NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

1. ORGANISATION AND OPERATIONS

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 Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.

The company is an investment holding company. The principal activities of its principal subsidiaries are set out in note 16 to the financial statements.

2. BASIS OF PRESENTATION

The financial statements have been prepared on a going concern basis notwithstanding the fact that the group incurred consolidated loss before minority interest of approximately $39,354,000 during the year ended 31 March 2007 and, as of that date, the group reported consolidated net current liabilities of approximately $8,515,000.

As disclosed in note 36 to the financial statements, the company raised working capital of $6,126,000 in aggregate by way of issue of its new shares on exercise of certain warrants and share options of the company after the balance sheet date.

In April and May 2007, the group's available-for-sale investments with an aggregate carrying value of $1,573,000 as at 31 March 2007 have been disposed of to independent third parties at a cash consideration of approximately $2,220,000.

The substantial shareholders of the company have agreed to provide adequate funds to the group to meet its liabilities as they fall due.

The group's unutilised banking facilities as at 30 June 2007 amounted to approximately $3,500,000.

Based on the above, the directors of the company are satisfied that it is appropriate to prepare the group's consolidated financial statements on a going concern basis.

(Expressed in Hong Kong dollars)

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

In the current year, the group has adopted all the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") (which also include Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants that are relevant to its operations and effective for annual reporting periods beginning on or after 1 April 2006.

The adoption of the new and revised HKFRSs did not result in substantial changes to the accounting policies of the company and the group nor have affected the amounts reported for the current or prior years, except for HKAS 39 & HKFRS 4 (Amendments).

This amendment has revised the scope of HKAS 39 to require financial guarantee contracts issued that are not considered insurance contracts, to be recognised initially at fair value and to be remeasured at the higher of the amount determined in accordance with HKAS 37 Provisions, Contingent Liabilities and Contingent Assets and the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with HKAS 18 Revenue. During the current and prior years, the company provided a guarantee to a bank in connection with bank loans and other banking facilities granted to its subsidiaries. The adoption of this amendment has had no material impact on these financial statements.

At the date of authorisation of these financial statements, the following HKFRSs relevant to the group were in issue but not yet effective:

		Effective for annual periods beginning on or after
HKAS 1 (Amendment)	Capital Disclosures	1 January 2007
HKFRS 7	Financial Instruments: Disclosures	1 January 2007
HK(IFRIC) — Int 8	Scope of HKFRS 2	1 May 2006
HK(IFRIC) — Int 9	Reassessment of Embedded Derivatives	1 June 2006
HK(IFRIC) — Int 10	Interim Financial Reporting and Impairment	1 November 2006
HK(IFRIC) — Int 11	HKFRS 2 — Group and Treasury Share Transactions	1 March 2007

The group is in the process of making an assessment of what the impact of these new or revised HKFRSs is expected to be in the period of initial application.

4. PRINCIPAL ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable HKFRSs, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

(b) Basis of preparation of financial statements

The consolidated financial statements have been prepared under the historical cost convention, as modified for the revaluation of available-for-sale investments which are carried at fair value.

(c) Consolidation

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

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

All significant intercompany transactions, balances and unrealised gains on transactions between group enterprises are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment on the asset transferred.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the group.

Minority interest in the net assets of consolidated subsidiaries is identified separately from the group's equity therein. Minority interest consists of the amount of the interest at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

4. PRINCIPAL ACCOUNTING POLICIES *(continued)*

(d) Business combinations

The acquisition of subsidiaries is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities assumed in a business combination are recognised at their fair values at the acquisition date.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the acquisition over the group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit or loss.

(e) Subsidiaries

A subsidiary is an entity whose financial and operating policies the company controls, directly or indirectly, so as to obtain benefits from its activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the group controls another enterprise.

Interests in subsidiaries are included in the company's balance sheet at cost less any impairment losses. The results of subsidiaries are accounted for by the company on the basis of dividends received and receivable.

(f) Associates

An associate is an enterprise, not being a subsidiary nor an interest in a joint venture, over which the group is in a position to exercise significant influence, through participation in the financial and operating policy decisions of the investee.

The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting. Under the equity method, interests in associates are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the group's share of the net assets of the associates, less impairment in the value of individual investments. Losses of an associate in excess of the group's interest in that associate are not recognised. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment.

Where a group enterprise transacts with an associate of the group, unrealised gains and losses are eliminated to the extent of the group's interest in the relevant associate, except where unrealised losses provide evidence of an impairment of the assets transferred.

4. PRINCIPAL ACCOUNTING POLICIES *(continued)*

(g) Joint venture

A joint venture is a contractual arrangement whereby the group and other parties undertake an economic activity which is subject to joint control, that is when the strategic financial and operating policy decisions relating to the activities require the unanimous consent of the parties sharing control.

Joint venture arrangement which involves the establishment of a separate entity in which each venturer has an interest is referred to as a jointly-controlled entity. The group reports its interest in a jointly-controlled entity using the equity method of accounting. Under the equity method, investment in a jointly-controlled entity is carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the group's share of the net assets of the jointly-controlled entity, less impairment in the value of individual investments. Losses of a jointly-controlled entity in excess of the group's interest in that jointly-controlled entity are not recognised. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment.

Where a group enterprise transacts with a jointly-controlled entity of the group, unrealised gains and losses are eliminated to the extent of the group's interest in the joint venture, except where unrealised losses provide evidence of an impairment of the assets transferred.

(h) Goodwill

Goodwill represents the excess of the cost of acquisition over the group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary recognised at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses. Goodwill on acquisitions of subsidiaries is presented separately.

For the purpose of impairment testing, goodwill is allocated to each of the group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Gain or loss on the disposal of a subsidiary or its underlying business includes the carrying amount of goodwill relating to the subsidiary or its underlying business sold.

4. PRINCIPAL ACCOUNTING POLICIES *(continued)*

(i) Property, plant and equipment

Buildings held for use in production or supply of goods or services, or for administrative purposes, are stated in the balance sheet at their historical cost, less any subsequent accumulated depreciation and accumulated impairment losses. Other property, plant and equipment are stated at historical cost less accumulated depreciation and any accumulated impairment losses.

Properties in the course of construction for production, rental or administrative purposes, or for purposes not yet determined, are carried at cost less any recognised impairment losses. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the group's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Historical cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its present working condition and location for its intended use. Expenditure incurred after the asset has been put into operation, such as repairs and maintenance and overhaul costs, is charged to profit or loss 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 assets, the expenditure is capitalised as an additional cost of the asset or a separate asset.

Depreciation is charged so as to write off the cost of assets, other than properties under construction, over their estimated useful lives, using the straight-line method. The useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. The principal annual rates are as follows:

Buildings	2% to 5%
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 on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the profit and loss.

4. PRINCIPAL ACCOUNTING POLICIES *(continued)*

(j) Impairment of assets excluding goodwill

Assets that have an indefinite useful life are not subject to amortisation and tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in the profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

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

(k) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost includes cost of purchase of materials computed using the first-in-first-out method and, in the case of work in progress and finished goods, direct labour and an appropriate proportion of production overheads. Net realisable value is determined by reference to the anticipated sales proceeds of items sold in the ordinary course of business less estimated selling expenses after the balance sheet date or to management estimates based on prevailing market conditions.

4. PRINCIPAL ACCOUNTING POLICIES *(continued)*

(l) Financial instruments

Financial assets and financial liabilities are recognised on the group's balance sheet when the group becomes a party to the contractual provisions of the instrument.

(i) Trade and other receivables

Receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate provisions for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired. The provision recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

(ii) Investments

Investments are recognised and derecognised on a trade date basis where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, plus directly attributable transaction costs.

Investments other than held-to-maturity debt securities are classified as either investments held for trading or as available-for-sale, and are measured at subsequent reporting dates at fair value. For available-for-sale investments, gains and losses arising from changes in fair value are recognised directly in equity, until the security is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in equity is included in the profit or loss for the period. Impairment losses recognised in profit or loss for equity investments classified as available-for-sale are not subsequently reversed through profit or loss.

(iii) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. Bank overdrafts that are repayable on demand and form an integral part of the group's cash management are also included as a component of cash and cash equivalents for the purpose of the cash flow statement.

(iv) Financial liabilities and equity

Financial liabilities and equity instruments issued by the group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

4. PRINCIPAL ACCOUNTING POLICIES *(continued)*

(l) Financial instruments *(continued)*

(v) Borrowings

Interest-bearing bank loans, import and export loans and overdrafts are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the group's accounting policy for borrowing costs.

Borrowings are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

(vi) Warrants

The premium received on issue of warrants is included in capital reserve under equity of the company until the warrants expire when it is released directly to accumulated losses.

(vii) Trade and other payables

Payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

(viii) Equity instruments

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

(m) Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases.

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight-line basis over the lease term.

The cost of acquiring land held under an operating lease is amortised on a straight-line basis over the period of the lease term.

4. PRINCIPAL ACCOUNTING POLICIES *(continued)*

(n) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the group has a legal or constructive obligation arising as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

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

(o) Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expenses that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax liabilities are provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements and deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised. However, such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. Taxation rates enacted or substantively enacted by the balance sheet date are used to determine deferred taxation.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, associates and joint-controlled entity, 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.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the group intends to settle its current tax assets and liabilities on a net basis.

4. PRINCIPAL ACCOUNTING POLICIES *(continued)*

(p) Translation of foreign currencies

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates ("functional currency"). The consolidated financial statements are expressed in Hong Kong dollars which is the functional currency of the company, and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual entities, foreign currency transactions are translated into Hong Kong dollars, being the functional currency at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in profit or loss for the period. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity. For such non-monetary items, any exchange component of that gain or loss is also recognised directly in equity.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the group's foreign operation (including comparatives) are expressed in Hong Kong dollars using exchange rates prevailing on the balance sheet date. Income and expenses items (including comparatives) are translated at the average exchange rates at the dates of the transactions. Exchange differences arising, if any, are classified as equity and transferred to the group's translation reserve. Such translation differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

(q) Employees' benefits

i) Short term benefits

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

4. PRINCIPAL ACCOUNTING POLICIES *(continued)*

ii) Pension obligations

Contributions to the Mandatory Provident Fund scheme as required under the Hong Kong Mandatory Provident Fund Schemes Ordinance are charged to profit or loss when incurred. The group has no further payment obligations once the contribution has been made.

The employees of the group's subsidiary which operates in the People's Republic of China (the "PRC") are required to participate in a central pension scheme operated by the local municipal government. This subsidiary is required to contribute certain percentage of its payroll costs to the central pension scheme. The contributions are charged to the profit or loss as they become payable in accordance with the rules of the central pension scheme.

iii) Share-based payments

The group issues equity-settled share-based payments to certain employees. Equity-settled share-based payments are measured at fair value (excluding the effect of non market-based vesting conditions) at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the group's estimate of the shares that will eventually vest and adjusted for the effect of non market-based vesting conditions.

Fair value is measured using the Black-Scholes pricing model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

(r) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as 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 eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

(s) Related parties

Two parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals (being members of key management personnel, significant shareholders and/or their close family members) or other entities and include entities which are under the significant influence of related parties of the group where those parties are individuals, and post-employment benefit plans which are for the benefit of employees of the group or of any entity that is a related party of the group.

4. PRINCIPAL ACCOUNTING POLICIES *(continued)*

(t) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts and exclude value added tax.

i) Revenue from the sale of products is recognised when the group entity has delivered products to the customer; the customer has accepted the products and collectibility of the related receivable is reasonably assured.

ii) Interest income is accrued on a time-apportioned basis by reference to the principal outstanding using the effective interest rate method.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Estimates and judgments

Estimates and judgments 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.

In determining whether an asset including goodwill is impaired or the event previously causing the impairment no longer exists, the group has to exercise judgment in the area of asset impairment, particularly in assessing: (1) whether an event has occurred that may effect the asset value or such event affecting the asset value has not been in existence; (2) whether the carrying value of an asset can be supported by net present value of future cash flows which are estimated based upon the continued use of the asset or derecognition; and (3) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate. Changing the assumptions selected by management to determine the level of impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could materially affect the net present value used in the impairment test.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS *(continued)*

Estimation uncertainty

The group also makes estimates and assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date. 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 in relation to share option expense.

Share option expense is subject to the limitations of the option pricing models adopted and the uncertainty in estimates used by management in the assumptions. Should the estimates including limited early exercise behaviour, expected interval and frequency of open exercise periods in the share option life and the relevant parameters of the share option model be changed, there would be material changes in the amount of share option benefits recognised in the income statement and capital reserve.

6. SEGMENT INFORMATION

Segment information is presented by way of two segment formats: (i) on a primary segment reporting basis, by business segment; and (ii) on a secondary segment reporting basis, by geographical segment.

The group's operating businesses are structured and managed separately according to the nature of their operations and the products they provide. Each of the group's business segments represents a strategic business unit that offers products which are subject to risks and returns that are different from those of the other business segments. The business segments of the group are businesses of woven wear, knitwear, sweaters and premium products.

In determining the group's geographical segments, revenues are attributed to the segments based on the location of the customers, and assets are attributed to the segments based on the location of the assets.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

6. SEGMENT INFORMATION *(continued)*

(a) Business segments

The following tables present revenue, results and certain assets, liabilities and expenditure information for the group's business segments for the years ended 31 March 2007 and 2006.

	For the year ended 31 March 2007				
	Woven wear $'000	**Knitwear** $'000	**Sweaters** $'000	**Premium** $'000	**Consolidated total** $'000
SEGMENT REVENUE	71,333	52,949	35,283	6,864	166,429
SEGMENT RESULTS	(224)	(632)	(1,704)	901	(1,659)
Finance costs					(2,728)
Tax penalties and surcharges					(3,759)
Impairment loss on goodwill					(19,458)
Share of results of associates					(1,480)
Share of results of a jointly-controlled entity					(2,439)
Loss before taxation					(31,523)
Income tax					(7,831)
Loss for the year					(39,354)
Attributable to:					
Equity holders of the Company					(38,684)
Minority interest					(670)
					(39,354)

	Woven Wear $'000	**Knitwear** $'000	**Sweaters** $'000	**Premium** $'000	**Others** $'000	**Consolidated total** $'000
Assets and liabilities:						
Segment assets	10,065	2,421	15,779	25	–	28,290
Unallocated assets	–	–	–	–	46,263	46,263
Total assets						74,553
Segment liabilities	2,787	1,578	10,592	13	–	14,970
Unallocated liabilities	–	–	–	–	23,992	23,992
Total liabilities						38,962
Other segment information:						
Deprecation	–	575	675	–	202	1,452
Amortisation	–	–	162	–	86	248
Impairment loss on inventories	–	–	464	–	–	464
Impairment loss on trade and other receivables	–	–	70	–	284	354
Impairment loss on goodwill	–	–	–	–	19,458	19,458
Capital expenditure	–	6,996	892	–	54	7,942
Loss on disposal of property, plant and equipment	–	–	127	–	–	127

6. SEGMENT INFORMATION *(continued)*

(a) Business segments *(continued)*

For the year ended 31 March 2006

	Woven wear $'000	Knitwear $'000	Sweaters $'000	Premium $'000	Consolidated total $'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 investments					(23,657)
Share of results of associates					(915)
Loss before taxation					(38,607)
Income tax					—
Loss for the year					(38,607)
Attributable to:					
Equity holders of the Company					(36,945)
Minority interest					(1,662)
					(38,607)

	Woven wear $'000	Knitwear $'000	Sweaters $'000	Premium $'000	Others $'000	Consolidated total $'000
Assets and liabilities						
Segment assets	3,744	30,054	11,788	462	—	46,048
Unallocated assets	—	—	—	—	56,018	56,018
Total assets						102,066
Segment liabilities	5,354	18,181	5,962	1,778	—	31,275
Uallocated liabilities	—	—	—	—	7,743	7,743
Total liabilities						39,018
Other segment information:						
Deprecation		679	675		491	1,845
Amortisation		35			86	121
Impairment loss on property, plant and equipment					4,831	4,831
Impairment loss on inventories		713				713
Impairment loss of trade and other receivables		858				858
Impairment loss on available-for-sale investments					23,657	23,657
Capital expenditure		4,309			276	4,585

6. SEGMENT INFORMATION *(continued)*

(b) Geographical segments

	For the year ended 31 March 2007			
	Chile	**PRC**	**Others**	**Consolidated**
	$'000	$'000	$'000	$'000
Segment revenue	93,322	24,492	48,615	166,429
Segment results	(1,034)	(1,789)	1,164	(1,659)
Other segment information:				
Segment assets	7,035	14,588	—	21,623
Unallocated assets	—	—	52,930	52,930
Total assets				74,553
Capital expenditure	—	7,888	54	7,942

	For the year ended 31 March 2006			
	Chile	PRC	Others	Consolidated
	$'000	$'000	$'000	$'000
Segment revenue	93,396	19,387	81,498	194,281
Segment results	(5,058)	(1,586)	(3,740)	(10,384)
Other segment information:				
Segment assets	2,455	41,548	—	44,003
Unallocated assets	—	—	58,063	58,063
Total assets				102,066
Capital expenditure	—	4,309	276	4,585

7. TURNOVER, OTHER REVENUE AND GAINS

Turnover represents the net invoiced value of goods sold, after allowances for returns and trade discounts.

An analysis of the group's turnover, other revenue and gains is as follows:

	2007	2006
	$'000	$'000
Turnover:		
Sale of goods	**166,429**	194,281
Other revenue and gains:		
Interest income	**44**	133
Sale of scrap inventories, net	**470**	145
Sundry Income	**269**	—
Net exchange gains	**18**	376
	801	654

8. FINANCE COSTS

	2007	2006
	$'000	$'000
Interest expense:		
Bank loans and overdrafts wholly repayable within five years	**654**	1,243
Import and export loans wholly repayable within five years	**551**	212
Amount due to a related party	**120**	40
	1,325	1,495
Bank charges	**1,403**	2,156
	2,728	3,651

9. LOSS BEFORE TAXATION

	2007 $'000	2006 $'000
Loss before taxation is arrived at after charging: —		
Employees benefit expenses		
(excluding directors' remuneration (note 10(a))): —		
Wages and salaries	**3,881**	5,476
Pension fund contributions	**158**	340
Share option expense	**281**	—
	4,320	5,816
Depreciation	**1,452**	1,845
Amortisation of leasehold land and land use rights	**248**	121
Auditor's remuneration	**680**	449
Rental payment in respect of premises under operating leases	**346**	582
Loss on disposal of property, plant and equipment	**127**	—
Impairment loss on inventories (included in cost of sales)	**464**	713

10. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID INDIVIDUALS

(a) Directors' remuneration

Directors' remuneration for the year, disclosed pursuant to the Listing Rules and Section 161 of the Hong Kong Companies Ordinance, is as follows:

Name of directors	Fees		Salaries and allowances		Pension fund contributions		Employee benefits share options		Total	
	2007	2006	**2007**	2006	**2007**	2006	**2007**	2006	**2007**	2006
	$'000	$'000	**$'000**	'000	**$'000**	'000	**$'000**	'000	**$'000**	'000
Executive directors										
Cheung Keng Ching	**–**	520	**1,430**	216	**12**	12	**34**	–	**1,476**	748
Chou Mei	**–**	260	**1,170**	166	**12**	12	**34**	–	**1,216**	438
Lau Ka Man, Kevin	**–**	331	**–**	–	**–**	7	**–**	–	**–**	338
Chan Ching Kee, William	**–**	–	**115**	–	**2**	–	**–**	–	**117**	–
Chung Kam Fung, Kennis	**–**	–	**196**	–	**5**	–	**49**	–	**250**	–
	–	1,111	**2,911**	382	**31**	31	**117**	–	**3,059**	1,524
Independent non-executive directors										
Chow Chi Kit	**–**	9	**–**	–	**–**	–	**–**	–	**–**	9
To Yan Ming, Edmond	**–**	9	**–**	–	**–**	–	**–**	–	**–**	9
Hung Muk Ming	**–**	66	**–**	–	**–**	–	**–**	–	**–**	66
Wong Lai Fong	**–**	48	**–**	–	**–**	–	**–**	–	**–**	48
Wong Kin Tak	**–**	48	**–**	–	**–**	–	**–**	–	**–**	48
Lo Siu Tong, Alfred	**12**	3	**–**	–	**–**	–	**–**	–	**12**	3
Wan Ngar Yin, David	**78**	19	**–**	–	**–**	–	**9**	–	**87**	19
Wong Lai Wah, Ada	**72**	8	**–**	–	**–**	–	**–**	–	**72**	8
	162	210	**–**	–	**–**	–	**9**	–	**171**	210
	162	1,321	**2,911**	382	**31**	31	**126**	–	**3,230**	1,734

10. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID INDIVIDUALS *(continued)*

(a) Directors' remuneration *(continued)*

During the year, certain directors were granted share options, in respect of their services to the group, under the share option scheme of the company, further details of which are set out in note 28 to the financial statements. The fair value of such options which has been expensed the income statement over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the current year is included in the above directors' remuneration disclosures.

During the year, no remuneration was paid by the group to the directors as an inducement to join or upon joining the group or as compensation for loss of office. There was no arrangement under which a director waived or agreed to waive any remuneration during the year.

(b) Five highest paid individuals

The five highest paid employees during the year included two (2006: three) directors, details of whose remuneration are set out in note (a) above. Details of the remuneration of the remaining three (2006: two) non-director, highest paid employees for the year are as follows:

	2007 **$'000**	2006 $'000
Salaries and other benefits	**752**	567
Pension fund contributions	**32**	11
	784	578

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

	2007	2006
Nil to $1,000,000	**3**	2

11. INCOME TAX

	2007 $'000	2006 $'000
Current year provision for Hong Kong profits tax	**474**	—
Under provision in prior years (note ii)	**7,357**	—
	7,831	—

Provision for Hong Kong profits tax is calculated at 17.5% on the estimated assessable profits for the year ended 31 March 2007. In prior year, no provision had been made for Hong Kong profits tax as the group companies sustained losses during the year ended 31 March 2006. Taxation for overseas subsidiaries is similarly charged at the appropriate current rates of taxation ruling in the relevant countries.

(i) Taxation for the year can be reconciled to the accounting loss as follows:

For the year ended 31 March 2007

	Hong Kong $'000	The PRC $'000	Total $'000
Loss before taxation	(26,080)	(5,443)	(31,523)
Tax calculated at the statutory tax rate	(4,564)	(1,797)	(6,361)
Tax effect of expenses not deductible for taxation purposes	4,272	—	4,272
Tax effect of income not taxable for taxation purposes	(3)	—	(3)
Profits and losses attributable to associates and a jointly – controlled entity	—	1,337	1,337
Under provision in prior years	7,357	—	7,357
Tax effect of tax losses not recognised	769	460	1,229
Income tax for the year	7,831	—	7,831

11. INCOME TAX *(continued)*

(i) Taxation for the year can be reconciled to the accounting loss as follows: *(continued)*

For the year ended 31 March 2006

	Hong Kong $'000	The PRC $'000	Total $'000
Loss before taxation	(34,282)	(4,325)	(38,607)
Tax calculated at the statutory tax rate	(5,999)	(1,038)	(7,037)
Tax effect of expenses not deductible for taxation purposes	6,822	—	6,822
Tax effect of income not taxable for taxation purposes	(2,998)	—	(2,998)
Tax effect of tax losses and other deferred tax assets not recognised	2,175	1,038	3,213
Income tax for the year	—	—	—

At 31 March 2007, the group has unused tax losses of $22,300,000 (2006: $16,512,000) available for offset against future profits and temporary differences of $4,831,000 (2006: $4,831,000). No deferred tax asset has been recognised as at 31 March 2006 and 2007 in respect of such losses and temporary differences due to the unpredictability of future profit streams.

11. INCOME TAX *(continued)*

(ii) Since December 2002, Rontex Holdings Limited ("RHL") and Ronco Trading Company Limited ("Ronco"), subsidiaries of the company, had 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 and Ronco as deductible expenses in their profits tax computations. As at 31 March 2006, the IRD raised queries to RHL and Ronco for the years of assessments 2000/2001, 2001/2002, 2002/2003, and 2003/2004.

During the year ended 31 March 2007, IRD disallowed certain deduction of sales and marketing support services expenses of RHL and Ronco in their profits tax computations for the aforementioned years of assessment and raised additional tax assessments of $6,903,000 and $454,000 respectively. Moreover, tax penalties and surcharges of $3,559,000 and $200,000 were imposed by IRD on RHL and Ronco respectively. The above amounts were agreed to be settled by instalments until fully settled in October 2007.

Pursuant to a deed of indemnity dated 25 October 2002 from Star Master International Limited, Cheung Keng Ching and Chou Mei, shareholders of the company (collectively referred as the "Indemnifiers"), who agreed to indemnify, on a joint and several basis, the group against all additional taxation liabilities, penalties, surcharges and other relevant costs falling on any members of the group in respect of any accounting period ended or before 31 March 2002, which amounted to $4,233,000. The indemnified amount of $4,233,000 obligated by the Indemnifiers is accounted for as contributions from equity holders of the company, and credited to capital reserve of the group during the year.

During the year ended 31 March 2007, the Indemnifiers had settled $1,743,000. Accordingly, as at 31 March 2007, the group's receivable from the Indemnifiers amounted to $2,490,000, which was unsecured, interest free and fully settled by 31 May 2007.

12. LOSS FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The consolidated loss from ordinary activities attributable to equity holders of the company for the year ended 31 March 2007 includes a loss of $65,673,000 (2006: a profit of $16,037,000) which has been dealt with in the financial statements of the company (note 27).

13. LOSS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The calculation of basic loss per share is based on the loss for the year attributable to equity holders of the Company of $38,684,000 (2006: $36,945,000) and the weighted average number of ordinary shares in issue during the year of 1,644,208,433 shares (2006: 1,629,468,661 shares).

Diluted loss per share for the years ended 31 March 2006 and 2007 have not been disclosed, as the warrants and the share options outstanding during these years had an anti-dilutive effect on the basic loss per share for both years.

14. LEASEHOLD LAND AND LAND USE RIGHTS

The group

	Note	**2007** **$'000**	2006 $'000
Cost:			
At beginning of year		**13,509**	13,476
Reclassified from property plant and equipment	15	**1,073**	—
Additions		**783**	—
Reclassification of interest in a subsidiary into a jointly-controlled entity	31	**(1,747)**	—
Exchange realignment		**49**	33
At end of year		**13,667**	13,509
Accumulated amortisation:			
At beginning of year		**783**	662
Charge for the year		**248**	121
Reclassification of interest in a subsidiary into a jointly-controlled entity	31	**(138)**	—
Exchange realignment		**4**	—
At end of year		**897**	783
Net book value:			
At 31 March		**12,770**	12,726
Current portion included in other receivables, deposits and prepayments		**124**	282
Non-current portion		**12,646**	12,444
		12,770	12,726

14. LEASEHOLD LAND AND LAND USE RIGHTS *(continued)*

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

	2007	2006
	$'000	$'000
Current portion		
Located in Hong Kong, held under long-term leases	**86**	86
Located in PRC, held under medium-term leases	**161**	35
	247	121
Non-current portion		
Located in Hong Kong, held under long-term leases	**10,944**	11,030
Located in PRC, held under medium-term leases	**1,579**	1,575
	12,770	12,726

At 31 March 2007, certain of the group's leasehold land and land use rights with an aggregate net book value of approximately $11,030,000 (2006: $12,726,000) were pledged to secure banking facilities granted to the group (notes 24 and 32(a)).

15. PROPERTY, PLANT AND EQUIPMENT

The group	Buildings $'000	Construction in progress $'000	Leasehold improvements $'000	Plant and machinery $'000	Furniture and fixtures $'000	Office equipment $'000	Motor vehicles $'000	Total $'000
At cost:								
At 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
Transfer from construction in progress	386	(386)	–	–	–	–	–	–
Exchange realignment	331	53	112	119	46	–	51	712
At 31 March 2006 and 1 April 2006	23,890	5,049	6,083	4,056	2,360	994	2,466	44,898
Additions	142	3,678	–	2,399	11	367	562	7,159
Reclassified to leasehold land and land use rights (note 14)	(1,073)	–	–	–	–	–	–	(1,073)
Disposal	–	–	–	(217)	–	–	–	(217)
Reclassification of interest in a subsidiary into a jointly-controlled entity (note 31)	(4,510)	(8,799)	(2,997)	(5,364)	(1,434)	(312)	(2,084)	(25,500)
Exchange realignment	360	72	60	94	25	2	36	649
At 31 March 2007	18,809	–	3,146	968	962	1,051	980	25,916
Accumulated depreciation and impairment:								
At 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
Impairment	4,830	–	–	–	–	–	–	4,830
Exchange realignment	23	–	8	11	8	–	7	57
At 31 March 2006 and 1 April 2006	8,755	–	2,856	807	1,290	946	1,135	15,789
Charge for the year	700	–	131	359	53	50	159	1,452
Written back on disposal	–	–	–	(35)	–	–	–	(35)
Reclassification of interest in a subsidiary into a jointly-controlled entity (note 31)	(949)	–	(550)	(903)	(533)	(33)	(560)	(3,528)
Exchange realignment	45	–	8	17	10	–	12	92
At 31 March 2007	8,551	–	2,445	245	820	963	746	13,770
Net book value:								
At 31 March 2007	10,258	–	701	723	142	88	234	12,146
At 31 March 2006	15,135	5,049	3,227	3,249	1,070	48	1,331	29,109

15. PROPERTY, PLANT AND EQUIPMENT *(continued)*

As at 31 March 2007, the group's buildings with a carrying amount of approximately $10,258,000 (2006: $15,135,000) were pledged to banks under fixed charges for banking facilities granted to the group (notes 24 and 32(a)).

16. INTERESTS IN SUBSIDIARIES

	The company	
	2007	2006
	$'000	$'000
Unlisted shares, at cost	**42,779**	42,769
Amounts due from subsidiaries	**68,728**	68,346
	111,507	111,115
Less: Impairment loss	**(62,300)**	—
	49,207	111,115
Amounts due to subsidiaries	**(23,152)**	(23,144)
	26,055	87,971

The amounts due from subsidiaries are unsecured, interest free and are not repayable within twelve months after the balance sheet date. The carrying amount of the amounts due from subsidiaries approximates their fair value and in substance represents the company's interests in the subsidiaries in the form of quasi-equity loans.

The amounts due to subsidiaries are unsecured, interest free and have no fixed terms of repayment. The carrying amount of the amounts due to subsidiaries approximates their fair value.

(Expressed in Hong Kong dollars)

16. INTERESTS IN SUBSIDIARIES *(continued)*

Particulars of the principal subsidiaries during the year ended 31 March 2007 are as follows:—

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 2007	2006	Principal activities
Falcon Vision Limited	The British Virgin Islands	Ordinary US$1,000	**100**	100	Investment holding
Keen Choice Technology Limited	Hong Kong	Ordinary HK$10,000	**100**	100	Investment holding
Rontex Apparel Limited	Hong Kong	Ordinary HK$1	**100**	100	Trading of garment and premium products
Rontex Holdings Limited	Hong Kong	Ordinary HK$100,000	**100**	100	Trading of garment products
Ronco Trading Company Limited	Hong Kong	Ordinary HK$1,000,000	**100**	100	Trading of garment and premium products and investment holding
Take Luck Development Limited	Hong Kong	Ordinary HK$10,000	**100**	100	Property holding and investment holding
Wisefull International Limited ("Wisefull")	Hong Kong	Ordinary HK$10,000	**100**	100	Investment holding
寧波朗迪紡織品有限公司 (Rontex Co., Ltd.)	The PRC	USD1,209,100	**51 (Note 1)**	51	Manufacture and sale of garment products
湖洲朗迪毛衫有限公司 (Huzhou Ronco Sweater Co., Ltd.) (Note 2)	The PRC	USD1,380,000	**52**	52	Manufacture and sale of garment products

16. INTERESTS IN SUBSIDIARIES *(continued)*

Notes:

1. Commencing from 1 October 2006, the group has lost its unilateral control over Rontex Co., Ltd., a 51%-owned subsidiary of the company as at 31 March 2006 and 30 September 2006 but has joint control over it. Accordingly, Ronco Co., Ltd. became a jointly-controlled entity of the group since 1 October 2006. Further details are set out in notes 18 and 31 to the financial statements.

2. Huzhou Ronco Sweater Co., Ltd. ("Huzhou Ronco") was established as a Sino-foreign equity joint venture in the PRC.

Except for Falcon Vision Limited and Valuepoint Holdings Limited, which are directly held 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.

17. INTERESTS IN ASSOCIATES

	The group	
	2007	2006
	$'000	$'000
Share of net assets	**14,053**	15,735
Advance to an associate	**1,057**	1,057
	15,110	16,792

Advance to the associate is unsecured, interest free and in substance represents the group's interest in the associate in the form of a quasi-equity loan. The carrying amount of the advance to the associate approximates to its fair value.

17. INTERESTS IN ASSOCIATES *(continued)*

Particulars of the group's associates, all of which are unlisted entities, are as follows:—

Name of company	Form of business structure	Place of establishment and operation	Percentage of equity interest attributable to the company	Percentage of voting power held by the company	Principal activities
北京朗迪服裝有限公司 (Beijing Rontex Garments Co., Ltd.)	Corporate	The PRC	40	40	Manufacture and sale of garment products
北京朗坤服裝有限公司 (Beijing Longkun Garments Co., Ltd. ("Beijing Longkun"))	Corporate	The PRC	30	30	Manufacture and sale of garment products

The above companies are not audited by Horwath Hong Kong CPA Limited.

Summarised financial information in respect of the group's associates is set out below:

	2007 $'000	2006 $'000
Turnover	**117,760**	83,788
Loss for the year	**(3,108)**	(2,966)
Loss attributable to the group	**(1,480)**	(915)
Total assets	**116,560**	108,429
Total liabilities	**(66,075)**	(54,836)
Net assets	**50,485**	53,593
Net assets attributable to the group	**14,053**	15,735

18. INTEREST IN A JOINTLY-CONTROLLED ENTITY

	The group	
	2007	2006
	$'000	$'000
Share of net assets	**2,631**	—

Particulars of the group's jointly-controlled entity are as follows:—

Name of company	**Form of business structure**	**Place of establishment and operation**	**Percentage of equity interest indirectly held by the company**	**Principal activity**
Rontex Co., Ltd.	Corporate	The PRC	51	Manufacture and sale of garment products

The above company is not audited by Horwath Hong Kong CPA Limited.

Summarised financial information on jointly controlled entity — group's effective interest is as follows:

	2007
	$'000
Non-current assets	**14,634**
Current assets	**7,964**
Current liabilities	**(19,967)**
Net assets	**2,631**
Income	**10,589**
Expenses	**(13,028)**
Loss for the year	**(2,439)**

Commencing from 1 October 2006, Rontex Co., Ltd., a 51%-owned subsidiary of the company as at 31 March 2006 and 30 September 2006, became a jointly-controlled entity of the group. In the opinion of the directors of the company, the group could no longer exercise unilateral control over the financial and operating activities of Rontex Co., Ltd. following the loss of its controlling voting power over Rontex Co., Ltd., whereas the group has joint control thereon since 1 October 2006. Further details are set out in note 31 to the financial statements.

19. GOODWILL

	2007 **$'000**	2006 $'000
Cost:		
At beginning of year	**19,458**	—
Acquisition of a subsidiary	**—**	19,458
Impairment during the year	**(19,458)**	—
At end of year	**—**	19,458

The goodwill arose from the acquisition of Wisefull in previous year.

The directors reassessed the recoverable amount of goodwill as at 31 March 2007 by reference to the valuation as at 31 March 2007 performed by BMI Appraisals Limited, an independent firm of professional valuers. The recoverable amount of the cash generating unit ("CGU") of Wisefull are determined by the professional valuers based on the present value of the expected future revenue arising from the operation of the underlying assets of the CGU. These calculations resulted a nil value-in-use amount on the value of goodwill.

The CGU has therefore been reduced to its nil recoverable amount through recognition of a full impairment loss on goodwill of $19,458,000.

The directors believe that due to increasing competition in the textile industry in the PRC, the growth rate for Beijing Longkun is expected to be levelled off, resulting in the significant impairment loss for the year.

Key assumptions used for value-in-use calculation:

	2007 **%**	2006 %
Growth rate	**10**	22.3
Discount rate	**11.12**	17.65

20. AVAILABLE-FOR-SALE INVESTMENTS

	The group	
	2007	2006
	$'000	$'000
Listed equity securities — Hong Kong, at fair value	**1,573**	688

The investments included above represented investments in listed equity securities that offered the group the opportunity for return through dividend income and fair value gains. They had no fixed maturity or coupon rate and were disposed of after the year end. The fair values of these securities were based on quoted market prices.

21. INVENTORIES

	The group	
	2007	2006
	$'000	$'000
Inventories comprise:—		
Raw materials	**1,552**	1,561
Work in progress	**1,065**	1,799
Finished goods	**344**	2,005
	2,961	5,365

22. TRADE RECEIVABLES

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

	The group	
	2007	2006
	$'000	$'000
Within 30 days	**2,278**	7,049
31 to 60 days	**6,828**	41
61 to 90 days	**4,071**	103
Over 90 days	**1,578**	1,330
	14,755	8,523
Less: Impairment loss on trade receivables	**(354)**	(692)
	14,401	7,831

The directors consider that the carrying amount of the group's trade receivables approximates their fair value.

23. CASH AND CASH EQUIVALENTS

	The group		The company	
	2007	2006	**2007**	2006
	$'000	$'000	**$'000**	$'000
Cash and bank balances	**5,426**	3,573	**3,232**	24
Time deposits	**—**	1,143	**—**	—
	5,426	4,716	**3,232**	24

At the balance sheet date, the cash and cash equivalents of the group denominated in Renminbi ("RMB") amounted to $914,000 (2006: $732,000). The RMB is not freely convertible into other currencies; However, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

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 amount of the cash and cash equivalents approximates their fair value.

24. INTEREST-BEARING BANK BORROWINGS, SECURED

The following bank borrowings are repayable on demand or within one year:

	2007	2006
	$'000	$'000
Bank loans	**5,767**	7,843
Import and export loans	**8,835**	2,024
Bank overdrafts	**1,462**	939
	16,064	10,806

24. INTEREST-BEARING BANK BORROWINGS, SECURED *(continued)*

All the bank borrowings are floating-rate borrowings, thus exposing the group to cash flow interest rate risk. The effective interest rates range from 5.58% to 7.26% (2006: 5.22% to 7.40%) per annum.

The group's bank loans, import and export loans and overdrafts are denominated in RMB, United States dollars and Hong Kong dollars, respectively. The directors consider that the carrying amount of the bank borrowings approximates their fair value.

The group's bank borrowings are secured by the leasehold land and buildings held by the group with carrying values of approximately $11,030,000 (2006: $12,726,000) (note 14) and $10,258,000 (2006: $15,135,000) (note 15), respectively.

25. TRADE PAYABLES

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

	The group	
	2007	2006
	$'000	$'000
Within 30 days	**1,161**	7,569
31 to 60 days	**1,358**	2,519
61 to 90 days	**427**	4,256
Over 90 days	**1,267**	280
	4,213	14,624

The trade payables are interest free and normally settled on 90-day terms.

The directors consider that the carrying amount of the group's trade payables approximates their fair value.

26. SHARE CAPITAL

	2007 $'000	2006 $'000
Authorised:		
10,000,000,000 ordinary shares of $0.01 each	**100,000**	100,000
Issued and fully paid:		
1,807,497,200 (2006: 1,629,497,200) ordinary shares of $0.01 each	**18,075**	16,295

A summary of the movements in the issued and fully paid share capital of the company during the year is as follows:

	Number of shares		Nominal value	
	2007	2006	2007 $'000	2006 $'000
Ordinary shares of $0.01 each:				
Authorised	**10,000,000,000**	10,000,000,000	**100,000**	100,000
Issued and fully paid:				
At beginning of the year	**1,629,497,200**	1,629,364,000	**16,295**	16,294
Exercise of bonus warrants	**—**	133,200	**—**	1
Exercise of warrants (note (i))	**90,000,000**	—	**900**	—
Exercise of share options (note (ii))	**88,000,000**	—	**880**	—
At end of the year	**1,807,497,200**	1,629,497,200	**18,075**	16,295

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

26. SHARE CAPITAL *(continued)*

Note:

(i) During the year ended 31 March 2007, 90,000,000 new ordinary shares of par value $0.01 each were issued at a subscription price of $0.043 each on exercise of 90,000,000 warrants with an aggregate consideration of $3,870,000, of which $900,000 was credited to share capital and the remaining balance of $2,970,000 was credited to the share premium account. In addition, the related net premium of $795,000 received on issue of warrants has been transferred from capital reserve to the share premium account (note 29(b)).

(ii) During the year ended 31 March 2007, 88,000,000 new ordinary shares of par value $0.01 each were issued at a subscription price of $0.044 each on exercise of 88,000,000 share options at an aggregate consideration of $3,872,000, of which $880,000 was credited to share capital and the remaining balance of $2,992,000 was credited to the share premium account. In addition, amount of $543,000 attributable to the related share options of $543,000 has been transferred from capital reserve to the share premium account.

27. RESERVES

	Share premium $'000	**Contributed surplus** $'000 (note a)	**Capital reserve** $'000 (note b)	**(Accumulated losses)/ retained profits** $'000	**Total** $'000
The company					
At 1 April 2005	15,282	42,569	—	(2,159)	55,692
Issue of shares on exercise of bonus warrants	12	—	—	—	12
Profit for the year (note 12)		—	—	16,037	16,037
At 31 March 2006 and 1 April 2006	15,294	42,569	—	13,878	71,741
Premium received on issue of warrants (note 29(a))	—	—	2,296	—	2,296
Issue of new shares on exercise of warrants	3,765	—	(795)	—	2,970
Issue of share options (note 28)	—	—	800	—	800
Issue of new shares on exercise of share options	3,535	—	(543)	—	2,992
Loss for the year (note 12)	—	—	—	(65,673)	(65,673)
At 31 March 2007	22,594	42,569	1,758	(51,795)	15,126

27. RESERVES *(continued)*

Note a: At the balance sheet date, 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 therefor.

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.

Note b: At the balance sheet date, the capital reserve of the company represents (i) premium received in respect of the outstanding warrants of the company; and (ii) the fair value at respective grant dates in respect of the outstanding share options of the company.

28. 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 (as defined under the Listing Rule), 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 $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 $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 or a shorter period as specified, 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.

(Expressed in Hong Kong dollars)

28. SHARE OPTION SCHEME *(continued)*

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. 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.

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

The following is the movement of share options outstanding under the Scheme during the period from 1 April 2006 to 31 March 2007:

Name or category of participant	At 01/04/2006 Number	Granted during the year Number	Exercised during the year Number	Lapsed during the year Number (note 1)	At 31/03/2007 Number	Date of grant of share options (note 2)	Exercise period of share options	Adjusted exercise price of share option HK$ (note 3)	Adjusted closing price of the company's share on 3 November 2003 immediately before grant date of share options HK$ (note 4)
Directors									
Cheung Keng Ching ("Mr Cheung")	7,400,000	–	–	–	7,400,000	04/11/2003	01/11/2003 to 03/11/2008	0.3325	0.35
	–	5,500,000	–	–	5,500,000	20/01/2007	20/01/2007 to 19/01/2010	0.044	N/A
Chou Mei ("Mrs Cheung")	7,400,000	–	–	–	7,400,000	04/11/2003	04/11/2003 to 03/11/2008	0.3325	0.35
	–	5,500,000	(5,500,000)	–	–	20/01/2007	20/01/2007 to 19/01/2010	0.044	N/A
Chung Kam Fung, Kennis	–	8,000,000	(8,000,000)	–	–	20/01/2007	20/01/2007 to 19/01/2010	0.044	N/A
Wan Ngar Yin, David	–	1,500,000	(1,500,000)	–	–	20/01/2007	20/01/2007 to 19/01/2010	0.044	N/A
Employees other than directors									
In aggregate	19,224,000	–	–	(5,520,000)	13,704,000	04/11/2003	04/11/2003 to 03/11/2008	0.3325	0.35
	–	25,000,000	(25,000,000)	–	–	20/01/2007	20/01/2007 to 19/01/2010	0.044	N/A
Consultants									
In aggregate	–	84,000,000	(48,000,000)	–	36,000,000	20/01/2007	20/01/2007 to 19/01/2010	0.044	N/A
	34,024,000	129,500,000	(88,000,000)	(5,520,000)	70,004,000				

28. SHARE OPTION SCHEME *(continued)*

Note:

1. Options lapsed during the year refer to share options held by employees who resigned during the year.

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

3. The number of issuable shares and the exercise price of the share options are subject to adjustment in the case of capitalisation 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 an extraordinary general meeting in connection with the bonus issue of shares on the basis of three bonus shares for every one existing share. The exercise price before adjustments was $1.33 per share.

4. Before the adjustment for the bonus issue of shares on 20 February 2004, the closing price of the company's share immediately before the grant date of the share option was $1.40 per share.

At 31 March 2007, the company has 70,004,000 share options outstanding under the Scheme. The exercise of the entire outstanding share options would, under the capital structure of the company as at 31 March 2007, result in the issue of 70,004,000 additional ordinary shares of $0.01 each of the company and additional share capital of $700,040 and share premium account of $3,010,000 (before issue expense).

Valuation of share options

In respect of the share options granted before 1 April 2006, 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 be meaningless and misleading the shareholders of the company.

The fair value of the share options granted during the year ended 31 March 2007 was estimated at $800,000 which was recognised as a share option expense during the year.

(Expressed in Hong Kong dollars)

28. SHARE OPTION SCHEME *(continued)*

Valuation of share option *(continued)*

The above fair value was estimated as at the date of grant, using a Black Scholes option pricing model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used:

Exercise price	\$0.044
Expected volatility (%)	74.57
Risk-free interest rate (%)	3.795
Expected life of option (year)	0.24

The expected life of the options is based on the historical data over the past three years and is not necessarily indicative of the exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

No other feature of the options granted was incorporated into the measurement of fair value.

29. WARRANTS

On 23 January 2007, the Company entered into a placing agreement with VC Brokerage Limited, the placing agent to procure no less than six Placees to subscribe for an aggregate of 320,000,000 unlisted warrants (”Warrants”), on a best effort basis, at the issue price. Each Warrant was issued at a premium price of \$0.01 in registered form and entitles the holder thereof to subscribe for fully-paid new shares at the initial subscription price of \$0.043 per share, subject to adjustment from the date of issue, which was on 12 February 2007, to the date of expiry of one year from the date of issue, which is 11 February 2008 (both days inclusive in accordance with the terms of Warrants). The movements of the Warrants during the year are set out as follows:

(a) On 1 February 2007, 260,000,000 Warrants were issued and subscribed by independent investors at a premium price of \$0.01 each and the aggregate premium, net of issue expense, of approximately \$2,296,000 was received. The amount was credited to capital reserve.

(b) During the year ended 31 March 2007, 90,000,000 Warrants were exercised for 90,000,000 ordinary shares of \$0.01 each at a subscriptions price of \$0.043 per share and a net premium of \$795,000 was transferred from capital reserve to the share premium account (note 26(i)). At the balance sheet date, the company has 170,000,000 Warrants outstanding. As disclosed in note 36(a)to the financial statements, 100,000,000 Warrants have been exercised subsequent to the balance sheet date.

30. ACQUISITION OF A SUBSIDIARY

In August 2005, the group acquired 10,000 shares of $1.00 each in the issued share capital of Wisefull from independent vendors. Wisefull is an investment holding company and holds 30% interest in the issued share capital of Beijing Longkun which is principally engaged in the manufacture and sales of men's suits. This transaction was accounted for by the acquisition method of accounting.

The fair value of the net assets acquired on the date of the transaction, and the goodwill arising, were as follows:

	$'000
Net assets acquired:	
Investment in an associate	12,479
Amounts 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 subsidiary was as follows:

	2006 $'000
Deposits and prepayment under non-current assets	27,721
Net outflow of cash and cash equivalents in respect of the acquisition of subsidiary	—

Since the acquisition, Wisefull and Beijing Longkun had no turnover and contributed $1,255,000 to the group's loss after tax and minority interest for the year ended 31 March 2006.

31. RECLASSIFICATION OF INTEREST IN RONTEX CO., LTD. FROM A SUBSIDIARY INTO A JOINTLY-CONTROLLED ENTITY

As disclosed in notes 16 and 18 to the financial statements, the group accounted for the interest in Rontex Co., Ltd. as an interest in a jointly-controlled entity with effect from 1 October 2006. Accordingly, the group ceased to consolidate its results, assets and liabilities as a subsidiary since that date. The net assets of Rontex Co., Ltd. as at 30 September 2006 were as follows:—

	Note	$'000
Net assets reclassified:		
Land use rights	14	1,609
Property, plant and equipment	15	21,972
Inventories		2,342
Trade receivables		4,738
Other receivables		990
Cash and cash equivalents		4,504
Interest-bearing bank borrowings		(17,568)
Trade payables		(9,263)
Minority interest		(4,544)
		4,780
Reclassified as an interest in a jointly-controlled entity		(4,780)
		—
Analysis of the net cash outflow:		
Cash and cash equivalents		(4,504)

32. PLEDGE OF ASSETS

As at 31 March 2007, the group's banking facilities were secured by the following:

(a) Pledge of certain of the group's leasehold land and buildings with aggregate net book values of approximately $11,030,000 (2006: $12,726,000) (note 14) and $10,258,000 (2006: $15,135,000) (note 15), respectively;

(b) Cross guarantees among the subsidiaries of the company;

(c) Assignment of documentary credit issued in favour of a subsidiary;

(d) Corporate guarantee executed by a third party; and

(e) Corporate guarantee executed by the company.

33. CONTINGENT LIABILITIES

As at 31 March 2007, there were contingent liabilities in respect:

	2007	2006
	$'000	$'000
Long service payment	**204**	195

The group is liable to make long service payments 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 therefor in the financial statements as it is not probable that the amount will crystallise in the foreseeable future.

34. RELATED PARTY TRANSACTIONS

(a) During the year and in the ordinary course of business, the group had the following material transaction with its jointly-controlled entity:

	2007	2006
	$'000	$'000
Purchase of goods	**5,308**	—

(b) As at 31 March 2007, the group has aggregate amounts due to directors and their close family member of approximately $4,256,000 (2006: $5,387,000). The amounts are unsecured, interest free and have no fixed terms of repayment except for an amount of $1,000,000 due to the directors' close family member as at 31 March 2006 bore interest at the rate of 12% per annum which was fully repaid during the year ended 31 March 2007. Interest expense paid to this related party during the year amounted to approximately $120,000 (2006: $40,000) (note 8).

(c) During the year, the group enforced the tax indemnity of $4,233,000 from the Indemnifiers and amounts due from the Indemnifiers were approximately $2,490,000 as at 31 March 2007, details of which are set out in note 11(ii) to the financial statements.

(d) Members of key management during the year comprised only of the executive directors whose remuneration is set out in note 9 to the financial statements.

35. FINANCIAL RISK MANAGEMENT

The main risks arising from the group's financial instruments in the normal course of the group's business are credit risk, liquidity risk, interest rate risk and currency risk. These risks are limited by the group's financial management policies and practices described below. Generally, the group introduces conservative strategies on its risk management. The group has not used any derivatives and other instruments for hedging purposes nor does it hold or issue derivative financial instruments for trading purposes.

(a) Credit risk

The group's principal financial assets are cash and cash equivalents, trade receivables, prepayments, deposits and other receivables, and available-for-sale investments.

The group's credit risk is primarily attributable to its trade receivables. The amounts presented in the balance sheet are net of provisions for doubtful receivables. A provision for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

(b) Liquidity risk

The group will consistently maintain a prudent financial policy and ensure that it maintains sufficient cash to meet its liquidity requirements. Details of the measures undertaken by the group to improve its working capital are set out in note 2 to the financial statements.

(c) Fair value and cash flow interest rate risk

Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

As the group has no significant interest-bearing assets, the group's income and operating cash flows are substantially independent of changes in market interest rates.

The group's interest-rate risk arises from its borrowings which are issued at variable rates, thus exposing the group to cash flow interest rate risk. The group considers that its exposure to interest rate risk is normal.

35. FINANCIAL RISK MANAGEMENT *(continued)*

(d) Foreign exchange risk

The group's monetary assets and transactions are principally denominated in Hong Kong dollars ("HKD"), United States dollars ("USD") and RMB. The group is exposed to foreign exchange risk arising from the exposure of HKD against USD and RMB, respectively. Considering that the exchange rate between HKD and USD is pegged, and that there is insignificant fluctuation in the exchange rate between HKD and RMB, the group believes its exposure to exchange rate risk is normal. At present, the group does not intend to seek to hedge its exposure to foreign exchange risk profile, and will consider appropriate hedging measure in future as may be necessary.

The group has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk. Currency exposure arising from the net assets of the group's operations in the PRC is managed primarily through borrowings denominated in RMB.

(e) Fair values estimation

All financial instruments are carried at amounts not materially different from their fair values as at 31 March 2007.

Fair value of securities is based on quoted market prices at the balance sheet date without any deduction from transaction costs. Fair values for the unlisted equity investments are estimated using the applicable price/earning ratios for similar listed companies adjusted for the specific circumstances of the issuer.

The fair value of interest-bearing loans and borrowings is estimated as the present value of future cash flows, discounted at current market interest rates for similar financial instruments.

36. SIGNIFICANT POST BALANCE SHEET EVENTS

(a) In April, June and July 2007, a total of 100,000,000 new ordinary shares of par value $0.01 each were issued at a subscription price of $0.043 each on exercise of 100,000,000 Warrants at an aggregate consideration of $4,300,000 of which $1,000,000 was credited to share capital and the remaining balance of $3,300,000 was credited to the share premium account. In addition, the related net premium of $883,000 received on issue of Warrants has been transferred from capital reserve to the share premium account. At the date of this report, the company has 70,000,000 Warrants outstanding.

(b) In May 2007, 41,500,000 new ordinary shares of par value $0.01 each were issued at a subscription price of $0.044 each on exercise of 41,500,000 share options at an aggregate consideration of $1,826,000 of which $415,000 was credited to share capital and the remaining balance of $1,411,000 was credited to the share premium account. In addition, the amount attributable to the related share options of $256,000 has been transferred from the capital reserve to the share premium account. At the date of this report, the company has 28,504,000 share options outstanding.

37. COMPARATIVE FIGURES

Certain comparative amounts have been reclassified to conform with the current year's presentation.