

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

1. Basis of preparation and principal accounting policies

The unaudited condensed consolidated interim results for the period are prepared in accordance with the Hong Kong Statement of Standard Accounting Practice (“SSAP”) No. 25 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants and Appendix 16 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (“Stock Exchange”).

The condensed consolidated interim financial statements have been prepared under the historic cost convention, as modified for the revaluation of certain properties.

The accounting policies and basis of preparation adopted in these interim results are consistent with those used in the Group’s annual report for the year ended 31 March 2004.

2. Turnover

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

3. Segmental information

The following tables present revenue, profit/(loss) and certain expenditure information for the Group’s business and geographical segments:

(a) Business segments

	Unaudited for the six months ended 30 September 2004				
	Fur HK\$’000	Leather HK\$’000	Fabric garments HK\$’000	Corporate and others HK\$’000	Consolidated HK\$’000
Segment revenue:					
Sales to external customers	<u>52,476</u>	<u>14,116</u>	<u>11,037</u>	<u>480</u>	<u>78,109</u>
Segment results	<u>5,667</u>	<u>3,946</u>	<u>3,915</u>	<u>(5,990)</u>	<u>7,538</u>
Interest income					<u>95</u>
Profit from operating activities					<u>7,633</u>
Finance costs					<u>(127)</u>
Profit before tax					<u>7,506</u>
Tax					<u>(22)</u>
Net profit from ordinary activities attributable to shareholders					<u><u>7,484</u></u>

3. Segmental information (Continued)

(a) Business segments (Continued)

Unaudited for the six months ended 30 September 2003					
	Fur HK\$'000	Leather HK\$'000	Fabric garments HK\$'000	Corporate and others HK\$'000	Consolidated HK\$'000
Segment revenue:					
Sales to external customers	25,556	15,453	8,511	204	49,724
Segment results	3,630	2,655	3,613	(5,800)	4,098
Interest income					144
Profit from operating activities					4,242
Finance costs					(212)
Profit before tax					4,030
Tax					—
Net profit from ordinary activities attributable to shareholders					4,030

(b) Geographical segments

Unaudited for the six months ended 30 September 2004							
	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	33,923	10,691	20,375	1,776	6,171	5,173	78,109
Segment results	3,460	1,603	5,865	571	1,010	1,010	13,519
Corporate expenses							(5,981)
Profit from operating activities before interest income							7,538

3. Segmental information (Continued)
(b) Geographical segments (Continued)

Unaudited for the six months ended 30 September 2003							
	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	16,412	9,210	16,323	2,997	1,276	3,506	49,724
Segment results	2,119	1,399	4,167	1,175	274	691	9,825
Corporate expenses							(5,727)
Profit from operating activities before interest income							4,098

4. Profit from operating activities

The Group's profit from operating activities is arrived at after charging/(crediting):

	For the six months ended 30 September	
	2004	2003
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Cost of inventories sold (including inventory provision)	49,536	29,426
Depreciation	845	854
Auditors' remuneration	296	301
Operating lease rentals in respect of land and buildings	195	514
Foreign exchange losses, net	171	57
Staff costs (including directors' remuneration)	7,314	6,462
Bank interest income	(95)	(144)

5. Finance costs

	For the six months ended 30 September	
	2004	2003
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Interest on bank loans and overdrafts	117	195
Interest on hire purchase contract	10	17
	127	212

6. Tax

No provision for Hong Kong profits tax has been made as the Group has available tax losses brought forward from prior years to offset the estimated 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	
	2004	2003
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Current tax charge in Mainland China	22	—

There are no material unprovided deferred tax for the period.

7. Interim dividend

The Board has declared an interim dividend of HK0.6 cents per ordinary share for the six months ended 30 September 2004 (2003: Nil) payable to shareholders whose names appear on the Register of Members of the Company on 21 January 2005. This declaration has been incorporated in the interim results as an allocation of retained profits or contributed surplus within the capital and reserves section of the balance sheet. Dividend warrants will be dispatched to the shareholders of the Company on or about 28 January 2005.

8. Earnings per share

The calculation of basic earnings per share is based on the net profit from ordinary activities attributable to shareholders for the period of HK\$7,484,000 (2003: net profit of HK\$4,030,000) and 317,035,700 ordinary shares in issue during the periods.

The diluted earnings per share amounts for the period ended 30 September 2004 and 2003 have not been disclosed as no diluting events existed during these periods.

9. Long term investments

	30 September 2004	31 March 2004
	(Unaudited)	(Audited)
	HK\$'000	HK\$'000
Unlisted equity investments, at cost	3,364	3,364
Less : Provision for impairment	(2,102)	(2,102)
	1,262	1,262

10. Trade and bills receivables

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

	30 September 2004 (Unaudited) HK\$'000	31 March 2004 (Audited) HK\$'000
Trade receivables:		
Within 3 months	16,434	5,284
4 to 6 months	3,504	4,140
7 to 12 months	2,100	446
Over 1 year	1,411	1,483
	<u>23,449</u>	<u>11,353</u>
Less: Provisions for bad and doubtful debts	(3,979)	(1,306)
	<u>19,470</u>	<u>10,047</u>
Bills receivables	5,608	—
	<u>25,078</u>	<u>10,047</u>

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.

11. Trade payables

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

	30 September 2004 (Unaudited) HK\$'000	31 March 2004 (Audited) HK\$'000
Within 3 months	8,013	1,299
4 to 6 months	1,207	219
7 to 12 months	171	1
Over 1 year	180	89
	<u>9,571</u>	<u>1,608</u>

12. Hire purchase contract payables

The Group purchased a motor vehicle under a hire purchase contract with a term of three years. At the balance sheet date, the total future minimum lease payments under the hire purchase contract and their present values were as follows:

	Minimum lease payments As at		Present value of minimum lease payments As at	
	30 September 2004 (Unaudited) HK\$'000	31 March 2004 (Audited) HK\$'000	30 September 2004 (Unaudited) HK\$'000	31 March 2004 (Audited) HK\$'000
Amounts payable:				
Within one year	221	221	211	204
In the second year	37	147	36	144
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total minimum hire purchase contract payments	258	368	<u>247</u>	<u>348</u>
Future finance charges	(11)	(20)		
	<u> </u>	<u> </u>		
Total net hire purchase contract payables	247	348		
Portion classified as current liabilities	(211)	(204)		
	<u> </u>	<u> </u>		
Long term portion	<u>36</u>	<u>144</u>		

13. Share capital

	Number of shares	Amount HK\$'000
<i>Authorised:</i>		
Ordinary shares of HK\$0.10 each at 1st April 2004 and 30th September 2004	<u>1,000,000,000</u>	<u>100,000</u>
<i>Issued and fully paid:</i>		
Ordinary shares of HK\$0.10 each at 1st April 2004 and 30th September 2004	<u>317,035,700</u>	<u>31,704</u>

14. 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.

15. Pledge of assets

At the balance sheet date, the bank facilities of the Group were secured by the Group's bank deposits and leasehold land and buildings with carrying values of HK\$29,369,000 (at 31 March 2004: HK\$26,369,000) and HK\$6,336,000 (at 31 March 2004: HK\$6,336,000), respectively; guarantees given by the Company.

16. Contingent liabilities

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

- (a) The Group had a contingent liability in respect of possible future long service payments to employees under the Hong Kong Employment Ordinance with a maximum possible amount of HK\$2,287,000 as at 30 September 2004 (at 31 March 2004: HK\$1,836,000). The contingent liability has arisen because, 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 has given guarantees to banks in connection with facilities granted to a subsidiary amounting HK\$81,930,000 (at 31 March 2004: HK\$71,560,000), of which HK\$13,220,000 (at 31 March 2004: HK\$166,000) was utilized at the balance sheet date.

17. Operating lease arrangements

The Group leases certain of its shops and offices under operating lease arrangements. These leases have remaining terms of less than one year at the balance sheet date.

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	31 March
	2004	2004
	(Unaudited)	(Audited)
	HK\$'000	HK\$'000
Within one year	81	242

18. Approval of the interim financial statements

The unaudited condensed consolidated interim financial statements of the Company were approved by the Board of Directors on 20 December 2004.