1. CORPORATE INFORMATION

Rising Development Holdings Limited was incorporated in Bermuda on 8th August, 1997 as an exempted company with limited liability under the Companies Act (as amended) of Bermuda. The principal office of the company is located at 16th Floor, World Tech Centre, 95 How Ming Street, Kwun Tong, Kowloon, Hong Kong.

During the year, the Group was engaged in investment holding, the manufacture and sale of fur garments and the sale of fur skins.

In the opinion of the directors, the ultimate holding company is Rising Global Asset Limited, which is incorporated in the British Virgin Islands ("BVI").

The financial statements are presented in Hong Kong dollars which is the same as the functional currency of the company. All values are rounded to the nearest thousand except when otherwise indicated.

2. BASIS OF PREPARATION AND CONSOLIDATION

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs") (which also includes Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for buildings, investment properties and certain financial assets, which have been measured at fair value.

The consolidated financial statements included the financial statements of the company and its subsidiaries of the year ended 31st March, 2006. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All significant intercompany transactions and balances within the Group are eliminated on consolidation.

3. IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

The following new and revised HKFRSs affect the Group and are adopted for the first time for the current year's financial statements:

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

3. IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

HKAS 17	Leases
HKAS 18	Revenues
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 28	Investments in Associates
HKAS 32	Financial Instruments: Disclosure 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 Payment
HKFRS 3	Business Combinations
HK(SIC)-Int 21	Income Taxes-Recovery of Revalued Non-depreciable Assets
HKAS-Int 4	Leases-Determination of the Length of Lease Term in respect of Hong Kong Land Leases

The adoption of HKASs 1, 2, 7, 8, 10, 12, 14, 16, 18, 19, 21, 23, 27, 28, 33, 36, 37, HKFRS 2, 3 and HKAS-Int 4 has had no material impact on the accounting policies of the Group and the Company and the methods of computation in the Group's and the Company's financial statements.

HKAS 24 has expanded the definition of related parties and affected the Group's related party disclosures.

The impact of adopting the other HKFRSs is summarized as follows:

(a) HKAS 17 – Leases

In prior years, leasehold land and buildings held for own use were included in property, plant and equipment and measured using the revaluation method. In the current year, the Group has applied HKAS 17 "Leases". Under HKAS 17, the land and building elements of a lease of land and buildings are considered separately for the purposes of lease classification. To the extent that the allocation of the lease payments between the land and buildings elements can be made reliably, the leasehold interests in land are reclassified to prepaid land lease payments under operating leases, which are carried at cost and amortised over the lease term on a straight-line basis. The surplus on revaluation in respect of the land interests accounted for as property, plant and equipment previously recognised in the asset revaluation reserve was adjusted retrospectively. Comparative figures for 2005 have been restated (see note 5 for the financial impact).

3. IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

(b) HKAS 32 and HKAS 39 – Financial instruments

In the current year, the Group has applied HKAS 32 "Financial Instruments: Disclosure and Presentation" and HKAS 39 "Financial Instruments: Recognition and Measurement". HKAS 39, which is effective for accounting periods beginning on or after 1st January, 2005, generally does not permit to recognise, derecognise or measure financial assets and liabilities on a retrospective basis. The principal effects resulting from the implementation of HKAS 32 and HKAS 39 are summarized below:

Classification and measurement of financial assets and financial liabilities

The Group has applied the relevant transitional provision in HKAS 39 with respect to classification and measurement of financial assets and financial liabilities that are within the scope of HKAS 39.

At 31st March, 2005, the Group classified and measured its debt and equity securities in accordance with the alternative treatment of Statement of Standard Accounting Practice ("SSAP") 24. Under SSAP 24, investments in debt or equity securities are classified as "trading securities", "non-trading securities" or "held-to-maturity investments" as appropriate. Both "trading securities" and "non-trading securities" under other investments are measured at fair value. Unrealised gains or losses of "trading securities" are reported in the profit or loss for the year in which gains or losses arise. Unrealised gains or losses of "non-trading securities" are reported in equity until the securities are sold or determined to be impaired, at which time the cumulative gain or loss previously recognised in equity is included in the profit or loss for that year. From 1st April, 2005 onwards, the Group classifies and measures its debt and equity securities in accordance with HKAS 39. Under HKAS 39, financial assets are classified as "financial assets at fair value through profit or loss", "available-for-sale financial assets", "loans and receivables" or "held-to-maturity financial assets". "Financial assets at fair value through profit or loss" that are not part of the hedging relationship and "available-for-sale financial assets" are carried at fair value, with changes in fair values recognised in profit or loss and equity respectively. "Loans and receivables" and "held-to-maturity financial assets" are measured at amortised cost using the effective interest method.

Financial assets and financial liabilities other than debt and equity securities

From 1st April, 2005 onwards, the Group classifies and measures its financial assets and financial liabilities other than debt and equity securities (which were previously outside the scope of SSAP 24) in accordance with the requirements of HKAS 39. As mentioned above, financial assets under HKAS 39 are classified as "financial assets at fair value through profit or loss", "available-for-sale financial assets", "loans and receivables" or "held-to-maturity financial assets". Financial liabilities are generally classified as "financial liabilities at fair value through profit or loss" or "financial liabilities other than financial liabilities at fair value through profit or loss (other financial liabilities)". "Other financial liabilities" are carried at amortised cost using the effective interest method.

3. IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

(c) HKFRS 2 – Share-based payment

The Group has adopted the transitional provisions of HKFRS 2 under which the new measurement policies have not been applied to (i) options granted to employees on or before 7th November, 2002; and (ii) options granted to employees after 7th November, 2002 but which had vested before 1st April, 2005.

As the Group granted options to employees before 7th November, 2002 and did not have any employee share options which were granted during the period from 7th November, 2002 to 31st March, 2005 but had not yet vested as at 1st April, 2005, the adoption of HKFRS 2 has had no impact on the retained profits as at 31st March, 2004 and at 31st March, 2005.

(d) HK(SIC)-Int 21 – Income taxes – recovery of revalued non-depreciable assets

In previous periods, deferred tax consequences in respect of revalued investment properties were assessed on the basis of the tax consequence that would follow from recovery of the carrying amount of the properties through sale in accordance with the predecessor Interpretation (SSAP-Interpretation 20). In the current year, the Group has applied HKAS Interpretation 21 "Income taxes – recovery of revalued non-depreciable assets", which removes the presumption that the carrying amounts of investment properties are to be recovered through sale. Therefore, the deferred tax consequences of the investment properties are now assessed on the basis that reflect the tax consequences that would follow from the manner in which the Group expects to recover the property at each balance sheet date. In the absence of any specific transitional provisions in HKAS Interpretation 21, this change in accounting policy has been applied retrospectively. Comparative figures have been restated (see note 5 for the financial impact).

4. IMPACT OF ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements. Unless otherwise stated, these HKFRSs are effective for annual periods beginning on or after 1st April, 2006:

HKAS 1 Amendment	Capital Disclosures
HKAS 21 Amendment	Net Investment in a Foreign Operation
HKAS 39 Amendment	Cash Flow Hedge Accounting of Forecast Intragroup Transactions
HKAS 39 Amendment	The Fair Value Option
HKAS 39 & HKFRS 4 Amendments	Financial Guarantee Contracts
HKFRS 7	Financial Instruments: Disclosures
HK(IFRIC)-Int 4	Determining whether an Arrangement contain a Lease

4. IMPACT OF ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

HKAS 1 Amendment shall be applied for annual periods beginning on or after 1st January, 2007. The revised standard will affect the disclosures about qualitative information about the Group's objective, policies and processes for managing capital; quantitative data about what the Company regards as capital; and compliance with any capital requirements and the consequences of any non-compliance.

HKFRS 7 incorporates the disclosure requirements of HKAS 32 relating to financial instruments. This HKFRS shall be applied for annual periods beginning on or after 1st January, 2007.

In accordance with the amendments to HKAS 39 regarding financial guarantee contracts, financial guarantee contracts are initially recognised at fair value and are subsequently measured at the higher of (i) the amount determined in accordance with HKAS 37 and (ii) the amount initially recognised, less, when appropriate, cumulative amortisation recognised in accordance with HKAS 18.

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

5. SUMMARY OF THE EFFECTS OF THE CHANGES IN ACCOUNTING POLICIES

The effects of the changes in accounting policies described above on the results for the current and prior years are as follows:

	2006	2005
	HK$'000	*HK$'000*
Effect on adopting HKAS 17	**17**	(108)
Increase in deferred taxation in relation to fair value gains on investment properties	**(793)**	(888)
Decrease in profit for the year	**(776)**	(996)

5. SUMMARY OF THE EFFECTS OF THE CHANGES IN ACCOUNTING POLICIES *(Continued)*

The Group

The cumulative effects of the application of the new HKFRSs on 31st March, 2005 and 1st April, 2005 are summarized below:

	As at 31.3.2005 *HK$'000* (originally stated)	**Adjustments** *HK$'000* *(Note)*	**As at 31.3.2005** *HK$'000* (restated)	**Adjustments** *HK$'000*	**As at 1.4.2005** *HK$'000* (restated)
Property, plant and equipment	19,738	(12,630)	7,108	–	7,108
Prepaid land lease payments	–	950	950	–	950
Investment properties	20,480	–	20,480	–	20,480
Impact of HKAS39					
Other investments	112,724	–	112,724	(112,724)	–
Available-for-sale financial assets	–	–	–	112,724	112,724
Deferred taxation liabilities	(1,714)	243	(1,471)	–	(1,471)
Other assets/liabilities	115,937	–	115,937	–	115,937
Net assets	267,165	(11,437)	255,728	–	255,728
Share capital	39,826	–	39,826	–	39,826
Retained profits	147,854	(4,933)	142,921	–	142,921
Asset revaluation reserve	9,099	(6,504)	2,595	–	2,595
Other reserves	70,386	–	70,386	–	70,386
Total equity	267,165	(11,437)	255,728	–	255,728

Note: The amounts represent adjustments to comparative figures for 2005 arising from (i) recognition of deferred taxation in respect of revalued investment properties in accordance with HK(SIC) INT–21 and (ii) reclassification of leasehold interests in land to prepaid land lease payments under operating leases according to HKAS 17. These changes of accounting policies have been applied retrospectively.

5. SUMMARY OF THE EFFECTS OF THE CHANGES IN ACCOUNTING POLICIES *(Continued)*

The financial effects of the application of the new HKFRSs to the Group's equity on 1st April, 2004 are summarized below:

	As originally stated	**Adjustments**	**As restated**
	HK$'000	*HK$'000*	*HK$'000*
Share capital	39,826	–	39,826
Retained profits	126,401	(1,406)	124,995
Asset revaluation reserve	1,631	(1,631)	–
Other reserves	101,921	–	101,921
Total equity	269,779	(3,037)	266,742

6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Revenue recognition:

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

a) on the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;

b) rental income, on a time proportion basis over the lease terms;

c) interest income, on an accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial assets.

d) dividend income, when the right to receive payment is established.

Subsidiaries:

A subsidiary is a company whose financial and operating policies the Company controls, directly or indirectly, so as to obtain benefits from its activities.

The results of subsidiaries are included in the Company's profit and loss account to the extent of dividends received and receivable. The Company's interests in subsidiaries are stated at cost less any impairment losses.

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

Associate:

An associate is an entity, not being a subsidiary or a jointly-controlled entity, in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence.

The Group's share of the post-acquisition results of an associate is included in the consolidated profit and loss account. The Group's interest in an associate is stated in the consolidated balance sheet at the group's share of net assets under the equity method of accounting, less any impairment losses.

Impairment of assets:

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, financial assets, deferred tax assets, investment properties and goodwill), the asset's recoverable amount is estimated. An asset's recoverable amount is calculated as the higher of the asset's or cash-generating unit's value in use and its fair value less costs to sell, and is determined for an individual asset, unless the asset does not generate cash inflows, that are largely independent of those from other assets or groups of assets, in which case, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimate future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the profit and loss account in the year in which it arises.

An assessment is made at each reporting date to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, however not to an amount higher than the carrying amount that would have been determined (net of any depreciation/ amortisation), had no impairment loss been recognised for the asset in prior years. A reversal of such impairment loss is credited to the profit and loss account in the period in which is arises.

Related parties:

A party is considered to be related to the Group if:

a) the party, directly or indirectly through one or more intermediaries, (i) controls, is controlled by, or is under common control with, the Group; (ii) has an interest in the Group that gives it significant influence over the Group; or (iii) has joint control over the Group.

b) the party is an associate;

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

Related parties: *(Continued)*

A party is considered to be related to the Group if: *(Continued)*

c) the party is a jointly-controlled entity;

d) the party is a member of the key management personnel of the Group or its parent;

e) the party is a close member of the family of any individual referred to in (a) or (d); or

f) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e).

Property, plant and equipment:

Property, plant and equipment are stated at cost or valuation less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the profit and loss account in the period in which it is incurred. In situations 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 the property, plant and equipment, and where the cost of the item can be measured reliably, the expenditure is capitalised as an additional cost of that asset or as a replacement.

Buildings are stated in the balance sheet at their revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and any subsequent accumulated impairment losses. Revaluations are performed with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair values at the balance sheet date.

Any revaluation increase arising on revaluation of buildings is credited to the asset revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised as an expense, in which case the increase is credited to the profit and loss account to the extent of the decrease previously charged. A decrease in net carrying amount arising on revaluation of an asset is dealt with as an expense to the extent that it exceeds the balance, if any, on the asset revaluation reserve relating to a previous revaluation of that asset. On the subsequent sale or retirement of a revalued asset, the attributable revaluation surplus is transferred to retained profits.

Depreciation is calculated on the straight-line basis to write off the cost or valuation of each property, plant and equipment to its residual value over its estimated useful life. The principal annual rates are used for this purpose are as follows:

Buildings	The shorter of the lease terms and 50 years
Leasehold improvements	The shorter of the lease terms and 5 years
Plant and machinery	3 to 5 years
Furniture, fixtures and motor vehicles	3 to 5 years

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

Property, plant and equipment: *(Continued)*

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately.

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 of when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the profit and loss account in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Investment properties:

Investment properties are interests in land and buildings held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the balance sheet date.

Gains or losses arising from changes in the fair values of investment properties are included in the profit and loss account in the year in which they arise.

Any gains or losses on the retirement or disposal of an investment property are recognised in the profit and loss account in the year of the retirement or disposal.

Leases:

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title are accounted for as finance 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 finance 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 profit and loss account 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 lessor, assets leased by the Group under operating leases are included in non-current assets and rentals receivable under the operating leases are credited to the profit and loss account on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under the operating leases are charged to the profit and loss account on the straight-line basis over the lease terms.

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

Leases: *(Continued)*

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms. When the lease payments cannot be allocated reliably between the land and buildings elements, the entire lease payments are included in the cost of the land and buildings as a finance lease in property, plant and equipment.

Investments and other financial assets:

Applicable to the year ended 31st March, 2005:

The Group classified its equity and debt investments, other than subsidiaries, as other investments.

Applicable to the year ended 31st March, 2006:

Financial assets in the scope of HKAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables or available-for-sale financial assets, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs. The Group determines the classification of its financial assets after initial recognition and, where allowed and appropriate, re-evaluates this designation at the balance sheet date.

All regular way purchases and sales of financial assets are recognised on the trade date i.e., the date that the Group commits to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Financial assets at fair value through profit or loss

Financial assets classified as held for trading are included in the category "financial assets at fair value through profit or loss". Financial assets are classified as held for trading if they are acquired for the purpose of sale the near term. Gains or losses on investments held for trading are recognised in the profit and loss account.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest method. Gains and losses are recognised in the profit and loss account when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

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

Investments and other financial assets: *(Continued)*

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative that are either designated or not classified as any of the other categories. At each balance sheet date subsequent to initial recognition, available-for-sale financial assets are measured at fair value. Changes in fair value are recognised in equity, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously recognised in equity is removed from equity and recognised in profit or loss. Any impairment losses on available-for-sale financial assets are recognised in profit or loss. Impairment losses on available-for-sale equity investments will not reverse to profit or loss in subsequent periods. For available-for-sale debt investments, impairment losses are subsequently reversed if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, they are measured at cost less any identified impairments losses at each balance sheet date subsequent to initial recognition. An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired. The amount of the impairment loss is measured as the difference between the carrying amount of the asset and the present value of the estimated future cash flows discounted at the current market rate of return for similar financial asset. Such impairment losses will not reverse in subsequent periods.

Impairment of financial assets (applicable to the year ended 31st March, 2006):

The Group assesses at each balance sheet date whether there is any objective evidence that a financial asset or a group of financial assets is impaired.

Assets carried at amortised cost

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced either directly or through the use of an allowance account. The amount of the impairment loss is recognised in profit or loss.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in the profit and loss account, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

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

Investments and other financial assets: *(Continued)*

Assets carried at cost

If there is objective evidence that an impairment loss on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discontinued at the current market rate of return for a similar financial asset. Impairment losses on these assets are not reversed.

Available-for-sale financial assets

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss, is transferred from equity to the profit and loss account. Impairment losses on equity instruments classified as available-for-sale are not reversed through profit or loss.

Derecognition of financial assets (applicable to the year ended 31st March, 2006):

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- the rights to receive cash flows from the asset have expired;
- the Group retains the rights to receive cash flows from the asset, but has assumed an obligation to pay in full without material delay to a third party under a "pass-through" arrangement; or
- the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Where continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the Group's continuing involvement is the amount of the transferred asset that the Group may repurchase, except in the case of a written put opinion (including a cash-settled option or similar provision) on an asset measured at fair value, where the extent of the Group's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

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

Investments and other financial assets: *(Continued)*

Interest-bearing loans and borrowings

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

Gains and losses are recognised in net profit or loss when the liabilities are derecognised as well as through the amortisation process.

Derecognition of financial liabilities (applicable to the year ended 31st March, 2006):

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

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 a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in profit or loss.

Income tax:

Income tax comprises current and deferred tax. Income tax is recognised in the profit and loss account, or in equity if it relates to items that are recognised in the same or a different period, directly in equity.

Current tax assets and liabilities for the current and prior years are measured at the amount expected to be recovered from or paid to the taxation authorities.

Deferred tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- where the deferred tax liability arises from goodwill or the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associate, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

Income tax: *(Continued)*

Deferred tax assets are recognised for all deductible temporary differences, carryforward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised except:

- where the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associate, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Conversely, previously unrecognised deferred tax assets are reassessed at each balance sheet date and are recognised to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Employee benefits:

i) The Group operates a defined contribution retirement benefits scheme for those employees who are eligible and have elected to participate in the scheme. The assets of the scheme are held separately from those of the Group in an independently administered fund. Contributions are made based on a percentage of the participating employees' basic salaries and are charged to the profit and loss account as they become payable in accordance with the rules of the scheme. When an employee leaves the scheme prior to his/her interest in the Group's employer contributions vesting fully, the ongoing contributions payable by the Group may be reduced by the relevant amount of forfeited contributions.

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

Employee benefits: *(Continued)*

In addition, the Group also operates a defined contribution Mandatory Provident Fund ("MPF") retirement benefit scheme under the Mandatory Provident Fund Schemes Ordinance. Contributions to the MPF scheme are made based on a percentage of the employees' basic salaries and are charged to the profit and loss account as they become payable in accordance with the rules of the MPF scheme. The Group's employer contributions are fully and immediately vested in favour of the employees.

ii) The Company's subsidiaries which operate in the Mainland are required to pay social security insurance premium to local authority for their employees. The insurance premium is calculated at certain percentage on the staff payroll. Social security insurance can provide retirement and unemployment benefits to the employees.

Inventories:

Inventories are stated at the lower of cost and net realisable value after allowances for obsolete or slow-moving items. Cost is determined on the first-in, first-out basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads based on a normal level of operating activity. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Foreign currencies:

These financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions are initially recorded using the functional currency rates ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the balance sheet date. All differences are taken to profit or loss. Non-monetary items that are measured in the 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 Hong Kong dollar. As at the balance sheet date, the assets and liabilities of these entities are translated into the presentation currency of the Company at the exchange rates ruling at the balance sheet date and, their profit and loss accounts are translated into Hong Kong dollars at the weighted average exchange rates for the year. The resulting exchange differences are included in the exchange fluctuation reserve. On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the profit and loss account.

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

Foreign currencies: *(Continued)*

For the purpose of the consolidated cash flow statement, the cash flows of overseas subsidiaries are translated into Hong Kong dollars at the exchange rates at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated to Hong Kong dollars at the weighted average exchange rates for the year.

Equity share-based payment transactions:

The fair value of services received determined by reference to the fair value of share options granted at the grant date is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (Employee share-based compensation reserve).

At the time when the share options are exercised, the amount previously recognised in employee share-based compensation reserve will be transferred to share premium. When the share options are still not exercised at the expiry date, the amount previously recognised in employee share-based compensation reserve will be transferred to retained profits.

Cash and cash equivalents:

For the purpose of the consolidated cash flow statement, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

Provisions:

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the balance sheet date of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the profit and loss account.

Dividends:

Interim dividends are simultaneously proposed and declared, because the Company's bye-laws grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

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

Dividends: *(Continued)*

Final dividends proposed by the directors are classified as a separate allocation of retained profits within capital and reserves in the balance sheet, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

7. SUMMARY ACCOUNTING JUDGEMENTS AND ESTIMATES

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements.

Operating lease commitments – Group as lessor

The Group has entered into commercial property leases on its investment property portfolio. The Group has determined that it retains all the significant risks and rewards of ownership of these properties which are leased out on operating leases.

Classification between investment properties and owner-occupied properties

The Group determines whether a property qualifies as an investment property, and has developed criteria in making that judgement. Investment property is a property held to earn rentals or for capital appreciation or both. Therefore, the Group considers whether a property generates cash flows largely independently of the other assets held by the Group.

Impairment assessment for trade receivables

The policy for impairment assessment for trade receivables of the Group is based on the evaluation of collectability and an aging analysis of trade receivables and on the judgement of the management. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each customer. If the financial conditions of customers of the Group are deteriorate, resulting in an impairment of their ability to make payments, additional provision may be required.

8. SEGMENT INFORMATION

Segment information is presented by way of two segment formats: (i) on a primary segment reporting basis, by business segment; and (ii) on a secondary segment reporting basis, by geographical segment.

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 other business segments. Summary details of the business segments are as follows:

a) Manufacture and sales of fur garments.

b) Trading of fur skins.

c) Investments comprise dividend and interest income from investments and gain or loss on investments.

d) Others comprise rental income from investment properties and the Group's management services business, which provide management services to Group companies.

In determining the Group's geographical segments, revenues and results 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.

Intersegment sales and transfers are transacted at the terms agreed between the parties and with reference to third party prices.

8. SEGMENT INFORMATION

a) Business segments:

The following tables present revenue, profit and expenditure, certain asset and liability information for the Group's business segments.

2006	Manufacture and sales of fur garments *HK$'000*	Trading of fur skins *HK'000*	Investments *HK$'000*	Others *HK'$000*	Eliminations *HK$'000*	Consolidated *HK$'000* (restated)
Segment revenue:						
Sales to external customers	**71,155**	**92,526**	**–**	**–**	**–**	**163,681**
Intersegment sales	**–**	**39,934**	**–**	**–**	**(39,934)**	**–**
Other revenue	**807**	**2,027**	**37,066**	**5,104**	**(4,388)**	**40,616**
Total revenue	**71,962**	**134,487**	**37,066**	**5,104**	**(44,322)**	**204,297**
Segment results	**9,156**	**5,622**	**35,130**	**6,279**		**56,187**
Interest income						**1,169**
Unallocated expenses						**(1,496)**
Profit from operating activities						**55,860**
Finance costs						**(2,782)**
Share of loss of an associate						**(48)**
Profit before tax						**53,030**
Tax						**(6,604)**
Profit attributable to shareholders						**46,426**
2005						
Segment revenue:						
Sales to external customers	72,358	111,913	–	–	–	184,271
Intersegment sales	–	47,876	–	–	(47,876)	–
Other revenue	1,082	2,038	20,669	4,238	(4,049)	23,978
Total revenue	73,440	161,827	20,669	4,238	(51,925)	208,249
Segment results	11,206	10,551	17,065	5,637		44,459
Interest income						892
Unallocated expenses						(1,350)
Profit from operating activities						44,001
Finance costs						(396)
Profit before tax						43,605
Tax						(3,774)
Profit attributable to shareholders						39,831

8. SEGMENT INFORMATION *(Continued)*

a) Business segments: *(Continued)*

2006	**Manufacture and sales of fur garments** *HK$'000*	**Trading of fur skins** *HK$'000*	**Investments** *HK$'000*	**Others** *HK$'000*	**Eliminations** *HK$'000*	**Consolidated** *HK$'000* (restated)
Segment assets	**44,490**	**59,551**	**280,961**	**54,357**	**(10,450)**	**428,909**
Segment liabilities	**(36,814)**	**(47,680)**	**(62,616)**	**(4,953)**	**10,450**	**(141,613)**
Unallocated liabilities						**(6,937)**
Finance lease payable	**(10)**	**–**	**–**	**–**		**(10)**
Total liabilities						**(148,560)**
Other segment information:						
Depreciation	**606**	**–**	**–**	**–**		**606**
Capital expenditure	**64**	**–**	**–**	**–**		**64**
Net realised gain on investments in financial assets at fair value through profit or loss	**–**	**–**	**7,125**	**–**		**7,125**
Net realised gain on investments in available-for-sale financial assets	**–**	**–**	**6,256**	**–**		**6,256**
Unrealised gain on investments in financial assets at fair value through profit or loss	**–**	**–**	**11,453**	**–**		**11,453**
Fair value gains on investment properties	**–**	**–**	**–**	**4,530**		**4,530**
2005						
Segment assets	39,324	51,551	234,970	39,603	(16,768)	348,680
Segment liabilities	(27,904)	(38,211)	(28,762)	(11,088)	16,768	(89,197)
Unallocated liabilities						(3,730)
Finance lease payable	(25)	–	–	–		(25)
Total liabilities						(92,952)
Other segment information:						
Depreciation	1,869	–	–	–		1,869
Capital expenditure	669	–	–	–		669
Realised profit on other investments	–	–	3,505	–		3,505
Unrealised gain on investments in listed equity securities	–	–	8,098	–		8,098
Fair value gains on investment properties	–	–	–	5,071		5,071

8. SEGMENT INFORMATION *(Continued)*

b) Geographical segments

The following tables present revenue, profit and certain asset and expenditure information for the Group's geographical segments.

2006	**Hong Kong, Macau and Mainland China**	**Japan**	**North America**	**Others**	**Consolidated**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000* (restated)
Segment revenue:					
Sales to external customers	**99,277**	**19,252**	**24,172**	**20,980**	**163,681**
Segment results	**47,901**	**2,476**	**3,110**	**2,700**	**56,187**
Other segment information:					
Segment assets	**427,708**	**449**	**497**	**255**	**428,909**
Capital expenditure	**64**	**–**	**–**	**–**	**64**
2005					
Segment revenue:					
Sales to external customers	119,908	23,809	21,399	19,155	184,271
Segment results	34,491	3,687	3,314	2,967	44,459
Other segment information:					
Segment assets	347,261	856	317	246	348,680
Capital expenditure	669	–	–	–	669

9. TURNOVER, OTHER INCOME AND GAINS

Turnover represents the net invoiced value of goods sold, after allowances for returns and trade discounts during the year.

An analysis of the Group's turnover, other income and gains is as follows:

	2006	2005
	HK$'000	*HK$'000*
		(restated)
Turnover		
Sales of fur skins and fur garments	**163,681**	184,271
Other income and gain		
Income form investments:		
Interest income from investments in listed debt securities	**–**	7,708
Interest income from investments in available-for-sale financial assets	**9,244**	–
Dividend income from listed equity securities	**–**	1,358
Dividend income from available-for-sale financial assets	**87**	–
Dividend income from financial assets at fair value through profit or loss	**2,739**	–
Net realised gain on investments in listed equity securities	**–**	1,334
Net realised gain on investments in financial assets at fair value through profit or loss	**7,125**	–
Net realised gain on other long term investments	**–**	2,171
Net realised gain on investments in available-for-sale financial assets	**6,256**	–
Unrealised gain on investments in listed equity securities	**–**	8,098
Unrealised gain on investments in financial assets at fair value through profit or loss	**11,453**	–
Net unrealised gain on derivative financial instruments	**162**	–
	37,066	20,669
Others:		
Gross rental income	**384**	284
Gain on disposal of property, plant and equipment	**124**	–
Bank interest income	**1,168**	891
Other interest income	**1**	1
Reversal of revaluation deficit on buildings for own use previously recognised in profit and loss account	**157**	354
Exchange gain	**677**	–
Provision for bad debts written back	**572**	–
Others	**1,636**	2,671
	4,719	4,201
	205,466	209,141

10. FINANCE COSTS

	2006	2005
	HK$'000	*HK$'000*
Interest on bank loans and overdrafts	**1,833**	30
Interest on trust receipts loans	**648**	233
Interest on other loans	**301**	133
Total finance costs	**2,782**	396

11. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	2006	2005
	HK$'000	*HK$'000*
Cost of inventories sold	**134,267**	148,094
Depreciation		
– Owned assets	**591**	1,854
– Leased assets	**15**	15
	606	1,869
Recognition of prepaid land lease payments	**23**	31
Minimum lease payments under operating lease on land and buildings	**639**	545
Pension contributions	**172**	154
Less: Forfeited contributions	**(67)**	(50)
Net pension contributions	**105**	104
Auditors' remuneration	**320**	250
Staff costs (excluding directors' remuneration)	**9,678**	8,185
Gross rental income	**(384)**	(284)
Less: Outgoings	**68**	41
Net rental income	**(316)**	(243)
Write-down of inventories	**3,348**	3,034
Provision for bad debts (written back)/made	**(572)**	852
Exchange loss	**–**	998

12. TAX

Hong Kong profits tax has been provided at the rate of 17.5% (2005: 17.5%) on the estimated assessable profits arising in Hong Kong during the year.

	2006	2005
	HK$'000	*HK$'000*
		(restated)
Hong Kong profits tax		
– current year	**3,410**	1,604
– underprovision in respect of prior years	**2,311**	930
	5,721	2,534
Deferred – *note 32*	**883**	1,240
Tax expense	**6,604**	3,774

A reconciliation of the tax expense applicable to profit before tax using the statutory rate to the tax charge at the effective tax rate is as follows:

	Group			
	2006		2005	
	HK$'000	**%**	*HK$'000*	%
			(restated)	
Profit before tax	**53,030**		43,605	
Tax at the statutory tax rate	**9,280**	**17.50**	7,631	17.50
Income not subject to tax	**(4,380)**	**(8.26)**	(4,451)	(10.21)
Expenses not deductible for tax	**227**	**0.42**	215	0.49
(Under)/overprovision of profits tax for the year	**(199)**	**(0.38)**	9	0.02
Underprovision of profits tax in respect of prior years	**2,311**	**4.36**	930	2.13
Utilisation of tax losses	**(686)**	**(1.29)**	(1,004)	(2.30)
Others	**51**	**0.10**	444	1.02
Tax expense at the Group's effective rate	**6,604**	**12.45**	3,774	8.65

13. PROFIT FOR THE YEAR ATTRIBUTABLE TO SHAREHOLDERS

The profit for the year attributable to shareholders dealt with in the financial statements of the Company is HK$49,877,000 (2005: HK$25,449,000) (note 34).

14. DIVIDENDS

	2006	2005
	HK$'000	*HK$'000*
Interim – HK1.2 cents (2005: HK2.5 cents) per ordinary share	**7,306**	9,957
Proposed final – HK1.8 cents (2005: HK3.0 cents) per ordinary share	**10,958**	11,948
	18,264	21,905
Adjustment to 2005 final dividend	**227**	–
	18,491	21,905

15. DIRECTORS' REMUNERATION

Directors' remuneration for the year, disclosed pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and section 161 of the Companies Ordinance, is as follows:

	Group	
	2006	2005
	HK$'000	*HK$'000*
Fees:	**390**	330
Other emoluments:		
Basic salaries, housing benefits, other allowances and benefits in kind	**2,173**	2,734
Discretionary bonuses	**443**	366
Share-based payments	**–**	–
Retirement benefits contributions	**35**	36
	2,651	3,136
	3,041	3,466

15. DIRECTORS' REMUNERATION *(Continued)*

a) Independent non-executive directors

The fees paid to independent non-executive directors during the year were as follows:

	2006	2005
	HK$'000	*HK$'000*
Chan Wing Yuen, Hubert	**120**	130
Ho Man Kay, Angela	**150**	140
Fan Sai Yee	**120**	60
	390	330

There was no other emoluments payables to the independent non-executive directors during the year (2005: Nil).

b) Executive directors

2006	**Fees**	**Salaries, allowances and benefits in kind**	**Discretionary bonuses**	**Retirement benefits contributions**	**Total remuneration**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Ng Ngan Lung, Freddy	**–**	**925**	**–**	**12**	**937**
Chong Hong Sang, Kenneth (i)	**–**	**585**	**360**	**10**	**955**
Mui Chi Hung, Clarence	**–**	**629**	**83**	**12**	**724**
Chui May Ling, Margaret (ii)	**–**	**34**	**–**	**1**	**35**
	–	**2,173**	**443**	**35**	**2,651**
2005					
Ng Ngan Lung, Freddy	–	878	–	12	890
Chong Hong Sang, Kenneth	–	663	303	12	978
Mui Chi Hung, Clarence	–	581	63	12	656
William Carl Frick	–	612	–	–	612
	–	2,734	366	36	3,136

Notes:

i) Resigned on 23rd February, 2006

ii) Appointed on 23rd February, 2006

15. DIRECTORS' REMUNERATION *(Continued)*

c) The number of directors whose emoluments fell within the following band is as follows:

	Number of directors	
	2006	2005
Nil – HK$1,000,000	**7**	7

No directors of the Company waived any emoluments and no emoluments were paid by the Group to any of the directors of the Company as an inducement to join or upon joining the Group or as compensation for loss of office.

16. FIVE HIGHEST PAID EMPLOYEES

The five highest paid individuals during the year included three (2005: four) directors, details of whose emoluments are disclosed above. The details of the remuneration of two (2005: one) remaining individuals, highest paid employees for the year are as follows:

	2006	2005
	HK$'000	*HK$'000*
Basic salaries, housing benefits, other allowances and benefits in kind	**1,253**	635
Retirement benefits contributions	**12**	12
	1,265	647

The emoluments fell within the following band:

	Number of individuals	
	2006	2005
Nil – HK$1,000,000	**2**	1

None of the highest paid individuals of the Group waived any emoluments and no emoluments were paid by the Group to any of such individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

17. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit from ordinary activities attributable to shareholders for the year of approximately HK$46,426,000 (2005: HK$39,831,000) and on the weighted average of 604,833,500 (2005: 597,396,000 as restated) ordinary shares in issue during the year. The weighted average number of ordinary shares for the purpose of basic earnings per share have been adjusted for the bonus issue on 26th August 2005.

The calculation of diluted earnings per share for the year ended 31st March 2006 is based on the profit from ordinary activities attributable to shareholders for the year of approximately HK$46,426,000 (2005: HK$39,831,000) and on the weighted average of 604,833,500 (2005: 597,396,000 as restated) ordinary shares in issue during the year, as used in the basic earnings per share calculation, plus the weighted average of 927,738 (2005: 3,342,000) ordinary shares deemed to be issued at no consideration if all outstanding share options had been exercised.

18. PROPERTY, PLANT AND EQUIPMENT

Group

	Buildings	Leasehold improvements	Plant and machinery	Furniture, fixtures and motor vehicles	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Cost or valuation:					
Balance at 1.4.2004					
As previously reported	14,200	5,663	3,089	8,826	31,778
Effect of adopting HKAS 17	(5,000)	–	–	–	(5,000)
As restated	9,200	5,663	3,089	8,826	26,778
Additions	–	105	47	517	669
Disposals	–	–	–	(261)	(261)
Surplus on revaluation	200	–	–	–	200
Transfer to investment properties	(3,530)	–	–	–	(3,530)
Balance at 31.3.2005	5,870	5,768	3,136	9,082	23,856
Additions	–	–	21	43	64
Disposals	–	–	–	(2,736)	(2,736)
Surplus on revaluation	40	–	–	–	40
Balance at 31.3.2006	5,910	5,768	3,157	6,389	21,224
Accumulated depreciation:					
Balance at 1.4.2004	–	4,528	2,766	7,884	15,178
Provided during the year	154	1,027	107	581	1,869
Disposals	–	–	–	(145)	(145)
Written back on revaluation	(154)	–	–	–	(154)
Balance at 31.3.2005	–	5,555	2,873	8,320	16,748
Provided during the year	117	82	78	329	606
Disposals	–	–	–	(2,736)	(2,736)
Written back on revaluation	(117)	–	–	–	(117)
Balance at 31.3.2006	–	5,637	2,951	5,913	14,501
Net carrying amount					
At 31.3.2006	5,910	131	206	476	6,723
At 31.3.2005	5,870	213	263	762	7,108

18. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

Group *(Continued)*

The net book value of the Group's property, plant and equipment held under finance leases included in the total amount of furniture, fixtures and motor vehicles at 31st March, 2006, amounted to HK$Nil (2005: HK$15,000).

The Group's buildings included above are held in Hong Kong under medium term leases.

At 31st March, 2006, the Group's buildings were revalued on an open market, existing use basis by DTZ Debenham Tie Leung Limited, an independent firm of professional valuers, at HK$5,910,000. The surplus arising on revaluation, amounting to HK$40,000 (2005: HK$200,000), has been credited to the consolidated profit and loss account.

Had the Group's buildings been carried at historical cost less accumulated depreciation, their carrying value would have been approximately HK$6,527,400 (2005: HK$6,679,200).

At the balance sheet date, the Group's buildings were pledged to secure general banking facilities granted to the Group.

19. INVESTMENT PROPERTIES

	Group	
	2006	2005
	HK$'000	*HK$'000*
Valuation:		
At beginning of year	**20,480**	2,700
Additions during the year	**2,090**	5,419
Transfer from leasehold land and buildings	**–**	7,290
Surplus on revaluation	**4,530**	5,071
At end of year	**27,100**	20,480

The Group's investment properties are held in Hong Kong under the following lease terms:

	2006	2005
	HK$'000	*HK$'000*
Medium term leases	**27,100**	20,480

19. INVESTMENT PROPERTIES *(Continued)*

At 31st March, 2006, the Group's investment properties were revalued on an open market, existing use basis by DTZ Debenham Tie Leung Limited, an independent firm of professional valuers, at HK$27,100,000 (2005: HK$20,480,000). The surplus arising on revaluation, amounting to HK$4,530,000 (2005: HK$5,071,000), has been credited to the consolidated profit and loss account.

The Group's investment properties are leased or held to be leased out to third parties under operating leases, further summary details of which are included in note 35 to the financial statements.

At the balance sheet date, all the Group's investment properties were pledged to secure general banking facilities granted to the Group.

20. PREPAID LAND LEASE PAYMENTS

	Group	
	2006	2005
	HK$'000	*HK$'000*
Carrying amount at 1st April		
As previously reported	**–**	–
Effect of adopting HKAS 17	**950**	1,595
As restated	**950**	1,595
Transfer to investment properties	**–**	(614)
Recognised during the year	**(23)**	(31)
Carrying amount at 31st March	**927**	950
Current portion as shown under current assets	**(23)**	(23)
Non-current portion	**904**	927

The leasehold land is held under medium term leases and is situated in Hong Kong.

21. INTERESTS IN SUBSIDIARIES

	Company	
	2006	2005
	HK$'000	*HK$'000*
Unlisted shares, at cost	**83,368**	83,368
Due from subsidiaries	**6,855**	5,144
Loans to subsidiaries	**17,015**	13,793
Loans from subsidiaries	**(828)**	(7,956)
Due to subsidiaries	**(42,907)**	(25,355)
	63,503	68,994

21. INTERESTS IN SUBSIDIARIES *(Continued)*

The balances with and loans from/to subsidiaries are unsecured, interest-free and have no fixed terms of repayment.

Particulars of the subsidiaries are as follows:

Name	Place of incorporation/ and operations*	Paid-up share capital	Percentage of equity attributable to the company	Principal activities
Directly held				
Rising Group International Limited	BVI	Ordinary US$4,000	100%	Investment holding
Indirectly held				
Cassaya Trading Limited	Republic of Mauritius	Ordinary US$1	100%	Dormant
Rising Manufacturing Macao Commercial Offshore Limited	Macau	Ordinary MOP$25,000	100%	Trading of fur and leather skins and acting as purchase agent
Rising Group Limited	Hong Kong	Ordinary HK$10,000	100%	Dormant
Rising Development Limited	Hong Kong	Ordinary HK$100 Non-voting deferred** HK$5,000,000	100%	Trading of fur, leather and textile garments and property holding
Frede Derick Limited	Hong Kong	Ordinary HK$100	100%	Dormant
Rising Manufacturing Limited	Hong Kong/ PRC	Ordinary HK$10,000	100%	Manufacturing and trading of fur garments
Cepa Distribution Limited	Hong Kong	Ordinary HK$5,000 Non-voting deferred** HK$1,000,000	100%	Property investment
Wellike Services Co., Limited	Hong Kong	Ordinary HK$10,000	100%	Dormant
Wing Lee Agency Limited	Hong Kong	Ordinary HK$100	100%	Provision of agency services

21. INTERESTS IN SUBSIDIARIES *(Continued)*

Particulars of the subsidiaries are as follows:

Name	Place of incorporation/ and operations*	Paid-up share capital	Percentage of equity attributable to the company	Principal activities
Indirectly held *(Continued)*				
Cepa Network Limited	Hong Kong	Ordinary HK$10,000	100%	Dormant
Mega Asset Developments Limited	BVI	Ordinary US$1	100%	Investment holding

* Where different

** The non-voting deferred shares carry no rights to dividends, no rights to vote at general meetings and no rights to receive any surplus in a return of capital in a winding-up or otherwise.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results or net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

22. INTEREST IN AN ASSOCIATE

	Group	
	2006	2005
	HK$'000	*HK$'000*
Share of net assets	**30**	–

Particulars of the Group's associate as at 31st March, 2006 are as follows:

Name	Form of business structure	Class of issued shares held	Place of incorporation/ and operations	Percentage of equity attributable to the Group/ proportion of voting power held	Principal activity
HR Investment Company Limited	Incorporated	Ordinary share of HK$1 each	Hong Kong	50	No trading

22. INTEREST IN AN ASSOCIATE *(Continued)*

The following table illustrates the summarized financial information of the Group's associate extracted from its audited accounts:

	2006	2005
	HK$'000	HK$'000
Assets	89	–
Liabilities	(29)	–
Loss after tax	(96)	–

23. AVAILABLE-FOR-SALE FINANCIAL ASSETS/OTHER INVESTMENTS

	Group		Company	
	2006	2005	2006	2005
	HK$'000	HK$'000	HK$'000	HK$'000
At fair value:				
Equity securities listed outside Hong Kong	1,650	7,884	1,650	7,884
Debt securities quoted outside Hong Kong	184,585	97,040	184,585	97,040
	186,235	104,924	186,235	104,924
Equity securities unlisted outside Hong Kong	7,800	7,800	–	–
	194,035	112,724	186,235	104,924
Representing for reporting purposes as:				
Non-current				
– Available-for-sale financial assets	194,035	–	186,235	–
– Other investments	–	112,724	–	104,924
	194,035	112,724	186,235	104,924

The above investments consist of investments in equity and debt securities which were designated as available-for-sale financial assets on 1st April, 2005.

At the balance sheet date, the above unlisted equity investments are not stated at fair value but at cost less any impairment loss because they do not have a quoted market price in an active market and the fair value cannot be reliably measured.

24. INVENTORIES

	Group	
	2006	2005
	HK$'000	*HK$'000*
		(restated)
Raw materials	**56,897**	42,445
Work in progress	**2,165**	3,193
Finished goods	**4,235**	3,736
	63,297	49,374

All the inventories were stated at cost.

25. TRADE RECEIVABLES

The Group's trading terms with its customers are mainly on credit. The Group allows an average credit period of 30 to 60 days for its trade debtors. Trade receivables are non-interest-bearing.

An aging analysis of trade receivables at the balance sheet date was as follows:

	Group			
	2006	**%**	2005	%
	HK$'000		*HK$'000*	
Current to 30 days	**1,136**	**60**	768	31
31 days to 60 days	**447**	**24**	280	11
Over 60 days	**300**	**16**	1,442	58
	1,883	**100**	2,490	100

26. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS/ OTHER INVESTMENTS

	Group		Company	
	2006	2005	**2006**	2005
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
At fair value:				
Equity securities listed in Hong Kong	**106,178**	63,601	**106,178**	63,601
At amortised cost:				
Equity-linked notes	**–**	19,663	**–**	19,663
	106,178	83,264	**106,178**	83,264
Representing for reporting purposes as:				
Financial assets at fair value through profit or loss	**106,178**	–	**106,178**	–
Other investments	**–**	83,264	**–**	83,264
	106,178	83,264	**106,178**	83,264

The above equity securities at 31st March, 2006 were classified as held for trading.

27. CASH AND CASH EQUIVALENTS

	Group		Company	
	2006	2005	**2006**	2005
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Cash and bank balances	**9,628**	14,547	**1,186**	6,094
Time deposits	**14,909**	54,708	**14,909**	54,708
	24,537	69,255	**16,095**	60,802

Cash and bank balances include the following amounts denominated in a currency other than the Company's functional currency, HK dollars:

	Group		Company	
	2006	2005	**2006**	2005
United States dollars	**US$1,111,586**	US$7,285,477	**US$525,119**	US$7,013,836

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates.

28. BANKING FACILITIES/BORROWINGS

At the balance sheet date, the Group's banking facilities were secured by a corporate guarantee given by the Company and certain listed equity and debt securities, leasehold land and buildings and certain investment properties of the Group.

The trust receipt loans, short-term bank loans and other loans amounting to HK$7,727,000, HK$82,300,000 and HK$Nil respectively (2005: trust receipt loans of HK$8,000,000, short-term bank loans of HK$36,899,000 and other loans of HK$6,195,000) have been utilized by the Group at 31st March, 2006.

All of the bank loans are variable-rate borrowings which carry interest ranging from 3.165% to 5.82% (2005: 2.74% to 3.25%). Interest rates are repricing monthly. All of the bank loans are repayable within one year.

Bank borrowings include the following amounts denominated in a currency other than the Group's and Company's functional currency, HK dollars:

	Group		Company	
	2006	2005	**2006**	2005
United States dollars	**US$1,738,488**	US$1,025,199	**–**	–
Euro dollars	**EUR1,416,636**	–	**EUR1,416,636**	–

29. TRADE PAYABLES

An aging analysis of trade payables at the balance sheet date was as follows:

	Group			
	2006	**%**	2005	%
	HK$'000		*HK$'000*	
Current to 30 days	**2,928**	**94**	449	68
31 days to 60 days	**98**	**3**	28	4
Over 60 days	**98**	**3**	180	28
	3,124	**100**	657	100

The trade payables are non-interest-bearing and normally settled on 30 to 90 days terms.

30. OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2006	2005	**2006**	2005
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Customers' deposits	**39,051**	23,977	**–**	–
Others	**1,248**	1,698	**581**	668
	40,299	25,675	**581**	668

31. FINANCE LEASE PAYABLE

The Group leases certain of its furniture and fixtures for its operation. This lease is classified as finance lease and has remaining lease term of two years (2005: three years).

At the balance sheet date, the future minimum lease payments under finance lease and their present value were as follows:

	Group			
	Minimum lease payments	Minimum lease payments	**Present value of minimum lease payments**	Present value of minimum lease payments
	2006	2005	**2006**	2005
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Amounts payable:				
Within one year	**10**	15	**10**	15
After one year but within two years	**–**	10	**–**	10
Total minimum finance lease payments	**10**	25	**10**	25
Future finance charges	**–**	–		
Total net finance lease payables	**10**	25		
Portion classified as current liabilities	**(10)**	(15)		
Long term portion	**–**	10		

32. DEFERRED TAX LIABILITIES

The followings are the major deferred tax liabilities and assets recognised and movements thereon during the current and prior years:

Deferred tax liabilities:

	Group		
	Accelerated tax depreciation	**Revaluation of properties**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
At 1st April, 2004			
– as previously reported	48	–	48
– prior year adjustment	–	(368)	(368)
– as restated	48	(368)	(320)
Charged to consolidated profit and loss account	352	888	1,240
Charged to equity	–	551	551
At 31st March, 2005 and 1st April, 2005	400	1,071	1,471
Charged to consolidated profit and loss account	90	793	883
At 31st March, 2006	**490**	**1,864**	**2,354**

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

The Group has unrecognised tax losses of approximately HK$63,779 (2005: HK$4,060,000), which subject to approval from the Hong Kong Inland Revenue Department, can be carried forward to offset against future taxable income with no expiry date.

33. SHARE CAPITAL

Share

	Number of shares of HK$0.10 each	Amount
		HK$'000
Authorised:		
At 1st April, 2005	1,000,000,000	100,000
Increase of ordinary shares *(Note a)*	2,000,000,000	200,000
At 31st March, 2006	3,000,000,000	300,000
Issued and fully paid:		
At 1st April, 2005	398,264,000	39,826
Shares issued under share option scheme *(Note b)*	7,600,000	760
Issue of bonus shares *(Note c)*	202,932,000	20,293
At 31st March, 2006	**608,796,000**	**60,879**

During the year, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed shares.

Notes: (a) Increase in authorised share capital

By an ordinary resolution passed at the annual general meeting held on 26th August, 2005, the company's authorised ordinary share capital was increased to HK$300,000,000 by the creation of an additional 2,000,000,000 ordinary shares of HK$0.1 each, ranking pari passu with the existing ordinary shares of the company in all respects.

(b) During the year, the Company issued and allotted 7,600,000 ordinary shares of HK$0.1 each of the Company for cash at HK$0.29 and HK$0.38 per share respectively as a result of the exercise of share options.

(c) A bonus issue on the basis of one (1) bonus share for every two (2) ordinary shares held by the shareholders whose names appear on the Register of Members at the close of business on 19th August, 2005 was approved by the shareholders at the annual general meeting of the Company held on 26th August, 2005. On 26th August, 2005, the company issued 202,932,000 new shares of HK$0.1 each pursuant to the bonus issue.

33. SHARE CAPITAL *(Continued)*

Share options scheme

On 9th October, 1997, the Company adopted a Share Option Scheme (the "Scheme") which would lapse on 8th October, 2007, pursuant to which the directors may, at their discretion to grant to selective employees of the Group including the directors to subscribe for shares of the Company up to a maximum aggregate number of shares equal to 10 per cent of the total issued shares of the Company. The purpose of the Scheme is to allow grantee the opportunity to obtain equity interest in the Company. No grantee would be granted option which would exceed 25 per cent of the total option available. The grant is subject to acceptance within 21 days of the offer. The consideration payable for the option is HK$1.00. The exercisable price of the option is determined by the directors which shall be not less than the higher of the nominal value of the share or 80 per cent of the average five business days' closing price of the shares on The Stock Exchange of Hong Kong Limited immediate preceding the date of the grant.

The following table discloses movements in the Company's share options during the year and options outstanding at the beginning and end of the year.

Directors	Number of share options outstanding at 1st April, 2005	Exercised during the year	Number of share options outstanding at 31st March, 2006	Initial exercise price *HK$*	Exercisable period
Mr. Ng Ngan Lung	5,000,000	(5,000,000)	–	0.29	7/1/1998 – 31/12/2007
Mr. Chong Hong Sang (Resigned on 23rd February, 2006)	1,000,000	(1,000,000)	–	0.38	8/8/2001 – 31/12/2007
Employee	1,600,000	(1,600,000)	–	0.29	7/1/1998 or 23/2/2000 – 31/12/2007
Total	7,600,000	(7,600,000)	–		

Details of share options exercised during the year:

Exercise date	Exercise price *HK$*	Market value per share at exercise date *HK$*	Proceeds received *HK$*	Number of shares
30th May, 2005	0.29	0.64	290,000	1,000,000
15th August, 2005	0.29	0.75	1,624,000	5,600,000
15th August, 2005	0.38	0.75	380,000	1,000,000
			2,294,000	7,600,000

34. RESERVES

a) Group

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on page 28 of the financial statements.

b) Company

	Share premium account	**Contributed surplus**	**Investment revaluation reserve**	**Retained profits**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1st April, 2004	48,252	83,168	12,662	99,362	243,444
Realised on disposal of listed debt and equity securities	–	–	(6,612)	–	(6,612)
Deficit on revaluation	–	–	(1,824)	–	(1,824)
Profit for the year – *note 13*	–	–	–	25,449	25,449
Dividend – *note 14*	–	–	–	(21,905)	(21,905)
At 31st March, 2004 and 1st April, 2005	48,252	83,168	4,226	102,906	238,552
Shares issued under share option scheme	1,534	–	–	–	1,534
Issue of bonus shares	(20,293)	–	–	–	(20,293)
Realised on disposal of available-for-sale financial assets	–	–	(2,204)	–	(2,204)
Deficit on revaluation	–	–	(2,414)	–	(2,414)
Final dividend paid	–	–	–	(227)	(227)
Profit for the year – *note 13*	–	–	–	49,877	49,877
Dividend – *note 14*	–	–	–	(18,264)	(18,264)
At 31st March, 2006	**29,493**	**83,168**	**(392)**	**134,292**	**246,561**

The contributed surplus of the Group arose as a result of the Group reorganization carried out on 12th September, 1997 and represents the difference between the nominal value of shares of the subsidiaries acquired pursuant to the Group reorganization, over the nominal value of the Company's shares issued in exchange therefore.

34. RESERVES *(Continued)*

b) Company *(Continued)*

The contributed surplus of the Company arose as a result of the same Group reorganization scheme and represents the excess of the then combined net assets of the subsidiaries acquired, over the nominal value of the Company's shares issued in exchange therefore. Under the Companies Act (as amended) of Bermuda, the Company may make distributions to its members out of the contributed surplus under certain circumstances.

35. OPERATING LEASE ARRANGEMENTS

a) As lessor

The Group leases its investment properties (note 19 to the financial statements) under operating lease arrangements, with leases negotiated for terms ranging from one to two years. The terms of the leases generally also require the tenants to pay security deposits.

At the balance sheet date, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	Group	
	2006	2005
	HK$'000	*HK$'000*
Within one year	**299**	136
In the second to fifth years, inclusive	**90**	17
	389	153

b) As lessee

The Group leases certain properties under operating lease arrangements. Leases for properties are negotiated for terms ranging from two to three (2005: two to five) years.

At the balance sheet date, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group	
	2006	2005
	HK$'000	*HK$'000*
Within one year	**469**	423
In the second to fifth years, inclusive	**664**	183
	1,133	606

36. COMMITMENTS

In addition to the operating lease commitments detailed in note 35 above, the Group had the following commitments at the balance sheet date:

	Group		Company	
	2006	2005	**2006**	2005
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Commitments to purchase foreign currencies	**–**	49,745	**–**	49,745

37. CONTINGENT LIABILITIES

At the balance sheet date, the Group did not have any significant contingent liabilities.

The Company has provided corporate guarantees to banks for banking facilities provided to its subsidiaries. At 31st March, 2006, trust receipt loans and short-term bank loans amounting to HK$7,727,000 and HK$88,066,000 respectively (2005: trust receipt loans of HK$8,000,000 and short-term bank loans of HK$47,199,000) have been utilised by the Group.

38. LITIGATION

On 22nd June, 2005, the Company's wholly-owned subsidiary, Rising Development Limited issued a Re-amended Writ of Summons under District Court Action No. 1436 of 2004 against a tenant to claim the sum of HK$603,188 (2005: HK$673,000) under the tenancy agreement to recover rent together with loss and damages of the property incurred. The case is being handled by Rising Development Limited's legal advisers.

Adequate provision had been made in the financial statements in connection with this claim.

39. RELATED PARTY TRANSACTIONS

During the year, the Group and the Company entered into the following significant transactions with related parties:

Compensation of key management personnel of the Group and of the Company:

The emoluments of directors and other members of key management of the Group and the Company during the year were as follows:

	Group		Company	
	2006	2005	**2006**	2005
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Short-term benefits	**3,041**	3,466	**390**	330
Post-employment benefits	**–**	–	**–**	–
	3,041	3,466	**390**	330

Further details of directors' emoluments are included in note 15 to the financial statements.

The emoluments of directors and key executives are determined by the remuneration committee having regard to the performance of individuals and market trends.

40. FINANCIAL RISK MANAGEMENT OBJECTIVE AND POLICIES

The Group's principal financial instruments comprise bank loans, cash and short-term deposits. The main purpose of these financial instruments is to raise for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are cash flow interest rate risk, foreign currency risk, credit risk and liquidity risk. The board reviews and agrees policies for managing each of these risks and they are summarized below.

40. FINANCIAL RISK MANAGEMENT OBJECTIVE AND POLICIES *(Continued)*

Cash flow interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's debt obligations. The Group does not use derivative financial instruments to hedge its debt obligations. However, management monitors the related cash flow interest rate risk exposure closely and will consider hedging significant cash flow interest rate risk exposure should the need arise.

Foreign currency risk

Certain subsidiaries of the Company have foreign currency sales and purchases, which expose the Group to foreign currency risk. In order to mitigate the foreign currency risk, foreign currency forward contract are entered into in respect of highly probable foreign currency forecast sales or purchases in accordance with the Group's risk management policies. As at 31st March, 2006, prepayments, deposits and other receivables included derivative financial assets of HK$162,000.

Certain trade receivables and payables and borrowings of the Group are denominated in foreign currencies. The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arises.

Credit risk

The Group's credit risk is primarily attributable to trade and other receivables. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis. The Group does not have a significant concentration of credit risk. In addition, certain customers are required to pay customers' deposits and receivable balances are monitored on an ongoing basis and therefore the Group's exposure to bad debts is not significant.

Liquidity risk

For the management of the Group's liquidity risk, the Group monitors and maintains a sufficient level of cash and cash equivalents deemed adequate by management to finance the Group's operations and mitigate the effects of fluctuation in cash flows. Management reviews and monitors its working capital requirements regularly.

Fair value

The fair values of cash and cash equivalents, trade receivables, prepayments, deposits and other receivables, other loans, trade payables, other payables and accruals are not materially different from their carrying amounts because of the immediate or short term maturity of these financial instruments. The carrying amounts of bank borrowings approximate to their fair values.

As set out in note 21, the Company had amounts due from/to subsidiaries. It is not practical to estimate the fair values of the amounts due to the related party nature of these instruments.

41. COMPARATIVE FIGURES

As further explained in notes 3 and 5 to the financial statements, due to the adoption of new HKFRSs during the current year, the accounting treatment and presentation of the certain terms and balances in the financial statements have been revised to comply with the new requirements. Accordingly, certain prior year and opening balance adjustments have been made and certain comparative amounts have been reclassified and restated to conform with the current year's presentation and accounting treatment.

Unrealised gain on investments in listed equity securities has been reclassified under other income and gains to conform with the current year's presentation.

42. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 16th June, 2006.

43. POST BALANCE SHEET EVENTS

Subsequent to the balance sheet date, the Group acquired investments in available-for-sale financial assets from independent third parties at total consideration of US$3,063,000 equivalent to approximately HK$23,772,000.