

NOTES TO THE CONDENSED CONSOLIDATED ACCOUNTS

1. Accounting policies

The condensed consolidated interim financial statements have been prepared in accordance with Statement of Standard Accounting Practice No. 25 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants. The accounting policies adopted are consistent with those followed in the Group's annual financial statements for the year ended 31 March, 2004.

2. Segment information

(A) Business segment

The Group's turnover and operating profit were solely contributed by garment business during the periods ended 30 September, 2004 and 2003.

(B) Geographical segment

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

3. Depreciation

During the period, depreciation of approximately HK\$1,260,000 (2003: HK\$983,000) was charged in respect of the Group's property, plant and equipment.

4. Taxation (charge)/credit

	1 Apr 2004 to 30 Sep 2004 HK\$'000	1 Apr 2003 to 30 Sep 2003 HK\$'000
Hong Kong profits tax:		
– Current	(645)	(294)
– Over-provision in prior years	–	1,792
	(645)	1,498
Deferred taxation	33	443
	(612)	1,941

Hong Kong profits tax has been provided at the rate of 17.5% (2003: 17.5%) on the estimated assessable profits arising in Hong Kong during the period.

At the balance sheet date, the Group has unused tax losses of approximately HK\$10,300,000 (31 March, 2004: HK\$10,431,000) available for offset against future profits. No deferred tax asset has been recognised due to the unpredictability of future profit streams.

5. Earnings per share

The calculation of basic earnings per share is based on the Group's unaudited consolidated profit attributable to shareholders for the period of HK\$5,909,000 (2003: HK\$5,391,000) and on the weighted average number of 167,031,016 (2003: 167,031,016) ordinary shares in issue during the period.

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

6. Addition to property, plant and equipment

During the period, the Group spent approximately HK\$648,000 (2003: HK\$1,777,000) on property, plant and equipment to expand its operation

7. Trade and other receivables

Included in trade and other receivables are trade receivables of approximately HK\$9,436,000 (31 March, 2004: HK\$11,024,000).

The aged analysis for trade receivables is as follows:

	At 30 Sep 2004 HK\$'000	At 31 Mar 2004 HK\$'000
Within 30 days	8,938	11,024
Over 30 days but less than 60 days	498	—
	<u>9,436</u>	<u>11,024</u>

Note:

Credit policy

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

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

8. Trade and other payables

Included in trade and other payables are trade payables of approximately HK\$7,849,000 (31 March, 2004: HK\$13,631,000).

The aged analysis for trade payables is as follows:

	At 30 Sep 2004 HK\$'000	At 31 Mar 2004 HK\$'000
Within 90 days	7,844	13,631
Over 90 days	5	—
	<u>7,849</u>	<u>13,631</u>

9. Pledge of assets

At 30 September, 2004, the company pledged its bank deposit of HK\$8,066,000 (31 March, 2004: HK\$8,031,000) to secure the credit facilities granted to the Company.

In addition, the Company's subsidiaries, namely Koniko Company Limited and High Dragon Limited, were also subordinated the intercompany debt due from the Company of HK\$10,232,000 (31 March, 2004: HK\$7,347,000) to secure the credit facilities granted to the Company.

10. Contingent liabilities

At 30 September, 2004, the company had given corporate guarantee of HK\$20,000,000 (31 March, 2004: HK\$20,000,000) to secure general banking facilities granted to a subsidiary.

11. Related party transactions

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

	HK\$'000
Consultancy fees paid to a related company	60
Rental charges paid to related companies	412
	<u>472</u>

12. Comparative figures

Certain comparative figures have been reclassified to conform to the current period's presentation.