Notes to the Financial Statements

1. General information

Winsor Industrial Corporation Limited (the "Company") is a limited liability company incorporated in Hong Kong and whose shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company and its subsidiaries (collectively known as the "Group") are principally engaged in the manufacturing and trading of textiles and clothing and investment holding.

2. Principal accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated:

(a) Basis of preparation

The financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") under the historical cost convention as modified by the revaluation of investment properties, available-for-sale financial assets and financial assets at fair value through profit or loss, which are carried at fair values.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the accounting policies of the Company. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 4 below.

(b) Changes in accounting policies

The Group adopted the following new and revised HKFRS, Hong Kong Accounting Standards ("HKAS") and interpretations ("HK(SIC)-Int") (collectively the "new HKFRSs"), which are effective for accounting periods commencing on or after 1 January 2005 and relevant to the operations of the Group:

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 16	Property, Plant and Equipment
HKAS 17	Leases
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 28	Investments in Associates
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 38	Intangible Assets
HKAS 39	Financial Instruments: Recognition and Measurement
HKAS 39 (Amendment)	Transition and Initial Recognition of Financial Assets and Financial Liabilities
HKAS 40	Investment Property
HK(SIC)-Int 13	Jointly Controlled Entities — Non Monetary Contributions by Venturers
HK(SIC)-Int 15	Operating Leases — Incentives
HK(SIC)-Int 21	Income Taxes — Recovery of Revalued Non-Depreciable Assets
HKFRS 3	Business Combinations

The adoption of new / revised HKASs 1, 2, 7, 8, 10, 16, 21, 23, 24, 27, 28, 31, 33, 36, 37, 38, HK(SIC)-Int13 and HK(SIC)-Int 15 did not result in substantial changes to the Group's accounting policies. In summary:

- HKAS 1 has affected the presentation of minority interest, share of net after-tax results of associates and jointly controlled entities and other disclosures.
- HKASs 2, 7, 8, 10, 16, 21, 23, 24, 27, 28, 31, 33, 36, 37, 38, HK(SIC)-Int 13 and HK(SIC)-Int 15 had no material effect on the Group's accounting policies.

The major changes to the Group's accounting policies or presentation of accounts as a result of the adoption of the new HKFRSs are summarised as follows:

The adoption of HKAS 17 "Leases" has resulted in a change in accounting policy relating to leasehold land which was previously carried as fixed assets at cost or valuation less accumulated depreciation and impairment. In accordance with the provisions of HKAS 17, leasehold land is regarded as an operating lease and the lease premium and other costs for acquiring the leasehold land are amortised over the term of the lease.

(b) Changes in accounting policies *(continued)*

The adoption of HKAS 40 "Investment Property" has resulted in a change in accounting policy under which changes in fair values of investment properties are recorded in the profit and loss account. In prior years, attributable changes in valuation of investment properties were dealt with in the investment properties revaluation reserve.

The adoption of HKAS 32 "Financial Instruments: Disclosures and Presentation" and HKAS 39 "Financial Instruments: Recognition and Measurement" have resulted in changes in accounting policies relating to the classification of "available-for-sale financial assets" and "financial assets at fair value through profit or loss".

HKAS 39 does not permit to recognise, derecognise and measure financial assets and liabilities on a retrospective basis. The Group applied the previous SSAP 24 "Accounting for investments in securities" to other investments and investment securities for 2005 comparative information. The adjustments required for accounting the differences between SSAP 24 and HKAS 39 are determined and recognised at 1 April 2005.

The adoption of HK(SIC)-Int 21 "Income Taxes – Recovery of Revalued Non-Depreciable Assets" has resulted in a change in the accounting policy for deferred taxation arising from the revaluation of investment properties. Such deferred taxation is measured on the basis of tax consequences that would follow from recovery of the carrying amount of that asset through use and is calculated at the profits tax rate. In prior years, the carrying amount of the asset was expected to be recovered through sale and no provision for deferred taxation on revaluation of investment properties in Hong Kong was made.

All changes in accounting policies have been made in accordance with the transitional provisions of the respective standards. All HKASs adopted by the Group require retrospective application, other than HKAS 39 which is applied prospectively.

The effects of the above changes in accounting policies on the profit and loss account items, earning per share, balance sheet items and the components of total equity are summarised below:

	HKAS 17 HK$'000	HKAS 39 HK$'000	HKAS 40 HK$'000	HK(SIC)-Int21 HK$'000	Total HK$'000
For the year ended 31 March 2006					
Profit and loss account items					
Increase in fair value of investment properties	—	—	**4,300**	—	**4,300**
Increase in fair value of financial assets at fair value through profit or loss	—	**5,131**	—	—	**5,131**
(Increase)/decrease in deferred taxation charges	**24**	—	—	**(753)**	**(729)**
Decrease in depreciation	**128**	—	—	—	**128**
	152	**5,131**	**4,300**	**(753)**	**8,830**
Attributable to:					
Shareholders of the Company	**152**	**5,131**	**4,300**	**(753)**	**8,830**
Minority interests	—	—	—	—	—
	152	**5,131**	**4,300**	**(753)**	**8,830**
Increase/(decrease) in earnings per shares (in HK$)	—	**0.020**	**0.017**	**(0.003)**	**0.034**
For the year ended 31 March 2005					
Profit and loss account items					
Increase in fair value of investment properties	—	—	18,918	—	18,918
(Increase)/decrease in deferred taxation charges	24	—	—	(3,311)	(3,287)
Decrease in depreciation	128	—	—	—	128
	152	—	18,918	(3,311)	15,759
Attributable to:					
Shareholders of the Company	152	—	18,918	(3,311)	15,759
Minority interests	—	—	—	—	—
	152	—	18,918	(3,311)	15,759
Increase/(decrease) in earnings per shares (in HK$)	—	—	0.073	(0.013)	0.060

Notes to the Financial Statements

(b) Changes in accounting policies *(continued)*

	HKAS 17 HK$'000	HKAS 39 HK$'000	HKAS 40 HK$'000	HK(SIC)-Int 21 HK$'000	Total HK$'000
At 31 March 2006					
Balance sheet items					
Decrease in fixed assets	**(43,690)**	—	—	—	**(43,690)**
Increase in leasehold land and land use rights	**51,033**	—	—	—	**51,033**
Increase/(decrease) in associated companies	**(15,932)**	**3,201**	—	—	**(12,731)**
Increase in available-for-sale financial assets	—	**568,660**	—	—	**568,660**
Increase in loans and receivables	—	**76,811**	—	—	**76,811**
Increase in financial assets at fair value through profit or loss	—	**5,131**	—	—	**5,131**
Decrease in investment securities	—	**(156,276)**	—	—	**(156,276)**
Decrease in deferred tax assets	**(456)**	—	—	—	**(456)**
Increase in deferred tax liabilities	—	—	—	**(4,064)**	**(4,064)**
Increase/(decrease) in net assets	**(9,045)**	**497,527**	—	**(4,064)**	**484,418**
Components of total equity					
Decrease in land and buildings revaluation reserve	**(16,763)**	—	—	—	**(16,763)**
Decrease in investment properties revaluation reserve	—	—	**(23,218)**	—	**(23,218)**
Increase in investment revaluation reserve	—	**492,396**	—	—	**492,396**
Increase/(decrease) in retained earnings	**7,718**	**5,131**	**23,218**	**(4,064)**	**32,003**
Increase/(decrease) in equity	**(9,045)**	**497,527**	—	**(4,064)**	**484,418**
At 1 April 2005					
Balance sheet items					
Decrease in fixed assets	(44,599)	—	—	—	(44,599)
Increase in leasehold land and land use rights	51,815	—	—	—	51,815
Decrease in associated companies	(15,932)	—	—	—	(15,932)
Increase in available-for-sale financial assets	—	460,249	—	—	460,249
Increase in loans and receivables	—	84,515	—	—	84,515
Decrease in investment securities	—	(158,298)	—	—	(158,298)
Decrease in deferred tax assets	(481)	—	—	—	(481)
Increase in deferred tax liabilities	—	—	—	(3,311)	(3,311)
Increase/(decrease) in net assets	(9,197)	386,466	—	(3,311)	373,958
Components of total equity					
Decrease in land and buildings revaluation reserve	(16,763)	—	—	—	(16,763)
Decrease in investment properties revaluation reserve	—	—	(18,918)	—	(18,918)
Increase in investment revaluation reserve	—	386,466	—	—	386,466
Increase/(decrease) in retained earnings	7,566	—	18,918	(3,311)	23,173
Increase/(decrease) in equity	(9,197)	386,466	—	(3,311)	373,958

(c) Standards, amendments and interpretations to published standards which are not yet effective

Certain new standards, amendments and interpretations to existing accounting standards have been issued by the HKICPA that are relevant to the Group's businesses and are mandatory for the Group's accounting periods beginning on or after 1 April 2006. The Group has not early adopted these new standards, amendments and interpretations for the year ended 31 March 2006. The Group has already commenced an assessment of the impact of these new standards, amendments and interpretations but is not yet in a position to quantify the impact of these new standards, amendments and interpretations on its results of operations and financial position.

(d) Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31 March. Subsidiaries are those entities in which the Company, directly or indirectly, controls the composition of the board of directors, controls more than one half of the voting power or hold more than half of the issued capital.

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 share of the identifiable net assets acquired by the Group 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 profit and loss account.

All significant intercompany transactions and balances within the Group are eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies of the Group.

The gain or loss on the disposal of a subsidiary represents the difference between the proceeds of the sale and the Group's share of its net assets together with any attributable amount of goodwill and any related accumulated exchange fluctuation reserve.

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

Minority interests represent the share of results and net assets of subsidiaries attributable to equity interests that are not owned by the Company, whether directly or indirectly through subsidiaries.

(e) Associated companies

An associated company is a company, not being a subsidiary or a joint venture, in which an equity interest is held for the long-term and significant influence is exercised in its management, accompanying a shareholding of between 20% to 50% of the voting rights.

Investments in associated companies are accounted for using the equity method of accounting and are initially recognised at cost. The investments in associated companies of the Group include goodwill, net of any accumulated impairment loss, identified on acquisition.

The share of post-acquisition profits or losses of associated companies attributable to the Group is recognised in the profit and loss account, and the share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the share of losses of the Group in an associated company equals or exceeds its interest in the associated company, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associated company.

Unrealised gains on transactions between the Group and its associated companies are eliminated to the extent of the interest in the associated companies held by the Group. 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 accounting policies adopted by the Group.

(f) Jointly controlled entities

A jointly controlled entity is an entity which through a contractual arrangement is subject to joint control by two or more parties, and none of the parties has unilateral control over the economic activity of the entity. Jointly controlled entities are accounted for using the equity method of accounting. Accordingly, the consolidated profit and loss account includes the Group's share of results of jointly controlled entities for the year and the consolidated balance sheet includes the Group's share of the net assets of the jointly controlled entities and goodwill on acquisition.

(g) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net assets of the acquired subsidiaries or associated companies or jointly controlled entities at the date of acquisition.

Goodwill on acquisition of subsidiaries is included in intangible assets while goodwill on acquisition of associated companies and jointly controlled entities is included in investments in associated companies and jointly controlled entities. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold. Goodwill is allocated to cash-generating units for the purpose of impairment testing.

(h) Fixed assets

Freehold land is stated at cost. All other fixed assets are stated at historical cost less accumulated depreciation and accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the item.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the asset will flow to the Group and the cost of the asset can be measured reliably. All other repair and maintenance costs are expensed in the profit and loss account during the financial period in which they are incurred.

Freehold land is not amortised. Depreciation of other fixed assets is calculated using the straight-line method to allocate their costs to their residual values over their estimated useful lives, at the following annual rates:

Buildings	4%
Plant and machinery and other fixed assets	10% – 20%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

The asset's carrying amount is written down immediately to its estimated recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the profit and loss account.

(i) Investment properties

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the Group, is classified as investment property. Investment property comprises land held under operating leases and buildings held under finance leases. Land held under operating leases is classified and accounted for as investment property when the rest of the definition of investment property is met. The relevant operating lease is then accounted for as if it were a finance lease.

Investment property is measured initially at its cost, including related transaction costs. After initial recognition, investment property is carried at fair value. Fair value is based on valuations carried out annually by external valuers. Changes in fair values are recognised in the profit and loss account.

Subsequent expenditure is charged to the carrying amount of the asset only when it is probable that future economic benefits associated with the asset will flow to the Group and the cost of the asset can be measured reliably. All other repairs and maintenance costs are expensed in the profit and loss account during the financial period in which they are incurred.

If an investment property becomes owner-occupied, it is reclassified as fixed assets, and its fair value at the date of reclassification becomes its cost for accounting purposes. Property that is being constructed or developed for future use as investment property is classified as properties under development and carried at cost until construction or development is complete, at which time it is reclassified and subsequently accounted for as investment property.

(i) Investment properties *(continued)*

If a property becomes an investment property because its use has changed, any difference resulting between the carrying amount and the fair value of this property at the date of transfer is recognised in equity as revaluation of fixed assets under HKAS 16. However, if the fair value gives rise to a reversal of the previous impairment loss, this write-back is recognised in the profit and loss account.

(j) Leases

Leases that substantially transfer to the Group all the risks and rewards of ownership of assets are accounted for as finance leases. Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased assets or the present value of the minimum lease payments. Each lease payment is allocated between the capital and finance charges so as to achieve a constant rate on the remaining lease liability. The corresponding lease obligations, net of finance charges, are included in long-term liabilities. The finance charges are charged to the profit and loss account over the lease periods. Assets held under finance leases are depreciated over the shorter of their estimated useful lives or the lease periods.

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. The up-front prepayments made for leasehold land and land use rights are amortised on a straight-line basis over the period of the lease or where there is impairment, the impairment is expensed in the profit and loss account.

(k) Financial assets

The Group classifies its financial assets in the following categories: financial assets at fair value through profit or loss, available-for-sale financial assets and loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of financial assets at initial recognition and re-evaluates this designation at every reporting date.

(i) Financial assets at fair value through profit or loss

An investment is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if they are either held for trading or are expected to be realised within twelve months of the balance sheet date.

(ii) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within twelve months of the balance sheet date.

(iii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than twelve months after the balance sheet date which are classified as non-current assets.

Regular way purchases and sales of investments are recognised on trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the profit and loss account. Investments are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are carried at amortised cost using the effective interest method.

Gains and losses arising from changes in the fair value of the financial assets at fair value through profit or loss category including interest and dividend income are included in the profit and loss account under other operating income/expenses in the period in which they arise. Gains or losses arising from changes in the fair value of available-for-sale financial assets are recognised in equity.

When available-for-sale financial assets are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the profit and loss account.

The fair value of quoted investments is based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models, making maximum use of market inputs and relying as little as possible on entity-specific inputs.

(k) Financial assets *(continued)*

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the securities below their costs is considered an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the profit and loss account – is removed from equity and recognised in the profit and loss account. Impairment losses recognised in the profit and loss account on equity instruments are not reversed through the profit and loss account.

In previous years, the Group classified its investments in securities, other than subsidiaries, associate companies and jointly controlled entities, as investment securities and other investments.

(i) Investment securities

Investment securities were stated at cost less provision for impairment losses.

The carrying amount of individual investment was reviewed at each balance sheet date to assess whether the fair value has declined below the carrying amount. When a decline other than temporary had occurred, the carrying amount of such investment was reduced to its fair value. The impairment loss was recognised as an expense in the profit and loss account. This impairment loss was written back to the profit and loss account when the circumstances and events that led to the write-downs or write-offs cease to exist and there was persuasive evidence that the new circumstances and events persisted for the foreseeable future.

(ii) Other investments

Other investments were carried at fair value. At each balance sheet date, the net unrealised gains or losses arising from the changes in fair value of other investments were recognised in the profit and loss account. Profits and losses on disposal of other investments, representing the differences between the net sales proceeds and the carrying amounts, was recognised in the profit and loss account as they arise.

(l) Inventories

Inventories comprise stocks and work in progress and are stated at the lower of cost and net realisable value. Cost is calculated on the first in first out basis or the weighted average basis. Cost of work in progress and finished goods comprises materials, direct labour and an appropriate proportion of production overhead expenditure. Net realisable value is determined on the basis of anticipated sales proceeds less estimated selling expenses.

(m) Debtors and other receivables

Debtors and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of debtors and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the profit and loss account.

(n) Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts.

(o) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Provisions are not recognised for future operating losses. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

(p) Contingent liabilities and contingent 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 or 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.

(p) Contingent liabilities and contingent assets *(continued)*

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 only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group.

Contingent assets are not recognised but are 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.

(q) Deferred income tax

Deferred taxation is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, if the deferred tax arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss, it is not accounted for. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred taxation is provided on temporary differences arising on investments in subsidiaries, associated companies and jointly controlled entities, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

(r) Revenue recognition

Revenue from the sale of goods is recognised on the transfer of risks and rewards of ownership, which generally coincides with the time when the goods are delivered to customers and title has passed.

Operating lease rental income is recognised on a straight-line basis over the lease period.

Dividend income is recognised when the right to receive payment is established.

Interest income is recognised on a time proportion basis using the effective interest method.

(s) Translation of foreign currencies

(i) Functional and presentation currency

Transactions included in the financial statements of each of the entities in the Group are measured using the currency of the primary economic environment in which the Group operates (the ''functional currency''). The functional and presentation currency of the Company is Hong Kong dollars.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the exchange rates ruling at the balance sheet date are recognised in the profit and loss account.

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit and loss account as part of the fair value gain or loss. Translation differences on non-monetary items such as equities classified as and available-for-sale financial assets are included in the reserve in equity.

(iii)Group companies

The results and financial position of all the entities in the Group that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(1) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
(2) income and expenses for each profit and loss account are translated at average exchange rates; and
(3) all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, and of borrowings and other currency instruments designated as hedges of such investments, are taken to equity. When a foreign operation is sold, such exchange differences that were recorded in equity are recognised in the profit and loss account as part of the gain or loss on sale.

(t) Employee benefits

Employee entitlements to annual leave and statutory long service payments are recognised when they accrue to employees. A provision is made for the estimated liability as a result of services rendered by employees up to the balance sheet date. HKAS 19 "Employee Benefits" provides that provision for long service payments be based on actuarial valuation. However, the Directors are of the opinion that given the business environment in which the Group operates, the current provision in the financial statements is a more prudent estimate of the obligation than the actuarial valuation.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

The Group's contributions to the defined contribution retirement scheme are expensed as incurred and are reduced by contributions forfeited by those employees who leave the scheme prior to vesting fully in the contributions. The assets of the scheme are held separately from those of the Group in independently administered funds.

(u) Borrowings

All borrowing costs are charged to the profit and loss account in the year in which they are incurred.

Borrowings are recognised initially at fair value, net of transaction costs incurred. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability, including fees and commissions paid to agents, advisers, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Borrowings are subsequently stated at amortised cost; any difference between the proceeds, net of transaction costs, and the redemption value is recognised in the profit and loss account over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the balance sheet date.

(v) Segment reporting

In accordance with the Group's internal financial reporting, the Group has determined that business segments be presented as the primary reporting format and geographical segments as the secondary reporting format.

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments.

(w) Dividend distribution

Dividend distribution to the shareholders of the Company is recognised as a liability in the financial statements in the period in which the dividend payable becomes legal or constructive obligations of the Company.

3. Financial risk management

The Group is subject to the following market risks:

(a) Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations.

The Group has overseas operations, whose net assets are exposed to foreign currency translation risk. Currency exposure arising from the net assets of the Group's foreign operations is minimal.

Management monitors exchange rate movements closely to ascertain if any material exposure may arise.

(b) Credit risk

The Group has no significant concentrations of credit risk as the Group has a large number of customers, internationally dispersed. The Group will accept orders only from those customers with an appropriate credit history or using letters of credit as appropriate. The Group also performs periodic assessment of the trade receivables and believes that adequate provision for uncollectible receivables has been made.

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, management aims to maintain flexibility in funding by keeping committed credit lines available.

(d) Interest rate risk

The Group is exposed to changes in interest rates due to its bank borrowings. The Group does not use any derivative instruments to reduce its economic exposure to changes in interest rates.

(e) Fair value estimation

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Group is the current bid price; the appropriate quoted market price for financial liabilities is the current ask price.

In assessing the fair value of non-trading securities and other financial assets, the Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date.

The nominal values less any estimated credit adjustments for financial assets and liabilities with a maturity of less than one year including debtors and prepayments, creditors and accruals and current borrowings, are assumed to approximate their fair values.

4. Critical accounting estimate and judgements

Estimates and judgements 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) Income tax

The Group is subject to income taxes in numerous jurisdictions. Significant judgment is required in determining the worldwide provision for income taxes. There are certain transactions and calculations for which the ultimate tax determination may be uncertain. The Group recognises liabilities for anticipated tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

(b) Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expenses. These estimates are based on current market conditions and the historical experience of manufacturing and selling products of similar nature. Management reassesses the estimation on each of the balance sheet date.

(c) Impairment of receivables

The Group's management determines the provision for impairment of receivables. This estimate is based on the credit history of its customers and current market conditions. Management reassesses the estimation on each of balance sheet date.

Notes to the Financial Statements

5. Turnover, revenue and segment information

The Group is principally engaged in the manufacturing and trading of textiles and clothing and investment holding. Revenues recognised during the year are as follows:

	2006	2005
	HK$'000	HK$'000
Turnover		
Textiles and clothing	**843,958**	708,097
Dividend income from		
Listed investments	**19,710**	22,134
Unlisted investments	**424**	478
Others	**3,620**	3,232
	867,712	733,941
Other revenues		
Rental income less outgoings	**3,180**	3,181
Interest income	**18,966**	10,660
	22,146	13,841
Total revenues	**889,858**	747,782

The Group's main business segments and geographical areas of operations are set out below:

Textiles and clothing	– manufacturing and trading of textiles and clothing in Hong Kong, North America, Europe, Asia and other countries.
Investments	– holding of unlisted investments in associated companies, jointly controlled entities and available-for-sale financial assets covering a variety of businesses mainly in Hong Kong and Mainland China, and holding of equity linked notes and listed equity securities in Hong Kong and overseas.

Other operations of the Group comprise installation of television broadcasting systems, holding of properties for rental income and other minor operations, none of which is of a sufficient scale of operation to be reported separately.

There are no material sales or other transactions between the business segments and geographical segments.

5. Turnover, revenue and segment information *(continued)*

An analysis of turnover, results, assets, liabilities and other information by business and geographical segments is as follows:

Primary reporting format – business segments

	Year ended 31 March							
	Textiles and clothing		**Investments**		**Others**		**Group**	
	2006	2005	**2006**	2005	**2006**	2005	**2006**	2005
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Turnover	**843,958**	708,097	**20,134**	22,612	**3,620**	3,232	**867,712**	733,941
Segment results	**17,560**	28,417	**32,498**	24,199	**4,785**	17,727	**54,843**	70,343
Unallocated income less expenses							**(3,850)**	(3,551)
Gain on disposal of land and buildings	—	—	—	—	—	47,585	—	47,585
Loss on disposal of a jointly controlled entity	—	(472)	**(3,980)**	—	—	—	**(3,980)**	(472)
Operating profit before interest							**47,013**	113,905
Interest income less finance costs							**12,537**	9,306
Operating profit							**59,550**	123,211
Share of profits less losses of								
Associated companies	**5,668**	5,544	**16,683**	17,558	—	—	**22,351**	23,102
Jointly controlled entities	**(4,516)**	(463)	**(10,267)**	(4,586)	—	—	**(14,783)**	(5,049)
Profit before taxation							**67,118**	141,264
Taxation							**(7,467)**	(8,727)
Profit for the year							**59,651**	132,537
Segment assets	**545,196**	595,313	**920,426**	336,151	**30,120**	26,553	**1,495,742**	958,017
Investments in associated companies	**21,859**	16,725	**89,318**	86,433	—	—	**111,177**	103,158
Investments in jointly controlled entities	**24,560**	27,847	**81,205**	97,936	—	—	**105,765**	125,783
Unallocated assets							**1,188**	3,548
Total assets							**1,713,872**	1,190,506
Segment liabilities	**125,030**	108,631	**12,725**	1,845	**2,792**	3,081	**140,547**	113,557
Unallocated liabilities							**160,775**	156,597
Total liabilities							**301,322**	270,154
Capital expenditure	**16,583**	12,978	—	3	**148**	13	**16,731**	12,994
Depreciation	**16,326**	15,348	—	30	**284**	408	**16,610**	15,786

Notes to the Financial Statements

5. Turnover, revenue and segment information *(continued)*

Secondary reporting format – geographical segments

	Turnover		Segment result		Total assets		Capital expenditure	
	2006 HK$'000	2005 HK$'000	**2006 HK$'000**	2005 HK$'000	**2006 HK$'000**	2005 HK$'000	**2006 HK$'000**	2005 HK$'000
Hong Kong	**119,811**	124,362	**10,985**	38,178	**1,059,836**	543,516	**5,898**	5,913
North America	**499,359**	432,134	**26,130**	26,297	**81,692**	46,362	**—**	—
U.S.A.	**491,101**	424,801	**26,736**	25,620	**81,692**	46,362	**—**	—
Canada	**8,258**	7,333	**(606)**	677	**—**	—	**—**	—
Europe	**187,063**	130,980	**8,108**	3,927	**69,179**	72,539	**—**	—
Asia	**48,514**	36,276	**9,650**	1,704	**286,223**	299,148	**10,833**	7,081
Other countries	**12,965**	10,189	**(30)**	237	**—**	—	**—**	—
	867,712	733,941	**54,843**	70,343	**1,496,930**	961,565	**16,731**	12,994
Unallocated income less expenses			**(3,850)**	(3,551)				
Gain on disposal of land and buildings			**—**	47,585				
Loss on disposal of a jointly controlled entity			**(3,980)**	(472)				
Operating profit before interest			**47,013**	113,905				
Interest income less finance costs			**12,537**	9,306				
Operating profit			**59,550**	123,211				
Investments in associated companies					**111,177**	103,158		
Investments in jointly controlled entities					**105,765**	125,783		
Total assets					**1,713,872**	1,190,506		

Year ended 31 March

6. Operating profit

Operating profit is stated after crediting and charging the following:

	2006 HK$'000	2005 HK$'000
Crediting:		
Gain on disposal of land and buildings	**—**	47,585
Realised gain on disposal of financial assets at fair value through profit or loss	**8,763**	—
Fair value gain from financial assets at fair value through profit or loss	**7,353**	—
Fair value gain on investment properties	**4,300**	18,918
Realised gain on disposal of other investments	**—**	1,950
Unrealised gain on other investments	**—**	610
Exchange gain	**—**	2,531
Charging:		
Cost of inventories sold	**677,548**	555,524
Depreciation of fixed assets	**16,610**	15,786
Amortisation on leasehold land and land use rights	**984**	913
Loss on disposal of other fixed assets	**2,259**	26
Loss on disposal of investment securities	**—**	161
Loss on disposal of a jointly controlled entity	**3,980**	472
Provision for loan and amount due from a jointly controlled entity	**1,000**	—
Staff costs, including Directors' emoluments *(Note 9)*	**172,579**	162,035
Operating leases rental in respect of land and buildings	**2,018**	1,937
Auditors' remuneration	**1,630**	1,458
Exchange loss	**1,253**	—

7. Directors' and senior management's emoluments

(a) Directors' emoluments

	Fees HK$'000	Salary, allowance and benefit in kind HK$'000	Discretionary bonuses HK$'000	Contribution to provident fund HK$'000	Total HK$'000
Executive Directors					
Mr. Chou Wen Hsien	30	2,040	1,220	—	3,290
Mr. Chow Chung Kai	30	2,040	—	—	2,070
Mr. Chow Wai Wai, John	15	1,300	250	130	1,695
Mr. Chow Ming Shan	15	1,232	—	3,402	4,649
Mr. Tang Hung Yuan	15	1,156	425	2,464	4,060
Mr. Lam Woon Bun	15	656	250	65	986
Mr. Tang Ming Chien, Manning	15	1,300	1,119	2,072	4,506
	135	**9,724**	**3,264**	**8,133**	**21,256**
Independent Non-executive Directors					
Lord Sandberg, Michael Graham Ruddock	30	—	—	—	30
Mr. Yue Kwok Hung, Justin	60	—	—	—	60
Mr. Ho Fook Hong, Ferdinand	75	—	—	—	75
Mr. Yeung Lai Woo	70	—	—	—	70
	235	**—**	**—**	**—**	**235**
Total 2006	**370**	**9,724**	**3,264**	**8,133**	**21,491**
Total 2005	330	9,722	1,981	44	12,077

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group were all Directors of the Company *(2005:four)* and whose emoluments are disclosed above. The emoluments paid to the remaining one individual for the year ended 31 March 2005 are as follows:

	2005 HK$'000
Salaries and other emoluments	1,343
Discretionary bonuses	400
Contribution to provident fund	12
	1,755

8. Finance costs

	2006 HK$'000	2005 HK$'000
Interest expense		
Bank loans and overdrafts	**5,060**	1,148
Other loans	**1,369**	206
	6,429	1,354

No interest has been capitalized during the year *(2005: Nil)*.

Notes to the Financial Statements

9. Staff costs, including Directors' emoluments

	2006 HK$'000	2005 HK$'000
Wages and salaries		
Included in inventories and cost of inventories sold	**93,446**	82,760
Others	**70,484**	75,633
	163,930	158,393
Retirement benefits costs	**5,588**	3,088
Provision for long service payments	**3,061**	554
	172,579	162,035

The Group contributes to a defined contribution mandatory provident fund scheme for those employees in Hong Kong under the age of 65. Certain subsidiaries operate in countries which have central government administered retirement schemes. Contributions are made by the Group at a percentage of employees' relevant salaries.

Contributions totalling HK$3,750,000 *(2005: HK$215,000)* were payable to the schemes at the end of the year and are included in creditors and accruals.

There were no forfeited contributions during the year *(2005: Nil)*.

10. Taxation

Hong Kong profits tax has been provided at the rate of 17.5% *(2005: 17.5%)* on the estimated assessable profits for the year. Overseas taxation has been provided on the estimated assessable profits at rates prevailing in the countries in which the subsidiaries operate.

The amount of taxation charged to the consolidated profit and loss account represents:

	2006 HK$'000	2005 HK$'000
Current taxation:		
Hong Kong profits tax	**3,566**	5,036
Overseas taxation	**721**	477
Under provisions in prior years	**98**	275
Deferred taxation *(Note 34)*	**3,082**	2,939
Taxation charges	**7,467**	8,727

The taxation on the Group's operating profit differs from the theoretical amount that would arise using the Hong Kong taxation rate as follows:

	2006 HK$'000	2005 HK$'000
Operating profit	**59,550**	123,211
Calculated at a taxation rate of 17.5% *(2005: 17.5%)*	**10,421**	21,562
Effect of different taxation rates in other countries	**(206)**	(878)
Income not subject to taxation	**(22,995)**	(17,789)
Expenses not deductible for taxation purposes	**21,077**	4,354
Utilisation of previously unrecognised tax losses	**(702)**	(325)
Temporary differences not recognised	**2,199**	734
Unrecognised tax losses	**2,875**	3,524
Under provisions in prior years	**98**	275
Others	**(5,300)**	(2,730)
Taxation charges	**7,467**	8,727

11. Profit attributable to shareholders

The profit attributable to shareholders is dealt with in the financial statements of the Company to the extent of HK$53,545,000 *(2005: HK$80,429,000)*.

12. Dividends

	2006	2005
	HK$'000	HK$'000
Interim dividend, paid, of HK$0.06 *(2005: HK$0.06)* per share	**15,581**	15,581
Final dividend, proposed, of HK$0.08 *(2005: HK$0.08)* per share	**20,775**	20,775
Special dividend, Nil *(2005: paid HK$0.12)* per share	—	31,162
	36,356	67,518

At a meeting held on 13 July 2006, the Directors of the Company recommended a final dividend of HK$0.08 per share. The proposed final dividend is not reflected as dividends payable in these financial statements, but will be reflected as an appropriation of retained earnings for the year ending 31 March 2007.

13. Earnings per share

The calculation of earnings per share is based on the profit attributable to shareholders of the Company of HK$59,893,000 *(2005: HK$133,451,000)* and 259,685,289 *(2005: 259,685,289)* shares in issue during the year.

Diluted earnings per share is not presented as the Company has no dilutive potential shares as at 31 March 2006 *(2005: Nil)*.

14. Related party transactions

The following is a summary of significant related party transactions which, in the opinion of the Directors of the Company, were carried out in the ordinary and usual course of the Group's business on terms no less favourable to the Group than terms available to or from independent third parties:

	2006	2005
	HK$'000	HK$'000
Sharing of administrative services with associated companies and jointly controlled entities	**1,042**	846
Purchases from jointly controlled entities	**3,140**	3,578
Sales to associated companies and jointly controlled entities	**603**	1,122
Contracting fee to jointly controlled entities	**1,340**	1,055

Notes to the Financial Statements

15. Fixed assets

	Group				Company
	Freehold land and buildings HK$'000	Plant and machinery HK$'000	Others HK$'000	Total HK$'000	Others HK$'000
At cost					
At 1 April 2005	**122,332**	**126,428**	**43,895**	**292,655**	**333**
Translation differences	**1,411**	**2,055**	**261**	**3,727**	**—**
Additions	**3,791**	**9,978**	**2,522**	**16,291**	**—**
Disposals	**(1,450)**	**(5,551)**	**(6,048)**	**(13,049)**	**—**
At 31 March 2006	**126,084**	**132,910**	**40,630**	**299,624**	**333**
Accumulated depreciation					
At 1 April 2005	**58,929**	**87,038**	**31,004**	**176,971**	**184**
Translation differences	**438**	**1,450**	**172**	**2,060**	**—**
Charge for the year	**4,321**	**8,622**	**3,667**	**16,610**	**30**
Disposals	**(1,010)**	**(4,819)**	**(3,927)**	**(9,756)**	**—**
At 31 March 2006	**62,678**	**92,291**	**30,916**	**185,885**	**214**
Net book value					
At 31 March 2006	**63,406**	**40,619**	**9,714**	**113,739**	**119**
At cost					
At 1 April 2004	132,443	117,873	43,156	293,472	330
Translation differences	—	—	5	5	—
Additions	1,700	8,561	2,733	12,994	3
Transfer	(928)	—	—	(928)	—
Disposals	(10,883)	(6)	(1,999)	(12,888)	—
At 31 March 2005	122,332	126,428	43,895	292,655	333
Accumulated depreciation					
At 1 April 2004	59,544	78,920	29,204	167,668	155
Translation differences	—	—	5	5	—
Charge for the year	4,153	8,118	3,515	15,786	29
Transfer	(646)	—	—	(646)	—
Disposals	(4,122)	—	(1,720)	(5,842)	—
At 31 March 2005	58,929	87,038	31,004	176,971	184
Net book value					
At 31 March 2005	63,403	39,390	12,891	115,684	149

16. Investment properties

	Group 2006 HK$'000	Group 2005 HK$'000
At valuation		
Beginning of the year	**19,200**	—
Transfer from fixed assets	**—**	282
Addition	**440**	—
Change in fair value	**4,300**	18,918
End of the year	**23,940**	19,200

Investment properties are held under medium-term leases in Hong Kong and were valued at 31 March 2006 on the open market value basis by Jones Lang LaSalle Limited, an independent professional property valuer.

17. Leasehold land and land use rights

	Group 2006 HK$'000	Group 2005 HK$'000
Net book value at beginning of the year	**51,815**	52,728
Translation differences	**202**	—
Amortisation	**(984)**	(913)
Net book value at the end of the year	**51,033**	51,815

Net book value of leasehold land and land use rights are analysed as follows:

	Group 2006 HK$'000	Group 2005 HK$'000
Held in Hong Kong:		
On long-term leases	**24,909**	25,112
On medium-term leases	**18,977**	19,435
Held outside Hong Kong:		
On medium-term leases	**7,147**	7,268
	51,033	51,815

Notes to the Financial Statements

18. Subsidiaries

	Company 2006 HK$'000	Company 2005 HK$'000
Unlisted shares – at cost	**249,742**	249,742
Loans and amounts due from subsidiaries	**336,321**	350,373
	586,063	600,115

The loans and amounts due from subsidiaries are unsecured, interest free and have no fixed terms of repayment.

Particulars of the principal subsidiaries are set out on pages 52 to 53.

19. Associated companies

	Group 2006 HK$'000	Group 2005 HK$'000
Beginning of the year	**8,206**	1,458
Share of results:		
Profit before taxation	**27,391**	28,269
Taxation	**(5,040)**	(5,167)
	22,351	23,102
Dividends	**(10,050)**	(100)
Share of reserves	**2,283**	(16,254)
	22,790	8,206
Loans and amounts due from associated companies	**88,387**	94,952
Share of net assets	**111,177**	103,158

Loans and amounts due from associated companies are unsecured, interest free and have no fixed terms of repayment.

The share of assets and liabilities of the associated companies attributable to the Group is summarised below:

	2006 HK$'000	2005 HK$'000
Non-current assets	**76,143**	43,994
Current assets	**149,343**	131,129
Current liabilities	**(138,962)**	(133,766)
Non-current liabilities	**(63,734)**	(33,151)
	22,790	8,206

Particulars of the principal associated companies are set out on page 53.

20. Jointly controlled entities

	Group	
	2006	2005
	HK$'000	HK$'000
Beginning of the year	**106,769**	127,034
New investment	**—**	2,027
Share of results:		
Loss before taxation	**(14,553)**	(4,146)
Taxation	**(230)**	(903)
	(14,783)	(5,049)
Dividends	**(3,991)**	(8,824)
Disposals	**(4,918)**	(8,419)
Share of reserves	**2,747**	—
Share of net assets	**85,824**	106,769
Loans and amounts due from jointly controlled entities	**19,941**	19,014
	105,765	125,783

Loans and amounts due from jointly controlled entities are unsecured, interest free and have no fixed terms of repayment.

The share of assets, liabilities and results of the jointly controlled entities attributable to the Group is summarised below:

	2006	2005
	HK$'000	HK$'000
Non-current assets	**91,535**	99,594
Current assets	**76,761**	90,683
Current liabilities	**(82,472)**	(82,909)
Non-current liabilities	**—**	(599)
	85,824	106,769
Income	**134,691**	190,538
Expenses	**(149,244)**	(194,684)
Loss before taxation	**(14,553)**	(4,146)

Particulars of the principal jointly controlled entities are set out on page 53.

Notes to the Financial Statements

21. Available-for-sale financial assets

	Group 2006 HK$'000
Beginning of the year	—
Reclassification from investment securities	73,783
Opening adjustment for the adoption of HKAS 39	386,466
Beginning of the year, as restated	460,249
Additions	5,682
Changes in fair value	102,729
End of the year	568,660
Available-for-sale financial assets include the following:	
Equity investments listed in Hong Kong	567,049
Unlisted equity investments	1,611
	568,660

The carrying amount of interests in the following company exceeded 10% of the total assets of the Company and the Group, respectively.

Name	Place of incorporation	Percentage of ordinary shares held
Dah Sing Financial Holdings Limited	Hong Kong	3.4%

22. Loans and receivables

	Group 2006 HK$'000
Beginning of the year	—
Reclassification from investment securities	84,515
Repayment from investee companies	(7,704)
End of the year	76,811

Loans and receivables due from investee companies are unsecured, interest free and have no fixed terms of repayment.

23. Investment securities

	Group 2005 HK$'000
Unlisted equity investments – at cost	3,057
Loans due from unlisted equity investments	111,780
Provision	(28,711)
	86,126
Equity investments listed in Hong Kong – at cost	74,700
Provision	(2,528)
	72,172
	158,298
Market value of listed equity investments	458,638

The loans due from unlisted equity investments were unsecured, interest free and have no fixed terms of repayment.

24. Inventories

	Group	
	2006	2005
	HK$'000	HK$'000
Raw materials	**66,644**	63,710
Work in progress	**29,195**	29,858
Finished goods	**7,431**	12,667
Stores	**1,429**	1,368
	104,699	107,603

The carrying amount of inventories that are carried at net realisable value amounted to HK$8,841,000 *(2005: HK$6,001,000)*.

25. Debtors and other receivables

	Group	
	2006	2005
	HK$'000	HK$'000
Trade debtors, net of provision	**99,619**	102,723
Other receivables, net of provision	**20,693**	32,110
Prepayments	**18,732**	18,134
	139,044	152,967

The majority of the Group's sales are on the terms of letters of credit at sight or documents against payment. Open accounts or longer credit terms are granted to a few customers with long business relationship and strong financial position. The ageing analysis of trade debtors is as follows:

	Group	
	2006	2005
	HK$'000	HK$'000
Current – 30 days	**65,557**	61,787
31 – 60 days	**23,342**	27,571
Over 60 days	**10,720**	13,365
	99,619	102,723

Include in debtors and other receivables are the following amounts denominated in foreign currencies.

	Group	
	2006	2005
	HK$'000	HK$'000
US Dollar, USD	**56,476**	72,022
Renminbi, RMB	**14,998**	14,294
Euro, EUR	**485**	252
Singapore Dollar, SGD	**257**	1,047
	72,216	87,615

26. Financial assets at fair value through profit or loss

	Group 2006 HK$'000
Equity securities:	
Listed in Hong Kong	**15,528**
Listed outside Hong Kong	**21,257**
Equity linked notes	**216,002**
Managed funds	**6,298**
	259,085

All equity securities listed outside Hong Kong, equity linked notes and managed funds are denominated in US Dollars.

27. Other investments

	Group 2005 HK$'000
Equity securities:	
Listed in Hong Kong	10,618
Listed outside Hong Kong	18,017
Debt securities — quoted outside Hong Kong	4,156
Equity linked notes	122,410
Managed funds	19,025
	174,226

All debt securities quoted outside Hong Kong, equity linked notes and managed funds were denominated in US Dollars. For equity securities listed outside Hong Kong, HK$6,952,000 were denominated in US Dollars and HK$11,065,000 were denominated in Japanese Yen.

28. Creditors and accruals

	Group 2006 HK$'000	Group 2005 HK$'000
Trade creditors	**37,351**	35,797
Other creditors	**37,701**	21,725
Deposits received	**1,392**	1,641
Accruals	**38,368**	29,303
	114,812	88,466

The ageing analysis of trade creditors is as follows:

	Group 2006 HK$'000	Group 2005 HK$'000
Current – 30 days	**28,774**	30,298
31 – 60 days	**4,388**	1,697
Over 60 days	**4,189**	3,802
	37,351	35,797

Include in creditors and accruals are the following amounts denominated in foreign currencies.

	Group 2006 HK$'000	Group 2005 HK$'000
US Dollar, USD	**27,174**	20,100
Renminbi, RMB	**9,754**	7,817
Macau Pataca, MOP	**1,330**	967
Euro, EUR	**733**	154
Malaysian Ringgit, MYR	**771**	723
	39,762	29,761

29. Bank loans and overdrafts

	Group 2006 HK$'000	Group 2005 HK$'000
Unsecured, repayable on demand or within one year	**157,757**	152,822

Bank loans and overdrafts are denominated in Hong Kong dollars and have an average effective interest rate of 4.5% *(2005: 2.4%)* per annum.

30. Share capital

	Ordinary shares of HK$0.50 each	
	No. of shares	**HK$'000**
Authorised:		
At 31 March 2005 and 2006	**600,000,000**	**300,000**
Issued and fully paid:		
At 31 March 2005 and 2006	**259,685,289**	**129,843**

Notes to the Financial Statements

31. Other reserves

	Group								
	Share premium	Capital redemption reserve	Land and buildings revaluation reserve	Investment properties revaluation reserve	Investment revaluation reserve	General reserve	Capital reserve	Exchange fluctuation reserve	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 31 March 2005									
– as previously reported	**306,211**	**775**	**16,763**	**18,918**	**—**	**11,624**	**26,878**	**157**	**381,326**
– adjustment on adoption of the new HKFRSs	**—**	**—**	**(16,763)**	**(18,918)**	**—**	**—**	**—**	**—**	**(35,681)**
At 31 March 2005, as restated	**306,211**	**775**	**—**	**—**	**—**	**11,624**	**26,878**	**157**	**345,645**
Opening adjustment for the adoption of HKAS 39	**—**	**—**	**—**	**—**	**386,466**	**—**	**—**	**—**	**386,466**
At 1 April 2005, as restated	**306,211**	**775**	**—**	**—**	**386,466**	**11,624**	**26,878**	**157**	**732,111**
Exchange differences arising from translation of the accounts of foreign subsidiaries, associated companies and jointly controlled entities	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**3,116**	**3,116**
Exchange fluctuation reserve realised on disposal of a jointly controlled entity	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**4,501**	**4,501**
Exchange fluctuation reserve written back to retained earnings	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**(8,761)**	**(8,761)**
Change in fair value of available-for-sale financial assets	**—**	**—**	**—**	**—**	**105,930**	**—**	**—**	**—**	**105,930**
At 31 March 2006	**306,211**	**775**	**—**	**—**	**492,396**	**11,624**	**26,878**	**(987)**	**836,897**
At 31 March 2004									
– as previously reported	306,211	775	22,267	—	—	11,624	26,878	226	367,981
– adjustment on adoption of the new HKFRSs	—	—	(16,763)	—	—	—	—	—	(16,763)
At 31 March 2004, as restated	306,211	775	5,504	—	—	11,624	26,878	226	351,218
Exchange differences arising from translation of the accounts of foreign subsidiaries, associated companies and jointly controlled entities	—	—	—	—	—	—	—	2,039	2,039
Transfer on disposal of land and buildings	—	—	(5,504)	—	—	—	—	—	(5,504)
Exchange fluctuation reserve realised on disposal of a jointly controlled entity	—	—	—	—	—	—	—	1,085	1,085
Exchange fluctuation reserve written back to retained earnings	—	—	—	—	—	—	—	(3,193)	(3,193)
At 31 March 2005, as restated	306,211	775	—	—	—	11,624	26,878	157	345,645

31. Other reserves *(continued)*

	Company 2006 HK$'000	Company 2005 HK$'000
Share premium	**306,211**	306,211
Capital redemption reserve	**775**	775
Capital reserve	**17,966**	17,966
	324,952	324,952

	Group 2006 HK$'000	Group 2005 HK$'000
The Group's share of the undistributed post-acquisition reserves of associated companies comprises:		
Investment revaluation reserve	**3,201**	—
Capital reserve	**1,651**	1,651
Exchange fluctuation account	**8,266**	9,281
	13,118	10,932
The Group's share of the undistributed post-acquisition reserves of jointly controlled entities comprises:		
Exchange fluctuation account	**1,871**	1,199

32. Retained earnings

	Group		Company	
	2006	2005	**2006**	2005
	HK$'000	HK$'000	**HK$'000**	HK$'000
Beginning of the year				
– as previously reported	**419,769**	355,705	**144,912**	126,808
– adjustment on adoption of the new HKFRSs	**23,173**	7,414	**—**	—
Beginning of the year, as restated	**442,942**	363,119	**144,912**	126,808
Transfer from land and buildings revaluation reserve	**—**	5,504	**—**	—
Profit for the year	**59,893**	133,451	**53,545**	80,429
Prior year final dividend paid	**(20,775)**	(20,775)	**(20,775)**	(20,775)
Prior year special dividend paid	**(31,162)**	(25,969)	**(31,162)**	(25,969)
Interim dividend paid *(Note 12)*	**(15,581)**	(15,581)	**(15,581)**	(15,581)
Write back of exchange fluctuation reserve	**8,761**	3,193	**—**	—
End of the year	**444,078**	442,942	**130,939**	144,912
Represented by:-				
Retained earnings	**423,303**	391,005	**110,164**	92,975
Final dividend proposed *(Note 12)*	**20,775**	20,775	**20,775**	20,775
Special dividend proposed *(Note 12)*	**—**	31,162	**—**	31,162
	444,078	442,942	**130,939**	144,912

Reserves available for distribution to shareholders by the Company (as calculated under the provisions of section 79B of the Hong Kong Companies Ordinance) as at 31 March 2006 amounted to HK$130,939,000 *(2005: HK$144,912,000)*.

Exchange fluctuation reserve which has been written off to retained earnings as at 31 March 2006 accumulated to HK$22,510,000.

33. Provision for long service payments and retirement benefits

	Group		Company	
	2006	2005	**2006**	2005
	HK$'000	HK$'000	**HK$'000**	HK$'000
Provision for long service payments				
Beginning of the year	**23,124**	23,835	**145**	145
Additional/(write back of) provisions	**3,061**	554	**(42)**	—
Less: Amounts utilised	**(6,768)**	(1,265)	**—**	—
End of the year	**19,417**	23,124	**103**	145
Provision for retirement benefits	**4,464**	—	**—**	—
	23,881	23,124	**103**	145

The Group has made provision for long service payments based on a calculation of the statutory payment required for each employee as at the balance sheet date by applying the relevant legal provisions. The calculation is re-performed at each balance sheet date and the provision is adjusted accordingly to reflect the obligations at that date.

HKAS 19 "Employee Benefits" provides that provision for long service payments be based on actuarial valuation. However, the Directors are of the opinion that given the business environment in which the Group operates, the current provision in the financial statements is a more prudent estimate of the obligation than the actuarial valuation.

34. Deferred taxation

Deferred taxation is calculated in full on temporary differences under the liability method using a principal taxation rate of 17.5% *(2005: 17.5%)*

	Group	
	2006	2005
	HK$'000	HK$'000
Net deferred tax charged to profit and loss account	**3,082**	2,939

The movements in deferred tax assets and liabilities (prior to offsetting of balances within the same taxation jurisdiction) during the year are as follows:

Deferred tax assets

	Group						Company	
	Tax losses		Provisions		Total			
	2006	2005	**2006**	2005	**2006**	2005	**2006**	2005
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Beginning of the year	**4,862**	3,178	**2,834**	2,505	**7,696**	5,683	—	—
(Charged)/credited to profit and loss account	**(1,007)**	1,684	**(1,166)**	329	**(2,173)**	2,013	—	—
End of the year	**3,855**	4,862	**1,668**	2,834	**5,523**	7,696	—	—

Deferred tax liabilities

	Group						Company	
	Accelerated depreciation		Revaluation of investment properties		Total		Accelerated depreciation	
	2006	2005	**2006**	2005	**2006**	2005	**2006**	2005
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Beginning of the year	**4,585**	2,944	**3,311**	—	**7,896**	2,944	**7**	18
Charged/(credited) to profit and loss account	**156**	1,641	**753**	3,311	**909**	4,952	**1**	(11)
End of the year	**4,741**	4,585	**4,064**	3,311	**8,805**	7,896	**8**	7

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The following amounts, determined after appropriate offsetting, are shown separately on the balance sheet.

	Group		Company	
	2006	2005	**2006**	2005
	HK$'000	HK$'000	**HK$'000**	HK$'000
Deferred tax assets	**855**	3,093	—	—
Deferred tax liabilities	**(4,137)**	(3,293)	**(8)**	(7)
	(3,282)	(200)	**(8)**	(7)

Deferred tax assets are recognised for tax losses carried forward to the extent that realisation of the related tax benefits through the future taxable profits are probable.

Deferred tax assets of HK$22,245,000 *(2005: HK$20,178,000)* arising from tax losses of HK$127,115,000 *(2005: HK$115,300,000)* have not been recognised and these tax losses have no expiry date.

Notes to the Financial Statements

35. Capital commitments

The Group and the Company did not have any material capital commitments at 31 March 2006 *(2005: Nil)*.

36. Lease commitments

	Group	
	2006	2005
	HK$'000	HK$'000
The future aggregate minimum lease payments under non-cancelable operating leases for land and buildings are payable as follows:		
Not later than one year	**1,453**	1,436
Later than one year and not later than five years	**167**	1,400
	1,620	2,836

37. Future lease receipts

	Group	
	2006	2005
	HK$'000	HK$'000
The future minimum lease receipts under non-cancelable operating leases in respect of other properties are receivable as follows:		
Not later than one year	**972**	1,061
Later than one year and not later than five years	**527**	1,046
	1,499	2,107

38. Contingent liabilities

	Group		Company	
	2006	2005	**2006**	2005
	HK$'000	HK$'000	**HK$'000**	HK$'000
Bills discounted with recourse	**1,203**	4,320	—	—
Guarantees given in respect of banking facilities granted to:				
Subsidiaries	—	—	**727,141**	677,141
Associated companies and a jointly controlled entity	**32,850**	33,850	**32,850**	32,850
	34,053	38,170	**759,991**	709,991

39. Notes to the consolidated cash flow statement

(a) Reconciliation of operating profit to net cash generated from/(used in) operations

	2006 HK$'000	2005 HK$'000
Operating profit	**59,550**	123,211
Depreciation	**16,610**	15,786
Gain on disposal of land and buildings	—	(47,585)
Loss on disposal of fixed assets	**2,257**	26
Amortisation of leasehold land and land use rights	**984**	913
Loss on disposal of a jointly controlled entity	**3,980**	472
Provision for loans and amount due from a jointly controlled entity	**1,000**	—
Loss on disposal of investment securities	—	161
Interest income	**(18,966)**	(10,660)
Interest expenses	**6,429**	1,354
Exchange translation differences	**(2,399)**	(2,300)
Operating profit before working capital changes	**69,445**	81,378
Increase in fair value of investment properties	**(4,300)**	(18,918)
Decrease/(increase) in inventories	**2,904**	(5,206)
Decrease/(increase) in debtors and other receivables	**17,991**	(27,003)
Increase in financial assets at fair value through profit or loss/other investments	**(84,858)**	(66,183)
Increase/(decrease) in creditors and accruals	**25,916**	(1,918)
Increase/(decrease) in provision for long service payments and retirement benefits	**758**	(711)
Net cash generated from/(used in) operations	**27,856**	(38,561)

(b) Analysis of changes in financing

	Minority interests		Bank loans	
	2006 HK$'000	2005 HK$'000	2006 HK$'000	2005 HK$'000
Beginning of the year	**1,922**	2,836	**35,700**	20,000
Cash (outflow)/inflow from financing	—	—	**(35,700)**	15,700
Minority interests in share of losses	**(242)**	(914)	—	—
Exchange difference	**52**	—	—	—
End of the year	**1,732**	1,922	—	35,700

(c) Analysis of bank loans

	2006 HK$'000	2005 HK$'000
Bank loans and overdrafts *(Note 29)*	**157,757**	152,822
Less: Amount included under cash and cash equivalents	**(157,757)**	(117,122)
	—	35,700

40. Ultimate holding company

The Directors of the Company regard Super-Rich Finance Limited, a company incorporated in the British Virgin Islands, as the ultimate holding company of the Company.

41. Approval of financial statements

The financial statements set out on pages 17 to 53 were approved by the Board of Directors on 13 July 2006.