

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. Basis of preparation and principle accounting policies

The consolidated interim financial statements have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim financial reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the applicable disclosure requirements of Appendix 16 of the Rules Governing the Listing of Securities (“Listing Rules”) on The Stock Exchange of Hong Kong Limited (“Stock Exchange”).

All significant intercompany transactions and balances within the Group have been eliminated on consolidation.

The accounting policies and basis of preparation adopted in the preparation of the interim financial statements are the same as those used in the annual financial statements for the year ended 31 March 2005, except in relation to the following new and revised Hong Kong Financial Reporting Standards (“HKFRS”) (which also include HKASs and Interpretations) issued by the HKICPA that affect the Group and have been adopted for the first time for the Period’s financial statements:

HKAS 1	Presentation of Financial Statements
HKAS 7	Cash Flow Statements
HKAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
HKAS 10	Events after the Balance Sheet Date
HKAS 12	Income Taxes
HKAS 14	Segment Reporting
HKAS 16	Property, Plant and Equipment
HKAS 17	Leases
HKAS 18	Revenue
HKAS 19	Employee Benefits
HKAS 21	The Effects of Changes in Foreign Exchange Rates
HKAS 23	Borrowing Costs
HKAS 24	Related Party Disclosures
HKAS 27	Consolidated and Separate Financial Statements
HKAS 32	Financial Instruments: Disclosure and Presentation
HKAS 33	Earnings per Share
HKAS 34	Interim Financial Reporting
HKAS 36	Impairment of Assets
HKAS 37	Provisions, Contingent Liabilities and Contingent Assets
HKAS 38	Intangible Assets
HKAS 39	Financial Instruments: Recognition and Measurement
HKFRS 2	Share-based Payments
HKFRS 3	Business Combinations
HK – Int 4	Leases – determination of the length of lease term in respect of Hong Kong land leases
HK – Int 12	Consolidation – Special Purpose Entities
HKAS – Int 15	Operating Leases – Incentives
HK (SIC) – Int 21	Income taxes – Recovery of Revalued Non-depreciable Assets

1. Basis of preparation and principle accounting policies *(Continued)*

The adoption of above HKASs has had no material impact on the accounting policies of the Group and the methods of computation in the Group's consolidated financial statements except for the following HKASs:

(a) HKFRS 2 – Share-based payment

In prior years, no amounts were recognised when employees (which term includes directors) were granted share options over shares in the company. If the employees chose to exercise the options, the nominal amount of share capital and share premium were credited only to the extent of the option's exercise price receivable.

With effect from 1 January 2005, in order to comply with HKFRS 2, the group recognises the fair value of such share options as an expense in the income statement, or as an asset, if the cost qualifies for recognition as an asset under the Group's accounting policies. A corresponding increase is recognised in a capital reserve within equity.

Where the employees are required to meet vesting conditions before they become entitled to the options, the Group recognises the fair value of the options granted over the vesting period. Otherwise, the group recognises the fair value in the period in which the options are granted.

If an employee chooses to exercise options, the related capital reserve is transferred to share capital and share premium, together with the exercise price. If the options lapse unexercised, the related capital reserve is transferred directly to retained earnings.

The new accounting policy has been applied retrospectively with comparatives restated in accordance with HKFRS 2, except for the transitional provisions set out in paragraph 53 of HKFRS 2 under which the new recognition and measurement policies have not been applied to the following grants of options:

- (a) all options granted to employees on or before 7 November 2002; and
- (b) all options granted to employees after 7 November 2002 but which had vested before 1 January 2005.

As no share options were granted by the Company since the share option scheme became effective on 8 October 2002, no adjustment is made in the Group's interim financial statements.

2. Turnover and segment information

The Group is principally engaged in trading of fashion apparel to the market in the People's Republic of China (the "PRC").

The Group's primary segment reporting basis is by business segment and its secondary segment reporting basis is by geographical segment.

(i) *Business segments*

The Group's operating businesses are structured and managed separately, according to the nature of their operations and the products and services they provide. Each of the Group's business segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of the other business segments. During the Period, over 90% of the Group's revenue, results, assets and liabilities were derived from the trading segment engaged in the trading of fashion apparel and accordingly, no further detailed analysis of the Group's business segments is disclosed.

(ii) *Geographical segments*

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. During the Period, over 90% of the Group's revenue and assets were derived from customers and operations based in the PRC including Mainland China and Hong Kong and accordingly, no further detailed analysis of the Group's geographical segments is disclosed.

3. (Loss)/Profit from operating activities

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

	Six months ended	
	30 September	
	2005	2004
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Cost of inventories sold	27,248	39,261
Depreciation	1,311	1,298
Interest income	(16)	(11)

4. Taxation

	Six months ended	
	30 September	
	2005	2004
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Current period provision		
– Macau	–	1,617
– PRC	32	48
	<hr/>	<hr/>
Tax charge for the Period	32	1,665
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No Hong Kong profits tax has been provided as the Group did not generate any assessable profits arising in Hong Kong during the Period (2004: Nil). 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, interpretations and practices in respect thereof.

Macau Complementary Tax had been calculated at the rate of 15.75% (2004: 15.75%) on the estimated assessable profits of a wholly-owned subsidiary of the Group during the corresponding period.

5. (Loss)/Earnings per share

The calculation of basic loss per share is based on the net loss from ordinary activities attributable to shareholders for the six months ended 30 September 2005 of HK\$2,196,000 (2004: net profit of HK\$4,216,000) and the weighted average of 809,600,000 (2004: 809,600,000) ordinary shares of the Company in issue during the Period.

Diluted (loss)/earnings per share amounts for the periods ended 30 September 2004 and 2005 have not been disclosed as there were no diluting events existed during these periods.

6. Trade receivables

The Group's trading terms with its customers are mainly on credit. The credit terms are generally for a period of 180 days. The Group seeks to maintain strict control over its outstanding receivables to minimize credit risk. Overdue balances are reviewed regularly by senior management.

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

	30 September 2005 (Unaudited) HK\$'000	31 March 2005 (Audited) HK\$'000
Within 90 days	19,474	22,783
91 to 180 days	14,401	24,794
Over 180 days	17,513	4,709
	51,388	52,286
Less: Provision for bad and doubtful debt	(7,686)	(7,686)
	43,702	44,600

7. Trade payables

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

	30 September 2005 (Unaudited) HK\$'000	31 March 2005 (Audited) HK\$'000
Within 90 days	3,361	1,677

8. Share capital

	30 September 2005 (Unaudited) HK\$'000	31 March 2005 (Audited) HK\$'000
<i>Authorised</i>		
2,000,000,000 ordinary shares of HK\$0.01 each	20,000	20,000
<i>Issued and fully paid</i>		
809,600,000 ordinary shares of HK\$0.01 each	8,096	8,096

9. Operating lease arrangement

As lessee

The Group leases certain of its office premises under operating lease arrangement which are negotiated for a lease term of two years. As at 30 September 2005, the Group had total future minimum lease payments under non-cancellable operating lease falling due as follows:.

	30 September 2005 (Unaudited) HK\$'000	31 March 2005 (Audited) HK\$'000
Within one year	251	551
In the second to fifth years, inclusive	63	25
	314	576

10. Commitments for purchase of property, plant and equipment

The Group had no material commitments for the purchase of property, plant and equipment at 30 September 2005.