For the year ended 31 March 2006

1. GENERAL

The Company is a public limited company incorporated in the Cayman Islands and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The registered office of the Company is Century Yard, Cricket Square, Hutchins Drive, P.O. Box 2681 GT, George Town, Grand Cayman, British West Indies.

The Company is an investment holding company. The principal activities of its principal subsidiaries are set out in note 19.

The Company's consolidated financial statements for the year ended 31 March 2006 are presented in Hong Kong dollars which is the same as its functional currency.

These financial statements were approved and authorised for issue by the Board of Directors on 25 July 2006.

2.1 BASIS OF PREPARATION

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which is a collective term that includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs"), and Interpretations ("Ints") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance and applicable disclosure provisions of The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

The measurement basis used in the preparation of the financial statement is historical cost as modified by the revaluation of certain properties and available-for-sale financial assets which are carried at fair value.

The preparation of the financial statements requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements.

In preparing the financial statements, the Directors of the Company (the "Directors") have given consideration to the future liquidity of the Group in light of its net current liabilities of approximately HK$15,725,000 as at 31 March 2006 and reported net loss amounted to approximately HK$38,607,000.

As disclosed in note 40 (b) to the financial statements, the Group has been queried by the Inland Revenue Department ("IRD") in respect of deductible expenses claimed by the Group in its profit tax computation amounted to approximately HK$61,548,000, for the years of assessment 2000/01, 2001/02, 2002/03 and 2003/04. Up to the date of the approval of these financial statements, the Group is still in the process of answering these queries from IRD.

For the year ended 31 March 2006

2.1 BASIS OF PREPARATION *(Continued)*

The Directors of the Company are currently unable to ascertain with any degree of reasonable certainty the outcome of the possible obligation arising from the tax liabilities imposed by the IRD and the existence or otherwise of any tax penalties and expenses payable should the IRD initiate proceedings against the Group. The Directors are also unable to determine, whether a provision, if any, is required against such obligation at this stage.

The financial statements have been prepared on a going concern basis, the validity of which depends upon the financial support of a controlling shareholder, at a level sufficient to finance the working capital requirement of the Group. The controlling shareholder has agreed to provide adequate funds for the Group to meet its liabilities as they fall due. If the going concern basis is not used, adjustments would have to be made to the financial statements to reduce the value of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities, respectively.

2.2 IMPACT OF ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

A summary of the new and revised HKFRSs which are adopted for the first time and are relevant to the Group's operation is 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
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 28	Investments in Associates
HKAS 32	Financial Instruments: Disclosures and Presentation

For the year ended 31 March 2006

2.2 IMPACT OF ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

HKAS 33	Earnings per Share
HKAS 36	Impairment of Assets
HKAS 37	Provisions, Contingent Liabilities and Contingent Assets
HKAS 38	Intangible Assets
HKAS 39	Financial Instruments: Recognition and Measurement
HKAS 39 (Amendment)	Transition and Initial Recognition of Financial Assets and Financial Liabilities
HK(SIC)-Int 21	Income Taxes — Recovery of Revalued Non-Depreciable Assets
HKFRS 2	Share-based Payments
HKFRS 3	Business Combinations

The adoption of new and revised HKASs 1, 2, 7, 8, 10, 12, 14, 16, 18, 19, 21, 23, 24, 27, 28, 33 and 37 did not result in substantial changes to the Group's accounting policies. In summary:

— HKAS 1 has affected the presentation of minority interests on the face of the consolidated balance sheet, consolidated income statement, consolidated statement of changes in equity and other disclosures. In addition, in prior years, the Group's share of tax attributable to associates was presented as a component of the Group's total tax charge/(credit) in the consolidated income statement. Upon adoption of HKAS 1, the Group's share of the post-acquisition results of associates is presented net of the Group's share tax attributable to associates.

— HKAS 24 has expanded the definition of related parties and affected the Group's related party disclosures.

The impact of adopting the other HKFRSs is summarised as follows:

(a) The adoption of revised HKAS 17 has resulted in a change in the accounting policy relating to the reclassification of interests in leasehold land and land use rights from property, plant and equipment to operating leases and retrospective application is required. The up-front prepayments made for the interests in leasehold land and land use rights are expensed in the income statement on a straight-line basis over the period of the lease or when there is impairment, the impairment is expensed in the income statement. A lease of land and building is split into a lease of land and a lease of building in proportion to the relative fair values of the leasehold interests in land element and the building element of the lease at the inception of the lease. The lease of land is stated at cost and amortised over the period of the lease whereas the building is stated at cost less accumulated depreciation. In prior years, interests in leasehold land and land use rights was classified under property, plant and equipment at cost and amortised over the terms of the leases except those classified as properties under development which was stated at cost less impairment.

For the year ended 31 March 2006

2.2 IMPACT OF ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

(b) The adoption of HKAS 32 and HKAS 39 has resulted in a change in the accounting policy for recognition, measurement, derecognition and disclosure of financial instruments.

(i) Under HKAS 39, equity investments held on a continuing basis for an identifiable long-term purpose are classified as available-for-sale financial assets and are continued to be stated at cost less impairment as the fair value cannot be reliably measured. If there is objective evidence that an individual investment has been impaired, such impairment would be recognised in the income statement. Listed equity securities held for trading purpose are classified as financial assets held for trading and are continued to be stated at closing price with all realised and unrealised gains or losses to be recognised in the income statement.

(ii) Long-term receivables are classified as other receivables and are recognised initially at cost and subsequently measured at amortised cost using the effective interest method, less provision for impairment with changes in carrying value to be recognised in the income statement. All non-hedging derivative financial instruments entered are stated at fair value with changes recognised in the income statement. In prior years, equity investments for long-term purpose were disclosed as long-term investments and stated at cost less impairment through profit or loss. Listed equity securities held for trading purpose were disclosed as investments in securities and were stated at market value with changes to such value accounted through profit or loss. Short-term receivables were stated at cost less impairment which, if any, was accounted through profit or loss. Derivative financial instruments entered were recognised on a cash basis. Prospective application is required for adoption of HKAS 39 by way of adjustments to the opening balance of accumulated losses as at 1 April 2005. Comparative amounts have not been restated.

(c) The adoption of revised HK(SIC)-Int 21 has resulted in a change in the accounting policy relating to the measurement of deferred tax liabilities arising from the revaluation of investment properties. Such deferred tax liabilities are measured on the basis of tax consequences that would follow from recovery of the carrying amount of that asset through use. In prior years, the carrying amount of that asset was expected to be recovered through sale.

(d) The adoption of HKFRS 2 has resulted in a change in the accounting policy for share-based payments. With effect from 1 January 2005, the Group recognises the fair value of share options granted as an expense in the income statement over the vesting period with a corresponding increase being recognised in an employee share-based payment reserve. The employee share-based payment reserve is transferred to share capital and share premium, together with the exercise price, when the option holder exercises its rights. In prior years, no amount was recognised when options were granted. If the option holders chose to exercise the options, the nominal amount of share capital and share premium were credited only to the extent of the option's exercise price receivable. As a transitional provision, the cost of share option granted after 7 November 2002 and had not yet vested on 1 January 2005 was expensed retrospectively in the income statement of the respective periods.

For the year ended 31 March 2006

2.2 IMPACT OF ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

(e) The adoption of HKFRS 3, HKAS 36 and HKAS 38 results in a change in the accounting policy for positive goodwill and negative goodwill and prospective application is required. Until 31 March 2005:

(i) positive goodwill was capitalised and amortised on a straight line basis over its useful economic life of 10 years and was subject to impairment testing when there were indications of impairment; and

(ii) negative goodwill was amortised over the weighted average useful life of the non-monetary assets acquired, except to the extent it related to identified expected future losses as at the date of acquisition. In such cases it was recognised in the income statement as those expected losses were incurred.

Following the adoption of HKFRS 3, HKAS 36 and HKAS 38:

(i) the Group ceased amortisation of remaining goodwill from 1 April 2005;

(ii) accumulated amortisation as at 31 March 2005 has been eliminated with a corresponding decrease in the cost of positive goodwill;

(iii) from the year ended 31 March 2006 onwards, positive goodwill is tested annually for impairment, as well as when there is indication of impairment; and

(iv) in accordance with the transitional provision in HKFRS 3, all negative goodwill was derecognised as at 1 April 2005 with a corresponding decrease in accumulated losses.

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

(i) HKAS 16 — the initial measurement of an item of property, plant and equipment acquired in an exchange of assets transaction is accounted at fair value prospectively only to future transactions;

(ii) HKAS 21 — prospective accounting for goodwill and fair value adjustments as part of foreign operations;

(iii) HKAS 39 — does not permit to recognise, derecognise and measure financial assets and liabilities in accordance with this standard on a retrospective basis. The Group applied the previous SSAP 24 "Accounting for investments in securities" to investments in securities and also to hedge relationships for the 2005 comparative information. The adjustments required for the accounting differences between SSAP 24 and HKAS 39 are determined and recognised at 1 April 2005;

(iv) HKFRS 3 — prospectively after 1 April 2005.

For the year ended 31 March 2006

2.3 SUMMARY OF THE IMPACT OF CHANGES IN ACCOUNTING POLICIES

The effect of the changes in the accounting policies as described above are as follows:

(a) Effect on the consolidated balance sheet:

	Effect of adopting		
	HKAS 17	**HKAS 39**	
At 1 April 2005	Interests in leasehold land and land use rights	Equity securities	Total
	HK$'000	*HK$'000*	*HK$'000*
Assets			
Interests in leasehold land and land use rights	12,814	—	12,814
Property, plant and equipment	(14,379)	—	(14,379)
Investments in securities	—	(9,346)	(9,346)
Available-for-sale financial assets	—	9,346	9,346
			(1,565)
Liabilities/equity			
Minority interests	(559)	—	(559)
Revaluation reserve	(10,092)	—	(10,092)
Retained profits	9,086	—	9,086
			(1,565)
At 31 March 2006			
Assets			
Interests in leasehold land and land use rights	12,726	—	12,726
Property, plant and equipment	(16,891)	—	(16,891)
Investments in securities	—	(688)	(688)
Available-for-sale financial assets	—	688	688
			(4,165)
Liabilities/equity			
Minority interests	(728)	—	(728)
Revaluation reserve	(10,092)	—	(10,092)
Retained profits	6,655	—	6,655
			(4,165)

For the year ended 31 March 2006

2.3 SUMMARY OF THE IMPACT OF CHANGES IN ACCOUNTING POLICIES *(Continued)*

(b) Effect on the balances of equity at 1 April 2004 and at 1 April 2005:

	Effect of adopting HKAS 17 Interests in leasehold land and land use rights
At 1 April 2004	*HK$'000*
Revaluation reserve	(7,115)
Retained profits	6,463
	(652)
At 1 April 2005	
Minority interests	(559)
Revaluation reserve	(10,092)
Retained profits	9,086
	(1,565)

For the year ended 31 March 2006

2.3 SUMMARY OF THE IMPACT OF CHANGES IN ACCOUNTING POLICIES *(Continued)*

(c) Effect on the consolidated income statement for the years ended 31 March 2006 and 2005:

	Effect of adopting
	HKAS 17
Year ended 31 March 2006	Interests in leasehold land and land use rights
	HK$'000
Increase in amortisation and depreciation	27
Increase in loss attributable to ordinary equity holders of the Company	27
Increase in basic and diluted losses per share (HK cents)	0.002
Year ended 31 March 2005	
Increase in amortisation and depreciation	43
Increase in minority interests	(5)
Total increase in loss attributable to ordinary equity holders of the Company	38
Increase in basic and diluted losses per share (HK cents)	0.002

For the year ended 31 March 2006

2.4 IMPACT OF ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

No early adoption of the following new Standards or Interpretations that have been issued but are not yet effective. Unless otherwise stated, these HKFRSs are effective for annual periods beginning on or after 1 January 2006:

HKAS 1 (Amendment)	Capital Disclosures
HKAS 39 (Amendment)	Cash Flow Hedge Accounting of Forecast Intragroup Transaction
HKAS 39 (Amendment)	The Fair Value Option
HKAS 39 & HKFRS 4 (Amendment)	Financial Guarantee Contracts
HKFRS 7	Financial Instruments: Disclosure
HK(IFRIC)-Int 4	Determining whether an Arrangement contain a Lease

The HKAS 1 (Amendment) shall be applied for annual periods beginning on or after 1 January 2007. The revised standard will affect the disclosure about qualitative information about the Group's objective, policies and processes for managing capital; quantitative data about what company regards as capital; and compliance with any capital requirements and the consequences of any non-compliance.

HKAS 39 (Amendment) Cash Flow Hedge Accounting of Forecast Intragroup Transactions allows the foreign currency risk of a highly probable forecast intragroup transaction to qualify as a hedged item in the consolidated accounts, provided that: (a) the transaction is denominated in a currency other than the functional currency of the entity entering into that transaction; and (b) the foreign currency risk will affect consolidated profit and loss. This amendment is not relevant to the Group's operations, as the Group does not have any intragroup transactions that would qualify as a hedged item in the consolidated accounts as at 31 March 2006 and 2005.

HKAS 39 (Amendment) The Fair Value Option changes the definition of financial instruments classified at fair value through profit or loss and restricts the ability to designate financial instruments as part of this category. The Group believes that this amendment should not have a significant impact on the classification of financial instruments, as the Group should be able to comply with the amended criteria for the designation of financial instruments at fair value through profit or loss. The Group will comply this amendment from accounting periods beginning on 1 January 2006.

HKAS 39 and HKFRS 4 (Amendment) Financial Guarantee requires issued financial guarantees, other than those previously asserted by the entity to be insurance contracts, to be initially recognised at their fair value, and subsequently measured at the higher of (a) the unamortised balance of the related fees received and deferred, and (b) the expenditure required to settle the commitment at the balance sheet date. The Company regards its financial guarantees provided to its subsidiaries as insurance contracts.

HKFRS 7 will replace HKAS 32 and has modified the disclosure requirements of HKAS 32 relating to financial instruments. This HKFRS shall be applied for annual period beginning on or after 1 January 2007.

Except as stated above, the Group expects that the adoption of the other pronouncements listed above will not have any significant impact on the Group's financial statements in the period of initial application.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of significant accounting policies followed by the Group and the Company in the preparation of the financial statements is set out below:

(a) Basis of consolidation

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

(i) Subsidiaries

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

All significant inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

(ii) Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for by the equity method of accounting and are initially recognised at cost. The Group's investment in associates includes goodwill (net of any impairment losses) identified in acquisition.

The consolidated income statement includes the Group's share of the post-acquisition results of its associates for the year. In the consolidated balance sheet, interests in associates are stated at the Group's share of the net assets of the associates plus the premium paid on acquisition in so far as it has not already been amortised to the income statement, less any identified impairment loss. When the Group transacts with its associates, unrealised profits and losses are eliminated to the extent of the Group's interest in the relevant associates, except where unrealised losses provide evidence of an impairment of the asset transferred.

The results of associates are accounted for by the Company on the basis of dividends received or receivable during the year. In the Company's balance sheet, investments in associates are stated at cost, as reduced by any identified impairment loss.

For the year ended 31 March 2006

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(b) Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(i) sale of goods is recognised when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;

(ii) interest income is recognised on a time-apportioned basis taking into account the principal outstanding and the effective interest rate applicable; and

(iii) dividend income from investment in securities is recognised when the shareholder's right to receive payment is established.

(c) Property, plant and equipment

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

The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after the property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the income statement in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the property, plant and equipment, the expenditure is capitalised as an additional cost of that asset.

Construction in progress is stated at cost, less any impairment loss. Cost includes construction cost, interest, finance charges and other direct cost attributable to the construction. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

For the year ended 31 March 2006

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

Depreciation is provided to write off the cost of property, plant and equipment, other than properties under development and construction in progress, over their estimated useful lives and after taking into account their estimated residual value, using the straight line method, at the following principal annual rates:

Buildings	:	2% to 5%
Construction in progress	:	Nil
Leasehold improvements	:	20%
Plant and machinery	:	6.67%
Furniture and fixtures	:	20%
Office equipment	:	10% to 20%
Motor vehicles	:	10% to 30%

The gain or loss arising from disposal 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.

Asset held under a finance lease is depreciated over its expected useful live on the same basis as owned assets.

(d) Interests in leasehold land and land use rights

Interests in leasehold land and land use rights represents prepaid lease payment made for leasehold land. Interests in leasehold land and land use rights are stated at cost less subsequent accumulated amortisation and any accumulated impairment losses. The cost of interests in leasehold land and land use rights are amortised on a straight-line basis over the shorter of the relevant interest in leasehold land or the operation period of the relevant company.

(e) Impairment of assets

Internal and external sources of information are reviewed at each balance sheet date to determine whether there is any indication of impairment of assets, or whether there is any indication that an impairment loss previously recognised no longer exists or may have decreased. If any such indication exists, the recoverable amount of the asset is estimated. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. An impairment loss is charged to the income statement in the year in which it arises, unless the asset is carried at a revalued amount, when the impairment loss is accounted for in accordance with the relevant policy for that revalued asset.

(i) Calculation of recoverable amount

The recoverable amount of an asset is the higher of its net selling price and value in use. The net selling price is the amount obtainable from the sale of an asset in an arm's length transaction while value in use is the present value of estimated future cash flows expected to arise from the continuing use of any asset and from its disposal at the end of its useful life. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of asset that generates cash inflows independently (i.e. a cash-generating unit).

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(e) Impairment of assets *(Continued)*

(ii) Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been change in the estimates used to determine the recoverable amount. An impairment loss of goodwill is reversed only if the loss was caused by a specific external event of an exceptional nature that is not expected to recur, and the increase in recoverable amount relates the reversal effect of that specific event.

A reversal of impairment losses is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to the income statement in the year in which the reversals are recognised.

(f) 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 is the profit for the year, determined in accordance with the rules established by the taxation authorities, upon which income taxes are payable.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary difference 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 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 investment in subsidiaries and associates, 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.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset 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.

For the year ended 31 March 2006

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(g) Investments in subsidiaries

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

(h) Interests in associates

The consolidated income statement includes the Group's share of the post-acquisition results of its associates for the year. In the consolidated balance sheet, interests in associates are stated at the Group's share of the net assets of the associates plus goodwill in so far as it has not already been amortised to the income statement, less any identified impairment loss. When the Group transacts with its associates, unrealised profits and losses are eliminated to the extent of the Group's interest in the relevant associates, except where unrealised loss provide evidence of an impairment of the asset transferred.

The results of associates are accounted for by the Company on the basis of dividends received or receivables during the year. In the Company's balance sheet, investments in associates are stated at cost, as reduced by any identified impairment loss.

(i) Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary or an associate at the date of acquisition.

Goodwill arising on the acquisition of associates is included in the carrying amount of the associates. Goodwill arising on the acquisition of subsidiaries is presented as a separate intangible asset.

Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses.

(j) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost of raw materials is determined on the first-in, first-out basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of manufacturing overheads, and/or, where appropriate, subcontracting charges. Net realisable value is based on estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

(k) Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the income statement.

For the year ended 31 March 2006

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(l) Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

(m) Provision

A provision is recognised when the Group has a present legal or constructive obligation, as a result of a past event and it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Where the effect of the time value money is material, the amount of a provision is the present value at the balance sheet date of the expenditures expected to be required to settle the obligation.

(n) Investments

Before adoption of the new and revised HKFRSs, the Group classified the investments in securities into non-trading securities and trading securities except for the investments in subsidiaries, associates and jointly control entities.

(i) Non-trading securities

Investments which were held for non-trading purpose were stated at fair value at the balance sheet date. Changes in the fair value of individual securities were credited or debited to the investment revaluation reserve until the securities was sold, or was determined to be impaired. Upon disposal, the cumulative gain or loss representing the difference between the net sales proceeds and the carrying amount of the relevant security, together with any surplus/deficit transferred from the investment revaluation reserve, was dealt with in the income statement.

When there was objective evidence that individual investments were impaired the cumulative loss recorded in the investment revaluation reserve was dealt with to the income statement.

(ii) Trading securities

Trading securities were carried at fair value. At each balance sheet date, the net unrealised gains or losses arising from the changes in fair value of trading securities were recognised in the income statement. Profits or losses on disposal of trading securities, representing the difference between the net sale proceeds and the carrying amounts, were recognised in the income statement in the period that arise.

For the year ended 31 March 2006

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(n) Investments *(Continued)*

From 1 April 2005 onward, the Group classifies its investment in the following categories depends on the purpose of such investment were acquired. Management determines the classification of its investments at initial recognition and re-evaluate this designation at every reporting date.

(i) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivable. They are included in current assets, except for maturities greater than twelve months after the balance sheet date. These are classified as non-current assets. Loans and receivables included loan receivables, convertible notes receivables and trade receivables.

(ii) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

Purchases and sales of investments are recognised on trade-date — the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Investments are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held-to-maturity investments are carried at amortised cost using effective interest method. Realised and unrealised gains and losses arising from changes in the fair value of the ‘financial assets at fair value through profit or loss’ category are included in the income statement in the period that arise. Unrealised gains and losses arising from changes in the fair value of non-monetary securities classified as available-for-sale are recognised in equity. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments are included in the income statement as gains or losses from investment securities.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include the use of recent arm’s length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models refined to reflect the issuer’s specific circumstances.

For the year ended 31 March 2006

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(n) Investments *(Continued)*

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss — measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the income statement — is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement.

(o) Assets held under finance leases

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

All other leases are classified as operating leases and the rentals are charged to the income statement on a straight-line basis over the relevant lease term.

(p) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability, including fees and commissions paid to agents, advisers, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Borrowings are subsequently stated at amortised cost, any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

(q) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are capitalised as part of the cost of those assets. Capitalisation of such borrowing cost ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised.

All other borrowing costs are recognised as an expense in the period in which they are incurred.

For the year ended 31 March 2006

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(r) Foreign currencies

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

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

(s) Operating leases

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

(t) Employee benefits

i. Salaries, annual bonuses, paid annual leave, leave passage and the cost to the Group of non-monetary benefits are accrued in the year in which the associated services are rendered by employees of the Group. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

ii. Contributions to Mandatory Provident Funds as required under the Hong Kong Mandatory Provident Fund Schemes Ordinance and to the state-managed retirement benefits schemes for the employees of the Group's entities in the People's Republic of China (the "PRC") are recognised as an expense in the income statement as incurred.

iii. When the Group grants employees options to acquire shares of the Company at nil consideration, no employee benefit cost or obligation is recognised at the date of grant. When the options are exercised, equity is increased by the amount of the proceeds received.

iv. 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.

(u) Related party transactions

Parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party 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 or 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.

A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

For the year ended 31 March 2006

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(v) Deferred expenditure

Material items of expenditure that do not relate solely to revenue which has already been accounted for are deferred to the extent that they are recoverable out of future revenue, and will contribute to the future earning capacity of the Group.

Deferred expenditure is amortised over the period in which the related benefits are expected to be realised. Deferred expenditure is reviewed annually to determine the amount, if any, that is no longer recoverable and any such amount is written off to the income statement in the year of determination.

(w) Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably. A contingent liability is not recognised but is disclosed in the notes to the financial statements. When a change in the probability of an outflow occurs so that outflow is probable, they will then be recognised as a provision.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain events not wholly within the control of the Group. Contingent assets are not recognised but are disclosed in the notes to the financial statements when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognised.

3. FINANCIAL RISK MANAGEMENT

(a) Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and price risk), credit risk, liquidity risk and cash flow and fair value interest rate risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group's treasury function operates as a centralised service for managing financial risks and for providing cost efficient funding to the Group.

(i) Market risk

(1) Foreign exchange risk

The Group operates mainly in both the People's Republic of China ("the PRC") and Hong Kong and majority of transactions are dominated in Renminbi and Hong Kong dollars. Therefore, the Group is exposed to foreign exchange risk arising from these currency exposures. Hong Kong dollars and Renminbi are pegged to United States dollars and the foreign exchange exposure between them are considered limited.

(2) Price risk

The Group is exposed to equity securities price risk because investments held by the Group are classified on the consolidated balance sheet as financial assets at fair value through profit or loss which are measured at fair value at each balance sheet date. The Group manages the price risk exposure by maintaining a portfolio of investments with different risk profiles.

For the year ended 31 March 2006

3. FINANCIAL RISK MANAGEMENT *(Continued)*

(a) Financial risk factors *(Continued)*

(ii) Credit risk

The Group's credit risk is primarily attributable to trade and other receivables. The Group has no significant concentrations of credit risk. It has policies in place to ensure that sales and services are made to customers with an appropriate credit history. The exposures to these credit risks are monitored on an ongoing basis.

(iii) Liquidity risk

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

(iv) Cash flow and fair value interest rate risk

Long term borrowings at variable interest rates expose the Group to cash flow interest rate risk and those at fixed rates expose the Group to fair value interest rate risk. The Group monitors the interest rate risk exposure on a continuous basis and adjust the portfolio of borrowings where necessary.

(b) Fair value estimation

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Group is the current bid price; the appropriate quoted market price for financial liabilities is the current ask price.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date. Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments.

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

4. 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) Estimated impairment of goodwill

The Group performs annual tests on whether there has been impairment of intangible assets in accordance with the accounting policy stated in note 2.5(e). The recoverable amounts of cash-generating units are determined based on value-in-use calculations. These calculations require the use of estimates and assumptions made by management on the future operation of the business, pre-tax discount rates, and other assumptions underlying the value-in-use calculations.

(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) Trade debtors

The aged debt profile of trade debtors is reviewed on a regular basis to ensure that the trade debtor balances 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 debtor balances 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 receivable balances 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 results of operations.

(d) Fair values of other financial assets and liabilities

The fair values of loans and receivables and financial liabilities are accounted for or disclosed in the financial statements. The calculation of fair values requires the Group to estimate the future cash flows expected to arise from those assets and liabilities and suitable discount rates. Variations in the estimated future cash flows and the discount rates used may result in adjustments to the carrying amounts of these assets and liabilities and the amounts disclosed in the financial statements.

For the year ended 31 March 2006

5. SEGMENT INFORMATION

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

In accordance with the Group's internal financial reporting system, the Group has determined that business segments as the primary reporting format and geographical segment information as the secondary reporting format.

In determining the Group's geographical segments, revenues and results are based on the country in which the customer is located.

Analysis of assets and liabilities by business segments and by geographical segments have not been prepared as most of the Group's assets and liabilities were unable to be allocated in view of the nature of the Group's business.

(a) Business segments

The following table provides an analysis of the Group's sales by its business segments:

For the year ended 31 March 2006	Woven wear *HK$'000*	Knitwear *HK$'000*	Sweaters *HK$'000*	Premium *HK$'000*	Consolidated total *HK$'000*
SEGMENT REVENUE	73,264	100,526	12,431	8,060	194,281
SEGMENT RESULTS	(8,194)	(149)	(1,002)	(1,039)	(10,384)
Finance costs					(3,651)
Impairment loss on available-for-sale financial assets					(23,657)
Share of results of associates					(915)
Loss before taxation and minority interests					(38,607)
Taxation					—
Loss after taxation and before minority interests					(38,607)
Attributable to:					
Equity holders of the Company					(36,945)
Minority interests					(1,662)
					(38,607)

For the year ended 31 March 2006

5. SEGMENT INFORMATION *(Continued)*

(a) Business segments *(Continued)*

For the year ended 31 March 2005	Woven wear HK$'000	Knitwear HK$'000 (Restated)	Sweaters HK$'000	Premium HK$'000	Consolidated total HK$'000 (Restated)
SEGMENT REVENUE	50,318	69,600	34,372	7,832	162,122
SEGMENT RESULTS	2,554	33	(506)	579	2,660
Finance costs					(2,183)
Impairment loss on investment					(8,500)
Share of results of associates					595
Loss before taxation and minority interests					(7,428)
Taxation					(440)
Loss after taxation and before minority interests					(7,868)
Attributable to:					
Equity holders of the Company					(6,497)
Minority interests					(1,371)
					(7,868)

For the year ended 31 March 2006

5. SEGMENT INFORMATION *(Continued)*

(b) Geographical segments

For the year ended 31 March 2006	**Chile** *HK$'000*	**Australia** *HK$'000*	**Europe** *HK$'000*	**Canada** *HK$'000*	**PRC** *HK$'000*	**Peru** *HK$'000*	**Others** *HK$'000*	**Consolidated** *HK$'000*
Segment revenue	**93,396**	**15,769**	**2,494**	**9,890**	**19,387**	**13,337**	**40,008**	**194,281**
Segment results	**(5,058)**	**(2,041)**	**(607)**	**(1,065)**	**(1,586)**	**357**	**(384)**	**(10,384)**

For the year ended 31 March 2005	Chile *HK$'000*	Australia *HK$'000*	Europe *HK$'000*	Canada *HK$'000*	PRC *HK$'000*	Peru *HK$'000*	Others *HK$'000* *(Restated)*	Consolidated *HK$'000* *(Restated)*
Segment revenue	81,799	14,573	—	9,218	19,795	12,991	23,746	162,122
Segment results	1,636	(219)	—	681	(86)	286	362	2,660

6. TURNOVER

Turnover represents the net invoiced value of goods sold, after allowances for returns and trade discounts. All significant intra-group transactions have been eliminated on consolidation.

An analysis of the Group's turnover and other revenue is as follows:

	2006 *HK$'000*	2005 *HK$'000*
Sale of goods	**194,281**	162,122
Other revenue:		
Interest income	**133**	6
Sales of forfeited goods *(Note)*	**—**	6,521
Sundry income	**145**	641
	278	7,168
Total revenue	**194,559**	169,290

Note: The amount represents the compensation from the investment in 北京吉嘉諾服裝服飾有限公司. Details please refer to note 9 to the financial statements.

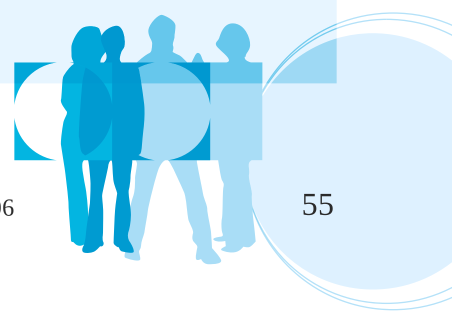
For the year ended 31 March 2006

7. (LOSS)/PROFIT FROM OPERATIONS

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

	2006	2005
	HK$'000	*HK$'000*
		(Restated)
Staff costs (excluding Directors' remuneration):		
— Wages and salaries	**5,476**	5,563
— Retirement benefits contributions	**340**	137
	5,816	5,700
Depreciation		
— Owned assets	**1,845**	1,379
— Assets held under finance leases	**—**	58
Amortisation of leasehold land	**121**	121
Cost of inventories *(Note)*	**163,508**	129,562
Auditors' remuneration		
— overprovision for the previous year	**—**	(138)
— provision for the year	**449**	650
Rental payment in respect of premises under operating leases	**582**	519
Amortisation of deferred expenditure	**—**	75
Impairment loss on deferred expenditure	**—**	1,275
and after crediting:—		
Other income:		
— Gain on disposal of investment in securities	**—**	122
— Gain on reversal of revaluation deficit	**—**	484
— Exchange gain	**376**	172
	376	778

Note: Cost of inventories includes approximately HK$960,000 (2005: HK$464,000) and HK$5,113,000 (2005: HK$3,827,000) relating to depreciation expenses and staff costs respectively, which amount is also included in the respective total amounts disclosed separately above for each of these types of expenses.



For the year ended 31 March 2006

8. FINANCE COSTS

	2006 **HK$'000**	2005 HK$'000
Interests on:		
Bank loans and overdrafts wholly repayable within five years	**1,283**	652
Import and export loan wholly repayable within five years	**212**	293
Obligations under finance leases	**—**	10
	1,495	955
Bank charges	**2,156**	1,228
	3,651	2,183

9. IMPAIRMENT LOSS ON INVESTMENT

During the year ended 31 March 2005, the Group made an investment in a company in Beijing, namely 北京吉嘉諾服裝服飾有限公司 ("北京吉嘉諾"), a company incorporated in the PRC with limited liability with three independent PRC partners ("PRC Partners") for the purpose of commencing the retail trading operation in Beijing. The investment made by the Group amounted to approximately HK$8,500,000.

In January 2005, the PRC Partners requested additional capital injection in 北京吉嘉諾 for the purpose of increasing working capital to expand the retail operation in Beijing. The Group has considered the uncertainty for such expansion and refused to inject additional funds in 北京吉嘉諾. As a result, the Group decided to terminate the investment in 北京吉嘉諾 and requested the PRC Partners to repay the investment contributed by the Group. Agreement was reached by the Group and the PRC Partners that the Group is entitled to obtain certain amounts of forfeited goods for compensation of the investment in 北京吉嘉諾. Subsequently, the Group sold the finished goods for approximately HK$6,521,000.

For the year ended 31 March 2006

10. STAFF COSTS

(a) Directors' emoluments

The Company's Board is currently composed of two executive Directors and three non-executive Directors. The aggregate amount of emoluments payable to the Directors of the Company during the year was HK$1,734,000 (2005: HK$1,896,000).

The remuneration of every director for the year ended 31 March 2006 and 31 March 2005 is shown as below:

Name of Directors	Directors' fees		Salaries and benefits-in-kind		Mandatory provident fund scheme contributions		Total	
	2006	2005	**2006**	2005	**2006**	2005	**2006**	2005
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Executive Directors								
Cheung Keng Ching	**520**	520	**216**	284	**12**	12	**748**	816
Chou Mei	**260**	260	**166**	88	**12**	12	**438**	360
Lau Ka Man, Kevin (resigned on 2 November 2005)	**331**	520	**—**	—	**7**	12	**338**	532
	1,111	1,300	**382**	372	**31**	36	**1,524**	1,708
Independent non-executive Directors								
Chow Chi Kit (resigned on 13 May 2005)	**9**	75	**—**	—	**—**	—	**9**	75
To Yan Ming, Edmond (resigned on 13 May 2005)	**9**	75	**—**	—	**—**	—	**9**	75
Hung Muk Ming (resigned on 16 February 2006)	**66**	38	**—**	—	**—**	—	**66**	38
Wong Lai Fong (appointed on 13 May 2005 and resigned on 3 January 2006)	**48**	—	**—**	—	**—**	—	**48**	—
Wong Kin Tak (appointed on 13 May 2005 and resigned on 3 January 2006)	**48**	—	**—**	—	**—**	—	**48**	—
Lo Siu Tong, Alfred (appointed on 3 January 2006)	**3**	—	**—**	—	**—**	—	**3**	—
Wan Ngar Yin, David (appointed on 3 January 2006)	**19**	—	**—**	—	**—**	—	**19**	—
Wong Lai Wah, Ada (appointed on 16 February 2006)	**8**	—	**—**	—	**—**	—	**8**	—
	210	188	**—**	—	**—**	—	**210**	188
	1,321	1,488	**382**	372	**31**	36	**1,734**	1,896

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

For the year ended 31 March 2006

10. STAFF COSTS *(Continued)*

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include three (2005: three) Directors whose emoluments are reflected in note (a) above and amounted to HK$1,524,000 (2005: HK$1,708,000). The emoluments payable to the remaining two (2005: two) individuals during the year were as follows:

	2006 ***HK$'000***	2005 *HK$'000*
Salaries and other benefits	**567**	519
Retirement benefit scheme contributions	**11**	24
	578	543

The number of non-director, highest paid individuals whose remuneration fell within the following band is as follows:

	2006	2005
Nil to HK$1,000,000	**2**	2

11. TAXATION

	2006 ***HK$'000***	2005 *HK$'000* *(Restated)*
Current tax:		
Provision for the year		
— Hong Kong	**—**	298
— PRC	**—**	70
	—	368
Under provision in prior year	**—**	72
	—	440

Hong Kong Profits Tax is calculated at 17.5% (2005: 17.5%) of the estimated assessable profit for the year. Taxation in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

For the year ended 31 March 2006

11. TAXATION *(Continued)*

A reconciliation of the tax expense applicable to loss before tax using the statutory rates for the countries in which the Company and majority of its subsidiaries are domiciled to the tax (expense) at the effective tax rates, and a reconciliation of the applicable rates (i.e., the statutory tax rates) to the effective tax rates, are as follows:

The Group — Year Ended 31 March 2006

	Hong Kong		**The PRC**		**Total**	
	HK$'000	***%***	***HK$'000***	***%***	***HK$'000***	***%***
Loss before taxation	**(34,282)**		**(4,325)**		**(38,607)**	
Tax at the statutory tax rate	**(5,999)**	**(17.5)**	**(1,038)**	**(24.0)**	**(7,037)**	**(18.2)**
Tax effect of expenses not deductible for tax purpose	**6,822**	**19.9**	**—**	**—**	**6,822**	**17.7**
Tax effect of income not taxable for tax purpose	**(2,998)**	**(8.7)**	**—**	**—**	**(2,998)**	**(7.8)**
Tax effect of tax losses/deferred tax assets not recognised	**2,175**	**6.3**	**1,038**	**24.0**	**3,213**	**8.3**
Tax charge for the year	**—**	**—**	**—**	**—**	**—**	**—**

The Group — Year Ended 31 March 2005

	Hong Kong		The PRC		Total	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*
					(Restated)	
Loss before taxation	(4,979)		(2,449)		(7,428)	
Tax at the statutory tax rate	(871)	(17.5)	(588)	(24.0)	(1,459)	(19.6)
Tax effect of expenses not deductible for tax purpose	1,159	23.3	658	26.9	1,817	24.4
Tax effect of income not taxable for tax purpose	(1)	—	—	—	(1)	—
Tax effect of unrecognised temporary difference	11	0.2	—	—	11	0.1
Tax effect of underprovision in prior year	72	1.4	—	—	72	1.0
Tax charge for the year	370	7.4	70	2.9	440	5.9

For the year ended 31 March 2006

12. NET PROFIT/(LOSS) FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS

The net profit from ordinary activities attributable to shareholders dealt with in the financial statements of the Company for the year ended 31 March 2006 was approximately HK$16,037,000 (2005: net loss HK$862,000).

13. DIVIDENDS

The Directors do not recommend the payment of any dividend in respect of the year ended 31 March 2006 (2005: Nil).

14. LOSS PER SHARE

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

	2006 ***HK$'000***	2005 *HK$'000* *(Restated)*
Loss attributable to ordinary equity holders for the purpose of basic and diluted loss per share	**36,945**	6,497

Number of shares	**2006**	2005
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	**1,629,468,661**	1,607,550,108

Diluted loss per share amount for the years ended 31 March 2006 and 2005 have not been presented as the effect of the assumed conversion of the Company's outstanding share options would be anti-dilutive.

For the year ended 31 March 2006

15. EMPLOYEE BENEFITS

Retirement benefits scheme

The Group operates a Mandatory Provident Fund Scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong) for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF Scheme is a defined contribution retirement scheme administered by independent trustees. Under the MPF Scheme, the employer and its employees are each required to make contributions to the scheme at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK$20,000. Contributions to the scheme vest immediately.

The employees of the Company's subsidiary in the People's Republic of China (the "PRC") are members of the state-sponsored retirement benefit scheme organised by the relevant local government authority in the PRC. The subsidiary is required to contribute, based on a certain percentage of the basic salary of its employees, to the retirement benefit scheme and has no further obligations for the actual payment of pensions or post-retirement benefits beyond the annual contributions. The state-sponsored retirement benefit scheme represent for the entire pension obligations payable to retired employees.

There is no forfeited contribution which could be utilised to reduce the level of the contribution by the Group and therefore there was no such balance as at 31 March 2006.

The Group does not have any other pension schemes for its employees in respect of its subsidiaries outside Hong Kong and PRC. In the opinion of the Directors of the Company, the Group did not have any significant contingent liabilities as at 31 March 2006 in respect of the retirement of its employees.

16. DEPOSITS AND PREPAYMENTS

On 31 August 2005, a wholly owned subsidiary of the Company entered into a sales and purchase agreement with an independent third party in respect of acquisition of the entire share capital of Wisefull International Limited ("Wisefull") for a cash consideration of approximately HK$27,721,000. The only asset of Wisefull is investment in 30% equity interests in 北京朗坤服裝有限公司 ("北京朗坤"), a company established on 9 September 2002 under the laws of the People's Republic of China with a registered capital of US$1,800,000. The principal activity of 北京朗坤 is engaged in the sale and manufacture of garment products. The deposits and prepayments amounted to approximately HK$27,721,000 have been already paid to an independent third party in the PRC for the purpose of settling the consideration of the acquisition.

For the year ended 31 March 2006

17. INTERESTS IN LEASEHOLD LAND AND LAND USE RIGHTS

	The Group	
	2006	2005
	HK$'000	*HK$'000*
		(Restated)
Cost		
Opening at 1 April 2005/2004		
As previously reported	**—**	—
Effect of adopting HKAS 17	**13,476**	13,476
As restated	**13,476**	13,476
Exchange alignment	**33**	—
At 31 March	**13,509**	13,476
Accumulated amortisation		
Opening at 1 April 2005/2004		
As previously reported	**—**	—
Effect of adopting HKAS 17	**662**	541
As restated	**662**	541
Charge for the year	**121**	121
At 31 March	**783**	662
Carrying amount		
At 31 March	**12,726**	12,814

For the year ended 31 March 2006

17. INTERESTS IN LEASEHOLD LAND AND LAND USE RIGHTS *(Continued)*

The Group's interests in leasehold land and land use rights represent prepaid operating lease payments and their net book value is analysed as follows:

	2006 ***HK$'000***	2005 *HK$'000* *(Restated)*
Land in Hong Kong, held on:		
Long-term leases	**11,116**	11,202
Land in PRC, held on:		
Medium-term leases	**1,610**	1,612
	12,726	12,814

At 31 March 2006, certain of the Group's interests in leasehold land and land use rights with an aggregate net book value of approximately HK$12,726,000 (2005: HK$12,814,000 (Restated)) were pledged to secure banking facilities granted to the Group.

Interests in leasehold land and land use rights represent cost of acquiring rights to use certain land which are all located in the PRC over fixed periods. Cost of prepaid lease for land use rights is amortised on a straight-line basis over the unexpired period of rights.

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18. PROPERTY, PLANT AND EQUIPMENT

	Buildings *HK$'000* *(Restated)*	Construction in progress ("CIP") *HK$'000*	Leasehold improvements *HK$'000*	Plant and machinery *HK$'000*	Furniture and fixtures *HK$'000*	Office equipment *HK$'000*	Motor vehicle *HK$'000*	Total *HK$'000* *(Restated)*
At cost or valuation:								
At 1 April 2004	16,101	7,109	5,276	3,435	1,552	1,011	1,761	36,245
Additions	174	2,562	94	328	420	15	530	4,123
Reclassification	—	—	—	(285)	128	—	157	—
Transfer from CIP	7,054	(7,688)	501	48	85	—	—	—
Impairment charge during the year	(460)	—	—	—	—	—	—	(460)
Reversal for impairment	(231)	—	—	—	—	—	—	(231)
Disposal	—	(114)	—	—	—	(80)	(41)	(235)
Exchange realignment	—	150	—	—	—	1	8	159
At 31 March 2005 and 1 April 2005	22,638	2,019	5,871	3,526	2,185	947	2,415	39,601
Additions	535	3,363	100	411	129	47	—	4,585
Reclassification	—	—	—	—	—	—	—	—
Transfer from CIP	386	(386)	—	—	—	—	—	—
Impairment charge during the year	(4,830)	—	—	—	—	—	—	(4,830)
Reversal for impairment	(2,581)	—	—	—	—	—	—	(2,581)
Disposal	—	—	—	—	—	—	—	—
Exchange realignment	331	53	112	119	46	—	51	712
At 31 March 2006	16,479	5,049	6,083	4,056	2,360	994	2,466	37,487
Depreciation:								
At 1 April 2004	2,661	—	2,256	267	833	895	653	7,565
Charge for the year	671	—	322	246	202	40	250	1,731
Reversal for impairment	(231)	—	—	—	—	—	—	(231)
Written back on disposal	—	—	—	—	—	—	(8)	(8)
At 31 March 2005 and 1 April 2005	3,101	—	2,578	513	1,035	935	895	9,057
Charge for the year	801	—	270	283	247	11	233	1,845
Reversal for impairment	(2,581)	—	—	—	—	—	—	(2,581)
Written back on disposal	—	—	—	—	—	—	—	—
Exchange realignment	23	—	8	11	8	—	7	57
At 31 March 2006	1,344	—	2,856	807	1,290	946	1,135	8,378
Carrying amount:								
At 31 March 2006	**15,135**	**5,049**	**3,227**	**3,249**	**1,070**	**48**	**1,331**	**29,109**
At 31 March 2005	19,537	2,019	3,293	3,013	1,150	12	1,520	30,544

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

The carrying amounts of the buildings comprises:

The Group	**2006** ***HK$'000***	2005 *HK$'000* *(Restated)*
In Hong Kong, held under long-term leases	**4,350**	9,415
Outside Hong Kong, held under medium-term leases	**10,785**	10,122
	15,135	19,537

As at 31 March 2006, land and buildings which are situated in Hong Kong and the PRC with carrying amounts of approximately HK$26,816,000 (2005: HK$31,277,000 (Restated)) were pledged to banks under fixed charges for general banking facilities granted to the Group.

At 31 March 2006, the net book value of the Group's motor vehicle includes an amount of HK$Nil (2005: HK$499,000) in respect of assets held under finance leases.

19. INTERESTS IN SUBSIDIARIES

	The Company	
	2006 ***HK$'000***	2005 *HK$'000*
Unlisted shares, at cost	**42,769**	42,769
Amounts due to subsidiaries	**(23,144)**	—
Amounts due from subsidiaries	**68,346**	28,944
	87,971	71,713

The amounts due from/to subsidiaries are unsecured, non-interest bearing and are recoverable/repayable on demand. The carrying amounts of these amounts due from/to subsidiaries approximate to their fair values.

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19. INTERESTS IN SUBSIDIARIES *(Continued)*

The following table lists the subsidiaries of the Company which, in the opinion of the Directors, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the Directors, results in particulars of excessive length.

Name of company	Place of incorporation/ establishment and operation	Particulars of issued and paid-up share capital/ registered capital	Percentage of equity attributable to the Company	Principal activities
Falcon Vision Limited	British Virgin Islands	Ordinary US$1,000	100%	Investment holding
Rontex Holdings Limited	Hong Kong	Ordinary HK$100,000	100%	Trading of garment products
Ronco Trading Company Limited	Hong Kong	Ordinary HK$1,000,000	100%	Trading of premium products and investment holding
Take Luck Development Limited	Hong Kong	Ordinary HK$10,000	100%	Property holding and investment holding
Keen Choice Technology Limited	Hong Kong	Ordinary HK$10,000	100%	Investment holding
Shanghai Rontex Company Limited	Hong Kong	Ordinary HK$2	100%	Sale of garment products
Valuepoint Holdings Limited	British Virgin Islands	Ordinary US$1	100%	Investment holding
Rontex Apparel Limited	Hong Kong	Ordinary HK$1	100%	Trading of garment and premium products
Wisefull International Limited ***	Hong Kong	Ordinary HK$10,000	100%	Investment holding
Magic Ace Enterprises Limited	British Virgin Islands	Ordinary US$1	100%	Investment holding
Suregold Enterprises Limited	British Virgin Islands	Ordinary US$1	100%	Investment holding
寧波朗迪紡織品有限公司* (Rontex Co., Ltd.)	People's Republic of China	Registered capital	51%	Manufacture and sale of garment products
湖洲朗迪毛衫有限公司** (Huzhou Ronco Sweater Co., Ltd.)	People's Republic of China	Registered capital	52%	Manufacture and sale of garment products

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19. INTERESTS IN SUBSIDIARIES *(Continued)*

* Rontex Co., Ltd. was formed as a Chinese foreign equity joint venture company in the People's Republic of China under the joint venture agreement dated 27 October 2003 entered into between Ronco Trading Co. Ltd., Mr. Niu Teng and Mr. Wang Wei Ben. Pursuant to the JV agreement, the paid-up capital of Rontex Co., Ltd. Increased from US$700,000 to US$1,380,000 while the capital contributed by the Group remained unchanged. Prior to the execution of the JV Agreement, Rontex Co., Ltd. is a wholly-owned subsidiary of the Company held through Ronco Trading Company Limited. Accordingly, the Group's interest in Rontex Co., Ltd. has been diluted from 100% to 51%.

** Huzhou Ronco Sweater Co., Ltd. ("Huzhou Ronco") was formed as a Chinese-foreign equity joint venture in the People's Republic of China. Huzhou Ronco has commenced business in April 2004.

*** Wisefull International Limited was acquired during the year ended 31 March 2006.

Except Falcon Vision Limited and valuepoint Holdings Limited, which are directly owned by the Company, all other subsidiaries are indirectly held.

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 outstanding at the end of the year or at any time during the year.

20. INTERESTS IN ASSOCIATES

	The Group	
	2006	2005
	HK$'000	*HK$'000*
		(Restated)
Share of net assets of associates *(Note)*	**15,735**	4,171
Loan to an associate	**1,057**	1,376
	16,792	5,547

The balances with the associate are unsecured, interest-free and have no fixed repayment terms and are used for general working capital purposes. In the opinion of the Directors, the amounts are unlikely to be repaid within one year from the balance sheet date and are therefore classified as non-current.

Note: Share of net assets of associates

	2006	2005
	HK$'000	*HK$'000*
		(Restated)
As at 1 April	**4,171**	9,767
Additions in investment cost	**12,479**	—
Share of associates' results		
— (Loss)/Profit before taxation	**(781)**	711
— taxation	**(134)**	(116)
Share of revaluation deficits	—	(1,765)
Effect of adopting HKAS 17 — reversal of revaluation reserve	—	(4,426)
As at 31 March	**15,735**	4,171

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20. INTERESTS IN ASSOCIATES *(Continued)*

The following table lists the associates of the Group which, in the opinion of the Directors, principally affected the results and assets of the Group. To give details of other associates would, in the opinion of Directors, result in particulars of excessive length.

Name of company	Place of incorporation/ establishment and operation	Particulars of issued and paid-up share capital/ registered capital	Percentage of equity attributable to the Company	Principal activities
北京朗迪服裝有限公司 (Beijing Rontex Garments Co., Ltd.)	People's Republic of China	Registered capital	40%	Manufacture and sale of garment products
北京朗坤服裝有限公司 (Beijing Longkun Garments Co., Ltd.)	People's Republic of China	Registered capital	30%	Manufacture and sale of garment products

None of the associates had any debt securities outstanding at the end of the year or at any time during the year.

The summarised financial information in respect of the Group's associates is set out below:

	2006 **HK$'000**	2005 HK$'000
Turnover	**83,788**	68,235
(Loss)/profit for the year	**(2,966)**	1,778
(Loss)/profit attributable to the Group	**(915)**	595
Total assets	**110,125**	36,093
Total liabilities	**(54,836)**	(23,393)
Net assets	**55,289**	12,700
Net assets attributable to the Group	**15,735**	4,171

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21. GOODWILL

	The Group
	HK$'000
Cost:	
At 1 April 2005	—
Additions	19,458
At 31 March 2006	19,458
Impairment	
At 1 April 2005	—
Impairment loss recognised	—
At 31 March 2005	—
Carrying amount	
As at 31 March 2006	**19,458**

Following the adoption of HKFRS 3 with effect from 1 January 2005, annual impairment review was performed.

Goodwill is allocated to the Group's cash-generating units ("CGU") identified according to operation and business as follows:—

	2006	2005
	HK$'000	*HK$'000*
Investment holding	**19,458**	—

The Directors reassessed the recoverable amount of goodwill as at 31 March 2006 by reference to the valuation as at 31 March 2006 performed by BMI Appraisals Limited, an independent firm of professional valuers. The recoverable amount of the CGU determined by the professional valuers is based on the present value of the expected future revenue arising from the operation of the Company.

Key assumptions used for present value calculation:

	2006	2005
	%	*%*
Gross margin	**2.7**	—
Growth rate	**22.3**	—
Discount rate	**17.65**	—

For the year ended 31 March 2006

22. OPTIONS TO ACQUIRE AN EQUITY INTEREST OF A COMPANY

During the year ended 31 March 2004, the Group acquired from an independent third party, which are independent of and not connected with the Directors, chief executive or substantial shareholders of the Company or any of its subsidiaries or an associate of any of them, the option (the "Option") to acquire equity interests of a Company (the "Investee Company"). The Company paid HK$15,000,000 as consideration to the independent third party for the grant of the Option.

On 5 April 2005, the Company exercised the Option and was being granted 10,000,000 shares of the Investee Company. Details of the investment is listed as below:

Name of company	**Place of incorporation**	**Principal activities**	**Particular of issued shares held**
Macau Asia Investments, Ltd.	United States of America	Provision of computer consultancy services, trading of computer hardware and trading of securities	10,000,000

23. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	The Group	
	2006	2005
	HK$'000	*HK$'000*
		(Restated)
Held for non-trading purpose:		
Listed equity securities — Hong Kong, at cost	**9,346**	9,346
Unlisted equity securities — United States of America, at cost	**15,000**	—
	24,346	9,346
Impairment loss on available-for-sale financial assets	**(23,658)**	—
	688	9,346

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24. INVENTORIES

	The Group	
	2006	2005
	HK$'000	*HK$'000*
Raw materials	**1,561**	1,729
Work in progress	**1,799**	4,630
Finished goods	**2,005**	542
	5,365	6,901

As at 31 March 2006, no inventories were stated at net realisable value (2005: Nil).

25. TRADE RECEIVABLES

The Group allows an average credit period of 90 days to its trade customers. The aged analysis of trade receivables of the Group at the balance sheet date is as follows:

	2006	2005
	HK$'000	*HK$'000*
0 — 30 days	**5,025**	5,735
31 — 60 days	**41**	179
61 — 90 days	**103**	4,258
Over 90 days	**1,330**	1,221
	6,499	11,393
Less: Impairment loss of trade receivables	**(692)**	—
	5,807	11,393

The Directors consider that the carrying amounts of the Group's trade receivables approximate to their fair values.

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26. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

The prepayments, deposits and other receivables are as follows:—

	The Group		The Company	
	2006	2005	**2006**	2005
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Prepayment	**889**	1,316	**—**	—
Deposits	**204**	449	**60**	60
Other receivables	**3,371**	8,170	**—**	—
	4,464	—	**—**	—
Less: Impairment loss of other receivables	**(166)**	—	**—**	—
	4,298	9,935	**60**	60

The Directors consider that the carrying amounts of the Group's and the Company's prepayments, deposits and other receivables approximate to their fair values.

27. CASH AND CASH EQUIVALENTS

	The Group		The Company	
	2006	2005	**2006**	2005
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Cash and bank balances	**3,573**	3,066	**24**	213
Time deposits	**1,143**	2,041	**—**	—
	4,716	5,107	**24**	213

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The carrying amounts of the cash and cash equivalents approximate to their fair values.

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28. INTEREST-BEARING BANK BORROWINGS — SECURED

	The Group	
	2006	2005
	HK$'000	*HK$'000*
Bank borrowings, secured		
On demand or repayable:		
within one year	**7,843**	8,735
in the second year but with five years	**—**	1,512
	7,843	10,247
Less: portion classified as current liabilities	**(7,843)**	(8,735)
Portion classified as non-current liabilities	**—**	1,512

All the bank borrowings are variable-rate borrowings, thus exposing the Group to cash flow interest rate risk. The effective interest rates on bank borrowings range from 5.22% to 7.40% (2005: 5.04% to 5.75%) per annum.

The Directors consider that the carrying amounts of the bank borrowings approximate to their fair values.

Secured bank borrowings comprise revolving loans which bear interest at commercial rates. The revolving loans are secured by the leasehold land and buildings held by the Group with carrying values of approximately HK$12,394,000 (2005: HK$11,732,000).

The Group's bank borrowings are denominated in Renminbi.

29. TRADE PAYABLES

The Group receives an average credit period of 90 days from its trade suppliers. The aged analysis of trade payables of the Group at the balance sheet date is as follows:

	2006	2005
	HK$'000	*HK$'000*
0 — 30 days	**7,569**	10,985
31 — 60 days	**2,519**	433
61 — 90 days	**4,256**	5,080
Over 90 days	**280**	397
	14,624	16,895

The Directors consider that the carrying amounts of the Group's trade payables approximate to their fair values.

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30. OTHER PAYABLES AND ACCRUED EXPENSES

	The Group		The Company	
	2006	2005	**2006**	2005
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Other payables	**5,556**	1,171	**—**	—
Accrued expenses	**3,688**	—	**19**	—
	9,244	1,171	**19**	—

The Directors consider that the carrying amounts of the Group's accruals and other payables approximate to their fair values.

31. OBLIGATIONS UNDER FINANCE LEASES

	The Group			
	Minimum lease payments		Present value of minimum lease payments	
	2006	2005	**2006**	2005
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Amounts payable under finance leases:				
within one year	**—**	80	**—**	79
in the second year	**—**	—	**—**	—
	—	80	**—**	79
Less: Future finance charges	**—**	(1)	**—**	—
Present value of finance leases	**—**	79	**—**	79
Less: Portion classified as current liabilities			**—**	(79)
Non-current portion			**—**	—

It is the Group's policy to lease certain of its equipment and motor vehicles under finance leases. The average lease term is 3 to 5 years. Interest rates are charged at commercial rates and fixed at the respective contract dates. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

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

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32. SHARE CAPITAL

	Number of shares		Nominal value	
Ordinary shares of HK$0.01 each	**2006**	2005	**2006** *HK$'000*	2005 *HK$'000*
Authorised:	**10,000,000,000**	10,000,000,000	**100,000**	100,000
Issued and fully paid:				
At beginning of the year	**1,629,364,000**	1,602,208,000	**16,294**	16,022
Exercise of bonus warrants	**133,200**	27,156,000	**1**	272
At end of the year	**1,629,497,200**	1,629,364,000	**16,295**	16,294

All shares issued by the Company rank pari passu with the then existing shares in all respects.

During the year ended 31 March 2006, 133,200 new ordinary shares of par value HK$0.01 each were issued at subscription price of HK$0.102 each on exercise of 133,200 bonus warrants.

33. SHARE PREMIUM AND RESERVES

Company

	Share premium *HK$'000*	**Contributed surplus** *HK$'000* *(Note)*	**Retained profits** *HK$'000*	**Total** *HK$'000*
At 1 April 2004	12,783	42,569	(1,297)	54,055
Premium on issue of shares on exercise of bonus warrants	2,499	—	—	2,499
Loss for the year	—	—	(862)	(862)
At 31 March 2005 and 1 April 2005	15,282	42,569	(2,159)	55,692
Premium on issue of shares on exercise of bonus warrants	12	—	—	12
Profit for the years	—	—	16,037	16,037
At 31 March 2006	**15,294**	**42,569**	**13,878**	**71,741**

Note: The contributed surplus of the Company represents the excess of the fair value of the subsidiaries acquired pursuant to the Group Reorganisation over the nominal value of the shares of the Company issued in exchange therefore.

Under the Companies Law (2001 Second Revision) of the Cayman Islands, the contributed surplus account is distributable to the shareholders of the Company under certain circumstances.

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34. DEFERRED TAXATION

No provision for deferred tax has been made as the taxable and deductible temporary differences are immaterial.

35. SHARE OPTION SCHEME

The Company operates a share option scheme (the "Scheme") for the purpose of providing incentives or rewards to eligible persons for their contributions to the Group. Eligible persons of the Scheme include any full-time or part-time employees of the Company or any member of the Group, including any Directors, advisors or consultants of the Group. The Scheme became effective upon the listing of the Company's shares on the Stock Exchange on 8 November 2002, and unless otherwise cancelled or amended, will remain in force for a period of 10 years from that date.

The maximum number of unexercised share options currently permitted to be granted under the scheme must not exceed 30% of the shares in issue from time to time.

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval by all independent non-executive Directors. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the closing price of the Company's shares at the date of the grant) in excess of HK$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

The offer of a grant of share options may be accepted for a period of 28 days from the date of the offer, upon payment of a nominal consideration of HK$1 in total by the grantee. The exercisable period of the share options granted is determined by the Directors, which the share options must be exercised in any event not later than 10 years from the date of grant. The Scheme does not require a minimum period for which the share options must be held or a performance target which must be achieved before the share options can be exercised.

The exercise price of the share options granted is not recorded in the balance sheet of the Company nor the Group until such time as the options are exercised, and no charge is recorded in the income statement or balance sheet for their cost. 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 are cancelled prior to their exercisable date are deleted from the register of outstanding options.

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35. SHARE OPTION SCHEME *(Continued)*

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

On 4 November 2003, all executive Directors of the Company and 12 employees were granted options to subscribe for an aggregate of 20,000,000 shares (representing 10% of the shares in issue as at the date of commencement of listing of Shares on the Stock Exchange) under the Scheme.

The following share options were granted on 4 November 2003 and remain outstanding under the Scheme during the period from 1 April 2005 to 31 March 2006:

Name or category of participant	At 1 April 2005	Grant during the year	Adjustment during the year***	Exercised during the year	Lapsed during the year*	At 31 March 2006	Date of grant of share options**	Exercise period of share options	Adjusted Exercise price of share option**	Adjusted Closing Price of Company's share on 3 November 2003 immediately before grant date of share options***
Directors										
Mr. Cheung Keng Chin ("Mr. Cheung")	7,400,000	—	—	—	—	7,400,000 *****	04/11/2003	01/11/2003 to 03/11/2008	0.3325	0.35
Madam Chou Mei ("Mrs. Cheung")	7,400,000	—	—	—	—	7,400,000 *****	04/11/2003	04/11/2003 to 03/11/2008	0.3325	0.35
Mr. Lau Ka Man, Kevin	12,000,000	—	—	—	(12,000,000)	—	04/11/2003	04/11/2003 to 03/11/2008	0.3325	0.35
Employees other than Directors										
In aggregate	19,224,000	—	—	—	—	19,224,000	04/11/2003	04/11/2003 to 03/11/2008	0.3325	0.35
	46,024,000	—	—	—	(12,000,000)	34,024,000				

For the year ended 31 March 2006

35. SHARE OPTION SCHEME *(Continued)*

* Those options lapsed during the year refer to share options held by employees resigned during the year.

** The vesting period of the share options is from the date of grant until the commencement of the exercise period.

*** The number of issuable shares and the exercise price of the share options is subject to adjustment in the case of capitalization issue, rights issue, sub-division or consolidation of the Company's shares or reduction of capital of the Company. On 20 February 2004, an ordinary resolution was passed in extraordinary general meeting in connection with the bonus issue of shares on the basis of three bonus share for every one existing share. Before adjustment the old exercise price was HK$1.33 each share.

**** Before adjustment as a result of bonus issue of shares on 20 February 2004, the closing price of the Company's share immediate before the grant date of share option was HK$1.40.

***** As spouse, Mr. Cheung and Mrs. Cheung are respectively deemed to have interest in the share option held by each other.

At 31 March 2006, the Company has 34,024,000 share options outstanding under the Scheme. The exercise in full of the outstanding share options would, under the capital structure of the Company as at 31 March 2006, result in the issue of 34,024,000 additional ordinary shares of HK$0.01 each of the Company and additional share capital of HK$340,000 and share premium of HK$10,973,000.

Valuation of share option

The Directors do not consider it appropriate to disclose a theoretical value of the options granted, because a number of factors crucial for the valuation cannot be determined. Accordingly, the Directors believe that any valuation of the share options based on various speculative assumptions would not be meaningful, but would be misleading to the shareholders of the Company.

36. WARRANTS

In the Extraordinary General Meeting held on 18 June 2004, an ordinary resolution of bonus issue of warrants ("Warrants") on the basis of one bonus warrant for every five shares held by shareholders whose names appear on the Register on 18 June 2004 was passed. Each warrant is issued in registered form and entitles the holder thereof to subscribe for fully-paid new shares at the initial subscription price of HK$0.102 per Share, subject to adjustment from the date of issue, which is on 28 June 2004, to the date of expiry of one year from the date of issue which is 27 June 2005 (both days inclusive in accordance with the terms of Warrants). Exercise in full of the warrants at the aforesaid initial subscription price would result in the issue of 320,441,600 shares and the receipt by the Company would be approximately HK$32,685,043.

During the year ended 31 March 2006, 133,200 warrants were exercised for 133,200 ordinary shares of HK$0.01 at a price of HK$0.102 per share. At the balance sheet date, the Company had no warrants outstanding.

During the year ended 31 March 2005, 27,156,000 warrants were exercised for 27,156,000 ordinary shares of HK$0.01 at a price of HK$0.102 per share. At the balance sheet date, the Company had 293,285,600 warrants outstanding.

For the year ended 31 March 2006

37. ACQUISITION OF A SUBSIDIARY

	2006	2005
	HK$'000	*HK$'000*
Net assets acquired:		
Investment in associate	**12,479**	—
Amount due to shareholders	**(4,216)**	—
Goodwill	**19,458**	—
	27,721	—
Satisfied by:		
Deposits	**27,721**	—

An analysis of the net outflow of cash and cash equivalents in respect of the acquisition of the subsidiary is as follows:

	2006	2005
	HK$'000	*HK$'000*
Deposits and prepayment	**27,721**	9,521
Net outflow of cash and cash equivalents in respect of the acquisition of subsidiary	**—**	—

In August 2005, the Group acquired 10,000 shares of HK$1.00 each in the issued share capital of Wisefull International Limited ("Wisefull") from the Vendors. Wisefull is an investment holding company, which holds 30% interest in the issued share capital of 北京朗坤服裝有限公司 ("北京朗坤"). 北京朗坤 is principally engaged in the manufacturing and sales of men's suits.

Since its acquisition, Wisefull and 北京朗坤 had no turnover and contributed HK$1,255,000 to the Group's loss after tax and minority interests for the year ended 31 March 2006.

For the year ended 31 March 2006

38. DISPOSAL OF A SUBSIDIARY

	2006	2005
	HK$'000	*HK$'000*
Net assets disposed of:		
Cash on hand	—	8
Gain or loss on disposal	—	—
Consideration satisfied by cash	—	8
Net cash flow arising on disposal	—	—

During the year ended 31 March 2005, the Group disposed a subsidiary, Sunexpress Limited, which did not contribute significantly to the Group's cash flows. The disposal of the subsidiary did not have material impact on the Group's results as a whole. The inter-company balances of Sunexpress Limited with subsidiaries of the Company were assigned to Suregold Enterprises Limited which is another subsidiary of the Company.

39. PLEDGE OF ASSETS

As at 31 March 2006, the Group had obtained aggregate banking facilities which were secured/guaranteed by the followings:

(1) legal charges on the Group's certain leasehold land and buildings located in Hong Kong and in the PRC with an aggregate net book value of approximately HK$26,816,000 (2005: HK$31,277,000 (Restated));

(2) cross guarantees among the subsidiaries of the Group;

(3) assignment of documentary credit issued in favour of a subsidiary; and

(4) an corporate guarantee provided by the Company.

For the year ended 31 March 2006

40. CONTINGENT LIABILITIES

(a) As at 31 March 2006, the Group had contingent liabilities in respect of the following:

	2006	2005
	HK$'000	*HK$'000*
Contingent liabilities arising from bills of exchange discounted with recourse	**2,024**	8,587
Long service payment	**195**	139
	2,219	8,726

The Group is liable to make long service payment upon the termination of employment of certain employees who have completed the required number of years of services and met the required circumstances under the Employment Ordinance. No provision has been made for this account in the financial statements as it is expected that the amounts will not crystallize in the foreseeable future.

(b) Since December 2002, Rontex Holdings Limited ("RHL"), a subsidiary of the Company, has been queried by the Inland Revenue Department of the Hong Kong Special Administrative Region Government (the "IRD") in respect of sales and marketing support service expenses claimed by RHL as deductible expenses in its profit tax computation. As at 31 March 2006, the IRD raised queries to RHL for the years of assessments 2000/2001, 2001/2002, 2002/2003, 2003/2004 in respect of its sales and marketing support service expenses of an aggregate total of HK$61,548,000. Up to the date of the approval of these financial statements, the Group is still in the process of answering queries from the IRD.

41. RELATED PARTY TRANSACTIONS

Amount due to a related party is unsecured, interest bearing at 12% per annum and repayable on demand. The interest paid to the related party for the year was amounting to approximately HK$40,000 (2005: HK$Nil).

42. SUBSEQUENT EVENTS

On 23 June 2006, Star Master International Limited, the beneficial owner of 982,800,000 shares ("Sale Shares") of the Company, entered into the Letter Of Intent with a third party in respect of a possible acquisition of the Sale Shares, representing approximately 60.31% of the entire issued share capital of the Company.

43. COMPARATIVE FIGURES

Following the adoption of new HKASs and HKFRSs during the current year, the accounting treatment and presentation of certain items and balances in the financial statements have been revised to comply with the new requirements. Accordingly, certain comparative amounts have been reclassified/restated to conform with the current year's presentation and accounting treatment.

44. AUTHORISATION FOR ISSUE OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of Directors on 25 July 2006.