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 29 to the financial statements.

In the opinion of the directors of the Company, as at 31 March 2007, Mr. Leung Ngok is the ultimate controlling party of the Company.

2. SIGNIFICANT ACCOUNTING POLICIES

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

In the current year, the Group has adopted all the new and revised HKFRSs that are relevant to its operations and effective for accounting periods beginning on or after 1 January 2006. HKFRSs comprise Hong Kong Financial Reporting Standards; Hong Kong Accounting Standards; and Interpretations. The adoption of these new and revised HKFRSs did not result in substantial changes to the Group's accounting polices and amounts reported for the current year and prior years.

The Group has not applied the new HKFRSs that have been issued but are not effective. The Group has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a material impact on its results of operations and financial position.

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of leasehold 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 3 to the financial statements.

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(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 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. If the subsidiary subsequently reports profits, such profits are allocated to the interests of the Group until the minority's share of losses previously absorbed by the Group has been recovered.

The Group applies a policy of treating acquisition of minority interests by the majority interests in subsidiaries as transactions between equity holders in their capacity as equity holders. No gain or loss is recognised in income statement on such changes. Assets and liabilities of the subsidiaries in which the Group subsequently increases its ownership interests are stated at carrying amount. The differences between the cost of acquisition and the carrying amount of the net assets additionally acquired are directly recognised in equity.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(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 (the "venturers").

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.

2. 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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Foreign currency translation (continued)

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

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.

(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 cost less accumulated depreciation and impairment losses.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Fixed assets (continued)

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.

Revaluation increases of land and buildings are recognised in the income statement to the extent that the increases reverse previous revaluation decreases of the same asset. All other revaluation increases are credited to the property revaluation reserve in shareholders' equity. Revaluation decreases that offset previous revaluation increases of the same asset are charged against property revaluation reserve directly in equity. All other decreases are recognised in the income statement. On the subsequent sale or retirement of a revalued building, the attributable revaluation surplus remaining in the property revaluation reserve is transferred directly to retained profits.

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 leaseterms and 5 years
Machinery and equipment	3 to 4 years
Furniture, fixtures and motor vehicles	4 to 5 years

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

Construction in progress represents buildings under construction and plant and machinery pending installation, and is stated at cost less impairment losses. Depreciation begins when 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 properties

Investment properties are land and/or building held to earn rentals and/or for capital appreciation. An 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 based on valuation by an external independent valuer. 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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Investment properties (continued)

The gain or loss on disposal of an investment property in the difference between the net sales proceeds and the carrying amount of the property and is recognised in the income statement.

(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. Lease payments (net of any incentives received from the lessor) are expensed in the income statement on a straight-line basis over the lease term.

(ii) Finance leases

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

The corresponding liability to the lessor is included in the balance sheet as finance lease payables. Lease payments are apportioned between the finance charges and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

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 measured initially at cost and are amortised on a straight-line basis over their estimated useful lives of 5 years. Where no internally generated intangible asset can be recognised, development expenditure is charged to the income statement in the period in which it is incurred.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(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.

(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.

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 and recognised in the income statement 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 receivables' carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate computed at initial recognition. The amount of the allowance is recognised in the income statement.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(l) Trade and other receivables (continued)

Impairment losses are reversed in subsequent periods and recognised in the income statement when an increase in the receivables' recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the receivables at the date the impairment is reversed shall not exceed what the amortised cost would have been had the impairment not been recognised.

(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.

(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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(n) Financial liability and equity instruments (continued)

(ii) Convertible bonds

Convertible bonds that consist of a liability and an equity component are regarded as compound instruments. At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible debt. The difference between the proceeds of issue of the convertible bonds and the fair value assigned to the liability component, representing the embedded option for the holder to convert the bonds into equity of the Group, is included in equity as capital reserve.

Issue costs are apportioned between the liability and equity components of the convertible bonds based on their relative carrying amounts at the date of issue. The portion relating to the equity component is charged directly to equity.

The interest expense on the liability component is calculated by applying the prevailing market interest rate for similar non-convertible debt to the liability component of the instruments. The difference between this amount and the interest paid is added to the carrying amount of the convertible bonds.

(iii) 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.

(iv) Equity instruments

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

(o) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably.

(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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(o) Revenue recognition (continued)

(ii) Licensing income

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

(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) Pension obligations

The Group contributes to defined contribution retirement schemes which are available to all employees. Contributions to the schemes by the Group and employees are calculated as a percentage of employees' basic salaries. The retirement benefit scheme cost charged to the income statement represents contributions payable by the Group to the funds.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(q) Share-based payments

The Group issues equity-settled payments to certain directors, employees, and a supplier. Equity-settled share-based payments are measured at fair value (excluding the effect of non market-based vesting conditions) of the equity instruments 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.

(r) Borrowing costs

All other borrowing costs are recognised in the income statement in the period in which they are incurred.

(s) Taxation

Income tax expense represents the sum of the current tax 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.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(s) Taxation (continued)

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.

(t) 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.

(u) 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 segments as the secondary reporting format.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(u) Segment reporting (continued)

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, trade receivables and cash and bank balances. Segment liabilities comprise operating liabilities and exclude items such as tax liabilities 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, total assets and capital expenditure are based on where the assets are located.

(v) Impairment of assets

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets except goodwill, inventories, receivables, investments and investment properties 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.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(v) Impairment of assets (continued)

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 (net of amortization or depreciation) 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.

(w) 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.

(x) 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.

3. 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 carrying amount of HK$94,295,000 (2006: HK$50,375,000) as at 31 March 2007 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) Income taxes

The Group is subject to income taxes in several jurisdictions. Significant estimates are required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

(c) 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.

3. CRITICAL JUDGEMENTS AND KEY ESTIMATES (continued)

Key sources of estimation uncertainty (continued)

(d) 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. It could change significantly as a result of changes in customer taste and competitor actions in response to serve industry cycles. Management will reassess the estimates by the balance sheet date.

(e) 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.

4. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: foreign currency risk, price 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 certain exposure to foreign currency risk as most of its business transactions, assets and liabilities are principally denominated in Hong Kong dollars ("HK$"), United States dollars ("US$"), Renminbi ("RMB") and Macao Pataca ("MOP"). 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$510 million as at 31 March 2007 (2006: HK$584.7 million) 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.

4. FINANCIAL RISK MANAGEMENT (continued)

(b) Price risk

The Group's available-for-sale financial assets are measured at fair value at each balance sheet date. Therefore, the Group is exposed to equity security price risk. The directors manage this exposure by maintaining a portfolio of investments with difference risk profiles.

(c) 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.

(d) 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.

(e) Interest rate risk

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

(f) 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.

5. TURNOVER, OTHER INCOME AND SEGMENT INFORMATION

	2007 HK$'000	2006 HK$'000
Turnover		
Sales of goods	**1,684,177**	1,249,645
Processing income	**83,030**	58,307
Licensing income	**6,800**	35,900
	1,774,007	1,343,852
Other income		
Gross rental income	**3,693**	1,608
Interest income	**6,486**	6,724
Management fee income received from jointly-controlled entities	**—**	12
Gain on sales of available-for-sale financial assets	**9,731**	—
Others	**5,071**	1,795
	24,981	10,139

Segment information

In determining the Group's geographical segments, revenue, 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 Texnology Nano business. Texnology Nano business refers to business utilising the Swedish Texcote Technology which is a material processing technology based on the principles of nanotechnology.

5. TURNOVER, OTHER INCOME AND SEGMENT INFORMATION (continued)

Geographical segments

	Hong Kong		PRC		Elimination		Consolidated	
	2007 HK$'000	2006 HK$'000	**2007 HK$'000**	2006 HK$'000	**2007 HK$'000**	2006 HK$'000	**2007 HK$'000**	2006 HK$'000
Segment revenue:								
Sales to external customers	**191,675**	95,952	**1,582,332**	1,247,900	**—**	—	**1,774,007**	1,343,852
Inter-segment sales	**988**	—	**120,962**	48,259	**(121,950)**	(48,259)	**—**	—
Total revenue	**192,663**	95,952	**1,703,294**	1,296,159	**(121,950)**	(48,259)	**1,774,007**	1,343,852
Segment results	**(16,942)**	8,758	**278,062**	216,601	**—**	—	**261,120**	225,359
Unallocated expenses							**(48,606)**	(48,172)
Profit from operations							**212,514**	177,187
Finance costs							**(48,773)**	(38,775)
Share of (losses)/profits of jointly-controlled entities							**(5,678)**	55
Profit before tax							**158,063**	138,467
Income tax expense							**(23,765)**	(17,628)
Profit for the year							**134,298**	120,839
Segment assets	**291,151**	249,331	**1,713,120**	1,385,007	**—**	—	**2,004,271**	1,634,338
Investments in jointly-controlled entities							**49,905**	55,583
Unallocated assets							**169,278**	107,909
Total assets							**2,223,454**	1,797,830
Segment liabilities	**46,104**	27,556	**128,390**	52,701	**—**	—	**174,494**	80,257
Unallocated liabilities							**781,299**	669,890
Total liabilities							**955,793**	750,147
Other segment information:								
Capital expenditure	**74,285**	66,937	**50,677**	130,714	**—**	—	**124,962**	197,651
Depreciation	**16,596**	9,133	**36,836**	19,561	**—**	—	**53,432**	28,694
Amortisation and impairment loss of intangible assets	**—**	—	**3,378**	13,247	**—**	—	**3,378**	13,247
Net (gain) /loss on disposals of fixed assets	**(10)**	247	**(400)**	—	**—**	—	**(410)**	247

5. TURNOVER, OTHER INCOME AND SEGMENT INFORMATION (continued)

Business segments

	Fashion garments business		Texnology Nano business		Total	
	2007	2006	**2007**	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Segment revenue:						
Sales to external customers	**1,310,760**	909,041	**463,247**	434,811	**1,774,007**	1,343,852
Segment assets	**1,593,979**	1,342,220	**410,292**	292,118	**2,004,271**	1,634,338
Capital expenditure	**121,621**	190,126	**3,341**	7,525	**124,962**	197,651

6. FINANCE COSTS

	2007	2006
	HK$'000	HK$'000
Interest expenses on:		
Bank loans	**48,398**	37,676
Finance leases	**375**	1,099
	48,773	38,775

7. INCOME TAX EXPENSE

	2007	2006
	HK$'000	HK$'000
Current year provision		
Hong Kong	**16,000**	11,619
Elsewhere	**8,544**	1,651
(Over)/under provision in previous year	**(1,556)**	358
	22,988	13,628
Deferred tax	**777**	4,000
	23,765	17,628

7. INCOME TAX EXPENSE (continued)

(a) Hong Kong profits tax is provided at the rate of 17.5% (2006: 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 subsidiaries of the Group operates, based on existing legislation, interpretations and practices in respect thereof.

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

	2007 HK$'000	2006 HK$'000
Profit before tax	**158,063**	138,467
Tax at the applicable tax rate of 17.5% (2006: 17.5%)	**27,661**	24,232
Tax effect of income that is not taxable	**(16,666)**	(14,561)
Tax effect of expenses that are not deductible	**5,623**	6,733
Tax effect of temporary differences not recognised	**2,829**	1,504
Tax effect on losses/(profits) on jointly-controlled entities	**994**	(10)
Tax effect of utilisation of tax losses not previously recognised	**(4,385)**	(6,016)
Tax effect of unused tax losses not recognised	**5,114**	4,217
(Over)/under provision of taxation charges	**(1,556)**	358
Effect of different tax rates of subsidiaries operating in other jurisdictions	**4,151**	1,171
Income tax expense	**23,765**	17,628

8. PROFIT FOR THE YEAR

The Group's profit for the year is arrived at after charging/(crediting):

	2007 HK$'000	2006 HK$'000
Auditor's remuneration		
Current year	**1,250**	750
Underprovision in prior year	**180**	100
	1,430	850
Cost of inventories sold (note)	**1,363,668**	1,015,489
Net (gain)/loss on disposals of fixed assets	**(410)**	247
Depreciation	**53,432**	28,694
Staff costs (excluding directors' remuneration - note 11)		
Wages and salaries	**61,834**	39,967
Retirement benefits scheme contributions	**1,721**	1,018
Equity-settled share option expense	**4,853**	—
	68,408	40,985
Fair value loss on investment properties	**3,950**	—
Research and development expenditure	**5,840**	3,206
Minimum lease payments under operating leases in respect of land and buildings	**51,799**	25,363

Note: Cost of inventories sold includes approximately HK$8,070,000 (2006: HK$4,998,000) and HK$25,863,000 (2006: HK$15,578,000) relating to staff costs and depreciation (including amortisation) respectively, which are included in the respective amounts disclosed separately above for each of these types of expenses for the year.

9. DIVIDENDS

	2007 HK$'000	2006 HK$'000
Interim dividend paid - HK0.7 cent (2006: HK0.5 cent) per ordinary share	**18,758**	13,399
Proposed final dividend - Nil (2006: HK0.8 cent) per ordinary share	**—**	21,437
	18,758	34,836

The directors have declared an interim dividend of HK0.7 cent per ordinary share totalling HK$18,758,000 which was paid on 23 March 2007. The directors do not recommend the payment of a final dividend.

10. EARNINGS PER SHARE

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

Earnings	2007 HK$'000	2006 HK$'000
Profit attributable to equity holders of the Company, used in basic earnings per share calculation	**123,092**	103,406
Finance costs saving on conversion of convertible bonds outstanding	**2,409**	—
Profit attributable to equity holders of the Company, used in diluted earnings per share calculation	**125,501**	103,406

Number of shares	2007	2006
Weighted average number of ordinary shares used in basic earnings per share calculation	**2,705,851,675**	2,405,943,249
Effect of dilutive potential ordinary shares arising from convertible bonds outstanding	**101,598,174**	—
Weighted average number of ordinary shares used in diluted earnings per share calculation	**2,807,449,849**	2,405,943,249

11. 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 2007

	Fees HK$'000	Basic salaries, allowances and benefits in kind HK$'000	Equity-settled share option expense HK$'000	Retirement benefits scheme contributions HK$'000	Total emoluments HK$'000
Name of director					
Executive directors					
Mr. Leung Ngok	—	1,312	—	12	1,324
Mr. Leung Shing	—	1,128	952	12	2,092
Mr. Lee Ka Yiu, Andy (note (a))	—	—	—	—	—
Mr. Leung Siu Kan, Stephen (note (b))	—	343	952	5	1,300
Independent non-executive directors					
Mr. Jia Luqiao	116	—	—	—	116
Mr. Wong Kong Hon	130	—	—	—	130
Mr. Wong Kai Cheong	120	—	—	—	120
Mr. Yang Dong Hui	116	—	—	—	116
	482	2,783	1,904	29	5,198

Notes: (a) Resigned on 5 September 2006
(b) Appointed on 5 September 2006

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

For the year ended 31 March 2006

	Fees HK$'000	Basic salaries, allowances and benefits in kind HK$'000	Equity-settled share option expense 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

During the year ended 31 March 2006, 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 (2006: HK$Nil).

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

Five highest paid individuals' remuneration

The five highest paid individuals during the year included three (2006: two) directors, details of whose remuneration are set out above. Details of the remuneration of the remaining two (2006: three) highest paid individuals are as follows:

	2007	2006
	HK$'000	HK$'000
Salaries, allowances and benefits in kind	**1,899**	1,839
Equity-settled share option expense	**952**	—
Retirement benefits scheme contributions	**24**	47
	2,875	1,886

During the year, no remuneration was paid by the Group to any of the directors or the highest paid individuals as an inducement to join, or upon joining the Group, or as compensation for loss of office. (2006: HK$Nil)

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

	Number of individuals	
	2007	2006
HK$Nil - HK$1,000,000	**—**	3
HK$1,000,001 - HK$1,500,000	**2**	—
	2	3

12. FIXED ASSETS

	Medium team 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 2005	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 and at 1 April 2006	83,476	50,375	6,558	54,344	218,026	20,604	433,383
Additions	337	—	36,934	57,163	6,504	1,051	101,989
Exchange difference	1,457	1,443	262	464	622	406	4,654
Disposals	—	—	—	(1,126)	(12)	(1,970)	(3,108)
Adjustment on revaluation	(1,966)	42,477	—	—	—	—	40,511
At 31 March 2007	83,304	94,295	43,754	110,845	225,140	20,091	577,429
Accumulated depreciation							
At 1 April 2005	—	—	—	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 and at 1 April 2006	—	—	—	28,423	51,820	17,476	97,719
Charge for the year	1,966	1,245	—	21,570	27,616	1,035	53,432
Exchange difference	—	—	—	293	510	7	810
Disposals	—	—	—	(686)	(4)	(1,322)	(2,012)
Adjustment on revaluation	(1,966)	(1,245)	—	—	—	—	(3,211)
At 31 March 2007	—	—	—	49,600	79,942	17,196	146,738
Carrying amount							
At 31 March 2007	83,304	94,295	43,754	61,245	145,198	2,895	430,691
At 31 March 2006	83,476	50,375	6,558	25,921	166,206	3,128	335,664

12. FIXED ASSETS (continued)

The analysis of the cost or valuation at 31 March 2007 of the above assets is as follows:

	Medium team 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
At cost	—	—	43,754	110,845	225,140	20,091	399,830
At valuation	83,304	94,295	—	—	—	—	177,599
	83,304	94,295	43,754	110,845	225,140	20,091	577,429

The analysis of the cost or valuation at 31 March 2006 of the above assets is as follows:

	Medium team 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
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

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

	2007 HK$'000	2006 HK$'000
Held under medium term leases in Hong Kong (note a)	**146,605**	27,397
Held under medium term leases in Macau (note a)	**4,273**	4,374
Held under medium term leases in the PRC (note b)	**26,721**	102,080
	177,599	133,851

12. FIXED ASSETS (continued)

Notes:

(a) The Group's medium term leasehold land and buildings situated in Hong Kong and Macau were revalued as at 31 March 2007 by Castores Magi Asia Limited ("Castores"), an independent firm of professional valuers, on market value basis.

(b) The Group's medium term leasehold land and buildings situated in the PRC were revalued as at 31 March 2007 by Castores on market value and depreciated replacement cost basis.

Had the Group's leasehold land and buildings been stated at cost less accumulated depreciation, their carrying amounts as at 31 March 2007 would have been HK$126,253,000 (2006: HK$125,953,000)

At 31 March 2007, the Group's leasehold land and buildings situated in the PRC and Hong Kong, with an aggregate carrying amount of HK$146,605,000 and HK$17,029,000 (2006: HK$102,080,000 and HK$17,457,000) respectively, were pledged to secure banking facilities granted to the Group (note 22(a)(ii)).

The carrying amount of the machinery and equipment of the Group held under finance leases at 31 March 2007 amounted to HK$26,080,000 (2006: HK$38,816,000). The furniture, fixtures and motor vehicles of the Group held under finance leases at 31 March 2007 amounted to HK$308,000 (2006: HK$378,000).

13. PREPAID LAND LEASE PAYMENTS

	HK$'000
Cost	
At 1 April 2005	27,876
Additions	64,555
Exchange difference	86
At 31 March 2006	92,517
Exchange difference	124
At 31 March 2007	92,641
Accumulated amortisation	
At 1 April 2005	479
Charge for the year	578
At 31 March 2006	1,057
Charge for the year	2,115
At 31 March 2007	3,172
Carrying amount	
At 31 March 2007	89,469
At 31 March 2006	91,460

13. PREPAID LAND LEASE PAYMENTS (continued)

	2007 HK$'000	2006 HK$'000
Analysed for reporting purposes as:		
Non-current assets	**87,290**	89,254
Current assets	**2,179**	2,206
	89,469	91,460

At 31 March 2007, the Group's prepaid land lease payments which represent land situated in the PRC and Hong Kong held under medium term leases, with an aggregate of HK$16,593,000 and HK$72,876,000 (2006: HK$16,788,000 and HK$74,672,000) respectively, were pledged to secure banking facilities granted to the Group (note 22(a)(ii)).

14. INVESTMENT PROPERTIES

	2007 HK$'000	2006 HK$'000
At 1 April	**9,430**	9,430
Additions	**22,973**	—
Fair value loss	**(3,950)**	—
At 31 March	**28,453**	9,430

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

At 31 March 2007, the investment properties were revalued by Castores on market value basis.

At 31 March 2007, the Group's investment properties with an aggregate of HK$22,973,000 (2006: HK$Nil) was pledged to secured banking facilities granted to the Group. (note 22(a)(ii)).

15. INTANGIBLE ASSETS

	Technical know-how HK$'000	Goodwill HK$'000 (note a)	Total HK$'000
Cost			
At 1 April 2005	12,617	115,700	128,317
Additions	6,527	—	6,527
Exchange difference	364	—	364
At 31 March 2006	19,508	115,700	135,208
Additions	—	52,400	52,400
Exchange difference	781	—	781
At 31 March 2007	20,289	168,100	188,389
Accumulated amortisation and impairment			
At 1 April 2005	3,154	—	3,154
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
Amortisation for the year	3,378	—	3,378
Exchange difference	260	—	260
At 31 March 2007	10,132	9,998	20,130
Carrying amount			
At 31 March 2007	10,157	158,102	168,259
At 31 March 2006	13,014	105,702	118,716

15. INTANGIBLE ASSETS (continued)

Note:

(a) Goodwill acquired in a business combination is allocated, at acquisition, to the cash-generating units that are expected to benefit from that business combination. The carrying amount of goodwill at year end had been allocated as follows:

	2007	2006
	HK$'000	HK$'000
Texnology Nano business (note b)	**133,602**	105,702
Fashion garments business (note c)	**24,500**	—
	158,102	105,702

(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 three years. The discount rate applied to cash flow projections is 13% and cash flows beyond three years period are extrapolated using a growth rate of 3% 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) 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 three years. The discount rate applied to cash flow projections is 12% and cash flows beyond three years period are extrapolated using a growth rate of 3% 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.

16. INVESTMENTS IN JOINTLY-CONTROLLED ENTITIES

	2007	2006
	HK$'000	HK$'000
Share of net assets	**13,639**	19,317
Goodwill (note d)	**55,947**	55,947
Impairment losses	**(19,681)**	(19,681)
	49,905	55,583

Note:

(a) The amounts due 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 2007 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
Texcote Chemical (Shenzheng) Company Limited 德高化工科技(深圳)有限公司	PRC	46%	Trading of nano processing materials
Hong Kong Green Nature Environmental Engineering Limited	Hong Kong	30%	Environmental protection projects

16. INVESTMENTS IN JOINTLY-CONTROLLED ENTITIES (continued)

(c) The following amounts are the Group's share of the assets and liabilities, and sales and results of the jointly-controlled entities:

	2007 HK$'000	2006 HK$'000
Assets		
Non-current assets	**1,168**	711
Current assets	**1,063**	1,502
	2,231	2,213
Liabilities		
Current liabilities	**(8,273)**	(2,577)
Net liabilities	**(6,042)**	(364)
Income	**3,603**	2,044
Expenses	**(9,281)**	(1,989)
(Loss)/profit after income tax expense	**(5,678)**	55

(d) The Group tests goodwill annually for impairment, or more frequently if there are indications that goodwill might be impaired. The fair value of goodwill at 31 March 2007 is determined by income projections with reference to cash flow forecast of the jointly-controlled entities derived from the most recent financial budgets approved by management covering a period of three years. The discount rate applied to cash flow forecast is 15% and cash flows beyond three years period are extrapolated using a growth rate of 3% which is determined with reference to the market condition of its products.

17. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2007 HK$'000	2006 HK$'000
Unlisted equity securities, at fair value		
At 1 April	**72,194**	32,953
Additions	**—**	39,241
Disposals	**(39,241)**	—
At 31 March	**32,953**	72,194

The fair value of the unlisted securities is determined by reference to the agreed amount at disposal subsequent to year end.

18. PREPAYMENTS AND DEPOSITS

	2007 HK$'000	2006 HK$'000
Prepayment for purchase of land use rights	**5,220**	—
Deposits for purchase of machinery and equipment	**38,765**	—
Rental deposits	**16,120**	7,385
	60,105	7,385

19. INVENTORIES

	2007 HK$'000	2006 HK$'000
Raw materials	**208,464**	115,457
Finished goods	**104,730**	38,905
	313,194	154,362

20. TRADE RECEIVABLES

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

	2007	2006
	HK$'000	HK$'000
Within 30 days	**111,765**	56,182
31 days to 60 days	**67,989**	45,030
61 days to 90 days	**91,828**	91,764
91 days to 120 days	**41,886**	30,851
121 days to 150 days	**7,908**	6,902
Over 150 days	**530**	704
	321,906	231,433
Allowance for impairment	**(1,871)**	(1,749)
	320,035	229,684

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.

The carrying amounts of the trade receivables are denominated in the following currencies:

	2007	2006
	HK$'000	HK$'000
HK$	**236,924**	178,777
US$	**50,522**	38,791
RMB	**34,460**	13,865
	321,906	231,433

21. 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:

	2007 **HK$'000**	2006 HK$'000
Within 30 days	**57,589**	28,107
31 days to 60 days	**35,311**	5,243
61 days to 180 days	**45,447**	10,181
Over 180 days	**—**	5,881
	138,347	49,412

The carrying amounts of the trade and bills payables are denominated in the following currencies:

	2007 **HK$'000**	2006 HK$'000
HK$	**31,757**	16,879
US$	**87,972**	21,063
RMB	**18,618**	11,470
	138,347	49,412

22. INTEREST-BEARING BORROWINGS

	2007 HK$'000	2006 HK$'000
Bank loans	**173,898**	144,920
Trust receipt loans	**188,912**	130,097
Term and syndicated loans	**326,000**	360,000
	688,810	635,017
Bank loans repayable:		
Within one year	**94,968**	24,481
In the second year	**7,184**	30,101
In the third to fifth years, inclusive	**22,434**	40,112
Over five years	**49,312**	50,226
	173,898	144,920
Trust receipt loans repayable within one year	**188,912**	130,097
Term and syndicated loans repayable:		
Within one year	**216,500**	140,000
In the second year	**105,000**	44,000
In the third to fifth years, inclusive	**4,500**	176,000
	326,000	360,000
	688,810	635,017
Portion classified as current liabilities	**(500,380)**	(294,578)
Non-current portion	**188,430**	340,439

22. INTEREST-BEARING BORROWINGS (continued)

(a) Banking facilities

At 31 March 2007 the Group's banking facilities were secured by:

(i) Corporate guarantees of the Company; and

(ii) Charge over certain leasehold land and buildings, prepaid land lease payments and investment properties of the Group (notes 12, 13 and 14).

(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 per annum at the balance sheet date are as follows:

	2007	2006
Bank loans		
— floating rate (HK$20,984,000)	**Prime rate minus 1%**	—
— floating rate (remaining)	**HIBOR plus 0.95% to 1.5%**	HIBOR plus 0.95% to 1.25%
Trust receipt loans		
— floating rate	**HIBOR plus 0.7% to 2%**	HIBOR plus 1.25% to 2%
Term and syndicated loans		
— floating rate	**HIBOR plus 1%**	HIBOR plus 1.1% to 1.15%

(d) The carrying amounts of the interest-bearing borrowings are denominated in the following currencies:

	2007 HK$'000	2006 HK$'000
HK$	**623,213**	569,761
US$	**65,597**	65,256
	688,810	635,017

23. FINANCE LEASE PAYABLES

At 31 March 2007 the total future minimum lease payments under finance leases and their present values are as follows:

	Minimum lease payments		Present value of minimum lease payments	
	2007	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000
Amounts payable:				
Within one year	**1,431**	4,822	**1,279**	4,379
In the second year	**73**	4,821	**58**	4,378
In the third to fifth years, inclusive	**177**	602	**162**	445
Total minimum finance lease payments	**1,681**	10,245	**1,499**	9,202
Future finance charges	**(182)**	(1,043)		
Total net finance lease payables	**1,499**	9,202		
Portion classified as current liabilities	**(1,279)**	(4,379)		
Non-current portion	**220**	4,823		

Finance costs related to obligations under finance leases are charged to the income statement at effective interest rates ranging from 3.25% to HIBOR plus 2% (2006: 2.3% to 6.5%) per annum on the outstanding balances of lease liabilities.

The carrying amounts of finance lease payables are denominated in HK$.

24. DEFERRED TAX

	Accelerate depreciation allowance HK$'000	Tax loss HK$'000	Revaluation surplus on land and buildings HK$'000	Total HK$'000
Deferred tax liabilities				
At 1 April 2005	16,110	(6,110)	—	10,000
(Credit)/charge to income	(2,110)	6,110	—	4,000
statement for the year	—	—	—	—
At 31 March 2006	14,000	—	—	14,000
Charge to equity for the year	—	—	10,000	10,000
Charge to income statement for the year	777	—	—	777
At 31 March 2007	14,777	—	10,000	24,777

The deferred tax liabilities in relation to revaluation of leasehold land and buildings have been charged to equity directly.

At 31 March 2007 the Group has unused tax losses of approximately HK$56 million (2006: HK$51 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.

25. CONVERTIBLE BONDS

The convertible bond notes were issued on 19 October 2006. The notes are convertible into ordinary shares of the Company at any time between the date of issue of the notes and their settlement date. Each bond will be convertible at the option of the holder thereof into fully paid ordinary shares of par value HK$0.10 each of the Company at initial conversion price of HK$0.288 per shares.

If the notes have not been converted, they will be redeemed at 137.69 per cent of its principal amount on 19 October 2011.

The net proceeds received from the issue of the convertible bonds have been split into liability and equity component, as follows:

	HK$'000
Net proceeds received from the issue of convertible bonds	57,056
Equity component	(6,040)
Liability component at date of issue	51,016
Interest charged	2,409
Liability component at 31 March 2007	53,425

25. CONVERTIBLE BONDS (continued)

The interest charged for the year is calculated by applying an effective interest rate of 10.05 per cent to the liability component since the bond notes were issued.

The directors estimate the fair value of the liability component of the convertible bond notes at 31 March 2007 to be approximately HK$53,425,000. This fair value has been calculated by discounting the future cash flows at the market rate.

26. SHARE CAPITAL

		Number of shares		Ordinary share capital	
	Note	**2007**	2006	**2007**	2006
				HK$'000	HK$'000
Authorised:					
Ordinary shares of HK$0.10 each		**5,000,000,000**	5,000,000,000	**500,000**	500,000
Issued and fully paid:					
At beginning of year		**2,679,698,250**	1,776,565,500	**267,970**	177,657
Issue of shares					
Exercise of warrants	(a)	**—**	9,900,000	**—**	990
Open offer	(b)	**—**	893,232,750	**—**	89,323
On placement	(c)	**258,000,000**	—	**25,800**	—
At end of year		**2,937,698,250**	2,679,698,250	**293,770**	267,970

Note:

(a) During the year ended 31 March 2006, registered holders of 9,900,000 warrants exercised their rights to subscribe for 9,900,000 ordinary shares at a consideration of HK$1,980,000 of which HK$990,000 was credited to share capital and the balance of HK$990,000 was credited to the share premium account.

(b) Pursuant to the prospectus of the Company dated 30 June 2005, the Company proposed an open offer of 893,232,750 ordinary shares at HK$0.25 per share 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.

(c) On 13 February 2007, the Company and a placing agent entered into a placing agreement in respect of the placement of 258,000,000 ordinary shares of HK$0.10 each to independent investors at a price of HK$0.29 per share. The placement completed on 23 February 2007 and the premium on the issue of shares, amounting to approximately HK$47,095,000 net of share issue expenses, was credited to the Company's share premium account.

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

27. SHARE-BASED PAYMENTS

Equity-settled 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.

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

As at the date of these financial statements, the total number of the Company's shares currently available for issue under the Scheme is 550 shares.

27. SHARE-BASED PAYMENTS (continued)

Equity-settled share option scheme (continued)

Details of the share options outstanding during the year are as follows:

	2007		2006	
	Number of share options	Weighted average exercise price HK$	Number of share options	Weighted average exercise price HK$
Outstanding at the beginning of year	—	—	—	—
Granted during the year	177,500,000	0.255	—	—
Outstanding at the end of year	177,500,000	0.255	—	—
Exercisable at the end of year	177,500,000	0.255	—	—

The options outstanding at the end of the year have a weighted average remaining contractual life of 2.5 years (2006: Nil).

During the year ended 31 March 2007, 177,500,000 share options were granted to certain directors, employees and a supplier on 6 November 2006. The exercise period is 3 years commencing on the date of grant of the share option. The estimated fair values of the options on that date were HK$0.038 per option share.

These fair values were calculated using the "Black-Scholes" pricing model. The inputs into the model were as follows:

	2007
Weighted average share price	HK$0.226
Weighted average exercise price	HK$0.255
Expected volatility	25.13%
Expected life	3 years
Risk free rate	4.71%
Expected dividend yield	4.00%

Expected volatility was determined by calculating the historical volatility of the Company's share price. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non transferrability, exercise restrictions and behavioral considerations.

The Group recognised total expense of approximately HK$6,757,000 (2006: HK$Nil) related to equity-settled share based payments transactions during the year.

28. BALANCE SHEET AND RESERVES OF THE COMPANY

(a) BALANCE SHEET

	2007 HK$'000	2006 HK$'000
Non-current assets		
Investments in subsidiaries	**81,310**	81,310
Current assets		
Prepayments, deposits and other receivables	**118**	104
Due from subsidiaries	**1,151,787**	1,083,916
Bank balance	**20,442**	883
	1,172,347	1,084,903
Current liabilities		
Accruals and other payables	**1,324**	665
Due to subsidiaries	**380,511**	380,573
Interest-bearing borrowings	**—**	30,000
	381,835	411,238
Net current assets	**790,512**	673,665
Total assets less current liabilities	**871,822**	754,975
Non-current liabilities		
Convertible bonds	**53,425**	—
Net assets	**818,397**	754,975
Capital and reserves		
Share capital	**293,770**	267,970
Reserves	**524,627**	487,005
Total equity	**818,397**	754,975

28. BALANCE SHEET AND RESERVES OF THE COMPANY (continued)

(b) RESERVES

	Share premium HK$'000	Contributed surplus HK$'000	Capital reserve HK$'000	Warrants reserve HK$'000	Share-based compensation 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	1,950	—	—	(960)	—	—	990
Open offer	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
At 1 April 2006	423,365	40,358	—	—	—	23,282	487,005
Issue of shares on placement	49,020	—	—	—	—	—	49,020
Issue of convertible bonds	—	—	6,040	—	—	—	6,040
Expenses incurred in connection with placement	(1,925)	—	—	—	—	—	(1,925)
Recognition of share-based payments	—	—	—	—	6,757	—	6,757
Profit for the year	—	—	—	—	—	17,925	17,925
Dividends paid	—	—	—	—	—	(40,195)	(40,195)
At 31 March 2007	470,460	40,358	6,040	—	6,757	1,012	524,627

29. SUBSIDIARIES

(a) Particulars of the Company's principal subsidiaries at 31 March 2007 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. (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 offashion garments
U-Right (HK) Limited	Hong Kong	HK$1,000,000	100%	Provision of management services
U-Right Fashion Limited	Hong Kong	HK$1	100%	Provision of management services
U-Right International Limited	Hong Kong	HK$20	100%	Provision of management services

29. SUBSIDIARIES (continued)

(a) Particulars of the Company's principal subsidiaries at 31 March 2007 are as follows: (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
U-Right Macau Commercial Offshore Limited	Macau	MOP25,000	100%	Manufacturing and sale of fashiongarments
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
Eternal Plan Limited	Hong Kong	HK$100	55%	Investment holding
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	90% (2006: 83%)	Investment holding
Texnology Nano International Limited	British Virgin Islands	US$1,000	90% (2006: 84%)	Sub-licensing of proprietary rights over a Swedish Texcote Technology
Texnology Nano Textile (China) Limited	Hong Kong	HK$1,000	90% (2006: 84%)	Investment holding and processing of textile products and trading of related raw material

29. SUBSIDIARIES (continued)

(a) Particulars of the Company's principal subsidiaries at 31 March 2007 are as follows: (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
Foshan U-Right Nano Textile Limited (佛山市佑威納米紡織有限公司)	The PRC	US$3,500,000 (2006: US$3,000,000)	90% (2006: 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	90% (2006: 84%)	Processing of textile products
霈熙服裝商貿(上海)有限公司	The PRC	HK$10,000,000	100% (2006: Nil)	Retailing of fashion garments
艾博特服飾貿易(上海)有限公司	The PRC	HK$10,000,000	55% (2006: Nil)	Retailing of fashion garments
Jiangsu Texnology Nano Textile Ltd (江蘇德科納米紡織有限公司)	The PRC	HK$100,000,000	90% (2006: Nil)	Processing of textile products

(b) 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.

30. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Acquisition of interests in subsidiaries

On 8 September 2006, the Group acquired 55 percent interests of Eternal Plan Limited ("Eternal Plan") for a cash consideration of HK$30,000,000. At time of acquisition 艾博特服飾貿易(上海)有限公司 was a wholly owned subsidiary of Eternal Plan. Eternal Plan was engaged in investment holding during the year and 艾博特服飾貿易(上海)有限公司 was principally engaged in retailing of garment fashion.

The fair value of the identifiable assets and liabilities of Eternal Plan acquired as at its date of acquisition, which has no significant difference from its carrying amount, is as follows:

	HK$'000
Net assets acquired:	
Bank and cash balances	10,000
Less: Minority interests	(4,500)
Goodwill	24,500
Consideration paid, satisfied in cash	30,000
Cash acquired	(10,000)
Net cash outflow	20,000

The goodwill arising on the acquisition of Eternal Plan is attributable to the anticipated profitability of the distribution of the Group's products in the new markets.

If the acquisition had been completed on 1 April 2006, total Group turnover for the year would have been HK$1,774,007,000, and profit for the year would have been HK$134,298,000. The proforma information is for illustrative purposes only and is not necessarily an indication of turnover and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 April 2006, nor is intended to be a projection of future results.

(b) Acquisition of additional interests in subsidiaries from minority shareholders

On 15 August 2006, the Group acquired an additional 8 percent interests in Texnology Nano (BVI) Limited ("Texnology Nano") for a cash consideration of HK$31,000,000, increasing its ownership from 92 to 100 percent. The carrying amount of Texnology Nano's net assets acquired as at its date of acquisition is as follows:

	HK$'000
Net assets acquired:	
Minority interests	3,100
Goodwill	27,900
Consideration paid, satisfied in cash	31,000

30. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (continued)

(c) Major non-cash transactions

(i) During the year, the Group entered into finance lease arrangements in respect of assets with a total capital value at the inception of the leases of HK$Nil (2006: HK$25,482,000).

(ii) During the year, the Group sold the available-for-sale financial assets with total consideration of HK$48,981,000 in which HK$25,991,000 was not yet received and included in prepayments, deposits and other receivables. (2006: HK$Nil).

31. CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities at 31 March 2007. (2006: HK$Nil).

32. CAPITAL COMMITMENTS

At 31 March 2007, the Group had the following capital commitments:

	2007 HK$'000	2006 HK$'000
Contracted but not provided for		
— research and development	**—**	10,192
— construction of dormitory	**—**	2,279
— construction of factory buildings and office premises	**46,048**	120
— purchases of machinery and equipment	**56,575**	—
	102,623	12,591

33. LEASE COMMITMENTS

At 31 March 2007, the Group had total future minimum lease receivables and payables under non-canellable operating leases falling due as follows:

	2007 HK$'000	2006 HK$'000
As lessor:		
Within one year	**1,364**	2,540
In the second to fifth years, inclusive	**1,166**	—
	2,530	2,540
As lessee:		
Within one year	**66,505**	34,590
In the second to fifth years, inclusive	**76,026**	43,629
Over five years	**3,346**	3,314
	145,877	81,533

34. RELATED PARTY TRANSACTIONS

(a) During the year, the Group paid rental expenses of HK$84,000 (2006: 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 (2006: 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:

	2007	2006
	HK$'000	HK$'000
Purchases	**2,802**	1,315
Rental income received	—	23
Management fee received	—	12
Licensing fee paid	**2,000**	2,000

(c) At 31 March 2007, certain wholly-owned subsidiaries of the Group provided advances of approximately HK$347 million (2006: HK$133 million) to New Asia Associates Limited (a non-wholly owned subsidiary of the Group) and its subsidiaries, bear interest at 2% (2006: 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 11 to the financial statements.

35. EVENTS AFTER THE BALANCE SHEET DATE

(a) On 13 June 2007, the Company and a placing agent entered into a placing agreement pursuant to which the Company has conditionally agreed to place, and a placing agent has agreed to procure on a fully underwritten basis, the placing of 400,000,000 placing shares to the placees at a price of HK$0.36 per placing shares.

(b) During the period from 1 April 2007 to 27 July 2007, an aggregate of 61,766,000 share options were exercised at HK$0.255 by certain employees and a supplier, resulting in the issue of 61,766,000 shares of HK$0.1 each for a total cash consideration, before expenses, of HK$15,730,000.

(c) On 12 July 2007, convertible bond holders exercised their option and converted HK$30,000,000 convertible bond notes at conversion price of HK$0.288 per share into 104,166,666 ordinary shares of par value of HK$0.1 each of the Company.

36. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 27 July 2007.