1. GENERAL INFORMATION

The Company was incorporated in Bermuda as an exempted company with limited liability under the Companies Act 1981 of Bermuda. The address of its registered office is Clarendon House, 2 Church Street, Hamilton HM11, Bermuda. The address of its principal place of business is 32nd Floor, Billion Plaza, 8 Cheung Yue Street, Cheung Sha Wan, Kowloon, Hong Kong. The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company is an investment holding company. The principal activities of its subsidiaries are set out in note 18 to the financial statements.

In the opinion of the directors of the Company, as at 31 March 2006, Lucky Formosa International Group Limited, a company incorporated in the British Virgin Islands, is the immediate parent; ACE Target Inc., a company incorporated in the British Virgin Islands, is the ultimate parent and Mr. Leung Ngok is the ultimate controlling party of the Company.

2. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") that are relevant to its operations and effective for accounting periods beginning on or after 1 April 2005. The adoption of these new and revised HKFRSs did not result in substantial changes to the Group's accounting policies and amounts reported for the current year and prior years except as stated below.

(a) Presentation of financial statements

HKAS 1 "Presentation of Financial Statements" affects the presentation of minority interests, share of profits of jointly-controlled entities and other disclosures. This change in accounting policy has been applied retrospectively.

The adoption of HKAS 1 resulted in changes in the amounts reported in the financial statements as follows:

	2006 **HK$'000**	2005 HK$'000
Decrease in share of profits of jointly-controlled entities	–	138
Decrease in income tax expense	–	138
Decrease in deferred taxation (current liabilities)	–	10,000
Increase in deferred taxation (non-current liabilities)	–	10,000

2. ADOPTION OF NEW AND REVISED HKFRSs (continued)

(b) Minority interests

In previous years, minority interests were presented in the consolidated balance sheet separately from liabilities and as a deduction from net assets and minority interests in the results of the Group for the year were also separately presented in the consolidated income statement as a deduction before arriving at the profit attributable to the shareholders of the Company.

With effect from 1 April 2005, in order to comply with HKAS 1 "Presentation of Financial Statements" and HKAS 27 "Consolidated and Separate Financial Statements", minority interests are presented in the consolidated balance sheet and consolidated statement of changes in equity within equity. Minority interests are presented in the consolidated income statement as an allocation of profit or loss for the year between minority and shareholders of the Company. This change in accounting policy has been applied retrospectively.

(c) Financial instruments

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

HKAS 39 does not permit to recognise, derecognise and measure financial assets and liabilities in accordance with this standard on a retrospective basis. The Group applied the previous Statement of Standard Accounting Practice ("SSAP") 24 "Accounting for Investments in Securities" to investments in securities for the 2005 comparative information. The adjustments required for the accounting differences between previous SSAP 24 and HKAS 39 are determined and recognised at 1 April 2005.

The adoption of HKASs 32 and 39 resulted in changes in the amounts reported in the financial statements as follows:

	2006	2005
	HK$'000	HK$'000
Increase in available-for-sale financial assets	**32,953**	–
Decrease in investment securities	**32,953**	–

2. ADOPTION OF NEW AND REVISED HKFRSs (continued)

(d) Leases

Upon the adoption of HKAS 17 "Leases", the land and buildings elements are considered separately for the purposes of lease classification, unless the lease payments cannot be allocated reliably between the land and buildings elements, in which case, the entire lease is generally treated as a finance lease. 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 subsequently recognised in the income statement on a straight-line basis over the lease term. This change in accounting policy has been applied retrospectively.

In previous years, leases of land and buildings, with net book value of HK$50,375,000 (2005: HK$49,927,000) as at 31 March 2006, were included in fixed assets and carried at valuation less accumulated depreciation and impairment losses. Since the lease payments cannot be allocated reliably between the land and buildings elements, the entire lease payments continue to be treated as finance leases and included in fixed assets.

The adoption of HKAS 17 "Leases" has resulted in a change in the accounting policy relating to the reclassification of leasehold land from fixed assets to prepaid land lease payments. The up-front prepayments made for the leasehold land are expensed in the income statement on a straight-line basis over the period of the lease. In previous years, the leasehold land, with net book value of HK$91,460,000 (2005: HK$27,397,000) as at 31 March 2006, was accounted for at fair value less accumulated depreciation and impairment losses. HKAS 17 has been applied retrospectively.

The adoption of HKAS 17 resulted in changes in the amounts reported in the financial statements as follows:

	2006 **HK$'000**	2005 HK$'000
Decrease in fixed assets	**64,063**	27,397
Increase in prepaid land lease payments	**64,063**	27,397

2. ADOPTION OF NEW AND REVISED HKFRSs (continued)

(e) Business combinations

The adoption of HKFRS 3 "Business Combinations" resulted in a change in the accounting policy for goodwill. Until 31 March 2005, goodwill was:

- Amortised on a straight-line basis over 5 to 10 years; and
- Assessed for an indication of impairment at each balance sheet date.

In accordance with the provisions of HKFRS 3:

- The Group ceased amortisation of goodwill from 1 April 2005;
- Accumulated amortisation as at 31 March 2005 has been eliminated with a corresponding decrease in the cost of goodwill;
- From the year ended 31 March 2006 onwards, goodwill is tested annually for impairment, as well as when there is indication of impairments; and
- Negative goodwill included in capital reserve is transferred to the retained profits.

HKFRS 3 has been applied prospectively from 1 April 2005.

The adoption of HKFRS 3 resulted in changes in the amounts reported in the financial statements as follows:

	2006	2005
	HK$'000	HK$'000
Increase in retained profits	**585**	–
Decrease in capital reserve	**585**	–
Decrease in amortisation and impairment of intangible assets	**16,876**	–
Decrease in amortisation of goodwill arising on acquisition of jointly-controlled entities	**7,500**	–
Increase in earnings per share	**HK1.01 cents**	–

The Group has not applied the new HKFRSs that have been issued but are not yet effective. The application of these new HKFRSs will not have material impact on the financial statements of the Group.

3. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with HKFRSs issued by the HKICPA, accounting principles generally accepted in Hong Kong and the applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and by the Hong Kong Companies Ordinance.

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain land and buildings, investment properties and available-for-sale financial assets which are carried at their fair values.

The preparation of financial statements in conformity with HKFRSs requires the use of certain key assumptions and estimates. It also requires management to exercise its judgements in the process of applying the accounting policies. The areas involving critical judgements and areas where assumptions and estimates are significant to these financial statements, are disclosed in note 4 significant to the financial statements.

The principal accounting policies applied in the preparation of these financial statements are set out below.

(a) Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31 March. Subsidiaries are entities over which the Group has control. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group has control.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date the control ceases.

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 goodwill or capital reserve relating to the subsidiary which was not previously charged or recognised in the consolidated income statement and also any related exchange fluctuation reserve.

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

Minority interests represent the interests of minority shareholders in the operating results and net assets of subsidiaries. Minority interests are presented in the consolidated balance sheet and consolidated statement of changes in equity within equity. Minority interests are presented in the consolidated income statement as an allocation of profit or loss for the year between minority and shareholders of the Company. Losses applicable to the minority in excess of the minority's interests in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Consolidation (continued)

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

(b) Business combination and goodwill

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, liabilities and contingent liabilities of the subsidiary in an acquisition are measured at their fair values at the acquisition date. The excess of the cost of acquisition over the Group's share of the net fair value of the subsidiary's identifiable assets, liabilities and contingent liabilities is recorded as goodwill. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition is recognised in the consolidated income statement.

Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses of goodwill are recognised in the consolidated income statement and are not subsequently reversed. Goodwill is allocated to cash-generating units for the purpose of impairment testing.

The interests of minority shareholders in the subsidiary is initially measured at the minority's proportion of the net fair value of the subsidiary's identifiable assets, liabilities and contingent liabilities at the acquisition date.

(c) Jointly-controlled entities

A joint venture is a contractual arrangement whereby the Group and other parties undertake an economic activity that is subject to joint control. Joint control is the contractually agreed sharing of control over the economic activity when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control.

A jointly-controlled entity is a joint venture that involves the establishment of a separate entity in which each venturer has an interest.

Investment in a jointly-controlled entity is accounted for in the consolidated financial statements by the equity method of accounting and is initially recognised at cost. Identifiable assets, liabilities and contingent liabilities of the jointly-controlled entity in an acquisition are measured at their fair values at the acquisition date. The excess of the cost of acquisition over the Group's share of the net fair value of the jointly-controlled entity's identifiable assets, liabilities and contingent liabilities is recorded as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition is recognised in the consolidated income statement.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Jointly-controlled entities (continued)

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

The gain or loss on the disposal of a jointly-controlled entity represents the difference between the proceeds of the sale and the Group's share of its net assets together with any goodwill relating to the jointly-controlled entity which was not previously charged or recognised in the consolidated income statement and also any related exchange fluctuation reserve.

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

(d) Foreign currency translation

(i) Functional and presentation currency

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

(ii) Transactions and balances in each entity's financial statements

Transactions in foreign currencies are translated into the functional currency using the exchange rates prevailing on the transaction dates. Monetary assets and liabilities in foreign currencies are translated at the rates ruling on the balance sheet date. Profits and losses resulting from this translation policy are included in the income statement.

Translation differences on non-monetary items, such as equity instruments classified as financial assets at fair value through profit or loss, are reported as part of the fair value gain or loss. Translation differences on non-monetary items, such as equity instruments classified as available-for-sale financial assets, are included in the investment revaluation reserve in equity.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Foreign currency translation (continued)

(iii) Translation on consolidation

The results and financial position of all the group entities that have a functional currency different from the Company's presentation currency are translated into the Company's presentation currency as follows:

– assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

– income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the exchange rates on the transaction dates); and

– all resulting exchange differences are recognised in the exchange fluctuation reserve.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities and of borrowings are recognised in the exchange fluctuation reserve. When a foreign operation is sold, such exchange differences are recognised in the consolidated income statement as part of the profit or loss on disposal.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

(e) Fixed assets

Land and buildings comprise mainly factories and offices. Land and buildings are carried at fair values, based on periodic valuations by external independent valuers, less subsequent depreciation and impairment losses. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. All other fixed assets are stated at historical cost less accumulated depreciation and impairment losses.

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 item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are expensed in the income statement during the financial period in which they are incurred.

Increases in the carrying amount arising on revaluation of land and buildings are credited to the properties revaluation reserve in shareholders' equity. Decreases that offset previous increases of the same asset are charged against properties revaluation reserve directly in equity. All other decreases are expensed in the income statement. On the subsequent sale or retirement of a revalued land and building, the attributable revaluation surplus remaining in the properties revaluation reserve is transferred directly to retained earnings.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Fixed assets (continued)

Depreciation of fixed assets is calculated at rates sufficient to write off their cost or revalued amounts less their residual values over the estimated useful lives on a straight-line basis. The principal useful lives are as follows:

Medium term leasehold land and buildings	Over the lease terms
Leasehold improvements	Over the shorter of the lease terms and 5 years
Machinery and equipment	3 to 4 years
Furniture, fixtures and motor vehicles	4 to 5 years

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

Construction in progress represents buildings under construction and is stated at cost. No depreciation is made on construction in progress until such time as the relevant assets are available for use.

The gain or loss on disposal of fixed assets is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in the income statement.

(f) Investment property

Investment property is a property held to earn rentals and/or for capital appreciation. Investment property is measured initially at its cost including all direct costs attributable to the property.

After initial recognition, the investment property is stated at its fair value at the balance sheet date. Gains or losses arising from changes in the fair value of investment property are included in the income statement for the period in which they arise.

(g) Leases

(i) Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are expensed in the income statement on a straight-line basis over the period of the lease.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Leases (continued)

(ii) Finance leases

Leases that substantially transfer to the Group all the risks and rewards of ownership of assets, other than legal title, are accounted for as finance leases. At the inception of the lease, the finance lease is capitalised at the lower of the fair value of the leased asset and the present value of the minimum lease payments.

Lease payments are allocated between the capital and finance charges. The corresponding rental obligations, net of finance charges, are recorded as obligations under finance leases. Finance charges are charged to the income statement in proportion to the capital balances outstanding.

Assets under finance leases are depreciated the same as owned assets over the shorter of the lease terms and their estimated useful lives.

(h) Research and development expenditure

Expenditure on research activities is recognised as an expense in the year in which it is incurred. An internally generated intangible asset arising from the Group's business development is recognised only if all of the following conditions are met:

– an asset is created that can be identified;
– it is probable that the asset created will generate future economic benefits; and
– the development cost of the asset can be measured reliably.

Internally generated intangible assets are amortised on a straight-line basis over their estimated useful lives. Where no internally generated intangible asset can be recognised, development expenditure is charged to the income statement in the year in which it is incurred.

(i) Technical know-how

Technical know-how acquired by the Group are stated at cost less accumulated amortisation and impairment losses. The cost of technical know-how acquired is amortised on a straight-line basis over its estimated useful life of five years.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out basis. The cost of finished goods comprises direct materials, direct labour and an appropriate proportion of overheads and, where appropriate, subcontracting charges. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

(k) Available-for-sale financial assets

Available-for-sale financial assets are investments not classified as held-to-maturity investments or financial assets at fair value through profit or loss. Available-for-sale financial assets are subsequently measured at fair value. Gains or losses arising from changes in fair value of these investments are recognised directly in equity, until the investments are disposed of or are determined to be impaired, at which time the cumulative gains or losses previously recognised in equity are included in the income statement for the period.

Impairment losses recognised in income statement for equity investments classified as available-for-sale financial assets are not subsequently reversed through the income statement. Impairment losses recognised in the income statement for debt instruments classified as available-for-sale financial assets are subsequently reversed if an increase in the fair value of the instruments can be objectively related to an event occurring after the recognition of the impairment loss.

(l) Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment. An allowance for impairment of trade 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 allowance 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 allowance is recognised in the income statement.

(m) Cash and cash equivalents

For the purpose of the cash flow statement, cash and cash equivalents represent cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term highly liquid investments which are readily convertible into known amounts of cash and subject to an insignificant risk of change in value. Bank overdrafts which are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(n) Financial liability and equity instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument under HKFRSs. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducing all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below:

(i) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost 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 12 months after the balance sheet date.

(ii) Trade and other payables

Trade and other payables are stated initially at their fair value and subsequently measured at amortised cost using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost.

(iii) Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

(o) 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:

(i) Sales of goods

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

(ii) Licensing income

Licensing income is recognised in accordance with the substance of the relevant licensing agreements.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(o) Revenue recognition (continued)

(iii) Processing income

Processing income is recognised upon the delivery of processed goods.

(iv) Rental income

Rental income is recognised on a time proportion basis in accordance with the terms and conditions of the tenancy agreement.

(v) Interest income

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

(vi) Management fee income

Management fee income is recognised when the services are rendered.

(p) Employee benefits

(i) Employee leave entitlements

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the balance sheet date.

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

(ii) Retirement benefits scheme

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(p) Employee benefits (continued)

(ii) Retirement benefits scheme (continued)

Pursuant to the relevant regulations of the PRC, the subsidiaries of the Group operating in the PRC participate in municipal government retirement benefits scheme (the "PRC Scheme") whereby the subsidiaries are required to contribute a certain sum of money as calculated under the relevant rules specified by the relevant municipal government authorities to the PRC Scheme to fund the employees' retirement benefits. The Group is required to pay the ongoing contributions under the PRC Scheme, which are charged to the income statement as incurred.

(q) Share-based payments

The Group issues equity-settled payments to certain employees. Equity-settled share-based payments are measured at fair value (excluding the effect of non market-based vesting conditions) at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest and adjusted for the effect of non market-based vesting conditions.

For cash-settled share-based payments, a liability equal to the portion of the goods or services received is recognised at the current fair value determined at each balance sheet date.

(r) Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(r) Taxation (continued)

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and interests in jointly-controlled entities, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

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 profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax is charged or credited to the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

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 they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

(s) Related parties

A party is related to the Group if:

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

(ii) the party is an associate;

(iii) the party is a joint venture;

(iv) the party is a member of the key management personnel of the Company or its parent;

(v) the party is a close member of the family of any individual referred to in (i) or (iv);

(vi) 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 (iv) or (v); or

(vii) the party is a post-employment benefit plan for the benefit of employees of the Group, or of any entity that is a related party of the Group.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(t) Segment reporting

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

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

Segment revenue, expenses, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to the segment. Unallocated costs mainly represent corporate expenses. Segment assets consist primarily of fixed assets, inventories and trade receivables. Segment liabilities comprise operating liabilities and exclude items such as taxation and corporate borrowings.

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

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

In respect of geographical segment reporting, sales are based on the countries in which customers are located. Total assets and capital expenditure are based on where the assets are located.

(u) Impairment of assets

Assets that have an indefinite useful life or not yet available for use are reviewed annually for impairment and are reviewed for impairment whenever events or changes in circumstances indicate the carrying amount may not be recoverable.

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets except goodwill to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of any impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(u) Impairment of assets (continued)

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognised immediately in the income statement, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognised immediately in the income statement, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

(v) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a present legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made. Where the effect of the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow is remote.

(w) Events after the balance sheet date

Events after the balance sheet date that provide additional information about the Group's position at the balance sheet date or those that indicate the going concern assumption is not appropriate are adjusting events and are reflected in the financial statements. Events after the balance sheet date that are not adjusting events are disclosed in the notes to the financial statements when material.

4. CRITICAL JUDGEMENTS AND KEY ESTIMATES

Critical judgements in applying accounting policies

In the process of applying the accounting policies, management has made the following judgements that have the most significant effect on the amounts recognised in the financial statements (apart from those involving estimations, which are dealt with below).

(a) *Split of land and building elements*

The Group determines that the lease payments cannot be allocated reliably between the land and building elements on certain leasehold land and buildings. Accordingly, leases of land and buildings with net book value of HK$50,375,000 (2005: HK$49,927,000) as at 31 March 2006 is classified as finance leases and included under fixed assets.

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, 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) *Fixed assets and depreciation*

The Group determines the estimated useful lives and related depreciation charges for the Group's fixed assets. This estimate is based on the historical experience of the actual useful lives of fixed assets of similar nature and functions. Management will revise the depreciation charge where useful lives are different to those previously estimated, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

(b) *Impairment of goodwill*

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating unit to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value.

(c) *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 expense. These estimates are based on the current market condition and the historical experience of manufacturing and selling products of similar nature.

4. CRITICAL JUDGEMENTS AND KEY ESTIMATES (continued)

Key sources of estimation uncertainty (continued)

(d) Allowances for bad and doubtful debts

The policy for allowance of bad and doubtful debts of the Group is based on the evaluation of collectability and ageing analysis of accounts and on management's judgement. 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 were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required.

5. FINANCIAL RISK MANAGEMENT

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

(a) Foreign currency risk

The Group has minimal exposure to foreign currency risk as most of its business transactions, assets and liabilities are principally denominated in Hong Kong dollars and Renminbi ("RMB"). The Group currently does not have a foreign currency hedging policy in respect of foreign currency debt. The Group will monitor its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

Included in the bank and cash balances of the Group is an amount of approximately HK$584.7 million (2005: HK$417.7 million) as at 31 March 2006 denominated in RMB. Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations.

(b) Credit risk

The Group has no significant concentrations of credit risk. It has policies in place to ensure that sales are made to customers with an appropriate credit history.

The carrying amount of the trade receivables included in the consolidated balance sheet represents the Group's maximum exposure to credit risk in relation to the Group's financial assets.

The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

5. FINANCIAL RISK MANAGEMENT (continued)

(c) Liquidity risk

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

(d) Interest rate risk

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

The Group's exposure to interest-rate risk arises from its long-term borrowings. These borrowings bear interests at variable rates varied with the then prevailing market condition.

(e) Fair values

The carrying amounts of the Group's financial assets and financial liabilities as reflected in the consolidated balance sheet approximate their respective fair values.

6. TURNOVER, REVENUE AND SEGMENT INFORMATION

The Group's turnover represents sales of goods, processing income and licensing income.

	2006 HK$'000	2005 HK$'000
Turnover		
Sales of goods	**1,249,645**	824,811
Processing income	**58,307**	28,646
Licensing income	**35,900**	60,387
	1,343,852	913,844
Other income		
Gross rental income	**1,608**	931
Interest income	**6,724**	2,187
Management fee income received from jointly-controlled entities	**12**	423
Gain on sales of investment securities	**–**	2,039
Service income	**–**	3,646
Others	**1,795**	414
	10,139	9,640

Segment information

In determining the Group's geographical segments, revenues, results, assets and liabilities are based on the location of assets.

The Group's geographical segments comprise Hong Kong and the PRC.

The Group's business segments comprise fashion garments business and nano business. Nano business refers to business utilising the Swedish Texcote Technology which is a material processing technology based on the principles of nanotechnology.

6. TURNOVER, REVENUE AND SEGMENT INFORMATION (continued)

Geographical segments

	Hong Kong		PRC		Elimination		Consolidated	
	2006	2005	**2006**	2005	**2006**	2005	**2006**	2005
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000 (Restated)
Segment revenue:								
Sales to external customers	**95,952**	99,313	**1,247,900**	814,531	**–**	–	**1,343,852**	913,844
Inter-segment sales	**–**	–	**48,259**	45,554	**(48,259)**	(45,554)	**–**	–
Total revenue	**95,952**	99,313	**1,296,159**	860,085	**(48,259)**	(45,554)	**1,343,852**	913,844
Segment results	**8,758**	11,478	**216,601**	189,555	**–**	–	**225,359**	201,033
Unallocated expenses							**(48,172)**	(61,565)
Profit from operating activities							**177,187**	139,468
Finance costs							**(38,775)**	(13,877)
Share of profits of jointly-controlled entities							**55**	882
Amortisation of goodwill arising on acquisition of jointly-controlled entities							**–**	(7,500)
Profit before taxation							**138,467**	118,973
Taxation							**(17,628)**	(11,709)
Profit for the year							**120,839**	107,264
Segment assets	**249,331**	216,357	**1,385,007**	835,414	**–**	–	**1,634,338**	1,051,771
Interests in jointly-controlled entities							**55,583**	55,528
Unallocated assets							**107,909**	115,791
Total assets							**1,797,830**	1,223,090
Segment liabilities	**27,556**	9,791	**52,701**	74,922	**–**	–	**80,257**	84,713
Unallocated liabilities							**669,890**	410,202
Total liabilities							**750,147**	494,915
Other segment information:								
Capital expenditure	**66,937**	49,331	**130,714**	120,048	**–**	–	**197,651**	169,379
Depreciation and amortisation	**9,133**	7,702	**23,388**	15,438	**–**	–	**32,521**	23,140
Loss on disposals of fixed assets	**247**	2,028	**–**	–	**–**	–	**247**	2,028

6. TURNOVER, REVENUE AND SEGMENT INFORMATION (continued)

Business segments

	Fashion garments business		Nano business		Total	
	2006	2005	**2006**	2005	**2006**	2005
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Segment revenue:						
Sales to external customers	**909,041**	600,844	**434,811**	313,000	**1,343,852**	913,844
Segment assets	**1,342,220**	802,089	**292,118**	249,682	**1,634,338**	1,051,771
Capital expenditure	**190,126**	48,978	**7,525**	120,401	**197,651**	169,379

7. PROFIT FROM OPERATING ACTIVITIES

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

	2006	2005
	HK$'000	HK$'000
		(Restated)
Charging		
Auditors' remuneration		
Current year	**750**	750
Underprovision in prior year	**100**	–
	850	750
Cost of inventories sold (note)	**1,015,489**	614,493
Loss on disposals of fixed assets	**247**	2,028
Depreciation		
Owned fixed assets	**22,885**	18,158
Leased fixed assets	**5,809**	1,980
	28,694	20,138
Amortisation of prepaid land lease payments	**578**	479
Staff costs (excluding directors' remuneration – note 8)		
Wages and salaries	**39,967**	38,392
Retirement benefits scheme contributions	**1,018**	1,162
	40,985	39,554
Research and development expenditure	**3,206**	–
Minimum lease payments under operating leases in respect of land and buildings	**24,785**	23,827
Crediting		
Gain on sales of investment securities	**–**	(2,039)

Note: Cost of inventories sold includes approximately HK$4,998,000 (2005: HK$3,320,000) and HK$15,578,000 (2005: HK$7,145,000) relating to staff costs, depreciation and amortisation respectively, which are included in the respective amounts disclosed separately above for each of these types of expenses for the year.

8. REMUNERATION OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

Details of emoluments of the directors of the Company disclosed pursuant to the Listing Rules and Section 161 of the Hong Kong Companies Ordinance are as follows:

For the year ended 31 March 2006

	Fees HK$'000	Basic salaries, allowances and benefits in kind HK$'000	Retirement benefits scheme contributions HK$'000	Total emoluments HK$'000
Name of director				
Executive directors				
Mr. Leung Ngok	–	1,291	12	1,303
Mr. Leung Shing	–	1,140	12	1,152
Mr. Lee Ka Yiu, Andy	–	318	9	327
Independent non-executive directors				
Mr. Jia Luqiao	114	–	–	114
Mr. Wong Kong Hon	130	–	–	130
Mr. Wong Kai Cheong	120	–	–	120
Mr. Yang Dong Hui	86	–	–	86
	450	2,749	33	3,232

8. REMUNERATION OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS (continued)

For the year ended 31 March 2005

	Fees HK$'000	Basic salaries, allowances and benefits in kind HK$'000	Retirement benefits scheme contributions HK$'000	Total emoluments HK$'000
Name of director				
Executive directors				
Mr. Leung Ngok	–	1,271	12	1,283
Mr. Leung Shing	–	1,140	12	1,152
Mr. Lee Ka Yiu, Andy	–	398	12	410
Independent non-executive directors				
Mr. Wang Pinqing	60	–	–	60
Mr. Jia Luqiao	56	–	–	56
Mr. Wong Kong Hon	130	–	–	130
Mr. Wong Kai Cheong	24	–	–	24
	270	2,809	36	3,115

During the year, no options were granted to the directors.

There was no arrangement under which a director waived or agreed to waive any emoluments during the year (2005: HK$Nil).

Mr. Yang Dong Hui was appointed as director on 13 July 2005 and Mr. Wang Pinqing resigned as director on 20 September 2004.

8. REMUNERATION OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS (continued)

Five highest paid individuals' remuneration

The five highest paid individuals during the year included two (2005: two) directors, details of whose remuneration are set out above. Details of the remuneration of the remaining three (2005: three) highest paid individuals are as follows:

	2006	2005
	HK$'000	HK$'000
Salaries, allowances and benefits in kind	**1,839**	2,847
Retirement benefits scheme contributions	**47**	32
	1,886	2,879

During the year, no remuneration was paid by the Group to any of the highest paid individuals as an inducement to join, or upon joining the Group, or as compensation for loss of office.

The number of five highest paid individuals whose remuneration fell within the following bands is as follows:

	Number of individuals	
	2006	2005
HK$Nil– HK$1,000,000	**3**	2
HK$1,000,001– HK$1,500,000	**–**	1
	3	3

9. FINANCE COSTS

	2006	2005
	HK$'000	HK$'000
Interest expenses on:		
Bank loans and overdrafts	**37,676**	13,441
Finance leases	**1,099**	436
	38,775	13,877

10. TAXATION

	2006 HK$'000	2005 HK$'000 (Restated)
Current year provision		
Hong Kong	**11,619**	630
Elsewhere	**1,651**	2,114
Under/(over) provision in previous year	**358**	(1,035)
	13,628	1,709
Deferred taxation (note 27)	**4,000**	10,000
	17,628	11,709

(a) Hong Kong profits tax is provided at the rate of 17.5% (2005: 17.5%) on the estimated assessable profits arising in Hong Kong for the year. Taxes on profits assessable elsewhere are calculated at the rates of tax prevailing in the respective jurisdictions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

(b) The taxation on the Group's profit before taxation differs from the theoretical amount that would arise using the taxation rate of the home country of the Group as follows:

	2006 HK$'000	2005 HK$'000 (Restated)
Profit before taxation	**138,467**	118,973
Tax at the applicable tax rate of 17.5% (2005: 17.5%)	**24,232**	20,820
Tax effect of income that is not taxable	**(14,571)**	(19,426)
Tax effect of expenses that are not deductible	**6,733**	5,477
Temporary differences not recognised	**1,504**	(279)
Tax effect of utilisation of tax losses not previously recognised	**(6,016)**	(711)
Tax effect of unused tax losses not recognised	**4,217**	6,461
Under/(over) provision of taxation charges	**358**	(1,035)
Effect of different tax rates of subsidiaries operating in other jurisdictions	**1,171**	402
Taxation charges	**17,628**	11,709

11. PROFIT FOR THE YEAR

Profit attributable to equity holders of the Company for the year ended 31 March 2006 dealt with in the financial statements of the Company is HK$57,741,000 (2005: HK$31,483,000).

12. DIVIDENDS

	2006 HK$'000	2005 HK$'000
Interim dividend paid – HK0.5 cent (2005: HK0.5 cent) per ordinary share	13,399	13,352
Proposed final dividend – HK0.8 cent (2005: HK0.8 cent) per ordinary share	21,437	21,437
	34,836	34,789

The interim dividend balance of 2005 included an additional amount of HK$4,473,000 final dividend for the year ended 31 March 2004 as a result of the exercise of share options and warrants prior to the approval of the final dividend for the year ended 31 March 2004 at the annual general meeting held on 28 September 2004.

The final dividend for the year was proposed by the directors on 25 July 2006 (note 36). The proposed final dividend is not recognised as a liability at 31 March 2006 as it is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

13. EARNINGS PER SHARE

The calculations of basic and diluted earnings per share are based on:

	2006 HK$'000	2005 HK$'000
Earnings		
Profit attributable to equity holders of the Company, used in the basic and diluted earnings per share calculation	103,406	95,985
Number of shares	2006	2005
Weighted average number of ordinary shares used in basic earnings per share calculation	2,405,943,249	1,639,717,123
Effect of dilutive potential ordinary shares in respect of warrants	–	4,119,772
Weighted average number of ordinary shares used in diluted earnings per share calculation	2,405,943,249	1,643,836,895

14. FIXED ASSETS

Group

	Medium term Leasehold buildings HK$'000	Medium term leasehold land and buildings HK$'000	Construction in progress HK$'000	Leasehold improvements HK$'000	Machinery and equipment HK$'000	Furniture, fixtures and motor vehicles HK$'000	Total HK$'000
Cost or valuation							
At 1 April 2004							
– as previously reported	2,982	52,676	21,262	27,895	54,597	19,510	178,922
– reclassified to prepaid land lease payments upon adoption of HKAS 17 (note 15)	(2,982)	–	–	–	–	–	(2,982)
– as restated	–	52,676	21,262	27,895	54,597	19,510	175,940
Additions	42,901	3,880	11,193	17,171	94,022	212	169,379
Reclassified to prepaid land lease payments upon adoption of HKAS 17 (note 15)	(24,894)	–	–	–	–	–	(24,894)
Disposals	–	(570)	–	(4,440)	–	(3)	(5,013)
Adjustment on revaluation	(346)	(6,059)	–	–	–	–	(6,405)
At 31 March 2005, as restated	17,661	49,927	32,455	40,626	148,619	19,719	309,007
Additions	29,796	620	9,484	15,989	69,035	1,645	126,569
Transfers	36,437	–	(36,437)	–	–	–	–
Exchange difference	–	1,061	1,056	259	372	274	3,022
Disposals	–	–	–	(2,530)	–	(1,034)	(3,564)
Adjustment on revaluation	(418)	(1,233)	–	–	–	–	(1,651)
At 31 March 2006	83,476	50,375	6,558	54,344	218,026	20,604	433,383
Accumulated depreciation							
At 1 April 2004	–	–	–	18,357	23,853	14,439	56,649
Charge for the year	825	1,202	–	7,191	8,885	2,514	20,617
Reclassified to prepaid land lease payments upon adoption of HKAS 17 (note 15)	(479)	–	–	–	–	–	(479)
Disposals	–	(23)	–	(2,479)	–	(3)	(2,505)
Adjustment on revaluation	(346)	(1,179)	–	–	–	–	(1,525)
At 31 March 2005, as restated	–	–	–	23,069	32,738	16,950	72,757
Charge for the year	418	1,207	–	7,258	18,765	1,046	28,694
Exchange difference	–	26	–	167	317	256	766
Disposals	–	–	–	(2,071)	–	(776)	(2,847)
Adjustment on revaluation	(418)	(1,233)	–	–	–	–	(1,651)
At 31 March 2006	–	–	–	28,423	51,820	17,476	97,719
Net book value							
At 31 March 2006	83,476	50,375	6,558	25,921	166,206	3,128	335,664
At 31 March 2005, as restated	17,661	49,927	32,455	17,557	115,881	2,769	236,250

14. FIXED ASSETS (continued)

Group (continued)

	Medium term Leasehold buildings HK$'000	Medium term leasehold land and buildings HK$'000	Construction in progress HK$'000	Leasehold improvements HK$'000	Machinery and equipment HK$'000	Furniture, fixtures and motor vehicles HK$'000	Total HK$'000
The analysis of the cost or valuation at 31 March 2006 of the above assets is as follows:							
At cost	–	–	6,558	54,344	218,026	20,604	299,532
At valuation	83,476	50,375	–	–	–	–	133,851
	83,476	50,375	6,558	54,344	218,026	20,604	433,383
The analysis of the cost or valuation at 31 March 2005 of the above assets is as follows:							
At cost	–	–	32,455	40,626	148,619	19,719	241,419
At valuation	17,661	49,927	–	–	–	–	67,588
	17,661	49,927	32,455	40,626	148,619	19,719	309,007

An analysis of the cost/valuation of the leasehold land and buildings of the Group at the balance sheet date is as follows:

	Group	
	2006	2005
	HK$'000	HK$'000
Held under medium term leases in Hong Kong (note a)	**27,397**	27,848
Held under medium term leases in Macau (note a)	**4,374**	3,850
Held under medium term leases in the PRC (note b)	**102,080**	35,890
	133,851	67,588

Notes:

(a) The Group's medium term leasehold land and buildings situated in Hong Kong and Macau were revalued as at 31 March 2006 by Dynasty Premium Asset Valuation & Real Estate Consultancy Limited ("Dynasty"), an independent firm of professional valuers, on a direct comparison valuation basis.

(b) The Group's medium term leasehold land and buildings situated in the PRC were revalued as at 31 March 2006 by Dynasty on depreciated replacement cost and direct comparison valuation bases.

Had the Group's leasehold land and buildings been stated at cost less accumulated depreciation, their carrying amounts as at 31 March 2006 would have been HK$125,953,000 (2005: HK$61,052,000, as restated).

At 31 March 2006, the Group's leasehold land and buildings situated in the PRC and Hong Kong, with an aggregate carrying value of HK$102,080,000 and HK$17,457,000 (2005: HK$35,890,000 and HK$17,660,000) respectively, were pledged to secure banking facilities granted to the Group (note 25(a)(ii)).

14. FIXED ASSETS (continued)

The net book value of the machinery and equipment of the Group held under finance leases at 31 March 2006 amounted to HK$38,816,000 (2005: HK$58,571,000). The net book value of furniture, fixtures and motor vehicles of the Group held under finance leases at 31 March 2006 amounted to HK$378,000 (2005: HK$394,000) (note 26).

Company

	Equipment HK$'000
Cost	
At 1 April 2004, 31 March 2005 and 31 March 2006	922
Accumulated depreciation	
At 1 April 2004, 31 March 2005 and 31 March 2006	922
Net book value	
At 31 March 2006	–
At 31 March 2005	–

15. PREPAID LAND LEASE PAYMENTS

	Group HK$'000
Cost	
At 1 April 2004	
– as previously reported	–
– reclassified from fixed assets upon adoption of HKAS 17 (note 14)	2,982
– as restated	2,982
Reclassified from fixed assets upon adoption of HKAS 17 (note 14)	24,894
At 31 March 2005, as restated	27,876
Addition	64,555
Exchange difference	86
At 31 March 2006	92,517
Accumulated amortisation	
At 1 April 2004	–
Reclassified from fixed assets upon adoption of HKAS 17 (note 14)	479
At 31 March 2005, as restated	479
Charge for the year	578
At 31 March 2006	1,057
Net book value	
At 31 March 2006	91,460
At 31 March 2005, as restated	27,397

15. PREPAID LAND LEASE PAYMENTS (continued)

	Group	
	2006	2005
	HK$'000	HK$'000
Analysed for reporting purposes as:		
Non-current assets	**89,254**	26,754
Current assets	**2,206**	643
	91,460	27,397

At 31 March 2006, the Group's prepaid land lease payments situated in the PRC and Hong Kong held under medium term leases, with an aggregate carrying value of HK$16,788,000 and HK$74,672,000 (2005: HK$2,982,000 and HK$24,415,000) respectively, were pledged to secure banking facilities granted to the Group (25(a)(ii)).

16. INVESTMENT PROPERTIES

	Group
	HK$'000
Fair value	
At 1 April 2004, 31 March 2005 and 31 March 2006	9,430

The Group's investment properties are situated in Hong Kong and held under medium term leases.

At 31 March 2006, the investment properties were revalued by Dynasty on an investment valuation basis.

17. INTANGIBLE ASSETS

	Group		
	Technical know-how	**Goodwill**	**Total**
	HK$'000	HK$'000 (note)	HK$'000
Cost			
At 1 April 2004	12,617	118,392	131,009
Additions	–	27,000	27,000
At 31 March 2005	12,617	145,392	158,009
Additions	6,527	–	6,527
Effect of adopting HKFRS 3	–	(29,692)	(29,692)
Exchange difference	364	–	364
At 31 March 2006	19,508	115,700	135,208
Accumulated amortisation and impairment			
At 1 April 2004	631	14,166	14,797
Amortisation for the year	2,523	15,526	18,049
At 31 March 2005	3,154	29,692	32,846
Effect of adopting HKFRS 3	–	(29,692)	(29,692)
Amortisation for the year	3,249	–	3,249
Impairment loss	–	9,998	9,998
Exchange difference	91	–	91
At 31 March 2006	6,494	9,998	16,492
Net book value			
At 31 March 2006	13,014	105,702	118,716
At 31 March 2005	9,463	115,700	125,163

17. INTANGIBLE ASSETS (continued)

Notes:

(a) In previous year, goodwill was amortised on a straight-line basis over 5 to 10 years. The amortisation of goodwill of HK$15,526,000 for the year ended 31 March 2005 was recognised in the consolidated income statement.

As explained in note 2(e), with effect from 1 April 2005, the Group no longer amortises goodwill. In accordance with the transitional provisions set out in HKFRS 3, the accumulated amortisation of goodwill as at 1 April 2005 had been eliminated against the cost of goodwill as at that date.

Goodwill acquired in a business combination is allocated, at acquisition, to the cash-generating units that are expected to benefit from that business combination. Before recognition of impairment losses, the carrying amount of goodwill had been allocated as follows:

	Group	
	2006	2005
	HK$'000	HK$'000
Nano business (note b)	**105,702**	105,702
Fashion garments business (note c)	**9,998**	9,998
	115,700	115,700

The Group tests goodwill annually for impairment, or more frequently if there are indications that goodwill might be impaired.

(b) The recoverable amount of the cash-generating unit has been determined based on a value in use calculation using cash flow projections based on financial budgets approved by management covering a period of four years. The discount rate applied to cash flow projections is 15% and cash flows beyond four year period are extrapolated using a growth rate of 1% which is determined with reference to the long term business prospects and the general economic outlook of the PRC. Management estimated the budgeted gross margin based on past performance and their expectations for market development. The discount rate used is before tax and reflects specific risks relating to the cash-generating unit.

(c) At 31 March 2006, before impairment testing, goodwill of HK$9,998,000 was allocated to fashion garments business. Due to the close down of the operating activities of a subsidiary, an impairment loss of the same amount was recognised in the consolidated income statement for the year.

18. INVESTMENTS IN SUBSIDIARIES

	Company 2006 HK$'000	Company 2005 HK$'000
Unlisted investments, at cost	81,310	81,310

(a) Particulars of the Company's principal subsidiaries at 31 March 2006 are as follows:

Company	Place of incorporation/ registration	Nominal value of issued and paid-up ordinary share/registered capital	Percentage of equity interest attributable to the Company	Principal activities
Directly held:				
Lucky Formosa International Group Limited	British Virgin Islands	US$10,000	100%	Investment holding
Indirectly held:				
Radix Development Company Limited	Hong Kong	HK$1,000	100%	Property holding
Foshan U-Right Garment Co., Ltd. (formerly known as Shunde U-Right Garment Co., Ltd.) 佛山市佑威服裝有限公司	The PRC	US$2,000,000	100%	Manufacturing and sale of fashion garments
Sky Fox Investment Limited	Hong Kong	HK$10,000,000	100%	Property holding
U-Right Garments Limited	Hong Kong	HK$10,000,000	100%	Retailing of fashion garments
U-Right (HK) Limited	Hong Kong	HK$1,000,000	100%	Provision of management services

18. INVESTMENTS IN SUBSIDIARIES (continued)

(a) (continued)

Company	Place of incorporation/ registration	Nominal value of issued and paid-up ordinary share/registered capital	Percentage of equity interest attributable to the Company	Principal activities
Indirectly held: *(continued)*				
U-Right International Limited	Hong Kong	HK$20	100%	Provision of management services
U-Right Macau Commercial Offshore Limited	Macau	MOP25,000	100%	Manufacturing and sale of fashion garments
Lakeyre Holdings Limited	British Virgin Islands	US$100	100%	Retailing of fashion garments
U-Right Investments (China) Limited	Hong Kong	HK$1	100%	Property holding
Uni-Capital Limited	Hong Kong	HK$20,000,000	100%	Provision of management services
New Asia Associates Limited	British Virgin Islands	US$3,000	90%	Investment holding
New Asia Associates (HK) Limited	Hong Kong	HK$1	90%	Property holding
Texnology Nano (BVI) Limited	British Virgin Islands	US$100	83%	Investment holding
Texnology Nano International Limited	British Virgin Islands	US$1,000	84%	Sub-licensing of proprietary rights over a Swedish Texcote Technology

18. INVESTMENTS IN SUBSIDIARIES (continued)

(a) (continued)

Company	Place of incorporation/ registration	Nominal value of issued and paid-up ordinary share/registered capital	Percentage of equity interest attributable to the Company	Principal activities
Indirectly held: *(continued)*				
Texnology Nano Textile (China) Limited	Hong Kong	HK$1,000	84%	Investment holding and processing of textile products and trading of related raw material
Foshan U-Right Nano Textile Limited (formerly known as U-Right Nano Textile (Shunde) Limited) 佛山市佑威納米紡織有限公司	The PRC	US$3,000,000	84%	Processing of textile products
Nanchang Texnology Nano Textile Limited 南昌市德科納米紡織有限公司	The PRC	US$10,000,000	84%	Processing of textile products

(b) The balances with subsidiaries are unsecured, interest-free and have no fixed terms of repayment.

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

The principal places of operations of the subsidiaries are the same as their places of incorporation/registration, except for Lakeyre Holdings Limited and Texnology Nano Textile (China) Limited which operate in the PRC.

19. INTERESTS IN JOINTLY-CONTROLLED ENTITIES

	Group	
	2006	2005
	HK$'000	HK$'000
Share of net assets	**19,317**	19,262
Goodwill (note d)	**55,947**	55,947
Impairment losses	**(19,681)**	(19,681)
	55,583	55,528

(a) The amounts due from/to jointly-controlled entities are unsecured, interest-free and have no fixed terms of repayment.

(b) Particulars of the Group's principal jointly-controlled entities at 31 March 2006 are as follows:

Company	Place of incorporation/ registration and operations	Percentage of ownership interest attributable to the Group	Principal activities
Texcote International Limited	British Virgin Islands	46%	Licensing of proprietary rights over a Swedish Texcote Technology
Texcote Technology (International) Limited	Hong Kong	46%	Investment holding
Hong Kong Green Nature Environmental Engineering Limited	Hong Kong	30%	Environmental protection projects

19. INTERESTS IN JOINTLY-CONTROLLED ENTITIES (continued)

(c) The following amounts represent the assets and liabilities, and sales and results of the jointly-controlled entities:

	2006 HK$'000	2005 HK$'000
Assets		
Non-current assets	**1,395**	1,062
Current assets	**2,946**	3,424
	4,341	4,486
Liabilities		
Current liabilities	**(820)**	(1,072)
Net assets	**3,521**	3,414
Income	**4,007**	5,243
Expenses	**(3,899)**	(3,514)
Profit after income tax	**108**	1,729

(d) In previous year, goodwill arising from the acquisition of equity interests in Texcote International Limited was amortised on a straight-line basis over 10 years. The amortisation of goodwill of HK$7,500,000 for the year ended 31 March 2005 was recognised in the consolidated income statement.

As explained in note 2(e), with effect from 1 April 2005, the Group no longer amortises goodwill. In accordance with the transitional provisions set out in HKFRS 3, the accumulated amortisation of goodwill as at 1 April 2005 had been eliminated against the cost of goodwill as at that date.

Goodwill acquired is allocated, at acquisition, to the cash-generating units for impairment testing. The Group tests goodwill annually for impairment, or more frequently if there are indications that goodwill might be impaired.

The recoverable amount of the cash-generating unit has been determined based on a value in use calculation using cash flow projections based on financial budgets approved by management covering a period of four years. The discount rate applied to cash flow projections is 15% and cash flows beyond four year period are extrapolated using a growth rate of 5.8% which is determined with reference to the long term business prospects and the general economic outlook of the PRC. Management estimated the budgeted gross margin based on past performance and their expectations for market development. The discount rate used is before tax and reflects specific risks relating to the cash-generating unit.

20. INVESTMENT SECURITIES

	Group	
	2006	2005
	HK$'000	HK$'000
Unlisted equity securities, at cost (note 21)	**–**	32,953

In accordance with HKAS 39, the investment securities were redesignated as available-for-sale financial assets on 1 April 2005.

21. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Group	
	2006	2005
	HK$'000	HK$'000
Unlisted equity securities		
Effect of adopting HKAS 39 (note 20)	**32,953**	–
Additions	**39,241**	–
At 31 March, at fair value	**72,194**	–

Following the adoption of HKAS 39, the investment securities were redesignated as available-for-sale financial assets on 1 April 2005.

22. INVENTORIES

	Group	
	2006	2005
	HK$'000	HK$'000
Raw materials	**115,457**	81,988
Finished goods	**38,905**	26,878
	154,362	108,866

23. TRADE RECEIVABLES

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

	Group	
	2006	2005
	HK$'000	HK$'000
Within 30 days	**56,182**	40,030
31 days to 60 days	**45,030**	31,954
61 days to 180 days	**129,517**	11,866
Over 180 days	**704**	61
	231,433	83,911
Allowance for impairment	**(1,749)**	(1,749)
	229,684	82,162

Other than cash and credit card sales, invoices are normally payable within 30 days of issuance, except for certain well-established customers where the terms are extended up to 90 days. Trade receivables are recognised and carried at their original invoiced amounts less allowance for impairment when collection of the full amount is no longer probable. Bad debts are written off as incurred.

24. TRADE AND BILLS PAYABLES

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

	Group	
	2006	2005
	HK$'000	HK$'000
Within 30 days	**28,107**	8,784
31 days to 60 days	**5,243**	9,050
61 days to 180 days	**10,181**	12,990
Over 180 days	**5,881**	1,226
	49,412	32,050

25. INTEREST-BEARING BORROWINGS

	Group		Company	
	2006	2005	**2006**	2005
	HK$'000	HK$'000	**HK$'000**	HK$'000
Bank loans	**144,920**	40,200	**–**	7,800
Trust receipt loans	**130,097**	117,955	**–**	6,700
Term and syndicated loans	**360,000**	232,500	**30,000**	232,500
	635,017	390,655	**30,000**	247,000
Bank loans repayable:				
Within one year	**24,481**	14,855	**–**	7,800
In the second year	**30,101**	2,055	**–**	–
In the third to fifth years, inclusive	**40,112**	6,165	**–**	–
Over five years	**50,226**	17,125	**–**	–
	144,920	40,200	**–**	7,800
Trust receipt loans repayable within one year	**130,097**	117,955	**–**	6,700
Term and syndicated loans repayable:				
Within one year	**140,000**	77,500	**30,000**	77,500
In the second year	**44,000**	155,000	**–**	155,000
In the third to fifth years, inclusive	**176,000**	–	**–**	–
	360,000	232,500	**30,000**	232,500
	635,017	390,655	**30,000**	247,000
Portion classified as current liabilities	**(294,578)**	(210,310)	**(30,000)**	(92,000)
Non-current portion	**340,439**	180,345	**–**	155,000

(a) Banking facilities

At 31 March 2006 the Group's banking facilities were mainly secured by:

(i) Corporate guarantees of the Company; and

(ii) Charge over certain leasehold land and buildings of the Group (notes 14 and 15).

25. INTEREST-BEARING BORROWINGS (continued)

(b) According to the syndicated loan agreements, the Group is required to comply with certain financial covenants throughout the term life of the facilities and in addition, the controlling shareholders (Leung Ngok, Leung Shing, ACE Target Inc. and any discretionary trust) are required to own in aggregate, either directly or indirectly, at least 30% of the total issued share capital of the Company during the term life of these facilities.

(c) The effective interest rates at the balance sheet date were as follows:

	Group		Company	
	2006	2005	**2006**	2005
Bank loans	**HIBOR plus 0.95% to 1.25%**	HIBOR plus 1.15% to 1.25%	**–**	HIBOR plus 1.15%
Trust receipt loans	**HIBOR plus 1.25% to 2%**	HIBOR plus 1.1% to 2.5%	**–**	HIBOR plus 2%
Term and syndicated loans	**HIBOR plus 1% to 1.15%**	HIBOR plus 1.15%	**HIBOR plus 1.15%**	HIBOR plus 1.15%

26. FINANCE LEASE PAYABLES

At 31 March 2006 the total future minimum lease payments under finance leases and their present values are as follows:

	Group			
	Minimum lease payments		Present value of minimum lease payments	
	2006 HK$'000	2005 HK$'000	**2006 HK$'000**	2005 HK$'000
Amounts payable:				
Within one year	**4,822**	11,616	**4,379**	10,965
In the second year	**4,821**	10,419	**4,378**	9,907
In the third to fifth years, inclusive	**602**	9,825	**445**	9,485
Total minimum finance lease payments	**10,245**	31,860	**9,202**	30,357
Future finance charges	**(1,043)**	(1,503)		
Total net finance lease payables	**9,202**	30,357		
Portion classified as current liabilities	**(4,379)**	(10,965)		
Non-current portion	**4,823**	19,392		

In 2006, finance costs related to obligations under finance leases are charged to the income statement at effective interest rates ranging from 2.3% to 6.5% (2005: 2.3% to 6.5%) per annum on the outstanding balances of lease liabilities.

27. DEFERRED TAXATION

At 31 March 2006 the Group has unused tax losses of approximately HK$51 million (2005: HK$34 million) available for offset against future profits of some subsidiaries. No deferred tax asset has been recognised due to the unpredictability of future taxable profit streams of these subsidiaries. All losses may be carried forward indefinitely.

	Group		
	Accelerated allowance depreciation HK$'000	**Tax loss** HK$'000	**Total** HK$'000
Deferred tax liabilities			
Additions and at 31 March 2005	16,110	(6,110)	10,000
Additions	(2,110)	6,110	4,000
At 31 March 2006	14,000	–	14,000

28. SHARE CAPITAL

		Number of shares		Ordinary share capital	
	Note	**2006**	2005	**2006** **HK$'000**	2005 HK$'000
Authorised:					
Ordinary shares of HK$0.10 each	(a)	**5,000,000,000**	2,000,000,000	**500,000**	200,000
Issued and fully paid:					
At beginning of year		**1,776,565,500**	1,451,185,500	**177,657**	145,119
Issue of shares					
Exercise of share options	(b)	**–**	76,800,000	**–**	7,680
Exercise of warrants	(c)	**9,900,000**	248,580,000	**990**	24,858
Open offer	(d)	**893,232,750**	–	**89,323**	–
At end of year		**2,679,698,250**	1,776,565,500	**267,970**	177,657

28. SHARE CAPITAL (continued)

Notes:

(a) Pursuant to the ordinary resolution passed by the shareholders at the special general meeting dated 28 June 2005, the Company increased its authorised share capital from HK$200,000,000 to HK$500,000,000 by the creation of 3,000,000,000 ordinary shares of HK$0.10 each.

(b) During the year ended 31 March 2005, 76,800,000 ordinary shares of HK$0.10 each were issued in relation to share options exercised by directors, employees and suppliers under the share option scheme at HK$0.38 per share.

(c) On 10 June 2004, the Company issued 259,000,000 warrants at a placing price of HK$0.097 per warrant by private placement to not less than 100 selected independent investors. Each warrant entitles the holder thereof to subscribe for one ordinary share of HK$0.10 each of the Company at an initial subscription price of HK$0.20 per share on or after 18 June 2004, but not later than 23 June 2005, both days inclusive. The net proceeds of approximately HK$24.2 million were used for general working capital of the Group.

During the year, registered holders of 9,900,000 (2005: 248,580,000) warrants exercised their rights to subscribe for 9,900,000 (2005: 248,580,000) ordinary shares at a consideration of HK$1,980,000 (2005: HK$49,716,000) of which HK$990,000 (2005: HK$24,858,000) was credited to share capital and the balance of HK$990,000 (2005: HK$24,858,000) was credited to the share premium account.

The trading of warrants on the Stock Exchange had ceased after 20 June 2005 and the listing of the warrants on the Stock Exchange was withdrawn from 23 June 2005. 520,000 outstanding warrants not exercised and fortfeited by the Company at the expiry date.

(d) Pursuant to the prospectus of the Company dated 30 June 2005, the Company proposed an open offer of 893,232,750 new shares of HK$0.25 each on the basis of one offer share for every two shares held by existing shareholders on record date. On 21 July 2005 total number of 893,232,750 offer shares were issued and the Company raised proceeds of approximately HK$218,148,000, net of issuing expenses, to fund the expansion of the Group's retail network in Hong Kong and the PRC.

All new ordinary shares issued during the year rank pari passu in all respects with the existing shares of the Company.

29. SHARE OPTION SCHEME

The share option scheme of the Company (the "Scheme") was adopted at the special general meeting of the Company on 9 July 2002 for the purpose of providing incentives or rewards to eligible participants for their contribution to the Group and/or to enable the Group to recruit and retain high-calibre employees and attract human resources that are valuable to the Group and any entity in which the Group holds any equity interest (the "Invested Entity"). Eligible participants of the Scheme include the directors and employees of the Company, its subsidiaries or any Invested Entity, suppliers and customers of the Group or any Invested Entity, any person or entity that provides research, development or other technological support to the Group or any Invested Entity, and any shareholder of any member of the Group or any Invested Entity or any holder of any securities issued by any member of the Group or any Invested Entity. The Scheme should, unless otherwise terminated or amended, remain in force for 10 years from 17 July 2002.

The maximum number of shares which may be issued upon exercise of all outstanding share options granted and yet to be exercised under the Scheme and any other share option schemes of the Company must not exceed 30% of the total number of shares in issue from time to time. The total number of shares which may be issued upon exercise of all share options granted and to be granted under the Scheme and any other share option schemes of the Company shall not in aggregate exceed 10% of the total number of shares in issue on 28 September 2004 (i.e. not exceeding 177,500,550 shares of the Company). Share options lapsed in accordance with the terms of the Scheme or any other share option schemes of the Company will not be counted for the purpose of calculating the 10% limit. The Company may seek approval of the shareholders in general meeting for refreshing the 10% limit under the Scheme save that the total number of shares which may be issued upon exercise of all share options to be granted under the Scheme and any other share option schemes of the Company under the limit as refreshed shall not exceed 10% of the total number of shares in issue as at the date of approval of the limit as refreshed. Share options previously granted under the Scheme or any other share option schemes of the Company (including share options outstanding, cancelled, lapsed or exercised in accordance with the terms of the Scheme or any other share option schemes of the Company) will not be counted for the purpose of calculating the limit as refreshed. The total number of shares issued and to be issued upon exercise of the share options granted to each eligible participant (including both exercised and outstanding options) in any 12-month period shall not exceed 1% of the total number of shares in issue.

29. SHARE OPTION SCHEME (continued)

Each grant of the share options to a director, chief executive or substantial shareholder of the Company, or any of their respective associates, under the Scheme must comply with the requirements of Rule 17.04 of the Listing Rules and must be subject to approval by the independent non-executive directors to whom share options have not been granted. In addition, any grant of share options to a substantial shareholder or an independent non-executive director of the Company, or any of their respective associates, which would result in the shares issued and to be issued upon exercise of all share options already granted and to be granted (including share options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant in excess of 0.1% of the total number of shares of the Company in issue and with an aggregate value (based on the closing price of the Company's shares at the date of each grant) in excess of HK$5 million, is subject to prior approval from shareholders in a general meeting.

The offer of a grant of share options shall be accepted within 28 days from the date of the offer, upon payment of a nominal consideration of HK$1 in total by the grantee. The exercise period of the share options granted is determinable by the directors, save that such period shall not be more than 10 years from the date of the offer of the share options subject to the provisions for early termination set out in the Scheme. There is no minimum period for which an option must be held before the exercise of the subscription right attaching thereto except otherwise imposed by the board of directors.

The exercise price of the share options is determinable by the directors, but may not be less than the highest of (i) the closing price of the Company's shares as stated in the Stock Exchange's daily quotation sheets on the date of the offer of the share options which must be trading day; (ii) the average closing price of the Company's shares as stated in the Stock Exchange's daily quotation sheets for the five trading days immediately preceding the date of the offer; and (iii) the nominal value of the Company's shares.

During the year ended 31 March 2005, 76,800,000 share options were exercised by directors, employees and suppliers of the Group, details of which are set out in note 28(b). No options were granted, exercised, cancelled or lapsed for the year ended 31 March 2006.

The total number of the Company's shares currently available for issue under the Scheme is 177,500,550 shares, being 6.6% of the issued share capital of the Company as at 25 July 2006.

30. RESERVES

Company

	Share premium HK$'000	Contributed surplus HK$'000 (note a)	Warrants reserve HK$'000	Retained profits HK$'000	Total HK$'000
At 1 April 2004	223,033	40,358	–	4,398	267,789
Proceeds from issue of warrants (note 28(c))	–	–	25,123	–	25,123
Issue of shares upon:					
Exercise of share options (note 28(b))	21,504	–	–	–	21,504
Exercise of warrants (note 28(c))	48,971	–	(24,113)	–	24,858
Expenses incurred in connection with exercise of warrants	(874)	–	–	–	(874)
Expenses incurred in connection with exercise of share options	(94)	–	–	–	(94)
Profit for the year	–	–	–	31,483	31,483
Dividends paid	–	–	–	(35,504)	(35,504)
At 31 March 2005	292,540	40,358	1,010	377	334,285
Representing:					
At 31 March 2005 after proposed final dividend					312,848
Proposed final dividend (note 12)					21,437
					334,285

30. RESERVES (continued)

	Share premium HK$'000	Contributed surplus HK$'000 (note a)	Warrants reserve HK$'000	Retained profits HK$'000	Total HK$'000
At 1 April 2005	292,540	40,358	1,010	377	334,285
Issue of shares upon:					
Exercise of warrants (note 28(c))	1,950	–	(960)	–	990
Open offer (note 28(d))	133,985	–	–	–	133,985
Expenses incurred in connection with open offer	(5,160)	–	–	–	(5,160)
Movement in equity on expiry of warrants	50	–	(50)	–	–
Profit for the year	–	–	–	57,741	57,741
Dividends paid	–	–	–	(34,836)	(34,836)
At 31 March 2006	423,365	40,358	–	23,282	487,005
Representing:					
At 31 March 2006 after proposed final dividend					465,568
Proposed final dividend (note 12)					21,437
					487,005

Note:

(a) The contributed surplus represents the excess of the then combined net assets of the subsidiaries acquired pursuant to the group reorganisation in preparation for the listing of the Company's shares on the Stock Exchange completed on 16 October 2000 over the nominal value of the share capital of the Company issued in exchange therefor. In accordance with the Companies Act 1981 of Bermuda, the Company's contributed surplus is available for cash distribution and/or distribution in specie in certain circumstances.

31. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Acquisition of additional interests in subsidiaries

	Group
	2005
	HK$'000
Net assets acquired:	
Minority interests	5,000
Goodwill	27,000
	32,000
Satisfied by:	
Cash consideration	32,000

(b) Major non-cash transaction

During the year ended 31 March 2005, the Group entered into finance lease arrangements in respect of assets with a total capital value at the inception of the leases of HK$25,482,000.

32. RELATED PARTY TRANSACTIONS

(a) During the year, the Group paid rental expenses of HK$84,000 (2005: HK$84,000) to Mr. Leung Ngok and Mr. Leung Shing for properties jointly owned by them. In addition, the Group paid rental expenses of HK$720,000 (2005: HK$720,000) to Mr. Leung Shing. Mr. Leung Ngok and Mr. Leung Shing are executive directors of the Company. The properties leased were occupied by the Group as retail outlets and directors' quarters.

(b) During the year, the Group had the following transactions with Texcote Technology (International) Limited, a jointly-controlled entity:

	Group	
	2006	2005
	HK$'000	HK$'000
Purchases	**1,315**	4,781
Rental income received	**23**	180
Management fee received	**12**	423
Licensing fee paid	**2,000**	2,000

32. RELATED PARTY TRANSACTIONS (continued)

(c) At 31 March 2006, certain wholly-owned subsidiaries of the Group provided advances of approximately HK$133 million (2005: HK$138 million) to New Asia Associates Limited (a non-wholly owned subsidiary of the Group) and its subsidiaries, bear interest at 2% (2005: 2%) per annum. The advances are unsecured and have no fixed terms of repayment. The principal purpose of these advances is to finance the non-wholly owned subsidiary's investment activities.

(d) The compensation to the Group's key management personnel is disclosed in note 8 to the financial statements.

33. CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities at 31 March 2006 (2005: HK$Nil).

At 31 March 2006, the Company has executed corporate guarantees in respect of banking facilities and finance lease facilities granted to certain subsidiaries.

34. OPERATING LEASE ARRANGEMENTS

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

	Group	
	2006	2005
	HK$'000	HK$'000
As lessor:		
Within one year	**2,540**	720
As lessee:		
Within one year	**34,590**	10,305
In the second to fifth years, inclusive	**43,629**	17,282
Over five years	**3,314**	4,095
	81,533	31,682

35. CAPITAL COMMITMENTS

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

	Group	
	2006	2005
	HK$'000	HK$'000
Contracted but not provided for		
Research and development	**10,192**	–
Construction of dormitory	**2,279**	3,839
Construction of factory buildings and office premises	**120**	381
	12,591	4,220

36. EVENT AFTER THE BALANCE SHEET DATE

On 25 July 2006, the directors proposed a final dividend of HK0.8 cent per ordinary share for the year ended 31 March 2006, details of which are set out in note 12.

37. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 25 July 2006.