Notes to Financial Statements

31 March 2006

1. CORPORATE INFORMATION

The registered office of the Company is located at Century Yard 1 Cricket Square, Hutchins Drive P.O. Box 2681 GT, George Town, General Cayman, British West Indies.

The principal place of business of the Company in Hong Kong is located at Unit 9B, 9th Floor, Bing Fu Commercial Building, 450-454 Portland Street, Kowloon, Hong Kong.

The principal activity of the Company is investment holding. The principal activity of the subsidiaries is the trading of fashion apparel. There were no significant changes in the nature of the Group's principal activities during the year.

The directors consider Taco Holdings Limited, a company incorporated in the British Virgin Islands (the "BVI"), to be the Company's ultimate holding company as at the balance sheet date.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with 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 ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance and applicable disclosure provisions of The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). These financial statements are presented in Hong Kong dollars and all values are rounded to the nearest thousand (HK$'000) except otherwise indicated.

The HKICPA has issued a number of new and revised HKFRSs which are effective for accounting periods commencing on or after 1 January 2005. A summary of the effect on initial adoption of these new and revised HKFRSs is set out below.

The preparation of financial statements in conformity with HKFRSs requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The estimates and assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgments made by management in the application of HKFRSs that have significant effect on the financial statements and estimates with a significant risk of material adjustments in the next year are discussed in Note 4 to the financial statements.

Notes to Financial Statements

31 March 2006

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(i) In the year ended 31 March 2006, the Group adopted the following new and revised HKFRSs which are relevant to its operations. The 2005 comparatives have been amended as required, in accordance with the relevant requirements.

HKAS 1	Presentation of financial statements
HKAS 2	Inventories
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 31	Interests in joint ventures
HKAS 32	Financial instruments: disclosures and presentation
HKAS 33	Earnings per share
HKAS 36	Impairment of assets
HKAS 37	Provisions, contingent liabilities and contingent assets
HKAS 39	Financial instruments: recognition and measurement
HKAS 39 (Amendment)	Transition and initial recognition of financial assets and financial liabilities
HKFRS 2	Share-based payments
HKFRS 3	Business combinations
HKAS-Int 21	Operating lease – incentives

The adoption of above new/revised HKASs did not result in substantial changes to the Group's accounting policies and has no material impact on the Company's and the Group's financial statements except for the following:

HKAS 1 has affected the presentation of minority interest, share of net after-tax results of associates and jointly-controlled entities and other disclosures. In prior years, the Group's share of taxation of associates and jointly-controlled entities accounted for using the equity method was included as part of the Group's income tax in the consolidated income statement. With effect from 1 April 2005, the Group has changed the presentation and includes the share of taxation of associates and jointly-controlled entities in the respective shares of the Group's profit or loss before tax. These changes in presentation have been applied retrospectively. As there were no tax expense or income recorded by the associate for the year ended 31 March 2005, no adjustments to the comparatives are required.

Notes to Financial Statements

31 March 2006

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(i) *(Continued)*

HKAS 24 has affected the identification of related parties and some other related-party disclosures. The definition of related party has been expanded to clarify that related parties include entities that are under the significant influence of a related party that is an individual (i.e. key management personnel, significant shareholders and/or their close family members) 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. The clarification of the definition of related parties has not resulted in any material changes to the previously reported disclosures of related party transactions nor has it had any material effect on the disclosures made in the current period.

The adoption of HKFRS 2 has resulted in a change in the accounting policy for share-based payment. With effect from 1 April 2005, the Group recognises the fair value of share options granted as expense in the income statement over the vesting period with a corresponding increase being recognised in an option reserve. The related option reserve is transferred to share capital and share premium, together with the exercise price, when the option holder exercises its rights.

As transitional provision set out in HKFRS 2, the cost of share options granted after 7 November 2002 and had not yet vested on 1 January 2005 shall expense retrospectively in the income statement of the respective periods. As the Group has not granted any share options after 7 November 2002, the adoption of HKFRS 2 does not have material impact of the Group's financial position for the current year.

(ii) No early adoption of the following new standards or interpretations that have been issued but are not yet effective. Unless otherwise stated, these HKFRSs are effective for annual periods beginning on or after 1 January 2006:

HKAS 1 (Amendment)	Capital disclosures
HKAS 19 (Amendment)	Employee benefits – actuarial gains and losses, group plans and disclosures
HKAS 21 (Amendment)	The effects of changes in foreign exchange rates – net investment in a foreign operation
HKAS 39 (Amendment)	Cash flow hedge accounting of forecast intragroup transaction
HKAS 39 (Amendment)	The fair value option
HKAS 39 & HKFRS 4 (Amendments)	Financial guarantee contracts
HKFRSs 1 & 6 (Amendments)	First-time adoption of Hong Kong Financial Reporting Standards and Exploration for and evaluation of mineral resources
HKFRS 6	Exploration for and evaluation of mineral resources
HKFRS 7	Financial instruments: disclosures
HK (IFRIC) – Int 4	Determining whether an arrangement contain a lease
HK (IFRIC) – Int 5	Rights to interests arising from decommissioning, restoration and environmental rehabilitation funds
HK (IFRIC) – Int 6	Liabilities arising from participating in a specific market – waste electrical and electronic equipment
HK (IFRIC) – Int 7	Applying the restatement approach under HKAS 29 Financial reporting in hyperinflationary economies
HK (IFRIC) – Int 8	Scope of HKFRS 2
HK (IFRIC) – Int 9	Reassessment of embedded derivatives

Notes to Financial Statements

31 March 2006

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(ii) *(Continued)*

HKAS 1 (Amendment) shall be applied for the annual periods beginning on or after 1 January 2007. The revised standard introduces disclosures about the level of an entity's capital and how it manages capital. The Group assessed the impact of the amendment to HKAS 1 and concluded that the main additional disclosures will be the sensitivity analysis to market risk and the capital disclosures required by the amendment of HKAS 1. The Group will apply this HKAS from annual periods beginning 1 April 2007.

HKAS 39 (Amendment) changes the definition of financial instruments classified at fair value through profit or loss and restricts the ability to designate financial instruments as apart of this category. The Group believes that this amendment should not have a significant impact on the classification of financial instruments, as the Group should be able to comply with the amended criteria for the designation of financial instruments at fair value through profit or loss. The Group will comply this amendment from accounting periods beginning on or after 1 April 2006.

HKAS 39 and HKFRS 4 (Amendments) require issued financial guarantees, other than those previously asserted by the entity to be insurance contracts, to be initially recognised at their fair value, and subsequently measured at the higher of (a) the unamortised balance of the related fees received and deferred and (b) the expenditure required to settle the commitment at the balance sheet date.

HKFRS 7 introduces new disclosures to improve the information about financial instruments. It replaces HKAS 32. This HKFRS shall be applied for annual period commencing on or after1 January 2007.

Except as stated above, the Group expects that the adoption of the other pronouncements listed above will not have any significant impact on the Group's financial statements in the period of initial application.

A summary of significant accounting policies followed by the Group in the preparation of the financial statements is set out below:

Basis of preparation

The measurement basis used in the preparation of the financial statements is historical cost convention.

The Group incurred losses of approximately HK$39,410,000 and HK$3,640,000 for the years ended 31 March 2006 and 2005 respectively. Notwithstanding the lack of current profitability and the tight cash flow as at 31 March 2006, the financial statements have been prepared on a going concern basis, the validity of which is dependent upon the success of the Group's future operations, future funding being available and its ability to generate adequate cash flows in order to meet its obligations as and when fall due. The financial statements have been prepared on a going concern basis as the directors have adopted the following financial measures and other measures in progress at the date of approval of these financial statements to improve the future profitability and the tight cash flows as at 31 March 2006.

Notes to Financial Statements

31 March 2006

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Basis of preparation *(Continued)*

- The Company entered into a subscription agreement pursuant to which the Company had agreed to issue and Gain Better Investments Limited ("GBIL") agreed to subscribe for the convertible notes with an initial principal amount of HK$3,000,000 and an option for GBIL to subscribe a further HK$7,000,000. The completion of share purchase agreement as mentioned below is one of the conditions precedent to the subscription agreement. The long stop date of the subscription agreement was extended to 31 August 2006 or such other date as the parties may subsequently agreed in writing. The issue of convertible notes may provided immediate funding for the Group.

- The controlling shareholder of the Company, Taco Holdings Limited, currently interested in approximately 52.37% of the issued share capital of the Company entered into a share purchase agreement with GBIL on 27 January 2006. Pursuant to the share purchase agreement, GBIL had conditionally agreed to purchase the 205,000,000 shares, being approximately 25.32% of the issued share capital of the Company, held by Taco Holdings Limited. A sum of HK$18,750,000 in the form of shareholder's loan would be provided to the Company by Taco Holdings Limited upon the completion of the share purchase agreement. The long stop date of the share purchase agreement was extended to 31 August 2006 or such other date as the parties may subsequently agreed in writing.

The directors are positive that the Group's future operations will be successful and is able to generate sufficient cash flows in order to meet its obligations as they fall due over the next twelve months. Accordingly, the directors are satisfied that it is appropriate to prepare the financial statements on a going concern basis.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and all its subsidiaries for the year ended 31 March 2006. The results of subsidiaries acquired or disposed of during the year are consolidated from or to their effective dates of acquisition or disposal, respectively.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

Intra-group transactions and balances and unrealised gains on transactions between group companies are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Notes to Financial Statements

31 March 2006

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Subsidiaries

A subsidiary is an entity controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity 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 Company control another entity.

In the Company's financial statements, the investments in subsidiaries that are not classified as held for sale are stated at cost less provision for impairment losses. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for by the equity method of accounting and are initially recognised at cost. The Group's investment in associates includes goodwill (net of any accumulated impairment loss) identified on acquisition.

The Group's share of its associates' post-acquisition profits or losses is recognised in the consolidated income statement, and its share of post-acquisition movements in reserves is recognised in consolidated reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

In the Company's balance sheet the investments in associated companies are stated at cost less provision for impairment losses. The results of associated companies are accounted for by the Company on the basis of dividend received and receivable.

Jointly-controlled entities

A jointly-controlled entity is a joint venture that is subject to joint control, resulting in none of the participating parties having unilateral control over the economic activity of the jointly-controlled entity.

The Group's share of the post-acquisition results and reserves of jointly-controlled entities is included in the consolidated income statement and consolidated reserves respectively. The Group's interests in jointly-controlled entities are stated in the consolidated balance sheet at the Group's share of net assets under the equity method of accounting, less any impairment losses. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

Notes to Financial Statements

31 March 2006

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Jointly-controlled entities *(Continued)*

Investment in joint ventures is stated in the Company's financial statements as non-current assets and are stated at cost less impairment losses. The results of the jointly-controlled entities are included in the Company's financial statements to the extent of dividend received and receivable.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the assets to its location and working condition for its intended use. Expenses incurred after item of property, plant and equipment have been put into operation, such as repair and maintenance, is normally charged to the income statement in the period in which it is incurred. In situation 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 an item of property, plant and equipment and the cost of the item can be measured reliably, the expenditure is capitalised as an additional cost of that asset or as a replacement.

Depreciation is provided to write off the cost of items of property, plant and equipment over their estimated useful lives and after taking into account their estimated residual value, at the following rates per annum:

Motor vehicles	33%
Furniture, fixtures and equipment	33%
Leasehold improvements	Over the lease terms

Residual values, useful lives and depreciation method are reviewed, and adjusted if appropriate, at each balance sheet date.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement, being the difference between the net sale proceeds and the carrying amount of the relevant asset, is recognised in the income statement in the year the asset is derecognised.

Notes to Financial Statements

31 March 2006

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment of asset

Impairment of investments in debt and equity investments and other receivables

Investments in debt and equity securities and other current and non-current receivables that are stated at cost or amortised cost or are classified as available-for-sale securities are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. If any such evidence exists, any impairment loss is determined and recognised as follows:

- For unquoted equity securities and current receivables that are carried at cost, the impairment loss is measured as the difference between the carrying amount of the financial asset and the estimated future cash flows, discounted at the current market rate of return for a similar financial asset where the effect of discounting is material. Impairment losses for current receivables are reversed if in a subsequent period the amount of the impairment loss decreases. Impairment losses for equity securities are not reversed.

- For financial assets carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets).

  If in a subsequent period the amount of an impairment losses decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through the income statement. A reversal of impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

- For available-for-sale securities, the cumulative loss that had been recognised directly in equity is removed from equity and is recognised in the income statement. The amount of the cumulative loss that is recognised in the income statement is the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that asset previously recognised in the income statement.

  Impairment losses recognised in income statement in respect of available-for-sale equity securities are not reversed through income statement. Any subsequent increase in the fair value of such asset is recognised directly in equity.

Notes to Financial Statements

31 March 2006

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment of asset *(Continued)*

Impairment of other assets

At each balance sheet date, internal and external sources of information are reviewed to identify indications that the following assets may be impaired or, except in case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

- Property, plant and equity;
- Prepaid interests in leasehold land classified as being held under an operating lease;
- Intangible assets;
- Investments in subsidiaries, associates and jointly controlled entities (except those classified as held for sale); and
- Goodwill.

If any such indication exists, the asset's recoverable amount is estimated. For goodwill, intangible assets that are not yet available for use and intangible assets that have indefinite useful lives, the recoverable amount is estimated annually whether or not there is any indication of impairment.

- **Calculation of recoverable amount**

  The recoverable amount of an asset is the greater of its net selling price 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 time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

- **Recognition of impairment losses**

  An impairment loss is recognised whenever the carrying amount of an asset or the cash-generating units to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or groups of units) and then, to reduce the carrying amount of the other assets in the unit (or groups of units) on a pro-rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs to sell, or value in use, if determinable.

- **Reversal of impairment losses**

  In respect of assets other than goodwill, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed. A reversal of impairment losses is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to the income statement in the year in which the reversals are recognised.

Notes to Financial Statements

31 March 2006

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost, which comprises all costs of purchase and, where applicable, other costs that have been incurred in bringing the inventories to their present location and condition, is calculated using the first-in, first-out method. Net realisable value represents the estimated selling price in the ordinary course of business less all estimated costs necessary to make the sale.

Provisions

A provision is recognised when the Group has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Where the effect of the time value of money is material, the amount of a provision is the present value at the balance sheet date of the expenditures expected to be required to settle the obligation.

Contingent liabilities and assets

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one ore more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably. A contingent liability is not recognised but is disclosed in the notes to the financial statements. When a change in the probability of an outflow occurs so that outflow is probable, they will then be recognised as a provision.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. A contingent asset is not recognised but is disclosed in the notes to the financial statements when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognised.

Taxation

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in the income statement except to the extent that they relate to items recognised directly in equity, in which case they are recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Notes to Financial Statements

31 March 2006

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation *(Continued)*

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at each balance sheet date and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

Notes to Financial Statements

31 March 2006

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation *(Continued)*

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  - the same taxable entity; or

  - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or expired or cancelled.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the income statement.

Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised costs less impairment loss for bad and doubtful debts, except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less impairment losses for bad and doubtful debts.

Trade and other payables

Trade and other payables are initially recognised at fair value and thereafter stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

Notes to Financial Statements

31 March 2006

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. 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.

Borrowing costs

Borrowing costs are expensed in the income statement in the period in which they are incurred.

Revenue recognition

Provided that it is probable that economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised as follows:

- Revenue from sales of goods is recognised when the significant risks and rewards of ownership have been transferred to the buyers, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold.

- Interest income is recognised as it accrues using the effect interest method.

Employee benefits

Paid leave carried forward

The Group provides paid annual leave to its employees under their employment contracts on a calendar year basis. Under certain circumstances, such leave which remains untaken as at the balance sheet date is permitted to be carried forward and utilised by the respective employees in the following year. No accrual is made at the balance sheet date for the expected future cost of such paid leave earned during the year by the employees and carried forward as the amount is immaterial.

Notes to Financial Statements

31 March 2006

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Employee benefits *(Continued)*

Retirement benefits scheme

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance, for all of its employees in Hong Kong. Contributions are made based on a percentage of the employees' basic salaries and are charged to the income statement as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme, except for the Group's employer voluntary contributions, which are refunded to the Group when the employee leaves employment prior to the contributions vesting fully, in accordance with the rules of the MPF Scheme.

Share options scheme

The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in a capital reserve within equity. The fair value is measured at grant date taking into account the terms and conditions upon which the options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the share options, the total estimated fair value of the share options is spread over the vesting period, taking into account the probability that the options will vest.

During the vesting period, the number of share options that is expected to vest is reviewed. Any adjustment to the cumulative fair value recognised in prior years is charged/credited to the income statement for the year of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the capital reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of share options that vest (with a corresponding adjustment to the capital reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the Company's shares. The equity amount is recognised in the capital reserve until either the option is exercised (when it is transferred to the share premium account) or the option expires (when it is released directly to retained profits).

Related parties

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 member 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.

A transaction is considered to be a related party transaction when there is a transfer of resources or obligables between related parties.

Notes to Financial Statements

31 March 2006

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Current assets and current liabilities

Current assets are expected to be realised within twelve months of the balance sheet date or in the normal course of the Group's operating cycle. Current liabilities are expected to be settled within twelve months of the balance sheet date or in the normal course of the Group's operating cycle.

Leased assets

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as financial leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised financial leases are included in property, plant and equipment and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to the income statement so as to provide a constant periodic rate of charge over the lease terms.

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessee, rentals payable under operating leases are charged to the income statement on the straight-line basis over the lease terms.

Translation of foreign currencies

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rate of exchange at the balance sheet date. Foreign exchange gains and losses are recognised in the income statement, except when deferred in equity as qualifying cash flow hedges or qualifying net investment hedges.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

The functional currencies of certain overseas subsidiaries are currencies other than the Company's functional currency. As at the balance sheet date, the assets and liabilities of these entities are translated into the presentation currency of the Company at exchange rates ruling at the balance sheet date, and their income statements are translated into Hong Kong dollars at the weighted average exchange rates for the year. The result exchange differences are included in the exchange fluctuation reserve. On disposal of a foreign entity, the cumulative amount recognised in equity relating to that entity is recognised in the income statement.

Notes to Financial Statements

31 March 2006

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

In accordance with the Group's internal financial reporting, the Group has chosen business segment information as the primary reporting format and geographical segment information as the secondary reporting format.

Segment revenue, expenses, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to that segment. Segment revenue, expenses, assets and liabilities are determined before intra-group balances and intra-group transactions are eliminated as part of the consolidation process, except to the extent that such intra-group balances and transactions are between group enterprises within a single segment. Inter-segment pricing is based on similar terms as those available to other external parties.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets (both tangible and intangible) that are expected to used for more than one year.

3. FINANCIAL RISK MANAGEMENT

Financial risk factors

The Group's activities expose it to a variety of financial risks: foreign exchange risk, credit risk, liquidity risk and cash flow interest-rate risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(a) Foreign exchange risk

The Group's sales are primarily in Hong Kong Dollars and Renminbi and its purchases are denominated primarily in Hong Kong Dollars. As it sales and purchases are denominated in Hong Kong Dollars and Renminbi, the Group considers there is no material currency risk and the Group do not have any formal hedging policy.

(b) Credit risk

The Group has no significant concentrations of credit risk. The carrying amount of accounts receivable included in the consolidated balance sheet represents the Group's maximum exposure to credit risk in relation to its financial assets. The Group has put in place policies to ensure that sales of products are made to customers with an appropriate credit history and the Group performs periodic credit evaluations of its customers. The Group's historical experience in collection of trade and other receivables falls within the recorded allowances and the directors are of the opinion that adequate provision for uncollectible accounts receivable has been made in the consolidated financial statements.

Notes to Financial Statements

31 March 2006

3. FINANCIAL RISK MANAGEMENT *(Continued)*

Financial risk factors *(Continued)*

(c) Liquidity risk

The Group's liquidity risk management includes diversifying the funding sources. The Group regularly reviews its major funding positions to ensure that it has adequate financial resources in meeting its financial obligations.

(d) Interest rate risk

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

Fair value estimation

The carrying amounts of the following financial assets and liabilities approximate their fair value: cash and cash equivalents, trade receivables less credit adjustments, prepayment, deposits and other receivables, trade payables, accruals and other payables and accrued expenses.

4. CRITICAL ACCOUNTING 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.

The Group makes estimates and assumptions concerning the future. 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 discussed below.

(a) Impairment of trade receivables

The aged debt profile of trade debtors is reviewed on a regular basis to ensure that the trade debtor balances are collectible and follow up actions are promptly carried out if the agreed credit periods have been exceeded. However, from time to time, the Group may experience delays in collection. Where recoverability of trade debtor balances are called into doubts, specific provisions for of trade receivable are made based on credit status of the customers, the aged analysis of the trade receivable balances and write-off history. Certain receivables may be initially identified as collectible, yet subsequently become uncollectible and result in a subsequent write-off of the related receivable to the income statement. Changes in the collectibility of trade receivables for which provisions are not made could affect the results of operations.

(b) Useful lives of property, plant and equipment

The Group's management determines the estimated useful lives for its property, plant and equipment in order to determine the amount of depreciation expenses to be recorded. The useful lives of property, plant and equipment are estimated at the time the asset is acquired based on historical experience, the expected usage, wear and tear of the assets, as well as technical obsolescence arising from changes in the market demands or service output of the assets. The Group also performs annual reviews on whether the assumptions made on useful lives property, plant and equipment continue to be valid.

Notes to Financial Statements

31 March 2006

5. BUSINESS AND GEOGRAPHICAL SEGMENTS

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 year, 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.

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

6. TURNOVER AND REVENUE

Turnover represents the net invoiced value of goods sold, after allowances for returns and trade discounts. All significant intra-group transactions have been eliminated on consolidation.

An analysis of the Group's turnover and other revenue is as follows:

	2006	2005
	HK$'000	HK$'000
Turnover:		
Sale of fashion apparel	**78,833**	111,031
Other revenue:		
Interest income	**22**	12
Sundry income	**44**	28
	66	40
Total revenue	**78,899**	111,071

Notes to Financial Statements

31 March 2006

7. PROPERTY, PLANT AND EQUIPMENT

The Group

	Furniture, fixtures and equipment HK$'000	Leasehold improvements HK$'000	Motor vehicles HK$'000	Total HK$'000
Cost:				
At 1 April 2004	7,599	72	850	8,521
Additions	57	845	–	902
Disposals	–	(72)	–	(72)
At 31 March 2005 and 1 April 2005	7,656	845	850	9,351
Exchange realignment	143	14	–	157
Additions	974	2,754	–	3,728
Disposals	(633)	(82)	–	(715)
At 31 March 2006	8,140	3,531	850	12,521
Accumulated depreciation and impairment:				
At 1 April 2004	2,377	72	140	2,589
Charge for the year	2,283	42	283	2,608
Written back on disposals	–	(72)	–	(72)
At 31 March 2005 and 1 April 2005	4,660	42	423	5,125
Exchange realignment	86	–	–	86
Charge for the year	2,517	1,547	283	4,347
Impairment loss recognised for the year	–	663	–	663
Written back on disposals	(633)	(14)	–	(647)
At 31 March 2006	6,630	2,238	706	9,574
Net book value:				
At 31 March 2006	**1,510**	**1,293**	**144**	**2,947**
At 31 March 2005	2,996	803	427	4,226

At the balance sheet date, the net book value of property, plant and equipment held under finance leases was approximately HK$109,000 (2005: HK$326,000).

Notes to Financial Statements

31 March 2006

8. INTERESTS IN AN ASSOCIATE

	The Group	
	2006	2005
	HK$'000	HK$'000
Share of net assets	**2,067**	1,999
Less: Provision for impairment	**(105)**	–
	1,962	1,999
Loan advanced to an associate	**7,014**	7,012
	8,976	9,011

The loan advanced to the associate is unsecured, interest free and has no fixed terms of repayment. Given these terms, it is not meaningful to disclose fair value.

Particulars of the Group's associate are as follows:

Name	Business structure	Place of incorporation/ and operations	Particulars of issued and paid up capital	Percentage of ownership attributable to the Group	Principal activity
Uni-Johnson Trading Limited ("Uni-Johnson")	Corporate	Hong Kong/ Mainland China	HK$10,000	50%	Property holdings

The shareholding in the associate is held by the Company through a wholly-owned subsidiary.

Financial information of Uni-Johnson as extracted from its management accounts for the year ended 31 March 2006 is as follows:

	2006	2005
	HK$'000	HK$'000
Non-current assets	**13,888**	13,888
Current assets	**225**	41
Current liabilities	**88**	41
Non-current liabilities	**14,031**	14,027
Net profit for the year	**136**	30

Notes to Financial Statements

31 March 2006

9. INTERESTS IN A JOINTLY-CONTROLLED ENTITY

	The Group	
	2006	2005
	HK$'000	HK$'000
Share of net assets	**–**	–

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

Name	**Place of incorporation/ registration and operations**	**Nominal value of paid up share capital**	**Percentage of ownership interest**	**Percentage of voting power**	**Percentage of profit sharing**	**Principal activities**
深圳豐德隆貿易有限公司	Mainland China	–	60%	66.67%	60%	Retail of fashion and accessories

深圳豐德隆貿易有限公司is registered as a Sino-foreign joint venture enterprise in the PRC. The registered share capital of 深圳豐德隆貿易有限公司 is RMB 1,000,000. The Group's share of registed share capital of RMB 600,000 has not been paid as at 31 March 2006. Subsequent to the year end, on 19 May 2006, the Group paid share capital of RMB 90,000.

The investment in the above unlisted jointly-controlled entity is indirectly held by the Company.

Details of the Group's capital commitment in respect of the jointly-controlled entity are set out in note 28 to the financial statements.

In accordance with the joint venture contracts and the articles of association of the jointly-controlled entity, the board of Directors of jointly-controlled entity comprised of three Directors. Two of which were appointed by the Group. In accordance with the articles of association of the jointly-controlled entity, over two-third of the total number of Directors of the jointly-controlled entity constitutes a quorum. Resolution passed in a Directors' meeting with attendance less than two-third of total number of Directors is invalid.

In accordance with the joint venture contracts, certain significant matters as set out therein require unanimous approval of the Directors of the jointly-controlled entity.

Notes to Financial Statements

31 March 2006

10. INTERESTS IN SUBSIDIARIES

	The Company	
	2006	2005
	HK$'000	HK$'000
Unlisted shares, at costs	**38,898**	38,898
Less: Provision for impairment	**(16,214)**	–
	22,684	38,898
Amounts due by subsidiaries	**25,605**	25,605
Less: Provision for impairment	**(90)**	–
	25,515	25,605
	48,199	64,503
Amount due to a subsidiary	**(2,198)**	–

The amount due by/to subsidiaries included in the Company's current assets and current liabilities are unsecured, interest-free and are repayable on demand. The carrying amounts of the amounts due by/to subsidiaries approximate to their fair value.

Particulars of the Company's subsidiaries at 31 March 2006 are as follows:

Name	Place of incorporation/ registration and operations	Nominal value of ordinary/ paid up share capital	Percentage of equity attributable to the Company	Principal activities
Directly held				
Born Idea Limited ("BIL")	BVI	US$1,601	100%	Investment holding
Indirectly held				
Top Million International Limited	Hong Kong	HK$1,000	100%	Provision of administrative services
Sincere Jade Limited	BVI/Mainland China	US$1	100%	Provision of quality control and design services
Stand Fancy Limited	Hong Kong	HK$10,000	100%	Investment holding
LeRoi Trading International Limited	BVI/Macau	US$1,000	100%	Trading of fashion apparel

Notes to Financial Statements

31 March 2006

10. INTERESTS IN SUBSIDIARIES *(Continued)*

Name	Place of incorporation/ registration and operations	Nominal value of ordinary/ paid up share capital	Percentage of equity attributable to the Company	Principal activities
Indirectly held *(Continued)*				
Go Fast Limited	Hong Kong	HK$100	100%	Investment holding
LeRoi Macao Commercial Offshore Limited	Macau	MOP100,000	100%	Provision of administrative services and trading of fashion apparel
東莞美爾奴時裝有限公司*	Mainland China	–	100%	Dormant
立宜服裝(深圳)有限公司**	Mainland China	HK$1,000,000	100%	Design, production, sales and marketing of fashion apparel
Charmlink International Group Limited	BVI	US$50,000	100%	Investment holding

* 東莞美爾奴時裝有限公司 is registered as a wholly-foreign owned enterprise in the PRC. No capital was paid up within 18 months after the issue of certificate of incorporations and up to the date of approval of these financial statements.

** 立宜服裝(深圳)有限公司 is registered as a wholly-foreign owned enterprise in the PRC. The registered share capital of HK$1,000,000 of 立宜服裝(深圳)有限公司 was injected on 14 April 2005.

None of the above subsidiaries issued debt securities during the year or at the year end.

11. INVENTORIES

	The Group	
	2006	2005
	HK$'000	HK$'000
Raw material	**817**	3,698
Finished goods	**52,852**	44,923
	53,669	48,621
Less: Provision for obsolete inventories	**(28,740)**	(7,849)
	24,929	40,772

Notes to Financial Statements

31 March 2006

12. 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 (2005: 180 days). The Group seeks to maintain strict control over its outstanding receivables to minimise 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:

	2006	2005
	HK$'000	HK$'000
Within 90 days	**19,784**	22,783
91 to 180 days	**17,378**	24,794
Over 180 days	**19,196**	4,709
	56,358	52,286
Less: Provision for impairment of trade receivables	**(19,084)**	(7,686)
	37,274	44,600

The carrying amount of trade receivables approximates to its fair value.

13. CASH AND BANK BALANCES

At the balance sheet date, the cash and bank balances of the Group included currencies denominated in Renminbi ("RMB") amounted to approximately HK$1,668,000 (2005: HK$3,274,000) which is not freely convertible into other currencies.

14. SHARE CAPITAL

	2006	2005
	HK$'000	HK$'000
Authorised:		
2,000,000,000 ordinary shares of HK$0.01 each	**20,000**	20,000
Issued and fully paid:		
809,600,000 ordinary shares of HK$0.01 each	**8,096**	8,096

There were no movements in the Company's authorised and issued share capital during the years ended 31 March 2005 and 2006.

Notes to Financial Statements

31 March 2006

14. SHARE CAPITAL *(Continued)*

Share option scheme

Details of the Company's share option scheme are included in note 15 to the financial statements.

15. SHARE OPTION SCHEME

The Company operates a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Scheme include the Company's directors, including independent non-executive directors, other employees of the Group, suppliers of goods or services to the Group, and customers of the Group. The Scheme became effective on 8 October 2002 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

The maximum number of unexercised share options currently permitted to be granted under the Scheme is an amount equivalent, upon their exercise, to 30% of the shares of the Company in issue at any time. The maximum number of shares issuable under share options to each eligible participant in the Scheme within any 12-month period is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

Share options granted to a director or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the 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 price of the Company's shares at the date of the grant) in excess of HK$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 within 28 days from the date of the offer, upon payment of a nominal consideration of HK$1 in total by the grantee. The exercise period of the share options granted is determinable by the directors, and commences after a certain vesting period and ends on a date which is not later than five years from the date of the offer of the share options or the expiry date of the Scheme, if earlier.

The exercise price of the share options is determinable by the directors, but may not be less than the higher of (i) the nominal value of a share of the Company; (ii) the Stock Exchange closing price of the Company's shares on the date of the offer of the share options; and (iii) the average Stock Exchange closing price of the Company's shares for the five trading days immediately preceding the date of the offer of the share options.

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

Up to the date of this report, no share options have been granted by the Company under the Scheme.

Notes to Financial Statements

31 March 2006

16. OBLIGATIONS UNDER FINANCE LEASE

The Group leases a motor vehicle for its business. This lease is classified as a finance lease and has a remaining lease term of one year.

At 31 March 2006, the total future minimum lease payments under the finance lease and their present value were as follows:

	The Group			
	Minimum lease payments		Present value of minimum lease payments	
	2006	2005	**2006**	2005
	HK$'000	HK$'000	**HK$'000**	HK$'000
Amount payable under finance leases:				
Within one year	**63**	109	**61**	102
In the second year	**–**	64	**–**	63
	63	173	**61**	165
Less: Future finance charges	**(2)**	(8)	**–**	–
Present value of lease obligations	**61**	165	**61**	165
Less: Amount due within one year shown under current liabilities	**(61)**	(102)		
Amount due after one year	**–**	63		

17. TRADE PAYABLES

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

	2006	2005
	HK$'000	HK$'000
Within 90 days	**1,808**	1,677

The carrying amount of trade payables approximates to its fair value.

Notes to Financial Statements

31 March 2006

18. RESERVES

(a) The Group

The amounts of the Group's reserves and the movement therein for the current and prior years are presented in the consolidated statement of changes in equity on page 21 of the financial statements.

(b) The Company

	Share premium HK$'000	Retained profits HK$'000	Total HK$'000
At 1 April 2004	58,932	31	58,963
Net loss for the year	–	(3,147)	(3,147)
At 31 March 2005 and at 1 April 2005	58,932	(3,116)	55,816
Net loss for the year	–	(19,057)	(19,057)
At 31 March 2006	**58,932**	**(22,173)**	**36,759**

The share premium account of the Company includes (i) shares issued at a premium; and (ii) the excess of the combined net assets of the subsidiaries acquired, over the nominal value of the Company's shares issued in exchange therefor pursuant to the group reorganisation upon the listing of the Company.

Under the Companies Law (revised) of the Cayman Islands, the share premium account of the Company is distributable to its shareholders provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business.

Notes to Financial Statements

31 March 2006

19. OPERATING LOSS

Operating loss is stated after charging:

	2006 HK$'000	2005 HK$'000
Cost of inventories sold	**58,577**	78,866
Depreciation of owned property, plant and equipment	**4,130**	2,428
Depreciation of property, plant and equipment held under finance lease	**217**	180
Provision for impairment of trade receivables	**11,328**	2,677
Provision for obsolete inventories	**20,740**	4,822
Auditors' remuneration	**773**	1,225
Minimum lease payments under operating leases for land and buildings	**741**	460
Loss on disposal of property, plant and equipment	**68**	–
Impairment of property, plant and equipment	**663**	–
Salaries and other short-term employee benefits (excluding directors' remuneration – *note 20*)	**3,041**	3,171
Retirement benefits scheme contributions	**89**	125
	3,130	3,296
and after crediting:		
Other income:		
Exchange gain	**443**	–

20. EMPLOYEE BENEFIT EXPENSES

(a) Directors' emoluments

The remuneration of every Director for the year ended 31 March 2006 is set out below:

Name of director	Basic salaries HK$'000	Director's fee HK$'000	Provident fund contributions HK$'000	Total HK$'000
2006:				
Executive directors				
Ms. Yeung Sau Han, Agnes	**698**	**–**	**12**	**710**
Mr. So Chi Hiu *(note 1)*	**58**	**–**	**2**	**60**
Mr. Ng Cheuk Fan, Keith	**638**	**–**	**12**	**650**
Mr. Hung Man Sing *(note 3)*	**564**	**–**	**11**	**575**
Mr. Lim Kwok Choi	**215**	**–**	**11**	**226**
Independent non-executive directors				
Mr. Hung Man Sing *(note 3)*	**–**	**12**	**–**	**12**
Mr. Lok Shing Kwan, Sunny	**–**	**120**	**–**	**120**
Mr. Chiang Chi Kin, Stephen *(note 5)*	**–**	**120**	**–**	**120**
Mr. Chan Kin Sang *(note 6)*	**–**	**108**	**–**	**108**
	2,173	**360**	**48**	**2,581**

Notes to Financial Statements

31 March 2006

20. EMPLOYEE BENEFIT EXPENSES *(Continued)*

(a) Directors' emoluments *(Continued)*

The remuneration of every Director for the year ended 31 March 2005 is set out below:

Name of director	Basic salaries HK$'000	Director's fee HK$'000	Provident fund contributions HK$'000	Total HK$'000
2005:				
Executive directors				
Ms. Yeung Sau Han, Agnes	590	–	23	613
Mr. So Chi Hiu *(note 1)*	622	–	12	634
Mr. Ng Cheuk Fan, Keith *(note 2)*	560	–	11	571
Mr. So Yuen Chun *(note 7)*	108	–	3	111
Mr. Lim Kwok Choi *(note 8)*	204	–	10	214
Independent non-executive directors				
Mr. Lok Shing Kwan, Sunny	–	120	–	120
Mr. Wong Wing Hang, Henry *(note 4)*	–	117	–	117
Mr. Chiang Chi Kin, Stephen *(note 5)*	–	60	–	60
Mr. Hung Man Sing *(note 3)*	–	3	–	3
	2,084	300	59	2,443

Notes:

1. Resigned on 6 May 2005.
2. Appointed on 30 July 2004.
3. Appointed on 22 March 2005 as independent non-executive director and re-designated to executive director on 6 May 2005.
4. Resigned on 22 March 2005.
5. Appointed on 30 September 2004.
6. Appointed on 6 May 2005.
7. Resigned on 21 June 2004.
8. Appointed on 30 July 2004.

During the year, no emoluments were paid by the Group to the five highest paid individuals (including directors and employees) as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors has waived any emoluments during the year.

Notes to Financial Statements

31 March 2006

20. EMPLOYEE BENEFIT EXPENSES *(Continued)*

(b) Five Highest Paid Individuals

The aggregate emoluments of the five highest paid individuals included three (2005: three) executive directors of the Company, whose emoluments are included in note 20(a) above. The aggregate emoluments of the remaining two (2005: two) highest paid individuals are as follows:

	The Group	
	2006	2005
	HK$'000	HK$'000
Basic salaries and allowances	**603**	662
Retirement benefits scheme contributions	**21**	31
	624	693

The remuneration of each non-director, highest paid employee fell within the nil to HK$1,000,000 band.

During the year, no emoluments were paid by the Group to the non-director, highest paid employees as an inducement to join, or upon joining the Group, or as compensation for loss of office.

21. FINANCE COSTS

	The Group	
	2006	2005
	HK$'000	HK$'000
Interest element of finance lease rental payments	**6**	12

22. TAXATION

No Hong Kong profits tax has been provided as the Group did not generate any assessable profits arising in Hong Kong during the year (2005: 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.

	2006	2005
	HK$'000	HK$'000
Group:		
Current – Macau	**–**	1,141
Current – Mainland China	**32**	143
Total tax charge for the year	**32**	1,284

Notes to Financial Statements

31 March 2006

22. TAXATION *(Continued)*

The tax charge for the year can be reconciled to loss before tax per consolidated income statement as follows:

Group – 2006

	Hong Kong HK$'000	Macau HK$'000	Mainland China HK$'000	Total HK$'000
Loss before taxation	(4,811)	(28,605)	(5,962)	(39,378)
Tax at the applicable income tax rate	(842)*	(3,432)**	(1,967)***	(6,241)
Tax effect of income and expenses not taxable or deductible for tax purposes	70	3,432	1,316	4,818
Tax effect of unrecognised temporary differences	35	–	–	35
Tax effect of tax losses not recognised	737	–	683	1,420
Tax charge at the effective tax rate for the year	–	–	32	32

Group – 2005

	Hong Kong HK$'000	Macau HK$'000	Mainland China HK$'000	Total HK$'000
Profit/(loss) before taxation	(5,776)	3,681	(261)	(2,356)
Tax at the applicable income tax rate	(1,011)*	1,141**	143***	273
Tax effect of income and expenses not taxable or deductible for tax purposes	213	–	–	213
Tax effect of unrecognised temporary differences	6	–	–	6
Tax effect of tax losses not recognised	792	–	–	792
Tax charge at the effective tax rate for the year	–	1,141	143	1,284

* The standard Hong Kong Profits Tax rate is 17.5%.

** The standard Macau Complementary Tax rate is 12% (2005: 15.75%).

*** The standard Mainland China Corporate Income Tax rate is 33% on deemed profit, which was based on the 30% recognised income of a Company's subsidiary.

Notes to Financial Statements

31 March 2006

22. TAXATION *(Continued)*

The Group has estimated tax losses arising in Hong Kong of approximately HK$16,727,000 (2005: HK$1,692,000) that are available indefinitely for offsetting against future taxable profits of companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses as they were arisen in subsidiaries that have been loss-making for some time.

At 31 March 2006, there was no significant unrecongised deferred tax liability (2005: Nil) for taxes that would be payable on the unremitted earnings of certain of the Group's subsidiaries as the Group has no liability to additional tax if such amounts be remitted.

There was no income tax consequence attaching to the payment of dividends by the Company to its shareholders.

23. LOSS FOR THE YEAR

The net loss for the year dealt with in the financial statements of the Company amounted to HK$19,057,000 (2005: HK$3,147,000).

24. DIVIDEND

The directors do not recommend the payment of any dividend in respect of the year ended 31 March 2006 (2005: Nil)

25. LOSSES PER SHARE FOR LOSS ATTRIBUTABLE TO THE EQUTIY HOLDERS OF THE COMPANY FOR THE YEAR

The calculation of basic losses per share is based on the net loss for the year of HK$39,410,000 (2005: HK$3,640,000) and the weighted average of 809,600,000 (2005: 809,600,000) ordinary shares in issue during the year.

Diluted losses per share for the years ended 31 March 2005 and 2006 have not been disclosed as there were no diluting events existed during these years.

Notes to Financial Statements

31 March 2006

26. OPERATING LEASE ARRANGEMENTS

As lessee

The Group leases certain of its office premises under an operating lease arrangement which are negotiated for lease terms from one to two years.

At 31 March 2006, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2006	2005
	HK$'000	HK$'000
Within one year	**458**	551
In the second to fifth years, inclusive	**159**	25
	617	576

27. MATERIAL RELATED PARTY TRANSACTIONS

During the year, the Group had entered into the following transactions with related parties which, in the opinion of the Directors, were carried out in the ordinary course of the Group's business.

Key management personnel compensation

Remuneration for key management personnel, including amounts paid to the Company's Directors as disclosed in note 20 is as follows:

	The Group	
	2006	2005
	HK$'000	HK$'000
Salaries and other short-term employee benefits	**2,173**	2,084
Employer contribution to pension scheme	**48**	59
	2,221	2,143

Notes to Financial Statements

31 March 2006

28. CAPITAL COMMITMENT

At 31 March 2006, the Group had the following capital commitments:

	2006	2005
	HK$'000	HK$'000
Contracted but not provided for:		
Capital contributions payable to a jointly-controlled entity *(note 9)*	**577**	–

At 31 March 2006, the Company had no significant capital commitments.

29. SUBSEQUENT EVENTS

(a) On 27 January 2006, the Company entered into a subscription agreement pursuant to which the Company had agreed to issue the convertible notes with a principal amount of HK$3,000,000 and grant an option to subscribe for additional convertible notes with an additional principal amount of HK$7,000,000 to an independent third party. The completion of share purchase agreement as mentioned in note 29(b) below is one of the conditions precedent to the subscription agreement. The long stop date of the subscription agreement was extended to 31 August 2006 or such other date as the parties may subsequently agreed in writing.

For further details, please refer to the Company's announcements dated on 24 April 2006, 2 May 2006 and 3 July 2006. As at the date of approval of these financial statements, the aforementioned convertible notes have not yet been issued.

(b) The Group was advised that on 27 January 2006, the Company's controlling shareholder, Taco Holdings Limited, currently interested in approximately 52.37% of the issued share capital of the Company entered into a share purchase agreement with an independent third party (the same entity as mentioned in note 29(a) above) pursuant to which the independent third party had conditionally agreed to purchase the 205,000,000 shares, being approximately 25.32% of the issued share capital of the Company, held by Taco Holdings Limited. A sum of HK$18,750,000 in the form of shareholder's loan would be provided to the Company by Taco Holdings Limited upon the completion of the share purchase agreement. The long stop date of the share purchase agreement was extended to 31 August 2006 or such other date as the parties may subsequently agreed in writing.

For further details, please refer to the Company's announcements dated on 24 April 2006, 2 May 2006 and 3 July 2006. As at the date of approval of these financial statements, the aforementioned share purchase agreement has not been completed.

30. AUTHORISATION FOR ISSUE OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 24 July 2006.