

## NOTES TO THE CONDENSED CONSOLIDATED ACCOUNTS

### 1. ACCOUNTING POLICIES

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

In the current period, the Group has applied, for the first time, a number of new and revised Hong Kong Financial Reporting Standards (“HKFRs”), Hong Kong Accounting Standards (“HKASs”) and Interpretations (hereinafter collectively referred to as the “new HKFRs”) issued by the HKICPA that are effective for accounting periods beginning on or after 1 January, 2005. The adoption of the new HKFRs did not result in substantial changes to the Group’s accounting policies and has had no material effect on how the results of operations and financial position of the Group are prepared and presented for the current and prior periods. Accordingly, no prior period adjustment has been required.

The adoption of HKAS 24 “Related Party Disclosures” has affected the disclosures of related party transactions in which the transaction with key management personnel are disclosed.

Other than the above, the interim financial report has been prepared on a basis consistent with the principal accounting policies adopted in the Group’s annual financial statements for the year ended 31 March, 2005.

### 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, 2005 and 2004.

#### (B) *Geographical segment*

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

**3. PROFIT BEFORE TAXATION**

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2005</b>	<b>2004</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Profit before taxation has been arrived at after charging:		
Directors' emoluments	<b>180</b>	180
Other staff costs	<b>2,423</b>	2,268
Other staff's retirement benefit scheme contributions	<b>84</b>	79
	<b>2,687</b>	2,527
Allowance for inventories	<b>1,616</b>	–
Depreciation	<b>926</b>	1,260
Operating lease rentals in respect of:		
– rented premises	<b>460</b>	405
– motor vehicle	<b>120</b>	120
Textile quota expenses	–	7,473
Cost of inventories recognised as expense	<b>59,310</b>	43,580
and after crediting:		
Bank interest income	<b>408</b>	51

#### 4. TAXATION (CHARGE)/CREDIT

	Six months ended 30 September	
	2005	2004
	HK\$'000	HK\$'000
Hong Kong profits tax	(1,059)	(645)
Deferred taxation	195	33
	<u>(864)</u>	<u>(612)</u>

Hong Kong profits tax has been provided at the rate of 17.5% (2004: 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\$9,879,000 (31 March, 2005: HK\$10,239,000) available for offset against future profits. No deferred tax asset has been recognized due to the unpredictability of future profit streams.

#### 5. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the Group's unaudited consolidated profit attributable to shareholders for the period of HK\$8,300,000 (2004: HK\$5,909,000) and on the weighted average number of 167,031,016 (2004: 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\$188,000 (2004: HK\$648,000) on property, plant and equipment to expand its operation.

## 7. TRADE AND OTHER RECEIVABLES

Included in trade and other receivables are trade receivables of approximately HK\$12,431,000 (31 March, 2005: HK\$16,025,000)

The aged analysis for trade receivables is as follows:

	<b>At 30 September</b>	At 31 March
	<b>2005</b>	2005
	<b>HK\$'000</b>	HK\$'000
Within 30 days	<b>10,244</b>	16,025
Over 30 days but less than 60 days	<b>2,187</b>	—
	<b>12,431</b>	16,025

*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\$7,965,000 (31 March, 2005: HK\$18,553,000).

The aged analysis for trade payables is as follows:

	At 30 September 2005 HK\$'000	At 31 March 2005 HK\$'000
Within 90 days	7,953	18,553
Over 90 days	12	—
	<u>7,965</u>	<u>18,553</u>

## 9. PLEDGE OF ASSETS

At 30 September 2005, the Company pledged its bank deposit of HK\$8,292,000 (31 March, 2005: HK\$8,144,000) to secure the credit facilities granted to the Company.

In addition, certain the Company's wholly-owned subsidiaries have subordinated their inter company debts due from the Company of HK\$5,539,000 (31 March, 2005: HK\$2,680,000) to secure the credit facilities granted to the Company.

## 10. CONTINGENT LIABILITIES

At 30 September 2005, the Company had given corporate guarantee of HK\$20,000,000 (31 March, 2005: HK\$20,000,000) to secure general banking facilities granted to a subsidiary.

**11. RELATED PARTY TRANSACTIONS**

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

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2005</b>	2004
	<b>HK\$'000</b>	HK\$'000
Rental charges paid to related companies ( <i>note a</i> )	<b>412</b>	412
Consultancy fees paid to related companies ( <i>note b</i> )	<b>240</b>	60
	<b><u>          </u></b>	<b><u>          </u></b>

*Notes:*

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

(B) Key management compensation

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2005</b>	2004
	<b>HK\$'000</b>	HK\$'000
Salaries	<b>180</b>	180
	<b><u>          </u></b>	<b><u>          </u></b>

**INTERIM DIVIDEND**

The Directors do not recommend the payment of an interim dividend in respect of the six months period ended 30 September 2005.