NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

1. Basis of preparation

The unaudited condensed consolidated interim results are prepared in accordance with Hong Kong Accounting Standard ("HKAS") No. 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and Appendix 16 of the Rules Governing the Listing of Securities ("Listing Rules") on the Stock Exchange of Hong Kong Limited ("Stock Exchange").

2. Principal accounting policies

The unaudited condensed consolidated interim results have been prepared under the historic cost convention, except for land and buildings, which have been measured at fair values.

The accounting policies and basis of preparation used in the preparation of these unaudited condensed interim results are consistent with those used in the annual accounts for the year ended 31 March 2006.

In the current period, the Group has applied, for the first time, a number of new and revised Hong Kong Financial Reporting Standards ("HKFRSs") and HKASs and Interpretations (hereinafter collectively referred to as "new HKFRSs") issued by the HKICPA that are effective for accounting periods beginning on or after 1 January 2006. The Group has carried out an assessment of these standards, amendments and interpretations and considered that they would not have significant impact on the results and financial position of the Group.

3. Revenue

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold, after allowances for returns and trade discounts during the period.

4. Segmental information

The following tables present revenue, profit and certain asset, liability and expenditure information for the Group's business and geographical segments:

(a) Business segments

	Unaudited for the six months ended 30 September 2006				
	Fur *HK$'000*	**Leather** *HK$'000*	**Fabric garments** *HK$'000*	**Corporate and others** *HK$'000*	**Consolidated** *HK$'000*
Segment revenue:					
Sales to external customers	**36,200**	**11,118**	**23,435**	**206**	**70,959**
Segment results	**6,882**	**2,016**	**4,810**	**(6,261)**	**7,447**
Bank interest income					**542**
Finance costs					**(593)**
Profit before tax					**7,396**
Tax					**(3)**
Profit for the period					**7,393**
Assets and liabilities					
Segment assets	**97,556**	**18,343**	**15,528**	**9,341**	**140,768**
Unallocated assets					**29,476**
Total assets					**170,244**
Segment liabilities	**9,680**	**5,676**	**3,058**	**7,037**	**25,451**
Unalloated liabilities					**13,581**
Total liabilities					**39,032**

4. **Segmental information** *(Continued)*

(a) ***Business segments*** *(Continued)*

	Unaudited for the six months ended 30 September 2005				
	Fur *HK$'000*	Leather *HK$'000*	Fabric garments *HK$'000*	Corporate and others *HK$'000*	Consolidated *HK$'000*
Segment revenue:					
Sales to external customers	44,347	13,121	15,187	144	72,799
Segment results	5,628	2,956	5,170	(5,536)	8,218
Bank interest income					345
Finance costs					(495)
Profit before tax					8,068
Tax					(221)
Profit for the period					7,847
Assets and liabilities					
Segment assets	90,519	18,669	12,171	7,055	128,414
Unallocated assets					29,398
Total assets					157,812
Segment liabilities	4,810	3,977	343	5,226	14,356
Unalloated liabilities					10,259
Total liabilities					24,615

4. Segmental information *(Continued)*

(b) Geographical segments

Unaudited for the six months ended 30 September 2006

	Hong Kong	**Mainland China**	**Germany**	**Spain**	**United States of America**	**Other countries**	**Consolidated**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***
Segment revenue:							
Sales to external customers	**21,856**	**15,118**	**24,606**	**4,423**	**1,403**	**3,553**	**70,959**
Segment results	**4,328**	**2,721**	**4,970**	**888**	**90**	**703**	**13,700**

Unaudited for the six months ended 30 September 2005

	Hong Kong	Mainland China	Germany	Spain	United States of America	Other countries	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Segment revenue:							
Sales to external customers	29,589	9,953	19,846	4,466	2,028	6,917	72,799
Segment results	2,622	1,912	5,555	1,403	669	1,591	13,752

5. Profit before tax

The Group's profit before tax is arrived at after charging/(crediting):

	For the six months ended 30 September	
	2006	2005
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Cost of inventories sold (including inventory provision)	**42,865**	46,728
Depreciation	**710**	752
Auditors' remuneration	**338**	326
Minimum lease payments under operating leases in respect of land and buildings	**190**	263
Foreign exchange differences, net	**184**	(289)
Employee benefits expense (including directors' remuneration)	**7,881**	7,680
Bank interest income	**(542)**	(345)

6. Finance costs

	For the six months ended 30 September	
	2006	2005
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Interest on bank loans and overdrafts	**593**	492
Interest on hire purchase contract	**–**	3
	593	495

7. Tax

No provision for Hong Kong profits tax has been made for the period as the Group has available tax losses brought forward from prior years to offset the assessable profits generated during the period. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, practices and interpretations in respect thereof.

	For the six months ended 30 September	
	2006	2005
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Current tax charge in Mainland China	**3**	221

8. Interim dividend

	For the six months ended 30 September	
	2006	2005
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Interim dividend – HK1.0 cent (2005: HK5.0 cents) per ordinary share	**3,170**	15,852

The Board has resolved to declare an interim dividend of HK1.0 cent (2005: HK5.0 cents) per ordinary share for the six months ended 30 September 2006 payable to all the shareholders whose names appear on the Company's register of members on 17 January 2007. This declaration has been incorporated in the interim results as an allocation of retained profits or contributed surplus within the equity section of the balance sheet. The interim dividend warrants will be dispatched on or about 24 January 2007.

9. Earnings per share attributable to ordinary equity holders of the parent

The calculation of basic earnings per share amounts is based on the profit for the period attributable to ordinary equity holders of the parent of HK$7,393,000 (2005: HK$7,847,000) and 317,035,700 ordinary shares in issue during the periods.

Diluted earnings per share amounts for the period ended 30 September 2006 and 2005 have not been disclosed as no diluting events existed during these periods.

10. Available-for-sale equity investments/long term investments

	30 September 2006 (Unaudited) *HK$'000*	31 March 2006 (Audited) *HK$'000*
Unlisted equity investments, at cost	**3,364**	3,364
Less: Provision for impairment	**(3,364)**	(3,364)
	–	–

The unlisted equity investments of the Group are not stated at fair value, but at cost less any accumulated impairment losses because they do not have a quoted market price in an active market, the range of reasonable fair value estimates is significant and the probabilities of the various estimates cannot be reasonably assessed.

11. Trade and bills receivables

An aged analysis of the trade and bills receivables as at the balance sheet date, based on the invoice date and net of provisions, is as follows:

	30 September 2006 (Unaudited) *HK$'000*	31 March 2006 (Audited) *HK$'000*
Within 3 months	**18,000**	11,992
4 to 6 months	**48**	925
7 to 12 months	**165**	74
Over 1 year	**101**	19
	18,314	13,010

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally for a period of one to three months, extending up to six months for major customers. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. Trade receivables are non-interest-bearing.

12. Trade and bills payables

An aged analysis of the trade and bills payables as at the balance sheet date, based on the invoice date, is as follows:

	30 September 2006 (Unaudited)	31 March 2006 (Audited)
	HK$'000	*HK$'000*
Within 3 months	**18,372**	10,338
4 to 6 months	**837**	425
7 to 12 months	**125**	11
Over 1 year	**289**	188
	19,623	10,962

The trade and bills payable are non-interest-bearing and are normally settled within 30-90 days.

13. Other payables and accruals

Other payables and accruals of the Group and the Company are non-interest-bearing, have no fixed terms of repayment and are expected to be settled within one to three months.

14. Share capital

	30 September 2006 (Unaudited)	31 March 2006 (Audited)
	HK$'000	*HK$'000*
Authorised:		
1,000,000,000 ordinary shares of HK$0.10 each	**100,000**	100,000
Issued and fully paid:		
317,035,700 ordinary shares of HK$0.10 each	**31,704**	31,704

15. Share options

No share options were granted during the current period or the prior period and there were no share options outstanding at the balance sheet date.

16. Pledge of assets

At the balance sheet date, the banking facilities of the Group were secured by the Group's bank deposits and certain leasehold land and buildings with carrying values of HK$29,476,000 (at 31 March 2006: HK$29,433,000) and HK$28,710,000 (at 31 March 2006: HK$28,710,000), respectively; and guarantees given by the Company.

The carrying amounts of the Group's borrowings approximate to their fair values.

17. Contingent liabilities

At the balance sheet date, the contingent liabilities not provided for in the financial statements were as follows:

(a) The Group had a contingent liability in respect of possible future long term service payments to employees under the Hong Kong Employment Ordinance, with a maximum possible amount of HK$2,026,000 as at 30 September 2006 (at 31 March 2006: HK$1,947,000). The contingent liability has been arisen, at the balance sheet date, a number of current employees have achieved the required number of years of service to the Group in order to be eligible for long service payments under the Employment Ordinance if their employment is terminated under certain circumstances. A provision has not been recognized in respect of such possible payments, as it is not considered probable that the situation will result in a material future outflow of resources from the Group.

(b) The Company had given guarantees to banks in connection with banking facilities granted to a subsidiary amounting HK$81,930,000 (at 31 March 2006: HK$81,930,000), of which HK$16,579,000 (at 31 March 2006: HK$20,439,000) was utilized at the balance sheet date.

18. Operating lease arrangements

The Group leased certain of its staff quarters and land for mink farm under operating lease arrangements with leases negotiated for original terms ranging from 1 to 20 years.

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

	As at	
	30 September 2006	31 March 2006
	(Unaudited)	(Audited)
	HK$'000	*HK$'000*
Within one year	**27**	23
In the second to fifth years, inclusive	**85**	85
After 5 years	**323**	334
	435	442

19. Capital commitments

At the balance sheet date, in addition to the operating lease arrangements detailed in note 18 above, the Group had the following capital commitments:

	As at	
	30 September 2006	31 March 2006
	(Unaudited)	(Audited)
	HK$'000	*HK$'000*
Contracted, but not provided for in respect of construction in progress	**1,892**	1,755

20. Financial risk management objectives and policies

The Group's principal financial instruments comprise interest-bearing bank overdrafts and loans and cash and bank deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade and bills receivables and trade and bills payables, which arise directly from its operations.

It is, and has been, throughout the period under review, the Group's policy that no trading in financial instruments shall be undertaken.

The main risks arising from the Group's financial instruments are cash flow interest rate risk, foreign currency risk, credit risk and liquidity risk. The board reviews and agrees policies for managing each of these risks and they are summarised below.

Cash flow interest rate risk

The Group's exposure to the risk of changes in market interest rates related primarily to the Group's debt obligations. The Group does not use derivative financial instruments to hedge its debt obligations.

Foreign currency risk

The Group's major transactions are primarily denominated in Hong Kong dollars, United States dollars ("US$") and RMB. Foreign exchange exposure of the Group is considered minimal as the exchange rate of RMB and US$ against Hong Kong dollars were relatively stable during the period. No financial instruments have been used for hedging purposes.

20. Financial risk management objectives and policies *(Continued)*

Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral.

The Group places its cash deposits with major international banks in Hong Kong and state-owned banks in Mainland China. This investment policy limits the Group's exposure to concentrations of credit risk.

Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts. In addition, banking facilities have been obtained for contingency purpose.

21. Approval of unaudited interim financial statements

The unaudited condensed consolidated interim financial statements of the Company were approved and authorised for issue by the board of directors on 21 December 2006.