

NOTES TO THE CONDENSED CONSOLIDATED ACCOUNTS

1. Accounting policies

The condensed consolidated interim financial statements have been prepared in accordance with the Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the Group’s annual financial statements for the year ended 31 March, 2006.

In the current period, the Group has applied, for the first time, a number of new standards, amendments and interpretations issued by the HKICPA that are effective for accounting periods beginning on or after 1 December 2005 or 1 January 2006 respectively. The adoption of the new HKFRSs has had no material effect on how the Group’s results for the current and/ or prior accounting periods are prepared and presented. Accordingly, no prior adjustment has been required.

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

HKAS 1 (Amendment)	Capital disclosures ¹
HKFRS 7	Financial instruments: Disclosures ¹
HK(IFRIC) – INT 8	Scope of HKFRS 2 ²
HK(IFRIC) – INT 9	Reassessment of embedded derivatives ³

¹ Effective for accounting periods beginning on or after 1 January 2007

² Effective for accounting periods beginning on or after 1 May 2006

³ Effective for accounting periods beginning on or after 1 June 2006

2. Turnover and Segment information

(A) Business segment

The Group’s turnover and operating profit were solely contributed by garment business during the periods ended 30 September, 2006 and 2005.

(B) Geographical segment

Sales revenue from the Group’s operations was solely from the United States of America, irrespective of the origin of the goods/services.

3. Profit before taxation

	Six months ended 30 September	
	2006 HK\$'000	2005 HK\$'000
Profit before taxation has been arrived at after charging:		
Directors' emoluments	300	180
Other staff costs	1,658	2,423
Other staff's retirement benefit scheme contributions	70	84
	<u>2,028</u>	<u>2,687</u>
Allowance for inventories	1,565	1,616
Depreciation	777	926
Operating lease rentals in respect of:		
– rented premises	487	460
– motor vehicle	78	120
Textile quota expenses	1,512	–
Cost of inventories recognised as expense	64,373	78,661
and after crediting:		
Bank interest income	<u>1,021</u>	<u>408</u>

4. Taxation (charge)/credit

	Six months ended 30 September	
	2006	2005
	HK\$'000	HK\$'000
Hong Kong profits tax	(562)	(1,059)
Deferred taxation	22	195
	<u>(540)</u>	<u>(864)</u>

Hong Kong profits tax has been provided at the rate of 17.5% (2005: 17.5%) on the estimated assessable profits arising in Hong Kong during the period.

At the balance sheet date, the Group has unused tax losses of approximately HK\$12,734,000 (31 March, 2006: HK\$12,343,000) available for offset against future profits. No deferred tax asset has been recognized due to the unpredictability of future profit streams.

5. Earnings per share

The calculation of basic earnings per share is based on the Group's unaudited consolidated profit attributable to shareholders for the period of HK\$6,252,000 (2005: HK\$8,300,000) and on the weighted average number of 167,031,016 (2005: 167,031,016) ordinary shares in issue during the period.

No diluted earnings per share figures have been shown as there were no dilutive potential ordinary shares outstanding for both of the periods.

6. Addition to property, plant and equipment

During the period, the Group spent approximately HK\$636,000 (2005: HK\$188,000) on property, plant and equipment to expand its operation.

7. Trade and other receivables

Included in trade and other receivables are trade receivables of approximately HK\$12,887,000 (31 March, 2006: HK\$11,195,000)

The aged analysis for trade receivables is as follows:

	At 30 September 2006 HK\$'000	At 31 March 2006 HK\$'000
Within 30 days	12,887	10,956
Over 30 days but less than 60 days	–	239
	12,887	11,195

Note:

Credit policy

Apart from payment by letter of credit, settlement is generally on an open account basis with credit terms ranging from 30 days to 60 days following the month of sale.

It is the policy of the Group to allow settlement on an open account basis only by customers who have good repayment records and well-established relationships with the Group. The credit period for such customers is reviewed periodically in response to the financial conditions, orders on hand and other credit information.

8. Trade and other payables

Included in trade and other payables are trade payables of approximately HK\$13,399,000 (31 March, 2006: HK\$9,322,000).

The aged analysis for trade payables is as follows:

	At 30 September 2006 HK\$'000	At 31 March 2006 HK\$'000
Within 90 days	13,377	9,281
Over 90 days	22	41
	13,399	9,322

9. Pledge of assets

At 30 September 2006, the Company pledged its bank deposit of HK\$8,822,000 (31 March, 2006: HK\$8,579,000) to secure the credit facilities granted to the Company.

10. Contingent liabilities

At 30 September 2006, the Company had given corporate guarantee of HK\$20,000,000 (31 March 2006: HK\$20,000,000) to secure general banking facilities granted to a subsidiary.

11. Related party transactions

(A) During the period, the Group had the following transactions with related parties:

	Six months ended	
	30 September	
	2006	2005
	HK\$'000	HK\$'000
Rental charges paid to related companies (<i>note a</i>)	448	412
Consultancy fees paid to related companies (<i>note b</i>)	110	240

Notes:

- (a) A director of the Company, Mr. Ling Tai Yuk, John, controls and has beneficial interests in these related companies.
- (b) The spouse of a director controls and has beneficial interests in one of these two related companies. For another related company, one director of the Company controls and has beneficial interest in the company.

(B) Key management compensation

	Six months ended	
	30 September	
	2006	2005
	HK\$'000	HK\$'000
Salaries	300	180