
Charge for the year	103	982	488	1,463	424	3,460
Eliminated on write-off and disposals	—	(2,244)	—	(728)	(302)	(3,274)
Change in fair value	(103)	—	—	—	—	(103)
Exchange realignments	—	122	116	17	6	261
At March 31, 2006	—	7,186	3,481	11,441	2,110	24,218
NET BOOK VALUE:						
At March 31, 2006	5,400	3,528	40	2,912	1,343	13,223
At March 31, 2005	5,150	3,634	485	3,763	1,630	14,662

The net book value of property, plant and equipment held under finance leases included in the amount of motor vehicles at March 31, 2006 amounted to HK\$278,000 (2005: HK\$476,000).

At March 31, 2006, the Group's leasehold land and buildings, situated in Hong Kong, is held under medium-term leases. At March 31, 2006, the leasehold land and buildings of the Group with net book value of HK\$5,400,000 (2005: HK\$5,150,000) was pledged to secure other loan granted to the Group (note 20).

The Group's leasehold land and buildings in Hong Kong was last valued at March 31, 2006 by Messrs Savills Valuation and Professional Services Limited, on an open market value basis. Messrs Savills Valuation and Professional Services Limited is not connected with the Group.

Had the revaluated leasehold land and buildings been measured on a historical cost basis, their net book values would have been HK\$5,047,000 (2005: HK\$5,150,000).

12. Property, plant and equipment (continued)

	Investment properties HK\$'000	Leasehold land and buildings HK\$'000	Leasehold improvements HK\$'000	Plant and machinery HK\$'000	Furniture and fixtures HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
THE GROUP							
COST:							
At April 1, 2004	3,880	8,160	12,823	3,362	14,324	3,890	46,439
Additions	—	—	1,484	—	924	682	3,090
Write-off and disposals	—	(8,160)	(2,347)	—	(796)	(960)	(12,263)
Surplus on revaluation	1,270	—	—	—	—	—	1,270
Transfer	(5,150)	5,150	—	—	—	—	—
At March 31, 2005	—	5,150	11,960	3,362	14,452	3,612	38,536
ACCUMULATED DEPRECIATION:							
At April 1, 2004	—	488	9,041	2,770	10,401	2,444	25,144
Charge for the year	—	139	725	107	776	331	2,078
Eliminated on write-off and disposals	—	(627)	(1,440)	—	(488)	(793)	(3,348)
At March 31, 2005	—	—	8,326	2,877	10,689	1,982	23,874
NET BOOK VALUE:							
At March 31, 2005	—	5,150	3,634	485	3,763	1,630	14,662
At March 31, 2004	3,880	7,672	3,782	592	3,923	1,446	21,295

The analysis of the net book value of leasehold land and buildings is as follows:

	THE GROUP	
	2006 HK\$'000	2005 HK\$'000
Building in Hong Kong Medium — term lease	5,400	5,150

13. Deferred tax assets

The Group

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

	Accelerated tax depreciation HK\$'000	Tax losses HK\$'000	Total HK\$'000
At April 1, 2004	(777)	777	—
Credit/(charge) to income for the year	93	(93)	—
At March 31, 2005	(684)	684	—
(Charge)/credit to income for the year	(132)	703	571
At March 31, 2006	(816)	1,387	571

At the balance sheet date, the Group has unused tax losses of HK\$33,317,000 (2005: HK\$37,928,000) available to set off future profits. A deferred tax asset has been recognised in respect of HK\$7,927,000 (2005: HK\$3,908,000) of such losses. No deferred tax asset has been recognised in respect of the remaining HK\$25,390,000 (2005: HK\$34,020,000) due to the unpredictability of future profits streams. All the losses can be carried forward indefinitely.

13. Deferred tax assets (continued)

The Company

At the balance sheet date, the Company has unused tax losses of HK\$1,326,000 (2005: HK\$1,101,000). No deferred tax assets has been recognised in relation to such unused tax losses due to the unpredictability of future profits streams.

14. Investment in a subsidiary

	THE COMPANY	
	2006 HK\$'000	2005 HK\$'000
Unlisted shares, at cost	32,251	32,251
Impairment	(11,018)	(11,018)
	<u>21,233</u>	<u>21,233</u>

Particulars of the principal subsidiaries of the Company at March 31, 2006 are set out in note 32.

15. Inventories

	THE GROUP	
	2006 HK\$'000	2005 HK\$'000
Raw materials	4,401	3,912
Work in progress	1,828	1,860
Finished goods	21,166	13,500
	<u>27,395</u>	<u>19,272</u>

16. Trade receivables

The following is an ageing analysis of trade receivables at the balance sheet date, based on the invoice dates:

	THE GROUP	
	2006 HK\$'000	2005 HK\$'000
0 – 30 days	436	517
31 – 60 days	—	232
Over 60 days	627	1,273
	<u>1,063</u>	<u>2,022</u>

Normal credit terms granted by the Group to its customers ranges from 30 to 60 days of invoice date. The Group grants credit terms of over 60 days to certain customers of long business relationship or with high creditability.

Included in trade receivables is the following amount denominated in a currency other than the functional currency of the Group to which it relates:

	THE GROUP	
	2006 '000	2005 '000
Renminbi	783	1,834

17. Amounts due from subsidiaries

The amounts due from subsidiaries are unsecured, bearing interest at rates ranging from 5.5% to 8.75% per annum and repayable on demand.

18. Cash and cash equivalents

	THE GROUP		THE COMPANY	
	2006 HK\$'000	2005 HK\$'000	2006 HK\$'000	2005 HK\$'000
Bank balances and cash	12,193	14,091	6	7

The cash and cash equivalents of the Group and the Company that are denominated in currencies other than the functional currency of the Group are set out as below:

	THE GROUP		THE COMPANY	
	2006 '000	2005 '000	2006 '000	2005 '000
Renminbi	267	240	—	—

19. Trade payables

The following is an ageing analysis of trade payables at the balance sheet date:

	THE GROUP	
	2006 HK\$'000	2005 HK\$'000
0 — 30 days	1,744	883
31 — 60 days	792	263
Over 60 days	231	317
	<u>2,767</u>	<u>1,463</u>

Included in trade payables are the following amounts denominated in a currency other than the functional currency of the Group to which they relate:

	THE GROUP	
	2006 '000	2005 '000
Euro	8	22
Renminbi	50	185
United States Dollars	—	1

20. Bank loans (secured)

	THE GROUP	
	2006 HK\$'000	2005 HK\$'000
Secured bank loans repayable:		
Within one year	4,867	2,263

The bank loans of the Group that are denominated in currencies other than the functional currency of the Group are set out below:

	THE GROUP	
	2006 '000	2005 '000
Euro	272	193
Japanese Yen	—	4,289
United States Dollars	284	—

At March 31, 2006, bank loans of the Group were secured by a pledged bank deposit of HK\$3,500,000 (2005: HK\$3,500,000).

21. Other loan (secured)

	THE GROUP	
	2006 HK\$'000	2005 HK\$'000
Secured other loan repayable:		
Within one year	59	1,924
In the second year	—	8
In the third to fifth years, inclusive	—	25
After five years	—	26
	<hr/>	<hr/>
	59	1,983
Less: Amount due within one year shown under current liabilities	(59)	(1,924)
	<hr/>	<hr/>
	—	59

At March 31, 2006, other loan of the Group was secured by legal charges over the leasehold land and buildings of the Group and bore variable interest rate ranging from 5% to 8% per annum. The amount is repayable by installments and will be fully repaid in the year of 2012.

22. Obligations under finance leases

The Group leased certain of its motor vehicles. The leases are classified as finance leases and have remaining lease terms ranging from less than one year to four years.

The Group's obligations under finance leases are secured by the lessor's charge over the leased assets.

Future lease payments are due as follows:

	Minimum lease payments 2006 HK\$'000	Interest 2006 HK\$'000	Present value 2006 HK\$'000
Not later than one year	88	(10)	78
Later than one year and not later than five years	154	(16)	138
	<hr/>	<hr/>	<hr/>
	242	(26)	216
	<hr/>	<hr/>	<hr/>
	Minimum lease payments 2005 HK\$'000	Interest 2005 HK\$'000	Present value 2005 HK\$'000
Not later than one year	135	(12)	123
Later than one year and not later than five years	242	(26)	216
	<hr/>	<hr/>	<hr/>
	377	(38)	339

The present value of future lease payments are analysed as:

	2006 HK\$'000	2005 HK\$'000
Current liabilities	78	123
Non-current liabilities	138	216
	<hr/>	<hr/>
	216	339

23. Employee benefits

	THE GROUP	
	2006 HK\$'000	2005 HK\$'000
Liabilities for employee benefits comprise:		
Long service payments accrual	1,503	964

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 plans that are attributable to contributions made by the Group. The Group does not set aside any assets to fund any remaining obligations. According to the Hong Kong Employment Ordinance, the directors applied the statutory maximum retirement benefits entitled to each employee in the calculation of long service payments.

(a) Movement for the year

	2006 HK\$'000	2005 HK\$'000
At beginning of the year	964	964
Expense recognised in the consolidated income statement	539	—
At end of the year	1,503	964

(b) The directors' assumptions with reference to the independent valuers' report used for accounting purposes at March 31 are as follows:

	2006	2005
Discount rate applied to pension obligations	4.6%	4.6%
Future salary increases	1.7%	1.7%

24. Share capital

	2006 Number of shares '000	2006 HK\$'000	2005 Number of shares '000	2005 HK\$'000
Authorised:				
Ordinary shares of HK\$0.10 each	1,000,000	100,000	1,000,000	100,000
Issued and fully paid:				
At the beginning of the year	200,060	20,006	200,030	20,003
Issued on exercise of share options (Note)	70	7	30	3
At the end of the year	200,130	20,013	200,060	20,006

Note:

During the year, the Company issued 70,000 (2005: 30,000) ordinary shares of HK\$0.10 each at exercise price of HK\$0.2528 per share upon the exercise of share options granted to certain employees. The proceeds from issue of shares were used as working capital of the Group.

Share options

The operation of the share option scheme adopted by the Company on March 14, 2000 (the "Old Scheme") was terminated upon the adoption of the New Scheme (as defined below). In such event, no further option would be granted under the Old Scheme. However, all options granted prior to such termination and not yet exercised shall continue to be valid and exercisable subject to and in accordance with the Old Scheme.

24. Share capital (continued)

Share options (continued)

On September 10, 2002, at the annual general meeting, the Company adopted a new share option scheme (the "New Scheme") under which the board of directors may, at their discretion, invite any full time and part time employees, directors, suppliers, customers, consultants, advisors or shareholders of any of the companies within the Group to take up options to subscribe for ordinary shares of the Company at any time during ten years from the date of adoption.

The total number of shares which may be issued upon exercise of all options to be granted under the New Scheme and other schemes of the Group must not in aggregate exceed 10% of the shares in issue upon completion of the share offer and the capitalisation issue at the time dealings in the shares commence on the Stock Exchange unless a fresh approval from the shareholders of the Company has been obtained.

The maximum number of shares which may be issued upon the exercise of all outstanding options granted and yet to be exercised under the New Scheme and any other share option schemes of the Company shall not exceed such number of shares as shall represent 30% of the issued share capital of the Company from time to time.

The total number of shares issued and may be issued upon exercise of the options granted to each eligible person under the New Scheme and any other share option schemes of the Company (including exercised, cancelled and outstanding options) in 12-month period must not exceed 1% of the issued share capital of the Company.

Option granted under the New Scheme must be accepted within 28 days from the date of grant. Upon acceptance, the grantee shall pay HK\$1.00 to the Company as consideration for the grant.

The subscription price for the shares under the New Scheme shall be a price determined by the board of directors of the Company and notified to an eligible participant and shall not be lower than the higher of: (i) the nominal value of a share; (ii) the closing price of one share as stated in the daily quotation sheets issued by the Stock Exchange on the offer date, which shall be a business day; and (iii) the average closing price of the shares as stated in the daily quotation sheets issued by the Stock Exchange for the five business days immediately preceding the offer date.

The following tables disclose details of the Company's share options under the Old Scheme held by employees (including directors) and movements in such holdings during the year:

(a) Movements in share options

	2006 Number	2005 Number
At the beginning of the year	15,320,000	15,380,000
Exercised	(70,000)	(30,000)
Cancelled	(90,000)	(30,000)
At the end of the year	15,160,000	15,320,000

(b) Terms of unexpired and unexercised share options at balance sheet date

Date granted	Exercise period	Exercise price	2006 Number	2005 Number
February 5, 2001	February 5, 2001 to February 4, 2011	HK\$0.2528	15,160,000	15,320,000

Details of unexpired and unexercised share options analysed by directors and non-directors are disclosed in the report of directors.

The financial impact of share options granted and vested before April 1, 2005 was not recorded in the Company's or the Group's balance sheet until such time as the options are exercised, and no charge was recognised in the income statement in respect of the value of options granted and vested before April 1, 2005. Upon the exercise of the share options, the resulting shares issued are recorded by the Company as additional share capital at the nominal value of the shares, and the excess of the exercise price per share over the nominal value of the shares is recorded by the Company in the share premium account. Options which lapse or are cancelled prior to their exercise date are deleted from the register of outstanding options.

The weighted average closing price of the Shares of the Company immediately before the dates on which the share options were exercised was HK\$0.3457. The weighted average exercise price of the share options was HK\$0.2528 throughout the year. No option has been granted under the New Scheme since its adoption on September 10, 2002.

25. Reserves

	Share capital HK\$'000	Share premium HK\$'000	Contributed surplus* HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
THE COMPANY					
At April 1, 2004	20,003	26,121	32,051	(11,289)	66,886
Exercise of share options	3	5	—	—	8
Profit for the year	—	—	—	339	339
At March 31, 2005	20,006	26,126	32,051	(10,950)	67,233
Exercise of share options	7	11	—	—	18
Loss for the year	—	—	—	(225)	(225)
At March 31, 2006	20,013	26,137	32,051	(11,175)	67,026

* The contributed surplus of the Company represents the difference between the nominal value of the share capital issued by the Company and the underlying net assets of subsidiaries which were acquired by the Company pursuant to a group reorganisation implemented during the year ended March 31, 2000.

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

- (1) the company is, or would after the payment be, unable to pay its liabilities as they become due; or
- (2) the realisable value of the company's assets would thereby be less than the aggregate of its issued share capital and share premium accounts.

26. Retirement benefits scheme

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 in Hong Kong. The MPF Scheme has been operated since December 1, 2000. Contributions are made based on a percentage of the employees' basic salaries 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.

The employees of the Group in the PRC are required to participate in a central pension scheme operated by the local municipal governments. The Group are required to contribute certain stipulated percentage of its payroll costs to the central pension scheme. The contributions are charged to the income statement as they became payable in accordance with the rules of the central pension scheme.

27. Major non-cash transaction

During the year ended March 31, 2005, the Group entered into a finance lease arrangement in respect of assets with a total capital value at the inception of lease of HK\$315,000.

28. Operating lease commitments

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

	THE GROUP	
	2006 HK\$'000	2005 HK\$'000
Within one year	30,093	26,143
In the second to fifth years, inclusive	21,244	30,274
	51,337	56,417

29. Contingent liabilities

At March 31, 2006, the Group had no significant contingent liabilities (2005: Nil).

At March 31, 2006, the Company had provided guarantee to a bank against facilities utilised by a subsidiary as follow:

	THE COMPANY	
	2006	2005
	HK\$'000	HK\$'000
Bank loans	4,867	2,263

30. Related party transactions

(a) During the year, the Group entered into the following related party transaction:

Related party relationship	Type of transaction	Transaction amount	
		2006	2005
		HK\$'000	HK\$'000
Entity in which a director of the Company has interest	Rental on office premises paid by the Group	2,374	2,184

Further details of the above-mentioned transaction is included under the heading "Connected transactions" in the Report of the Directors.

(b) Compensation of key management personnel

The emoluments of directors (included in note 8) and other members of key management during the year were as follows:

	2006	2005
	HK\$'000	HK\$'000
Short-term benefits	5,902	4,406
Post-employments benefits	72	72
	5,974	4,478

(c) During the year, the Group sold finished goods amounted to HK\$1,424,000 (2005: HK\$1,613,000) to an entity of which the owner name is registered in the name of a director of a subsidiary of the Group. The transactions were based on normal commercial terms and with reference to market prices. The director of that subsidiary declared that such entity is beneficially owned by an independent third party.

31. Financial instruments — risk management

The Group is exposed through its operations to the following financial risks:

- Currency risk;
- Liquidity risk;
- Interest rate risk; and
- Fair value risk.

Policy for managing these risks is set by the directors of the Group. The policy for each of the above risks is described in more detail below.

Currency Risk

Several subsidiaries of the Company have foreign currency purchases which expose the Group to foreign currency risk. The management is aware of the possible exchange appreciation in Euro in the future although the Group's cash outlay on purchase of raw materials are mainly denominated in Hong Kong dollars and United State dollars and currency risk exposure is immaterial . The Group currently does not have a foreign currency hedging policy. However, the management will monitor foreign exchange exposure and consider hedging significant foreign currency exposure should the need arises.

Liquidity Risk

Individual operating entities within the Group are responsible for their own cash management, including the cash, current working capital and the raising of funds from issue of shares and underlying interests in shares of the Company, subject to approval by the Company's shareholders, if necessary. The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash and current working capital to meet its liquidity requirements in the short and longer term.

Interest Rate Risk

The Group is exposed to interest rate risk on variable-rate bank loans and other loan. The management monitors the related interest rate risk exposure closely and will consider hedging significant interest rate risk exposure should the need arises.

Fair Value Risk

The fair values of financial assets and financial liabilities reported in the balance sheets of the Group and the Company approximate their carrying amounts.

32. Principal subsidiaries

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

Name of subsidiary	Form of business structure	Place of incorporation/ registration and operations	Nominal value of paid-up issued share/registered capital	Percentage of equity attributable to the Company %	Principal activities
<i>Directly held:</i>					
Gay Giano Holdings Limited	Limited	British Virgin Islands	US\$1,000	100	Investment holding
<i>Indirectly held:</i>					
Belarus Limited	Limited	Hong Kong	HK\$3,000	100	Sourcing of materials and investment holding
Cour Carré (Asia) Limited	Limited	British Virgin Islands	US\$1	100	Investment holding
Cour Carré Company Limited	Limited	Hong Kong	HK\$1,000	100	Retail of fashion apparel and complementary accessories
Cour Carré World Limited	Limited	British Virgin Islands	US\$1	100	Wholesale of fashion apparel and complementary accessories
Due G Company Limited	Limited	Hong Kong	HK\$10,000	100	Retail of fashion apparel and complementary accessories
Gay Giano Company Limited	Limited	Hong Kong	HK\$1,000,000	100	Retail of fashion apparel and complementary accessories
Gay Giano International Limited	Limited	Hong Kong	HK\$1,000	100	Investment holding and provision of administrative services
Gay Giano Technology Limited	Limited	British Virgin Islands/ Hong Kong	US\$1	100	Provision of information technology services
Maxrola Limited	Limited	Hong Kong	HK\$2	100	Property investment
Shenzhen Longwei Fashion Mfg. Co., Ltd.* ("SLFM")	Co-operative joint venture	PRC	HK\$12,000,000	100	Manufacture and distribution of fashion apparel

* SLFM is a co-operative joint venture established by the Group and a partner in the PRC for a period of operation for ten years commencing from the date of the issuance of its business licence on May 3, 1996. At the date of the financial statements, the operation period was renewed to May 3, 2007. According to the joint venture contract, the PRC partner is entitled to the payment of a fixed sum of RMB436,320 per annum and the Group is entitled to all of the profits and shall bear all of the losses of SLFM. SLFM is treated as a subsidiary as under the joint venture contract, the Group controls the composition of the board of directors of SLFM and has control over the financial and operating policies of SLFM.

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

None of the subsidiaries had any debt securities subsisting at the end of the year or at any time during the year.

33. Critical accounting judgements and key sources of estimation uncertainty

In the process of applying the Group's accounting policies which are described in note 2, management has made the following judgments that have significant effect on the amounts recognised in the financial statements. The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are also discussed below:

Impairment loss on trade receivables

The policy for impairment of trade receivables of the Group is based on the evaluation of collectability and ageing analysis of the trade receivables and on management's judgement. A considerable amount of judgment is required in assessing the ultimate realisation of these trade receivables, including the current creditworthiness and the past collection history of each customer. If the financial conditions of customers of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional impairment may be required.

Impairment on inventories

The management of the Group reviews an ageing analysis at each balance sheet date, and writes down obsolete and slow-moving inventory items identified to net realisable value. The management estimated the net realisable value for such inventories based primarily on the latest invoice prices and current market conditions.

Depreciation and impairment of property, plant and equipment

The management of the Group reviews the depreciation policy and estimates the useful lives of each category of property, plant and equipment with respect to their respective condition and deterioration rate. If the conditions and recoverable value of assets were to deteriorate, acceleration on depreciation and additional impairment may be required. The management will also consider referring to professional property valuers' estimation in assessing impairment.

Provision for long service payment and annual leave

A provision is made for the estimated liability for long service payment and annual leave and the calculation of which involves assumption and assessment on the employees' final salary, years of service, employee turnover rate, the change of labour market condition and other relevant economic and strategic policies. Adjustment on provision is dependent on the aggregate effect of relevant factors which involve considerable degree of estimation. The management will also consider taking reference to the independent valuers' report in assessing whether adjustment on provision is required.

34. Approval of financial statements

The financial statements were approved and authorised for issue by the Board of Directors on July 14, 2006.