

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 Financial Reporting Standards (the “HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) including compliance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim financial reporting” and the applicable disclosure requirements of Appendix 16 to 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 2006, except that the Group has changed certain of its accounting policies subsequent to its adoption of the new/revised standards that are effective for accounting periods commencing on or after 1 April 2006. The adoption of such standards did not have material effect on these financial statements.

The Group has not early adopted the standards and interpretations that have been issued but are not yet effective. The adoption of such standards will not result in substantial changes to the Group’s accounting policies.

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.

2. Turnover and segment Information

(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 from operating activities

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

	Six months ended 30 September	
	2006 (Unaudited) HK\$'000	2005 (Unaudited) HK\$'000
Cost of inventories sold	11,458	27,248
Depreciation	1,869	1,311
Interest income	(1)	(16)

4. Taxation

	Six months ended 30 September	
	2006 (Unaudited) HK\$'000	2005 (Unaudited) HK\$'000
Tax charge for the Period	—	32

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

5. Loss 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 2006 of HK\$1,081,000 (2005: net loss of HK\$2,196,000) and the weighted average of 809,600,000 (2005: 809,600,000) ordinary shares of the Company in issue during the Period.

Diluted loss per share amounts for the periods ended 30 September 2005 and 2006 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 2006 (Unaudited) HK\$'000	31 March 2006 (Audited) HK\$'000
Within 90 days	8,072	19,784
91 to 180 days	10,324	17,378
Over 180 days	14,495	19,196
	32,891	56,358
Less: Provision for impairment of trade receivables	–	(19,084)
	32,891	37,274

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 2006 (Unaudited) HK\$'000	31 March 2006 (Audited) HK\$'000
Within 90 days	943	1,808

8. Share capital

	30 September 2006 (Unaudited) HK\$'000	31 March 2006 (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 from one to two years. As at 30 September 2006, the Group had total future minimum lease payments under non-cancellable operating lease falling due as follows:

	30 September 2006 (Unaudited) HK\$'000	31 March 2006 (Audited) HK\$'000
Within one year	430	458
In the second to fifth years, inclusive	42	159
	472	617

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 2006.