



Growing
Stronger
茁壯成長



Eagle Nice (International) Holdings Limited

鷹美(國際)控股有限公司 *

(incorporated in the Cayman Islands with limited liability) (Stock code: 2368)

(於開曼群島註冊成立之有限公司) (股份代號：2368)

Mission_

Eagle Nice Group aims to be one of the major sportswear manufacturers in Asia and one of the major business partners of the international sportswear brands.



INTRODUCTION OF THE NEW PRODUCTION PLANT

The New Production Plant is located in Shantou Special Economic Zone, the PRC with site area of approximately 23,000 square meters. It is a 7-storeyed industrial complex with gross floor area of approximately 67,000 square meters well-equipped with advanced production equipment and recreational facilities. It can accommodate approximately 7,000 staff.



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Corporate Information

EXECUTIVE DIRECTORS

CHUNG YUK SING (CHAIRMAN)
 TSAI NAI KUN (CHIEF EXECUTIVE OFFICER)
 CHUNG TUNG SAU
 KUO TAI YU
 LIN PIN HUANG, OTTO
 TSANG SAU FAN
 KU YU SUN, EDWARD
 CHEN ZHEN HAO

INDEPENDENT NON-EXECUTIVE DIRECTORS

CHAN CHEUK HO
 LI CHI CHUNG
 CHENG YUNG HUI, TONY

COMPANY SECRETARY

WOO MAN CHI

REGISTERED OFFICE

CENTURY YARD
 CRICKET SQUARE
 HUTCHINS DRIVE
 P.O. Box 2681GT
 GEORGE TOWN
 GRAND CAYMAN
 CAYMAN ISLANDS
 BRITISH WEST INDIES

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

UNITS 0902-0903 AND 0905-0906
 9TH FLOOR, TOWER B
 REGENT CENTRE
 70 TA CHUEN PING STREET
 KWAI CHUNG
 NEW TERRITORIES
 HONG KONG

LEGAL ADVISERS

VINCENT T.K. CHEUNG, YAP & CO.
 15TH FLOOR
 ALEXANDRA HOUSE
 18 CHATER ROAD
 HONG KONG

AUDITORS

ERNST & YOUNG
 CERTIFIED PUBLIC ACCOUNTANTS
 18TH FLOOR
 TWO INTERNATIONAL FINANCE CENTRE
 8 FINANCE STREET, CENTRAL
 HONG KONG

AUDIT COMMITTEE MEMBERS

CHAN CHEUK HO
 LI CHI CHUNG
 CHENG YUNG HUI, TONY

REMUNERATION COMMITTEE MEMBERS

CHUNG YUK SING
 CHAN CHEUK HO
 LI CHI CHUNG

PRINCIPAL BANKERS

THE HONGKONG AND SHANGHAI
 BANKING CORPORATION LIMITED
 673 NATHAN ROAD
 KOWLOON
 HONG KONG

CITIBANK, N.A.
 45TH FLOOR
 CITIBANK TOWER
 CITIBANK PLAZA
 3 GARDEN ROAD
 CENTRAL
 HONG KONG

HANG SENG BANK LIMITED
 83 DES VOELUX ROAD CENTRAL
 HONG KONG

DBS BANK (HONG KONG) LIMITED
 16TH FLOOR, THE CENTER
 99 QUEEN'S ROAD CENTRAL
 HONG KONG

BANK OF CHINA, GUANGDONG BRANCH
 COMPOSITE BUILDING
 DABEISHAN ROAD
 LONGHU DISTRICT
 SHANTOU
 GUANGDONG PROVINCE
 PEOPLE'S REPUBLIC OF CHINA

PRINCIPAL SHARE REGISTRAR & TRANSFER OFFICE

BANK OF BERMUDA (CAYMAN) LIMITED
 P.O. Box 513 GT
 STRATHVALE HOUSE
 NORTH CHURCH STREET
 GEORGE TOWN
 GRAND CAYMAN
 CAYMAN ISLANDS
 BRITISH WEST INDIES

HONG KONG BRANCH SHARE REGISTRAR & TRANSFER OFFICE

TENGIS LIMITED
 26TH FLOOR
 TESBURY CENTRE
 28 QUEEN'S ROAD EAST
 WANCHAI
 HONG KONG

WEBSITE

<http://www.eaglenice.com.hk>

STOCK CODE

2368

Financial Highlights

Results	2006 HK\$ Million	2005 HK\$ Million (Restated)
Revenue	519	451
Operating profit before depreciation, amortisation, interest and tax	114	116
Profit for the year attributable to equity holders of the Company	77	95
Basic earnings per share	HK\$0.18	HK\$0.28
Dividend per share		
– Interim	HK6.0 cents	HK4.5 cents
– Final	HK6.0 cents	HK6.0 cents
Financial Position	2006 HK\$ Million	2005 HK\$ Million (Restated)
Total assets	579	551
Net debts	Nil	Nil
Shareholders' equity	530	497
Net assets per share	HK\$1.24	HK\$1.47
Net debts to total assets (excluding cash)	Nil	Nil
Net debts to shareholders' equity	Nil	Nil

Chairman's Statement

In the past few years, our Group has experienced rapid growth. Growing is still our main target in the coming years. The commencement of operation of the New Production Plant during the year represents the first step of the expansion plan of our Group. Our efforts will be put on widening the customer base, penetrating into new markets, and developing and designing our own products to enable our Group to be growing stronger and stronger.

Dear Shareholders,

The financial year of 2005/2006 was a year of historical milestone of Eagle Nice (International) Holdings Limited (the "Company") and its subsidiaries (together the "Group"). Tight collaboration with Yue Yuen Industrial (Holdings) Limited ("Yue Yuen" – stock code: 551), implementation of an advanced computer system – Enterprise Resource Planning System (the "ERP System"), commencement of operation of the new production plant in Shantou, the People's Republic of China (the "New Production Plant") and planning of establishment of Research and Development Centre during the year under review have built up a solid foundation for us to proceed to the next stage of our expansion through both internal growth, development and design of our own products as well as penetration into new markets especially US and European markets.

GROUP RESULTS

For the year ended 31 March 2006, the revenue of the Group grew approximately 15% from approximately HK\$451 million in 2005 to approximately HK\$519 million in 2006. Profit before tax decreased from approximately HK\$104 million in 2005 to approximately HK\$92 million in 2006. Profit for the year attributable to equity holders of the Company decreased from approximately HK\$95 million in 2005 to approximately HK\$77 million in 2006, representing a decrease of approximately 18%.

The retrograde performance was mainly attributed to (a) increasing materials costs due to increase in crude oil price and inflation; (b) increasing production cost due to appreciation of Renminbi; and (c) initial costs and additional production overhead incurred with the commencement of operation of the New Production Plant during the year under review. Although the Group had successfully achieved approximately 15% increase in revenue and improvement in productivity resulting from improving the working efficiency of our workers and expansion of our production capacity, the above-mentioned negative factors outweigh the positive factors. Moreover, additional tax provision of approximately HK\$7 million for the previous financial years was made during the year under review.

Nevertheless, the Group is still able to achieve approximately 15% net profit margin. To share the results with our shareholders, the board of the Company (the "Board") recommends the payment of a final dividend of HK6 cents per share in addition to the interim dividend of HK6 cents per share.

Chairman's Statement

NEW MANAGEMENT

With a view to further strengthening the collaboration with Yue Yuen, with effect from 14 October 2005, Mr. Tsai Nai Kun and Mr. Lin Pin Huang, Otto, both Vice Presidents of Yue Yuen, were appointed as Executive Directors of the Company. Mr. Tsai Nai Kun was further appointed as Chief Executive Officer of the Company. In addition, Mr. Chen Zhen Hao, Chief Production Officer of the Group, was also appointed as Executive Director of the Company with effect from 14 October 2005. With their rich management experience and expertise in manufacturing, we strongly believe the new management structure can lead our business and the Group to reach a new height.

OUTLOOK

The Board expects the operating environment in the sportswear market will be challenging to the Group as prices and margins are under pressure due to certain negative factors such as rising materials costs and appreciation of Renminbi. To advance our Group's competitive power, development and design of our own products and cost controls will be our main targets in the coming years.

In the past, our production had been on an OEM (an acronym for "original equipment manufacturer", which produces or customises products according to the design supplied by the customers) basis without own designed products provided to customers. With our long business relationship with brand-named customers and our expertise in the garment manufacturing industry, we are able to understand the need of the customers and to capture the market trend to design suitable products to cater for customers' need. During the year under review, we planned to establish a Research and Development Centre. Its main function is to develop new products with own designs. It is expected that the Research and Development Centre will commence operation in 2007.

In respect of cost controls, we will continue to work on productivity enhancement as well as better management of materials costs and logistics expenses. With the implementation of the ERP System in the coming years, we believe calculation of materials need, inventory management and production management can be greatly improved.

APPRECIATION

On behalf of the Group, I would like to express my sincere gratitude to the directors and the management for their valuable advice during the year. I would also like to thank our shareholders, suppliers, business partners and customers for their continued support to the Group as well as our dedicated staff for their hard work and commitment.

Chung Yuk Sing

Chairman

Hong Kong, 18 July 2006

Management Discussion and Analysis



The financial year of 2005/2006 was a challenging year to our Group. On one hand, our Group benefited from such positive factors as expansion of production capacity, technological advancement and rapid expansion of the PRC market. On the other hand, our Group faced such negative factors as rising production costs and appreciation of Renminbi, which eroded the profit of our Group. Nevertheless, our Group will strive to improve the profit margin by diversifying the source of income and exercising effective cost controls in order to respond to the support of our shareholders.



Management Discussion and Analysis

BUSINESS REVIEW

Eagle Nice (International) Holdings Limited (the "Company") and its subsidiaries (together the "Group") is principally engaged in the manufacture of sportswear for men, women and children on an OEM (an acronym for "original equipment manufacturer", which produces or customises products according to the design supplied by the customers) basis. The sportswear manufactured and sold by the Group can broadly be divided into tracksuits, sport pants, jackets, sweaters and T-shirts. The Group mainly manufactures products under international brandnames such as **Nike**, **adidas** and **Puma**. During the year under review, the major markets of the Group's products continued to be the People's Republic of China (the "PRC"), Japan and South Korea.

With the great effort of the management and assistance from Yue Yuen Industrial (Holdings) Limited ("Yue Yuen" – stock code: 551), the financial year of 2005/2006 was a changing and improving year for the Group which had undergone the following changes and improvements in operations.

On production side, with the commencement of operation of the new production plant in Shantou, the PRC (the "New Production Plant") in September 2005, the Group has been able to greatly increase its production capacity in order to meet the growing orders from our customers. The New Production Plant comprises a 7-storeyed industrial complex with gross floor area of approximately 67,000 square meters together with ancillary facilities including a basketball court and a carport. The production capacity of the New Production Plant is approximately 1.5 times of that of the old factory when it is fully operated by the financial year ending 31 March 2008. Nearly half of the gross floor area of the old factory which were under operating leases are no longer in use.

Moreover, with a view to improving the production workers' working efficiency, during the year under review, the production processes were reorganised from traditional production (i.e. different parts of a product manufactured by different production teams) to assembly production lines (i.e. each worker performs a particular job which must be completed before the product moves to the next position in the line). Furthermore, in order to exercise better control of the workers' working efficiency, a control system had been implemented on trial stage, which is a time control system to ensure that the workers could complete their jobs within a predetermined time limit.

Besides, stable product quality and timely delivery of our products to customers are our main concerns in the production processes. In order to exercise better control of the materials quality and ensure timely delivery of materials by the suppliers, in January 2005, a liaison office was established in Taiwan, where most of the materials are purchased, so that our staff in Taiwan can make better communication with the suppliers in Taiwan.

In respect of technology, with the assistance from Yue Yuen, the first phase of the implementation of the Enterprise Resource Planning System (the "ERP System") had been nearly completed during the year under review, which has greatly improved the efficiency of handling sales orders and purchase orders, the accuracy of calculation of materials need, the scheduling of materials purchases, and the control over materials consumption.

With respect to research and development, during the year under review, we started the planning of establishment of a Research and Development Centre. To diversify the source of income of our Group and provide better services to our customers, we are no longer satisfied to being just an OEM manufacturer. We have started to equip our Group to be an ODM manufacturer (an acronym for "original design manufacturer", which owns and/or designs in-house products that are branded by the customers). In the first stage, we plan to invest approximately HK\$5 million for the establishment of the Research and Development Centre, purchase of equipment, and recruitment of competent staff. It is expected that the Research and Development Centre will commence operation in 2007.

As one of the major business partners of the international brands, our Group as well as our customers are very concerned with the welfare and health of our staff. Not only can a good working environment raise the working efficiency of our staff but also assist in attracting mature labour and recruiting sufficient workforce to fill the expanded capacity of the New Production Plant. In September 2005, the Group entered into an agreement with a third party to acquire a building in Shantou, the PRC, which is adjacent to the New Production Plant, with a total gross floor area of approximately 18,000 square meters. Such property will be designed as a recreational complex equipped with various facilities for our staff such as training room, multi-function meeting room, canteen and health centre. It is expected the building can be put into use in the last quarter of 2006.

Management Discussion and Analysis

BUSINESS REVIEW *(continued)*

In respect of geographical markets, the PRC has become a dominant market of the Group as the proportion of the Group's sales to the PRC market grew from approximately 39% for the year ended 31 March 2005 to approximately 49% for the year ended 31 March 2006. Such trend is expected to continue in the coming years. In the PRC, rising affluence, rising popularity of sports, impact of the 2008 Beijing Olympics and low penetration rate of sportswear in cities are driving demands for sportswear. Therefore, the PRC market has become the focal point for leading sportswear brands which have encountered limited growth opportunities in the mature American and European markets. The PRC market is the most promising of the emerging markets for the international sportswear brands. The PRC market is expected to be a significant earning driver for the Group.

FINANCIAL REVIEW

For the year ended 31 March 2006, revenue of the Group increased from approximately HK\$451 million to approximately HK\$519 million, an increase of approximately 15%. The increase was mainly attributed to an increase in the orders placed by customers as a result of the effort of the Group's marketing team supported by an expansion of the Group's production capacity.

Gross profit of the Group for the year ended 31 March 2006 was approximately HK\$126 million compared to approximately HK\$129 million achieved during the year ended 31 March 2005. The gross profit margin of the Group was approximately 24% for the year ended 31 March 2006 compared to approximately 28% for the year ended 31 March 2005, a decrease of approximately 4%. The decrease in gross profit margin was mainly attributed to (i) rising materials costs resulting from increasing crude oil price and inflation; (ii) an increase in production overhead owing to the commencement of operation of the New Production Plant; (iii) an increase in transportation costs due to increasing crude oil price; and (iv) appreciation of Renminbi resulting in a rise in production costs of our Group's factories in the PRC.

Administrative costs of the Group for the year ended 31 March 2006 increased by approximately 37% to approximately HK\$36 million compared to approximately HK\$26 million for the year ended 31 March 2005 as a result of an increase in staff costs due to employment of additional staff and additional expenses incurred by the Taiwan liaison office established in January 2005.

With the repayment of all outstanding bank borrowings during the year ended 31 March 2005, no finance costs were incurred during the year under review compared to approximately HK\$189,000 incurred during the year ended 31 March 2005.

The provision for tax for the year ended 31 March 2006 increased to approximately HK\$15 million compared to approximately HK\$9 million for the year ended 31 March 2005. The increase was resulted from additional tax provision of approximately HK\$7 million made for the previous financial years.

LIQUIDITY AND FINANCIAL RESOURCES

During the year under review, the Group continued to maintain a healthy liquidity position. The Group generally finances its operations with internally generated resources and banking facilities provided by its bankers. As at 31 March 2006, the Group had cash and cash equivalents amounted to approximately HK\$215 million mainly denominated in Hong Kong dollars and US dollars. (31 March 2005: approximately HK\$323 million). As at 31 March 2006, the Group had no outstanding borrowings (31 March 2005: nil). As at 31 March 2006, the Group had aggregate banking facilities of approximately HK\$160 million (31 March 2005: approximately HK\$160 million) and were secured by (i) certain property, plant and equipment, and prepaid land lease payments owned by the Group; (ii) pledged deposits of the Group; (iii) corporate guarantees executed by the Company; and (iv) unlimited corporate guarantees executed by three subsidiaries of the Company. No banking facilities were utilised by the Group as at 31 March 2006 (31 March 2005: nil).

The management believes that the existing financial resources will be sufficient to meet future expansion plans and, if necessary, the Group will be able to obtain additional financing with favourable terms. There is no material effect of seasonality on the Group's borrowing requirements.

1 December 2005 is an important and meaningful day to our Group. The opening ceremony of the New Production Plant was held on that day. It was our pleasure that over hundred of guests including our business partners, senior management of Yue Yuen and government officials of Shantou Municipal Government attended the opening ceremony.



Management Discussion and Analysis

LIQUIDITY AND FINANCIAL RESOURCES *(continued)*

As at 31 March 2006, the Group's gearing ratios represented by total liabilities as a percentage of the Group's total assets amounted to approximately 8.4% (31 March 2005: approximately 9.8%).

For the year ended 31 March 2006, the Group was not subject to any significant exposures to foreign exchange rate risk. Hence, no financial instrument for hedging was employed.

As at 31 March 2006, the Group did not have any significant contingent liabilities (31 March 2005: nil). As at 31 March 2006, the Company had given corporate guarantee to banks to the extent of approximately HK\$164 million (2005: approximately HK\$164 million) for banking facilities granted to certain subsidiaries of the Company, which were not utilised at the balance sheet date.

SIGNIFICANT INVESTMENTS

As at 31 March 2006, there was no significant investment held by the Group (31 March 2005: nil).

FUTURE PLAN AND PROSPECTS

The sportswear industry in Asia, particularly in the PRC, is expected to demonstrate a strong momentum in the coming future to propel the business of the Group to greater heights. The Group will also try to penetrate into new markets such as Europe and the United States.

In addition to placing great efforts in securing more orders from international brands, the Group will continue to improve the production efficiency by automating more of its production process; and to expand its production capacity by acquiring further plant and machinery in order to capture the growing demand and orders.

Our Group will always have the interests of our shareholders in mind and will use our best efforts in enhancing the Group's profitability in the long run and generating fruitful returns to our supportive shareholders.



Management Discussion and Analysis

EMPLOYEES AND REMUNERATION POLICIES

As at 31 March 2006, the Group employed a total of approximately 4,900 employees including directors (31 March 2005: approximately 4,700). Total staff costs including directors emoluments were approximately HK\$90 million for the year under review (31 March 2005: approximately HK\$79 million).

The employees are remunerated based on their work performance, professional experiences and the prevailing industry practice. The Group also makes contributions to the statutory mandatory provident fund scheme for the employees of the Group in Hong Kong and to the central pension scheme for the employees of the Group in the PRC.

MATERIAL ACQUISITION OR DISPOSAL OF SUBSIDIARIES AND ASSOCIATED COMPANIES

There was no material acquisition or disposal of subsidiaries and associated companies during the year ended 31 March 2006 (31 March 2005: nil).



Directors and Senior Management Profile

EXECUTIVE DIRECTORS

Chung Yuk Sing, aged 45, is the Chairman, Executive Director and the co-founder of the Company. Mr. Chung is responsible for the overall strategic planning, marketing and management functions of the Group. Mr. Chung has over ten years of manufacturing and management experience in the garment industry. He was appointed as Executive Director of the Company in October 2002. He is the spouse of Ms. Tsang Yuk Ni and the nephew of Mr. Chung Tung Sau.

Tsai Nai Kun, aged 52, is Executive Director and the Chief Executive Officer of the Company. Mr. Tsai is responsible for the operation and management of the Group. He is a college graduate and has over 25 years of experience in footwear business. Currently, he is the Vice President of Yue Yuen Industrial (Holdings) Limited (stock code: 551) ("Yue Yuen"), a company listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and is in charge of certain research and development programs. He was appointed as Executive Director of the Company in October 2005.

Chung Tung Sau, aged 53, is Executive Director of the Company. Mr. Chung is responsible for the strategic planning and management functions of the Group. Mr. Chung has over twenty years of managerial experience in the manufacturing industry in particular, in the areas of production and sales and was previously a director of Quam Limited (previously known as Wah Fu International Holdings Limited), a company listed on the Main Board of the Stock Exchange. Prior to joining the Group in October 2002, he worked as Sales Director in a securities company. Mr. Chung was Independent Non-Executive Director of IA International Holdings Limited, a company listed on the Growth Enterprise Market of the Stock Exchange, until October 2003. He was appointed as Executive Director of the Company in October 2002. He is the uncle of Mr. Chung Yuk Sing.

Kuo Tai Yu, aged 56, is Executive Director of the Company. Mr. Kuo has over 20 years of experience in production of footwear in Taiwan. He received a bachelor's degree from Chung Hsing University in Taiwan. In the past few years, Mr. Kuo has been and still is the director of certain companies within the Yue Yuen Group and the director of Pou Chen Corporation, a company listed on the stock exchange of Taiwan. He is currently the Executive Director of Yue Yuen and General Manager in charge of one of Yue Yuen's three shoe manufacturing groups since 1996. He was appointed as Executive Director of the Company in April 2004.

Lin Pin Huang, Otto, aged 49, is Executive Director of the Company. Mr. Lin is responsible for the sales and marketing of the Group. He is a graduate of Tung Hai University and has over 20 years of experience in the footwear business. Currently, he is the Vice President of Yue Yuen in charge of the business of certain branded customers in Dongguan, Indonesia and Vietnam. He was appointed as Executive Director of the Company in October 2005.

Tsang Sau Fan, aged 39, is Executive Director and General Manager of the Company. Ms. Tsang is responsible for the sales, marketing and administrative functions of the Group. Ms. Tsang has over ten years of experience in sales of garment products. Prior to joining the Group in March 1996, she worked as a merchandiser in a garment manufacturing company in Hong Kong. She was appointed as Executive Director of the Company in October 2002.

Ku Yu Sun, Edward, aged 64, is Executive Director of the Company. Mr. Ku was a senior partner of the law firm, Ku & Fong, in Los Angeles and is licensed to practise law in California and Taiwan. He also served as Executive Director and the Secretary of First Public Bank in Los Angeles. Mr. Ku holds a bachelor-in-law degree from National Taiwan University and obtained his J.D. degree from Washington University in St. Louis, U.S.. Mr. Ku concurrently has served as the Executive Director and General Counsel of Yue Yuen, since 1997, responsible for legal affairs, organisational management and control, merger and acquisition and supervision of group labour practice of Yue Yuen Group. In the past few years, Mr. Ku has been and still is the Executive Director of Symphony Holdings Limited, a company listed on the Main Board of the Stock Exchange, the Supervisor of Elite Group Computer Systems Co., Ltd. and Global Brands Manufacture Ltd. and the director of certain companies within the Yue Yuen Group. He was appointed as Executive Director of the Company in April 2004.

Directors and Senior Management Profile

Chen Zhen Hao, aged 41, is Executive Director of the Company. Mr. Chen is currently the Chief Production Officer of the Group in Mainland China. He is responsible for the production and management of the Group in Mainland China and is also the director of 裕美(汕頭)製衣有限公司, a wholly-owned subsidiary of the Company, since August 2004. Mr. Chen has over 10 years of experience in garment manufacturing industry. He was appointed as Executive Director of the Company in October 2005.

Tsang Yuk Ni, aged 40, was Executive Director and the co-founder of the Company. Ms. Tsang was responsible for the administrative and management functions of the Group. Ms. Tsang has over ten years of administration experience in the garment industry. She was appointed as Executive Director of the Company in October 2002 and resigned in October 2005. She is the spouse of Mr. Chung Yuk Sing.

NON-EXECUTIVE DIRECTOR

Ong Chor Wei, aged 36, was the Non-Executive Director and the Secretary of the Company. Mr. Ong was responsible for the financial management functions of the Group. He graduated from the London School of Economics and Political Science, University of London with a Bachelor of Laws Degree in 1990. He obtained a Master of Business Administration jointly awarded by the University of Wales and the University of Manchester in 2000. He is a member of the Hong Kong Institute of Certified Public Accountants and an associate member of the Institute Chartered Accountants in England and Wales. Mr. Ong has over fourteen years of experience in finance and accounting. He was appointed as Non-Executive Director and the Secretary of the Company in October 2002 and resigned from both positions in October 2005.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Chan Cheuk Ho, aged 39, obtained a master degree in Business Administration from the University of Manchester in 2003. He is also a fellow member of the Hong Kong Institute of Certified Public Accountants. Mr. Chan has more than ten years of experience in accounting and finance. He has been Independent Non-Executive Director of the Company since November 2002.

Li Chi Chung, aged 37, is a solicitor practising in Hong Kong. He obtained a bachelor degree in laws from the University of Sheffield in England in 1990. Mr. Li was admitted as a solicitor in Hong Kong in 1993 and his practice has been focused on commercial related matters. He is also Independent Non-Executive Director of PINE Technology Holdings Limited, a company listed on the Growth Enterprise Market of the Stock Exchange and Independent Non-Executive Director of Kenford Group Holdings Limited, a company listed on the Main Board of the Stock Exchange. He has been an Independent Non-Executive Director of the Company since November 2002.

Cheng Yung Hui, Tony, aged 64, is the Chairman and the Chief Executive Officer of World Friendship Company Limited. Mr. Cheng has over 30 years of experience in operating his own company. He has extensive experience in international business. He has been Independent Non-Executive Director of the Company since September 2004.

SENIOR MANAGEMENT

Woo Man Chi, aged 34, is the Financial Controller and the Company Secretary of the Group since September 2005. She is responsible for the accounting, finance and compliance related functions of the Group. She previously worked in an international accounting firm, Deloitte Touche Tohmatsu, in Hong Kong for five years. Prior to joining the Group, she worked in a manufacturing company listed on the Main Board of the Stock Exchange as Assistant Financial Controller. She has more than 10 years of experience in accounting and financial management. She holds a bachelor degree in Accounting from The Hong Kong University of Science and Technology. She is a CPA (Practising) of the Hong Kong Institute of Certified Public Accountants and is also an associate of the Association of Chartered Certified Accountants.

Report of the Directors

The directors present their report and the audited financial statements of the Company and of the Group for the year ended 31 March 2006.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Details of the principal activities of the subsidiaries of the Company are set out in note 18 to the financial statements. There were no significant changes in the nature of the Group's principal activities during the year.

RESULTS AND DIVIDENDS

The profit of the Group for the year ended 31 March 2006 and the state of affairs of the Company and of the Group at that date are set out in the financial statements on pages 53 to 114.

An interim dividend of HK6 cents per ordinary share was paid on 19 December 2005. The directors recommend the payment of a final dividend of HK6 cents per ordinary share in respect of the year, to shareholders on the register of members on 17 August 2006. This recommendation has been incorporated in the financial statements as an allocation of retained profits within the equity section of the balance sheet.

USE OF PROCEEDS FROM THE ISSUE OF NEW SHARES AND A CONVERTIBLE NOTE OF THE COMPANY

The proceeds from the issue of new shares and a convertible note by the Company in April 2004, after deduction of related expenses, amounted to approximately HK\$343 million. As at 31 March 2006, the Group had utilised approximately HK\$243 million, which was in line with the proposed applications set out in the circular of the Company dated 24 March 2004 (the "Circular"), as follows:

	<i>HK\$'million</i>
Acquisition of an additional factory building in Shantou, the People's Republic of China	50
Acquisition of new machinery and fixtures and fittings	40
General working capital	153
	243

The remaining net proceeds of approximately HK\$100 million at 31 March 2006 were placed on short-term interest-bearing deposits with a bank in Hong Kong. The directors intend to use the net proceeds in the manner as disclosed in the Circular.

Report of the Directors

SUMMARY FINANCIAL INFORMATION

The following is a summary of the published results and assets and liabilities of the Group for the last five financial years prepared on the basis set out in the notes below.

Results

	2006 HK\$'000	Year ended 31 March			
		2005 HK\$'000 (Restated)	2004 HK\$'000 (Restated)	2003 HK\$'000 (Restated)	2002 HK\$'000
Revenue	519,310	451,446	325,411	242,330	218,704
Profit before tax	92,081	104,103	35,922	34,403	31,630
Tax	(14,670)	(9,200)	(3,511)	(3,444)	(3,502)
Profit for the year	77,411	94,903	32,411	30,959	28,128

Assets and liabilities

	2006 HK\$'000	As at 31 March			
		2005 HK\$'000 (Restated)	2004 HK\$'000 (Restated)	2003 HK\$'000 (Restated)	2002 HK\$'000
Non-current assets	267,244	130,618	51,395	45,015	14,600
Current assets	311,805	420,808	118,535	48,212	42,094
Current liabilities	(46,909)	(53,226)	(77,136)	(47,333)	(33,685)
Net current assets	264,896	367,582	41,399	879	8,409
Non-current liabilities	(1,802)	(898)	(6,460)	(7,774)	(910)
	530,338	497,302	86,334	38,120	22,099

Notes:

- (i) The summary of the consolidated results of the Group for each of two years ended 31 March 2003 and of the assets and liabilities of the Group as at 31 March 2002 and 2003, which were extracted from the Company's listing prospectus dated 12 August 2003, has been prepared as if the current structure of the Group had been in existence throughout both years.
- (ii) The summary of the consolidated results of the Group for the year ended 31 March 2004 and of the assets and liabilities of the Group as at 31 March 2004, which were extracted from the Company's annual report dated 23 July 2004, has been prepared as if the current structure of the Group had been in existence throughout that year.
- (iii) The consolidated results of the Group for each of the two years ended 31 March 2006 and the consolidated assets and liabilities of the Group as at 31 March 2005 and 2006 are those set out on pages 53 to 54 of the annual report.

The amounts for each year in the summary financial information have been adjusted for the effects of the retrospective changes in accounting policies, as detailed in note 2.2 to the financial statements.

Report of the Directors

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year are set out in note 14 to the financial statements.

SHARE CAPITAL

There were no movements in either the Company's authorised or issued share capital during the year.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's articles of association or the laws of the Cayman Islands which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year.

RESERVES

Details of movements in the reserves of the Company and of the Group during the year are set out in note 27 to the financial statements and in the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

At 31 March 2006, the Company's reserves available for distribution, calculated in accordance with the provisions of the Companies Law of the Cayman Islands, amounted to HK\$432,576,000, of which HK\$25,620,000 has been proposed as a final dividend for the year. The amount of HK\$432,576,000 includes the Company's share premium account and capital reserve of HK\$403,020,000 in aggregate at 31 March 2006, which may be distributed provided that immediately following the date on which a dividend is proposed to be distributed, the Company will be in a position to pay off its debts as and when they fall due in the ordinary course of business.

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's five largest customers accounted for approximately 94.5% of the Group's total sales for the year and sales to the largest customer included therein accounted for approximately 71.9%.

Purchases from the Group's five largest suppliers accounted for approximately 52.5% of the Group's total purchases for the year and purchases from the largest supplier included therein accounted for approximately 20.4%.

None of the directors of the Company or any of their associates or any shareholders (which, to the best knowledge of the directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers or suppliers.

Report of the Directors

DIRECTORS

The directors of the Company during the year were:

Executive directors:

Mr. Chung Yuk Sing
Mr. Chung Tung Sau
Mr. Kuo Tai Yu
Ms. Tsang Sau Fan
Mr. Ku Yu Sun, Edward
Mr. Tsai Nai Kun (appointed on 14 October 2005)
Mr. Lin Pin Huang, Otto (appointed on 14 October 2005)
Mr. Chen Zhen Hao (appointed on 14 October 2005)
Ms. Tsang Yuk Ni (resigned on 14 October 2005)

Non-executive director:

Mr. Ong Chor Wei (resigned on 14 October 2005)

Independent non-executive directors:

Mr. Chan Cheuk Ho
Mr. Li Chi Chung
Mr. Cheng Yung Hui, Tony

In accordance with article 86(3) of the Company's articles of association, Mr. Tsai Nai Kun, Mr. Lin Pin Huang, Otto and Mr. Chen Zhen Hao will hold office until the forthcoming annual general meeting of the Company and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

In accordance with article 87 of the Company's articles of association, Ms. Tsang Sau Fan and Mr. Chan Cheuk Ho will retire by rotation and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

The Company has received annual confirmations of independence from Mr. Chan Cheuk Ho, Mr. Li Chi Chung and Mr. Cheng Yung Hui, Tony, and as at the date of this report still considers them to be independent.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the directors of the Company and senior management of the Group are set out on pages 12 to 13 of the annual report.

DIRECTORS' SERVICE CONTRACTS

Other than Ms. Tsang Sau Fan who has entered into a service contract with a subsidiary of the Company, Eagle Nice Development Limited ("Eagle Nice Development"), the principal terms of which are set out in the circular to the shareholders of the Company accompanying the annual report, no director proposed for re-election at the forthcoming annual general meeting of the Company has a service contract with the Company or any of its subsidiaries, which is not determinable by the employing Company within one year without payment of compensation, other than statutory compensation.

The non-executive directors (including the independent non-executive directors) have no fixed terms of office, but are subject to the provisions governing the retirement and the rotation of directors in the articles of association of the Company.

Report of the Directors

DIRECTORS' REMUNERATION

The directors' fees are subject to shareholders' approval at general meetings. Other emoluments are determined by the Company's board of directors with reference to directors' duties, responsibilities and performance and the results of the Group.

DIRECTORS' INTERESTS IN CONTRACTS

No director had a significant beneficial interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 March 2006, the interests and short positions of the directors and chief executive in the share capital, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO")), which have been notified to the Company pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which any such directors or chief executive was taken or deemed to have under such provisions of the SFO) or as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"), were as follows:

(i) The Company

Name of director	Capacity/ Nature of interest	Number of shares held		Percentage of the issued share capital of the Company
		Long position	Short position	
Chung Yuk Sing	Interest of a controlled corporation/ Corporate	123,000,000 (Note)	–	28.81
Kuo Tai Yu	Beneficial owner/ Personal	1,680,000	–	0.39
Tsang Sau Fan	Beneficial owner/ Personal	1,500,000	–	0.35
Lin Pin Huang, Otto	Beneficial owner/ Personal	1,043,000	–	0.24
Tsai Nai Kun	Beneficial owner/ Personal	777,000	–	0.18

Note: These shares are held by Time Easy Investment Holdings Limited ("Time Easy"). The entire issued share capital of Time Easy is held by Mr. Chung Yuk Sing and Ms. Tsang Yuk Ni, the spouse of Mr. Chung Yuk Sing, in the proportion of 90% and 10% respectively.

Report of the Directors

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES (continued)

(ii) Associated corporations

Name of director	Name of associated corporation	Capacity/ Nature of interest	Number and class of shares in associated corporations held		Percentage of the issued share capital of the same class of the associated corporation
			Long position	Short position	
Chung Yuk Sing	Eagle Nice Development	Beneficial owner/ Personal	9,000 non-voting deferred	9,000 non-voting deferred (Note 1)	90
	Far East (International) Garment Limited ("Far East")	Beneficial owner/ Personal	9,000 non-voting deferred	9,000 non-voting deferred (Note 2)	90
Tsang Yuk Ni	Eagle Nice Development	Beneficial owner/ Personal	1,000 non-voting deferred	1,000 non-voting deferred (Note 1)	10
	Far East	Beneficial owner/ Personal	1,000 non-voting deferred	1,000 non-voting deferred (Note 2)	10

Notes:

1. Pursuant to an option agreement dated 28 March 2002, each of Mr. Chung Yuk Sing and Ms. Tsang Yuk Ni granted an option to Jespar Age Limited ("Jespar"), a wholly-owned subsidiary of the Company, whereby Jespar has the right to purchase all of his/her non-voting deferred shares in Eagle Nice Development upon the terms therein provided. Accordingly, each of Mr. Chung Yuk Sing and Ms. Tsang Yuk Ni is taken to have a short position in his/her non-voting deferred shares in Eagle Nice Development under the SFO.
2. Pursuant to an option agreement dated 28 March 2002, each of Mr. Chung Yuk Sing and Ms. Tsang Yuk Ni granted an option to Jespar whereby Jespar has the right to purchase all of his/her non-voting deferred shares in Far East upon the terms therein provided. Accordingly, each of Mr. Chung Yuk Sing and Ms. Tsang Yuk Ni is taken to have a short position in his/her non-voting deferred shares in Far East under the SFO.

Save as disclosed above, as at 31 March 2006, none of the directors or chief executive had registered an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any directors or their respective spouse or minor children, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

SHARE OPTION SCHEME

On 6 August 2003, the Company has conditionally adopted a share option scheme whereby eligible participants of the share option scheme, including any employee (whether full-time or part-time) and any director of the Company and/or any of its subsidiaries whom the Company's board of directors (the "Board") may think fit with reference to their respective contributions to the Group, may be granted options which entitle them to subscribe for the shares of the Company. Details of the share option scheme are set out in note 26 to the financial statements.

As at 31 March 2006, no share options have been granted under the share option scheme.

Report of the Directors

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 March 2006, the interests and short positions of the following persons, other than directors and chief executive of the Company, in the shares and underlying shares of the Company which have been disclosed to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO and which have been recorded in the register kept by the Company pursuant to Section 336 of the SFO:

Name	Capacity/ Nature of interest	Number of ordinary shares held		Percentage of the Company's issued share capital
		Long position	Short position	
Time Easy	Beneficially owner/ Personal	123,000,000 (Note 1)	–	28.81
Pou Chen Corporation ("PCC")	Interest of a controlled corporation/ Corporate	192,000,000 (Note 2)	–	44.96
Wealthplus Holdings Limited ("Wealthplus")	Interest of a controlled corporation/ Corporate	192,000,000 (Note 2)	–	44.96
Yue Yuen Industrial (Holdings) Limited ("Yue Yuen")	Interest of a controlled corporation/ Corporate	192,000,000 (Note 2)	–	44.96
Pou Hing Industrial Co. Ltd. ("Pou Hing")	Interest of a controlled corporation/ Corporate	192,000,000 (Note 2)	–	44.96
Great Pacific Investments Limited ("Great Pacific")	Beneficial owner/ Personal	192,000,000 (Note 2)	–	44.96

Notes:

1. The entire issued share capital of Time Easy is held by Mr. Chung Yuk Sing and Ms. Tsang Yuk Ni in the proportion of 90% and 10%, respectively.
2. PCC owns the entire interest in Wealthplus, which in turn owns an interest of approximately 47.4% in Yue Yuen. Yue Yuen owns the entire interest in Pou Hing, which in turn owns the entire interest in Great Pacific.

Save as disclosed above, as at 31 March 2006, no person, other than the directors and chief executive of the Company, whose interests are set out in the section headed "Directors' and chief executive's interests and short positions in shares, underlying shares and debentures" above, had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the directors, at least 25% of the Company's total issued share capital was held by the public as at the date of this report.

DIRECTOR'S INTEREST IN A COMPETING BUSINESS

Interest of the director of the Company in a competing business required to be disclosed pursuant to Rule 8.10 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") is as follows:

Name of director	Name of company	Nature of competing business	Nature of interest
Mr. Ku Yu Sun, Edward ("Mr. Ku")	Yuen Thai Industrial Company Limited ("Yuen Thai") (Note)	Garment manufacturing	As a director

Report of the Directors

DIRECTOR'S INTEREST IN A COMPETING BUSINESS (continued)

Note: Yuen Thai is a company incorporated in Hong Kong on 24 September 2003 and is held as to 50% by Yue Yuen and its subsidiaries (the "Yue Yuen Group") and 50% by a subsidiary of Luen Thai Holdings Limited, a company listed on the Stock Exchange since 2004. Mr. Ku has been nominated by the Yue Yuen Group to represent its interest on the board of directors of Yuen Thai.

Having considered (i) the nature, geographical market, scope and size of Yuen Thai as compared to those of the Group; and (ii) the nature and extent of Mr. Ku's interest in Yuen Thai, the directors of the Company believe that there is unlikely to be any significant competition caused to the business of the Group.

Save as disclosed above, none of the directors of the Company or their respective associates was interested in, apart from the Group's businesses, any business which competes or is likely to compete, either directly or indirectly, with the businesses of the Group.

CORPORATE GOVERNANCE

In the opinion of the directors, the Company has complied with the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Listing Rules throughout the accounting period covered by the annual report, except for certain deviations. For further information on the Company's corporate governance practices and details of deviations, please refer to the Corporate Governance Report on pages 22 to 24.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as the Company's code of conduct for dealings in securities of the Company by the directors. Based on specific enquiry of the Company's directors, the directors confirmed that they have complied with the required standard set out in the Model Code, throughout the accounting period covered by the annual report.

AUDIT COMMITTEE

The Company has an audit committee which was established on 6 August 2003 and in compliance with Rule 3.21 of the Listing Rules for the purpose of reviewing and providing supervision over the Group's financial reporting process and internal controls. The audit committee comprises the three independent non-executive directors of the Company.

AUDITORS

Ernst & Young retire and a resolution of their reappointment as auditors of the Company will be proposed at the forthcoming annual general meeting.

ON BEHALF OF THE BOARD

Chung Yuk Sing

Chairman

Hong Kong
18 July 2006

Corporate Governance Report

Eagle Nice (International) Holdings Limited (the "Company") and its subsidiaries (together the "Group") is committed to maintaining a high level of corporate governance with an emphasis on the principles of transparency, accountability and independence.

The Company has, throughout the year ended 31 March 2006, complied with most of the applicable code provisions and principles under the Code on Corporate Governance Practices (the "CG Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") except for certain deviations specified with considered reasons for such deviations as explained in this corporate governance report.

1. DIRECTORS

a. Composition and Board Meetings

During the year ended 31 March 2006, the board of the Company (the "Board") held seven meetings at approximately quarterly intervals according to the CG Code. The Board currently comprises eight executive directors and three independent non-executive directors ("INEDs"). The composition of the Board and the individual attendance of each director at board meetings are set out as follows:

Name of Director	Number of meetings attended/held
<i>Executive Directors</i>	
CHUNG YUK SING (Chairman)	7/7
CHUNG TUNG SAU	7/7
KUO TAI YU	7/7
TSANG SAU FAN	7/7
KU YU SUN, EDWARD	7/7
TSAI NAI KUN (Chief Executive Officer)	4/4 (Note 1)
LIN PIN HUANG, OTTO	4/4 (Note 1)
CHEN ZHEN HAO	4/4 (Note 1)
TSANG YUK NI	3/3 (Note 2)
<i>Non-Executive Director</i>	
ONG CHOR WEI	2/3 (Note 2)
<i>Independent Non-Executive Directors</i>	
CHAN CHEUK HO	7/7
LI CHI CHUNG	7/7
CHENG YUNG HUI, TONY	7/7

Notes:

- There were four board meetings held during the period from 14 October 2005 to 31 March 2006.
- There were three board meetings held during the period from 1 April 2005 to 14 October 2005.

At least one of the INEDs has appropriate professional qualifications or accounting or related financial management expertise under Rule 3.10 of the Listing Rules. The Group has received, from each of the INEDs, an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Group considered all of the INEDs to be independent within the definition of the Listing Rules.

b. Delegation by the Board

The Board has the collective responsibility for leadership and control of, and for promoting the success of, the Group by directing and supervising the Group's affairs. The Board is responsible for determining the overall strategy and corporate development and ensuring the business operations are properly monitored. The Board reserves the right to decide all policy matters of the Group and material transactions.

The Board delegates the day-to-day operations to general managers and department heads who are responsible for different aspects of the operations of the Group.

c. Chairman and Chief Executive Officer

The Group segregates the role of the Chairman from the Chief Executive Officer. Mr. Chung Yuk Sing is the Chairman of the Company and Mr. Tsai Nai Kun is the Chief Executive Officer of the Company. There is no relationship other than business relationship between them. The Chairman provides leadership to the Board and is responsible for the overall strategic planning and corporate development, whereas the Chief Executive Officer is responsible for the day-to-day management, policy making and corporate management functions as well as formulating strategies for the Group.

Corporate Governance Report

1. DIRECTORS (continued)

d. Appointment, re-election and removal

A.4.1 of the CG Code stipulates that non-executive directors should be appointed for a specific term and subject to re-election. All INEDs are not appointed for a specific term but are subject to retirement by rotation and re-election at the annual general meeting in accordance with the articles of association of the Company. As such, the Board considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are no less exacting than those set out in the CG Code.

A.4.2 of the CG Code also stipulates every director should be subject to retirement by rotation at least once every three years. According to the articles of association of the Company, at each annual general meeting, one-third of the directors shall retire from office by rotation provided that notwithstanding anything therein, the Chairman of the Board and the Chief Executive Officer of the Company shall not be subject to retirement by rotation or taken into account in determining the number of directors to retire. The Company will propose certain amendments to its articles of association at the forthcoming annual general meeting to the effect that, among others, all directors, including the Chairman of the Board and the Chief Executive Officer of the Company, shall be subject to retirement by rotation at least once every three years whether or not they are appointed for a specific term. The amendments shall also bring the articles of association of the Company up to date and in line with the requirements of the CG Code.

e. Directors' Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by the directors. Having made specific enquiry of all directors, all directors declared that they had complied with the Model Code throughout the year.

f. Supply of and access to information

In respect of regular board meetings, an agenda and accompanying board papers of the meeting are sent in full to all directors at least 3 days before the intended date of a meeting.

The management has an obligation to supply the Board and the various Committees with adequate information in a timely manner to enable the members to make informed decisions. Each director has separate and independent access to the Group's management to acquire more information and to make further enquiries if necessary.

2. BOARD COMMITTEES

a. Remuneration Committee

The Remuneration Committee set up in October 2005 consists of one Executive Director, namely, Mr. Chung Yuk Sing and two INEDs, namely, Mr. Chan Cheuk Ho and Mr. Li Chi Chung. Mr. Chung Yuk Sing is the Chairman of the Remuneration Committee.

The terms of references of the Remuneration Committee follow with the CG Code. The Remuneration Committee is responsible for considering and approving the remuneration plans and policies for all executive directors of the Company and the management of the Group by reference to the Company's operation results, individual performance and prevailing market rate. The committee meets at least once a year. During the year under review, one committee meeting was held with an attendance rate of 100% to review the remuneration packages of both the executive and non-executive directors of the Company.

b. Audit Committee

The Audit Committee established in August 2003 currently comprises all three INEDs and is chaired by Mr. Chan Cheuk Ho who possesses recognised professional qualifications in accounting and has rich experience in audit and finance. The terms of reference of the Audit Committee follow with the CG Code.

The Audit Committee's principal duties include reviewing the nature and scope of the statutory audits, interim and annual accounts of the Group, and the adequacy and effectiveness of the accounting and financial controls of the Group. The Audit Committee meets at least twice every year and additional meetings may be convened by the Chairman of the Audit Committee as and when necessary.

During the year ended 31 March 2006, the Audit Committee met twice with an attendance rate of 100% to review the accounting principles and practices adopted by the Group and to discuss internal controls and financial reporting matters including the review of 2005 annual results and 2006 interim results of the Group. Each member of the Audit Committee has unrestricted access to the Group's auditors and the management.

Corporate Governance Report

2. BOARD COMMITTEES *(continued)*

c. Nomination Committee

The Company has not established a nomination committee as the duties and functions of the Nomination Committee recommended in the CG Code are performed by the Board collectively with no director being involved in fixing his own terms of appointment and no INED being involved in assessing his own independence.

3. ACCOUNTABILITY AND AUDIT

a. Financial Reporting

The directors acknowledge their responsibilities to prepare the financial statements that give a true and fair view of the state of affairs of the Group. The Board was not aware of any material uncertainties relating to events or conditions that might cast significant doubt upon the Group's ability to continue as a going concern, the Board has prepared the accounts on a going concern basis.

The reporting responsibilities of the Company's auditors, Messrs. Ernst & Young, are set out in the Auditors' Report on page 25 of the annual report.

b. Internal Controls

The Board is responsible for the Group's internal control system and reviewing its effectiveness. Through the Audit Committee, the Board has reviewed the effectiveness of the system.

c. Auditors' Remuneration

During the year under review, the fees charged by the Group's external auditors, Messrs. Ernst & Young, are set out as follows:

Services rendered	Fee paid/payable <i>HK\$</i>
Audit services	1,030,000
Non-audit services	115,000
	1,145,000

On behalf of the Board

Chung Yuk Sing

Chairman

Hong Kong, 18 July 2006

Report of the Auditors



To the members

Eagle Nice (International) Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

We have audited the financial statements on pages 53 to 114 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The Company's directors are responsible for the preparation of financial statements which give a true and fair view. In preparing financial statements which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently. It is our responsibility to form an independent opinion, based on our audit, on those financial statements and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

BASIS OF OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. An audit includes an examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's and the Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the financial statements are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

OPINION

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 March 2006 and of the profit and cash flows of the Group for the year then ended and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Ernst & Young

Hong Kong
18 July 2006

Consolidated Income Statement

綜合收益表

(Year ended 31 March 2006)
(截至二零零六年三月三十一日止年度)

		Notes 附註	2006 二零零六年 HK\$'000 千港元	2005 二零零五年 HK\$'000 千港元 (Restated) (重列)
REVENUE	營業收入	5	519,310	451,446
Cost of sales	銷售成本		(393,677)	(322,886)
Gross profit	毛利		125,633	128,560
Other income and gains	其他收入及收益	5	7,634	7,111
Selling and distribution costs	銷售及分銷成本		(5,139)	(5,114)
Administrative expenses	行政費用		(36,047)	(26,265)
Finance costs	財務開支	6	-	(189)
PROFIT BEFORE TAX	除稅前溢利	7	92,081	104,103
Tax	稅項	10	(14,670)	(9,200)
PROFIT FOR THE YEAR ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY	本公司股權持有人應佔年度溢利	11	77,411	94,903
DIVIDENDS	股息	12		
Interim	中期股息		25,620	15,300
Proposed final	擬派末期股息		25,620	25,620
			51,240	40,920
			HK cents 港仙	HK cents 港仙
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	本公司普通股股權持有人應佔每股盈利	13		
Basic	基本		18.1	28.1
Diluted	攤薄		N/A不適用	22.7

Consolidated Balance Sheet

綜合資產負債表

(31 March 2006)

(二零零六年三月三十一日)

		Notes 附註	2006 二零零六年 HK\$'000 千港元	2005 二零零五年 HK\$'000 千港元 (Restated) (重列)
NON-CURRENT ASSETS	非流動資產			
Property, plant and equipment	物業、廠房及設備	14	197,010	51,794
Prepaid land lease payments	預付土地租賃款項	15	58,093	29,868
Prepayments and deposits for property, plant and equipment	物業、廠房及設備之預付款項及按金	16	12,141	44,429
Available-for-sale investments/long term investments	可供出售投資／長期投資	17	—	4,527
Total non-current assets	非流動資產總額		267,244	130,618
CURRENT ASSETS	流動資產			
Inventories	存貨	19	31,445	47,692
Accounts and bills receivable	應收賬款及票據	20	51,845	38,557
Prepayments, deposits and other receivables	預付款項、按金及其他應收款項		3,293	6,165
Pledged deposits	質押存款	21	10,105	5,518
Cash and cash equivalents	現金及現金等值項目	21	215,117	322,876
Total current assets	流動資產總額		311,805	420,808
CURRENT LIABILITIES	流動負債			
Accounts and bills payable	應付賬款及票據	22	13,285	16,209
Accrued liabilities and other payables	應計負債及其他應付款項		16,422	20,460
Tax payable	應付稅項		17,202	16,557
Total current liabilities	流動負債總額		46,909	53,226
NET CURRENT ASSETS	流動資產淨額		264,896	367,582
TOTAL ASSETS LESS CURRENT LIABILITIES	資產總值扣除流動負債		532,140	498,200
NON-CURRENT LIABILITIES	非流動負債			
Deferred tax liabilities	遞延稅項負債	24	1,802	898
Net assets	資產淨額		530,338	497,302
EQUITY	資本			
Issued capital	已發行股本	25	4,270	4,270
Reserves	儲備	27	500,448	467,412
Proposed final dividend	擬派末期股息	12	25,620	25,620
Total equity	資本總額		530,338	497,302

Chung Yuk Sing
鍾育升
Director
董事

Chung Tung Sau
鍾桐琇
Director
董事

Consolidated Statement of Changes in Equity

綜合資本變動表

(Year ended 31 March 2006)

(截至二零零六年三月三十一日止年度)

		Notes 附註	Issued capital 已發行股本 HK\$'000 千港元	Share premium account 股份 溢價賬 HK\$'000 千港元	Capital reserve 資本儲備 HK\$'000 千港元 (note 27) (附註27)	Statutory surplus reserve 法定 盈餘儲備 HK\$'000 千港元 (note 27) (附註27)	Exchange fluctuation reserve 匯率 波動儲備 HK\$'000 千港元	Asset revaluation reserve 資產 重估儲備 HK\$'000 千港元	Retained profits 留存溢利 HK\$'000 千港元	Proposed final dividend 擬派 末期股息 HK\$'000 千港元	Total 總計 HK\$'000 千港元
At 1 April 2004	於二零零四年四月一日										
As previously reported	如前報告		2,000	19,354	(229)	1,716	(2,712)	5,117	53,216	11,900	90,362
Prior year adjustments	上一年度調整	2.4(b)	-	-	-	-	-	(4,481)	453	-	(4,028)
As restated	重列		2,000	19,354	(229)	1,716	(2,712)	636	53,669	11,900	86,334
Deferred tax charged	已扣除之遞延稅項	24	-	-	-	-	-	(78)	-	-	(78)
Profit for the year	年內溢利		-	-	-	-	-	-	94,903	-	94,903
Issue of shares	發行股份	25	1,400	147,000	-	-	-	-	-	-	148,400
Conversion of the Convertible Note	兌換可換股票據	25	870	206,190	-	-	-	-	-	-	207,060
Share issue expenses	發行股份費用	25	-	(12,612)	-	-	-	-	-	-	(12,612)
Surplus on revaluation	重估盈餘	14	-	-	-	-	-	399	-	-	399
Exchange realignment	匯兌調整		-	-	-	-	96	-	-	-	96
Transfer to reserve	轉撥至儲備		-	-	-	3,680	-	-	(3,680)	-	-
Final 2004 dividend declared	宣派二零零四年 末期股息		-	-	-	-	-	-	-	(11,900)	(11,900)
Interim 2005 dividend	二零零五年中期股息	12	-	-	-	-	-	-	(15,300)	-	(15,300)
Proposed final 2005 dividend	擬派二零零五年 末期股息	12	-	-	-	-	-	-	(25,620)	25,620	-
At 31 March 2005	於二零零五年 三月三十一日		4,270	359,932*	(229)*	5,396*	(2,616)*	957*	103,972*	25,620	497,302
At 1 April 2005	於二零零五年四月一日										
As previously reported	如前報告		4,270	359,932	(229)	5,396	(2,616)	7,218	102,677	25,620	502,268
Prior year adjustments	上一年度調整	2.4(a)	-	-	-	-	-	(6,261)	1,295	-	(4,966)
As restated	重列		4,270	359,932	(229)	5,396	(2,616)	957	103,972	25,620	497,302
Deferred tax charged	已扣除之遞延稅項	24	-	-	-	-	-	(89)	-	-	(89)
Profit for the year	年內溢利		-	-	-	-	-	-	77,411	-	77,411
Realisation on disposal of available-for-sale investments	於出售可供出售 投資時變現		-	-	-	-	-	(158)	-	-	(158)
Surplus on revaluation	重估盈餘	14	-	-	-	-	-	2,759	-	-	2,759
Exchange realignment	匯兌調整		-	-	-	-	4,353	-	-	-	4,353
Transfer to reserve	轉撥至儲備		-	-	-	335	-	-	(335)	-	-
Final 2005 dividend declared	已宣派二零零五年 末期股息		-	-	-	-	-	-	-	(25,620)	(25,620)
Interim 2006 dividend	二零零六年中期股息	12	-	-	-	-	-	-	(25,620)	-	(25,620)
Proposed final 2006 dividend	擬派二零零六年 末期股息	12	-	-	-	-	-	-	(25,620)	25,620	-
At 31 March 2006	於二零零六年 三月三十一日		4,270	359,932*	(229)*	5,731*	1,737*	3,469*	129,808*	25,620	530,338

* These reserve accounts comprise the consolidated reserves of HK\$500,448,000 (2005: HK\$ 467,412,000 (restated)) in the consolidated balance sheet of the Group.

* 該等儲備賬項包括載於本集團綜合資產負債表內之綜合儲備500,448,000港元(二零零五年:467,412,000港元(重列))。

Consolidated Cash Flow Statement

綜合現金流量表

(Year ended 31 March 2006)

(截至二零零六年三月三十一日止年度)

	Notes 附註	2006 二零零六年 HK\$'000 千港元	2005 二零零五年 HK\$'000 千港元 (Restated) (重列)
CASH FLOWS FROM OPERATING ACTIVITIES	經營業務產生之現金流量		
Profit before tax	除稅前溢利	92,081	104,103
Adjustments for:	按以下項目調整:		
Interest income	利息收入	(6,503)	(2,192)
Gain on redemption of available-for-sale investments	贖回可供出售投資之收益	(215)	–
Gain on disposal of items of property, plant and equipment	出售物業、廠房及設備項目之收益	(116)	–
Finance costs	財務開支	–	189
Depreciation	折舊	20,914	10,894
Amortisation of prepaid land lease payments	預付土地租賃款項攤銷	1,117	373
Operating profit before working capital changes	營運資金變動前之經營溢利	107,278	113,367
Decrease/(increase) in inventories	存貨減少/(增加)	16,247	(3,172)
Increase in accounts and bills receivable	應收賬款及票據增加	(13,288)	(5,088)
Decrease/(increase) in prepayments, deposits and other receivables	預付款項、按金及其他應收款項減少/(增加)	3,246	(1,751)
Decrease in accounts and bills payable	應付賬款及票據減少	(2,924)	(4,937)
Increase/(decrease) in accrued liabilities and other payables	應計負債及其他應付款項增加/(減少)	(4,038)	8,188
Cash generated from operations	營運產生之現金	106,521	106,607
Interest paid	已付利息	–	(121)
Interest element of finance lease rental payments	融資租賃租金款項之利息部分	–	(68)
Dividends paid	已付股息	(51,240)	(27,200)
Hong Kong profits tax paid	已付香港利得稅	(10,495)	(2,691)
Overseas tax paid	已付海外稅項	(2,715)	(384)
Net cash inflow from operating activities	經營業務產生之現金流入淨額	42,071	76,143
CASH FLOWS FROM INVESTING ACTIVITIES	投資活動產生之現金流量		
Proceeds from redemption of available-for-sale investments	贖回可供出售投資所得款項	4,584	–
Proceeds from disposal of items of property, plant and equipment	出售物業、廠房及設備項目所得款項	911	–
Purchases of items of property, plant and equipment	購買物業、廠房及設備項目	(119,443)	(29,916)
Purchase of prepaid land lease payments	購買預付土地租賃付款	(29,596)	(16,490)
Prepayments and deposits for property, plant and equipment	購買物業、廠房及設備之預付款項及按金	(12,141)	(44,429)
Decrease/(increase) in non-pledged deposits with original maturity of over three months when acquired	購入時原訂到期日多於三個月之非質押存款減少/(增加)	231,397	(231,397)
Increase in pledged deposits	質押存款增加	(4,587)	–
Interest received	已收利息	6,503	2,192
Net cash inflow/(outflow) from investing activities	投資活動產生之現金流入/(流出)淨額	77,628	(320,040)

Consolidated Cash Flow Statement (continued)

綜合現金流量表(續)

(Year ended 31 March 2006)
(截至二零零六年三月三十一日止年度)

		Notes 附註	2006 二零零六年 HK\$'000 千港元	2005 二零零五年 HK\$'000 千港元 (Restated) (重列)
Net cash inflow/(outflow) from investing activities	投資活動產生之現金流入/ (流出)淨額		77,628	(320,040)
CASH FLOWS FROM FINANCING ACTIVITIES	融資活動產生之現金流量			
Proceeds from issue of shares	發行股份所得款項	25	–	148,400
Issue of the Convertible Note	發行可換股票據	25	–	207,060
Share issue expenses	股份發行費用	25	–	(12,612)
Repayment of bank loans	償還銀行貸款		–	(29,633)
Capital element of finance lease rental payments	融資租賃租金付款之 本金部分		–	(1,902)
Net cash inflow from financing activities	融資活動產生之現金流入淨額		–	311,313
NET INCREASE IN CASH AND CASH EQUIVALENTS	現金及現金等值項目 之增加淨額		119,699	67,416
Cash and cash equivalents at beginning of year	年初之現金及現金等值項目		91,479	23,967
Effect of foreign exchange rate changes, net	外匯率變動之影響淨額		3,939	96
CASH AND CASH EQUIVALENTS AT END OF YEAR	年終之現金及現金 等值項目		215,117	91,479
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS	現金及現金等值項目 之結餘分析			
Cash and bank balances	現金及銀行結存	21	41,692	51,374
Non-pledged time deposits with original maturity of less than three months when acquired	原訂到期日少於 三個月之非質押 定期存款		173,425	40,105
			215,117	91,479

Balance Sheet

資產負債表

(31 March 2006)

(於二零零六年三月三十一日)

		Notes 附註	2006 二零零六年 HK\$'000 千港元	2005 二零零五年 HK\$'000 千港元
NON-CURRENT ASSETS	非流動資產			
Investments in subsidiaries	於附屬公司之投資	18	43,368	43,368
CURRENT ASSETS	流動資產			
Due from subsidiaries	應收附屬公司款項	18	289,375	125,048
Prepayments, deposits and other receivables	預付款項、按金及其他應收款項		16	16
Cash and cash equivalents	現金及現金等值項目	21	104,227	271,643
Total current assets	流動資產總額		393,618	396,707
CURRENT LIABILITIES	流動負債			
Accrued liabilities	應計負債		140	6,161
NET CURRENT ASSETS	流動資產淨額		393,478	390,546
Net assets	資產淨額		436,846	433,914
EQUITY	資本			
Issued capital	已發行股本	25	4,270	4,270
Reserves	儲備	27	406,956	404,024
Proposed final dividend	擬派末期股息	12	25,620	25,620
Total equity	資本總額		436,846	433,914

Chung Yuk Sing

鍾育升

Director

董事

Chung Tung Sau

鍾桐琇

Director

董事

Notes to Financial Statements

財務報表附註

(31 March 2006)

(於二零零六年三月三十一日)

1. CORPORATE INFORMATION

The Company is a limited liability company incorporated in the Cayman Islands. The principal place of business of the Company is located at Units 0902-0903 and 0905-0906, 9/F, Tower B, Regent Centre, 70 Ta Chuen Ping Street, Kwai Chung, New Territories, Hong Kong.

The Group's principal activities are the manufacture and trading of sportswear and garments.

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which also include Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for certain buildings and available-for-sale investments, which have been measured at fair value. These financial statements are presented in Hong Kong dollars ("HK\$") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

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

1. 公司資料

本公司為於開曼群島註冊成立之有限公司。本公司之主要營業地點位於香港新界葵涌打磚坪街70號麗晶中心B座九樓0902-0903室及0905-0906室。

本集團之主要業務為生產及買賣運動服及成衣。

2.1 編製基準

此財務報表根據由香港會計師公會頒佈之香港財務報告準則(「香港財務報告準則」)(其中亦包括香港會計準則(「香港會計準則」)及詮釋)、香港公認會計原則及香港公司條例之披露規定編製。除若干樓宇及可供出售投資以公平值計量外,此財務報表根據歷史成本常規編製。除另有註明外,此財務報表以港元(「港元」)呈列,而所有價值均四捨五入至最接近之千位。

綜合基準

綜合財務報表包括本公司及其附屬公司截至二零零六年三月三十一日止年度之財務報表。附屬公司之業績以自收購日期(即本集團取得控制權之日)起綜合計算,並於有關控制權終止之日前繼續綜合計入。本集團旗下各公司之間所有重大交易及結餘於綜合賬目時對銷。

Notes to Financial Statements

財務報表附註

(31 March 2006)

(於二零零六年三月三十一日)

2.2 IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

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

HKAS 1	Presentation of Financial Statements
HKAS 2	Inventories
HKAS 7	Cash Flow Statements
HKAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
HKAS 10	Events after the Balance Sheet Date
HKAS 12	Income Taxes
HKAS 14	Segment Reporting
HKAS 16	Property, Plant and Equipment
HKAS 17	Leases
HKAS 18	Revenue
HKAS 19	Employee Benefits
HKAS 21	The Effects of Changes in Foreign Exchange Rates
HKAS 24	Related Party Disclosures
HKAS 27	Consolidated and Separate Financial Statements
HKAS 32	Financial Instruments: Disclosure and Presentation
HKAS 33	Earnings per Share
HKAS 36	Impairment of Assets
HKAS 37	Provisions, Contingent Liabilities and Contingent Assets
HKAS 39	Financial Instruments: Recognition and Measurement
HKAS 39 (Amendment)	Transition and Initial Recognition of Financial Assets and Financial Liabilities
HKFRS 2	Share-based Payment
HK-Int 4	Leases – Determination of the Length of Lease Term in respect of Hong Kong Land Leases

Except for those discussed below, the adoption of other HKFRSs above has had no material impact on the accounting policies of the Group and the Company and the methods of computation in the Group's and the Company's financial statements.

2.2 新訂及經修訂香港財務報告準則之影響

以下為對本集團有所影響及於本年度財務報表中首次採納之新訂及經修訂香港財務報告準則：

香港會計準則第1號	財務報表之呈列
香港會計準則第2號	存貨
香港會計準則第7號	現金流量表
香港會計準則第8號	會計政策、會計估計變更及錯誤
香港會計準則第10號	資產負債表日以後事項
香港會計準則第12號	所得稅
香港會計準則第14號	分類報告
香港會計準則第16號	物業、廠房及設備
香港會計準則第17號	租賃
香港會計準則第18號	收入
香港會計準則第19號	僱員福利
香港會計準則第21號	外幣匯率變動之影響
香港會計準則第24號	有關連人士之披露
香港會計準則第27號	綜合及獨立財務報表
香港會計準則第32號	金融工具：披露及呈列
香港會計準則第33號	每股盈利
香港會計準則第36號	資產減值
香港會計準則第37號	撥備、或然負債及或然資產
香港會計準則第39號	金融工具：確認及計量方法
香港會計準則第39號 (修訂本)	金融資產及金融負債之過渡及首次確認
香港財務報告準則第2號	以股份為基礎之款項
香港－詮釋第4號	租賃－釐定香港土地租賃之租期

除下文所述外，採納其他上述香港財務報告準則對本集團及本公司之會計政策以及本集團及本公司之財務報表之計算方法並無重大影響。

Notes to Financial Statements

財務報表附註

(31 March 2006)

(於二零零六年三月三十一日)

2.2 IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (continued)

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

(a) HKAS 17 and HK-Int 4 – Leases

In prior years, leasehold land and buildings held for own use were stated at valuation, less accumulated depreciation and any impairment losses.

Upon the adoption of HKAS 17 and HK-Int 4, the Group's leasehold interest in land and buildings is separated into leasehold land and leasehold buildings. The Group's leasehold land is classified as an operating lease, because the title of the land is not expected to pass to the Group by the end of the lease term, and is reclassified from property, plant and equipment to prepaid land lease payments, while leasehold buildings continue to be classified as part of property, plant and equipment. Prepaid land premiums for land lease payments under operating leases are initially stated at cost and subsequently amortised on the straight-line basis over the lease term. Accordingly, the Group has restated the comparative amounts to reflect the reclassification retrospectively for the earliest period presented in the financial statements. The effects of the above changes are summarised in note 2.4 to the financial statements.

(b) HKAS 32 and HKAS 39 – Financial Instruments

In prior years, the Group classified its investments in unlisted investment funds intended to be held on a long term basis as long term investments, which were held for non-trading purposes and were stated at their estimated fair values, on an individual basis, with gains and losses recognised as movements in the asset revaluation reserve. Upon the adoption of HKAS 39, these financial instruments held by the Group at 1 April 2005 in the amount of HK\$4,527,000 are designated as available-for-sale investments under the transitional provisions of HKAS 39 and accordingly are stated at fair value with gains or losses being recognised as a separate component of equity until subsequent derecognition or impairment.

2.2 新訂及經修訂香港財務報告準則之影響 (續)

採納其他香港財務報告準則之影響概述如下：

(a) 香港會計準則第17號及香港－詮釋第4號－租賃

於以往年度，自用的租賃土地和樓宇以估值減累計折舊及任何減值虧損計量。

採納香港會計準則第17號及香港－詮釋第4號後，本集團於土地和樓宇的租賃權益分別列作租賃土地和租賃樓宇。土地的所有權預期不會在租賃期結束時轉給本集團，因此本集團的租賃土地分類為經營租賃，並從物業、廠房及設備賬戶重新分類到預付土地租賃款項賬戶，而租賃樓宇仍分類為物業、廠房及設備。經營租賃下土地租賃之預付地價初始按成本列賬，其後在租賃期內以直線法攤銷。因此，本集團已重列比較金額以反映對財務報表所呈列最早期間追溯重新分類之影響。上述變動之影響於財務報表附註2.4概述。

(b) 香港會計準則第32號及香港會計準則第39號－金融工具

於以往年度，本集團將其計劃長期持有之非上市投資基金分類為長期投資，以非買賣目的持有之長期投資按個別基準以其估計公平值列賬。該等非上市投資基金公平值之盈虧於資產重估儲備內確認為變動。採納香港會計準則第39號後，本集團於二零零五年四月一日持有為數4,527,000港元之該等金融工具，根據香港會計準則第39號之過渡性條文被指定為可供出售投資，並因此按公平值列賬，損益確認為資本之獨立部分，直至其後取消確認或出現減值為止。

Notes to Financial Statements

財務報表附註

(31 March 2006)

(於二零零六年三月三十一日)

2.2 IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (continued)

(b) HKAS 32 and HKAS 39 – Financial Instruments (continued)

The adoption of HKAS 39 has not resulted in any change in the measurement of these financial instruments. The effects of the above change are summarised in note 2.4 to the financial statements.

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

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

HKAS 1 Amendment	Capital Disclosures
HKAS 21 Amendment	The Effects of Changes in Foreign Exchange Rates
HKAS 39 Amendment	The Fair Value Option
HKFRS 7	Financial Instruments: Disclosures
HK(IFRIC)-Int 4	Determining whether an Arrangement contains a Lease

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

HKFRS 7 requires disclosures relating to financial instruments and incorporates many of the disclosure requirements of HKAS 32. This HKFRS shall be applied for annual periods beginning on or after 1 April 2007.

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

2.2 新訂及經修訂香港財務報告準則之影響 (續)

(b) 香港會計準則第32號及香港會計準則第39號 – 金融工具 (續)

採納香港會計準則第39號並無對該等金融工具之計量造成任何變動。上述變動對綜合收益表之影響於財務報表附註2.4概述。

2.3 已頒佈但未生效香港財務報告準則的影響

本集團並無於此財務報表應用下列已頒佈但尚未生效之新訂及經修訂香港財務報告準則。除另有列明者外，該香港財務報告準則乃於二零零六年四月一日或之後開始之年度期間生效：

香港會計準則第1號 (修訂本)	資本披露
香港會計準則第21號 (修訂本)	外幣匯率變動之影響
香港會計準則第39號 (修訂本)	公平值選擇
香港財務報告準則第7號	金融工具：披露
香港 (國際詮釋委員會) – 詮釋第4號	釐定安排是否包含租賃內容

香港會計準則第1號 (修訂本) 適用於二零零七年四月一日或之後開始的年度。經修訂準則將影響以下事項之披露：本集團管理資本的目標、政策及程序相關量化資料；本公司視為資本項目相關量化資料；以及是否符合任何資本規定以及不符合有關規定的後果。

香港財務報告準則第7號規定有關金融工具之披露，並包含香港會計準則第32號多項披露規定。此項香港財務報告準則適用於二零零七年四月一日或之後開始的年度。

除上述者外，本集團預期採納上列其他聲明於初次採納期間將不會對本集團財務報表構成任何重大影響。

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2.4 SUMMARY OF THE IMPACT OF CHANGES IN ACCOUNTING POLICIES 2.4 會計政策改變之影響概覽

(a) Effect on the consolidated balance sheet

(a) 對綜合資產負債表之影響

Effect of new policies (Increase/(decrease)) 新政策之影響 (增加／(減少))	Effect of adopting 採用會計政策之影響		Total 總計 HK\$'000 千港元
	HKAS 17# Prepaid land lease payments 香港會計準則 第17號# 預付土地 租賃款項 HK\$'000 千港元	HKAS 32# Change in classification of equity investments 香港會計準則 第32號# 資本投資 分類變動 HK\$'000 千港元	
At 1 April 2005	於二零零五年四月一日		
Assets	資產		
Property, plant and equipment	物業、廠房及設備	(36,519)	– (36,519)
Prepaid land lease payments	預付土地租賃款項	29,868	– 29,868
Current portion of prepaid land lease payments included in prepayments, deposits and other receivables	計入於預付款項、按金及 其他應收款項之預付 土地租賃款項之 即期部分	1,117	– 1,117
Available-for-sale investments	可供出售投資	–	4,527 4,527
Long term investments	長期投資	–	(4,527) (4,527)
			(5,534)
Liabilities/equity	負債／資本		
Deferred tax liabilities	遞延稅項負債	(568)	– (568)
Asset revaluation reserve	資產重估儲備	(6,261)	– (6,261)
Retained profits	保留溢利	1,295	– 1,295
			(5,534)

Adjustments/presentation taken effect retrospectively

調整／呈列方式已經追溯應用

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2.4 SUMMARY OF THE IMPACT OF CHANGES IN ACCOUNTING POLICIES (continued)

2.4 會計政策改變之影響概覽 (續)

(a) Effect on the consolidated balance sheet (continued)

(a) 對綜合資產負債表之影響 (續)

Effect of new policies (Increase/(decrease)) 新政策之影響 (增加/ (減少))	Effect of adopting 採用會計政策之影響		Total 總計 HK\$'000 千港元	
	HKAS 17# Prepaid land lease payments 香港會計準則 第17號# 預付土地 租賃付款 HK\$'000 千港元	Change in classification of equity investments 香港會計準則 第32號# 資本投資 分類變動 HK\$'000 千港元		
At 31 March 2006	於二零零六年三月三十一日			
Assets	資產			
Property, plant and equipment	物業、廠房及設備	(64,782)	–	(64,782)
Prepaid land lease payments	預付土地租賃款項	58,093	–	58,093
Current portion of prepaid land lease payments included in prepayments, deposits and other receivables	計入預付款項、按金及 其他應收款項之預付 土地租賃付款之 即期部分	1,491	–	1,491
				(5,198)
Liabilities/equity	負債/資本			
Deferred tax liabilities	遞延稅項負債	(641)	–	(641)
Asset revaluation reserve	資產重估儲備	(5,981)	–	(5,981)
Retained profits	保留溢利	1,424	–	1,424
				(5,198)

Adjustments/presentation taken effect retrospectively

調整/呈列方式已經追溯應用

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2.4 SUMMARY OF THE IMPACT OF CHANGES IN ACCOUNTING POLICIES (continued)

2.4 會計政策改變之影響概覽 (續)

(b) Effect on the balances of equity at 1 April 2004 and at 1 April 2005

(b) 對二零零四年四月一日及二零零五年四月一日資本結餘之影響

1 April 2004

二零零四年四月一日

Effect of new policy (Increase/(decrease)) 新政策之影響 (增加／(減少))		Effect of adopting HKAS 17 Prepaid land lease payments 採納香港會計準則第17號 預付土地租賃款項之影響 HK\$'000 千港元
Asset revaluation reserve	資產重估儲備	(4,481)
Retained profits	留存溢利	453
		(4,028)

Effect on balances of equity of the Group at 1 April 2005 is set out in the "Liabilities/equity" section under note 2.4(a) above.

對本集團二零零五年四月一日資本結餘之影響載於上述附註2.4(a)「負債／資本」。

(c) Effect on the consolidated income statement for the years ended 31 March 2006 and 2005

(c) 對截至二零零六年及二零零五年三月三十一日止年度綜合收益表之影響

Year ended 31 March 2006		截至二零零六年三月三十一日止年度	Effect of adopting HKAS 17 Prepaid land lease payments 採納香港會計準則第17號 預付土地租賃款項之影響 HK\$'000 千港元
Decrease in cost of sales	銷售成本減少		19
Decrease in administrative expenses	行政費用減少		110
Total increase in profit	溢利增加總額		129
			HK cent 港仙
Increase in basic earnings per share	每股基本盈利增加		0.03
Increase in diluted earnings per share	每股攤薄盈利增加		N/A 不適用

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2.4 SUMMARY OF THE IMPACT OF CHANGES IN ACCOUNTING POLICIES (continued)

(c) Effect on the consolidated income statement for the years ended 31 March 2006 and 2005 (continued)

Year ended 31 March 2005

Decrease in cost of sales

Decrease in administrative expenses

Decrease in other operating expenses

Total increase in profit

截至二零零五年三月三十一日止年度

銷售成本減少

行政費用減少

其他經營費用減少

溢利增加總額

Effect of adopting HKAS 17 Prepaid land lease payments 採納香港會計準則第17號 預付土地租賃款項之影響

HK\$'000

千港元

400

108

334

842

HK cent

港仙

Increase in basic earnings per share

Increase in diluted earnings per share

每股基本盈利增加

每股攤薄盈利增加

0.25

0.20

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

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

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

2.5 主要會計政策概要

附屬公司

附屬公司乃本公司直接或間接控制其財務及經營政策而從其業務獲益之公司。

附屬公司業績按已收股息及應收股息計入本公司收益表，本公司於附屬公司之權益按成本值減任何減值虧損列賬。

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2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of assets

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

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the 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. An impairment loss is charged to the income statement in the period in which it arises, unless the asset is carried at a revalued amount, in which case the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

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

2.5 主要會計政策概要 (續)

資產減值

倘出現減值跡象或有需要就資產進行年度減值測檢(存貨、遞延稅項資產及金融資產除外)，則會估計資產的可收回金額。資產的可收回金額乃按資產或現金產生單位的使用價值及其公平值兩者中之較高者減銷售成本計算，並釐定為個別資產，除非該項資產所產生現金流量未能大部分獨立於其他資產或資產組別的現金流量，於此情況下，可收回金額則按資產所屬現金產生單位釐定。

減值虧損只會於資產賬面值超出其可收回金額時確認。於評估使用價值時，會使用可反映目前市場對貨幣時間價值及特定資產風險的評估之稅前折算率，將估計日後現金流量折讓至現值。減值虧損於產生期間在收益表扣除，除非該資產按重估價值列賬，於此情況下，減值虧損將按該項重估資產之有關會計政策列賬。

本集團於各報告日期評估有否跡象顯示以往確認減值虧損不再存在或可能已減少。倘出現上述跡象，則會估計可收回金額。當用以釐定資產可收回金額的估計有變時，方會回撥先前確認的資產減值虧損(商譽除外)，惟回撥後的金額不可超過過往年度並無就該項資產確認減值虧損而釐定的賬面值(扣除任何折舊／攤銷後)。回撥的減值虧損乃於產生期間計入收益表，除非該資產按重估價值列賬，於此情況下，減值虧損回撥將按該項重估資產之有關會計政策列賬。

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2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Related parties

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

- (a) the party, directly or indirectly through one or more intermediaries, (i) controls, is controlled by, or is under common control with, the Group; (ii) has an interest in the Group that gives it significant influence over the Group; or (iii) has joint control over the Group;
- (b) the party is an associate;
- (c) the party is a jointly-controlled entity;
- (d) the party is a member of the key management personnel of the Group;
- (e) the party is a close member of the family of any individual referred to in (a) or (d);
- (f) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e); or
- (g) the party is a post-employment benefit plan for the benefit of the employees of the Group, or of any entity that is a related party of the Group.

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost or valuation less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the income statement in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment, and where the cost of the item can be measured reliably, the expenditure is capitalised as an additional cost of that asset or as a replacement.

2.5 主要會計政策概要 (續)

關連人士

在下列情況下，有關人士將視為與本集團有關連：

- (a) 有關人士直接或透過一名或多名中介人間接：(i)控制本集團，或被本集團控制或受到與本集團共同控制；(ii)擁有本集團權益，並可對本集團發揮重大影響力；或(iii)與他人共同擁有本集團控制權；
- (b) 有關人士為聯繫人士；
- (c) 有關人士為共同控制實體；
- (d) 有關人士為本集團主要管理人員；
- (e) 有關人士為(a)或(d)項所述人士的直系親屬；
- (f) 有關人士受直接或間接歸屬於(d)或(e)項所述人士的實體所控制，與他人共同控制或發揮重大影響力，或擁有重大投票權；或
- (g) 有關人士為本集團或屬其有關連人士任何實體的僱員之終止受僱後福利計劃。

物業、廠房及設備及折舊

除在建工程外，物業、廠房及設備乃按成本值或估值減累積折舊及任何減值虧損列賬。物業、廠房及設備成本包括其購買價以及任何使其達到運作狀況及地點以作擬定用途之直接相關成本。物業、廠房及設備運作後所產生開支，例如維修及保養費用，一般於有關費用產生期間自收益表扣除。倘能明確顯示開支令預期將自使用該項物業、廠房及設備獲得之未來經濟利益增加及倘該項目之成本能可靠估計時，則該項開支將撥充資本為該項資產之額外成本或作為置換。

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2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment and depreciation (continued)

Valuations are performed frequently enough to ensure that the fair value of a revalued asset does not differ materially from its carrying amount. Changes in the values of property, plant and equipment are dealt with as movements in the asset revaluation reserve. If the total of this reserve is insufficient to cover a deficit, on an individual asset basis, the excess of the deficit is charged to the income statement. Any subsequent revaluation surplus is credited to the income statement to the extent of the deficit previously charged. On disposal of a revalued asset, the relevant portion of the asset revaluation reserve realised in respect of previous valuations is transferred to retained profits as a movement in reserves.

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

Buildings	2% to 15%
Leasehold improvements	Over the lease terms or 20%, whichever is shorter
Plant and machinery	10% to 20%
Furniture, fixtures, equipment and motor vehicles	20%

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

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

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the income statement in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

2.5 主要會計政策概要 (續)

物業、廠房及設備及折舊 (續)

估值須經常進行，以確保重估資產之公平值不會與其賬面值有任何重大差異。物業、廠房及設備價值變動於資產重估儲備列作變動處理。倘儲備總額不足以抵償虧絀，超出之虧絀按個別資產基準於收益表扣除。倘其後出現重估盈餘，則以先前扣除之虧絀為限計入收益表。出售重估資產時，因以往估值而變現之資產重估儲備有關部分，將視作儲備變動轉撥至保留溢利。

折舊按各物業、廠房及設備之估計可用年期以直線法攤銷其成本或估值至其剩餘價值計算。就此目的所採用之主要年率如下：

樓宇	2%至15%
租賃物業裝修	按租賃期或20% (以較短者為準)
機器設備	10%至20%
傢具、裝置、設備及汽車	20%

倘物業、廠房及設備部分之可使用年期不同，該項目之成本或估值於有關部分按合理基準分配，而各部分將個別折舊。

剩餘價值、可使用年期及折舊方法將於各資產負債表日審閱及作出調整(如適合)。

物業、廠房及設備項目於出售或預期使用或出售有關項目不會產生未來經濟利益時剔除確認。於剔除確認資產年度在收益表確認之出售或報廢資產之收益或虧損，按有關資產出售所得款項淨額與賬面值兩者間之差額於收益表確認。

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2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment and depreciation (continued)

Construction in progress represents leasehold improvements and renovation works in progress, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Leases

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases are included in property, plant and equipment, and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to the income statement so as to provide a constant periodic rate of charge over the lease terms.

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to the income statement on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under the operating leases are charged to the income statement on the straight-line basis over the lease terms.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms.

2.5 主要會計政策概要 (續)

物業、廠房及設備及折舊 (續)

在建工程指進行之租賃物業改善工程及裝修工程，按成本值減任何減值虧損列賬，但不予折舊。成本值包括工程期間之工程直接成本。在建工程於竣工及可供使用時重新分類至合適之物業、廠房及設備類別。

租賃

凡將資產擁有權(法定業權除外)絕大部分回報及風險轉歸本集團之租賃，均列為融資租賃。融資租賃生效時，租賃資產成本按最低租金付款之現值撥充資本，並連同有關承擔(不包括利息部分)入賬，以反映有關購買及融資。按經撥充資本融資租賃持有之資產計入物業、廠房及設備，按該項資產之租期與估計可使用年期之較短期間折舊。此等租賃之財務開支自收益表扣除，以在租期內達致固定之定期支銷率。

資產擁有權絕大部分回報及風險仍歸出租人所有之租賃列為經營租賃。倘本集團為承租人，本集團根據經營租賃的資產計入非流動資產，而根據經營租賃應收之租金乃按租期以直線法計入收益表。倘本集團為承租人，根據經營租賃應付之租金按租期以直線法自收益表扣除。

經營租賃之預付租金初步按成本列賬，其後則按租期以直線法確認。

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(於二零零六年三月三十一日)

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets

Applicable to the year ended 31 March 2005:

The Group classified its equity investments, other than subsidiaries, as long term investments.

Long term investments

Long term investments are non-trading investments in unlisted investment funds intended to be held on a long term basis, and are stated at their estimated fair values, on an individual basis. The fair values of such unlisted investment funds are determined by reference to the individual market prices of the underlying securities held by the funds.

The gains or losses arising from changes in the fair value of an investment are dealt with as movements in the asset revaluation reserve, until the investment is sold, collected, or otherwise disposed of, or until the investment is determined to be impaired, when the cumulative gain or loss derived from the investment recognised in the asset revaluation reserve, together with the amount of any further impairment, is charged to the income statement in the period in which the impairment arises.

Applicable to the year ended 31 March 2006:

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

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

2.5 主要會計政策概要 (續)

投資及其他金融資產

適用於截至二零零五年三月三十一日止年度:

本集團將其資本投資(附屬公司除外)分類為長期投資。

長期投資

長期投資指於非上市投資基金所作出擬長期持有之非買賣投資,按其估計公平價值以獨立基準列賬。該等非上市投資基金之公平價值乃參考基金所持有相關證券的個別市價而釐定。

因投資的公平價值變動而產生之盈利或虧損列作資產重估儲備之變動處理,直至投資售出、提取,或以其他方式處理,或直至投資被釐定為出現減值為止,於該情況下,由該項投資產生之累積盈利或虧損會在資產重估儲備中確認,連同任何其他進一步減值數額一併於有關減值產生期間自收益表扣除。

適用於截至二零零六年三月三十一日止年度:

香港會計準則第39號所界定金融資產可分為按公平值計入損益之金融資產、貸款及應收款項及可供出售金融資產(視適用情況而定)。初步確認時,金融資產按公平值加(倘投資並非按公平值計入損益)直接應佔交易成本計算。本集團會於初步確認後將金融資產分類,並於許可及適當情況下,於資產負債表日重估分類。

正常情況下買入及出售之金融資產於交易日(即本集團承諾購買資產之日)確認。正常情況下買入及出售指於規例或市場慣例一般設定之期間內交付金融資產之買入或出售。

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(於二零零六年三月三十一日)

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

Applicable to the year ended 31 March 2006: (continued)

Loans and receivables

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

Available-for-sale investments

Available-for-sale investments are non-derivative financial assets in unlisted investment funds that are designated as available for sale or are not classified in any of the other two categories. After initial recognition, available-for-sale investments are measured at fair value, with gains or losses recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in the income statement.

Fair value

The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business at the balance sheet date.

Impairment of financial assets

Applicable to the year ended 31 March 2006:

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

Assets carried at amortised cost

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

2.5 主要會計政策概要 (續)

投資及其他金融資產 (續)

適用於截至二零零六年三月三十一日止年度： (續)

貸款及應收款項

貸款及應收款項均設有固定或可確定付款金額而非衍生工具的金融資產，以及不會在活躍市場掛牌。該等資產採用實際利率法按攤銷成本列賬。於貸款及應收款項刪除確認或減值時及透過攤銷程序於收益表確認損益。

可供出售投資

可供出售投資乃非上市投資基金之非衍生金融資產，指定作可供出售投資或並無列作其他兩個類別。初步確認後，可供出售投資按公平值計算，而損益則列作資本獨立部分，直至投資被剔除確認或投資釐定為減值為止，屆時，之前於資本確認之累計收益或虧損將計入收益表。

公平值

於有系統金融市場活躍買賣投資之公平值，參考資產負債表日營業時間結束時所報買入市價釐定。

金融資產減值

適用於截至二零零六年三月三十一日止年度：

本集團於各資產負債表日評估有否客觀證據顯示金融資產或一組金融資產出現減值。

按攤銷成本入賬之資產

倘有客觀證據顯示按攤銷成本入賬之貸款及應收款項出現減值虧損，則虧損數額按資產之賬面值與估計現金流量現值（不包括尚未出現之日後信貸虧損）之差額計量，並以金融資產之原定實際利率，即初步確認時計算之實際利率折算。資產之賬面值直接或透過動用撥備減少。減值虧損金額在收益表確認。

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2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets (continued)

Applicable to the year ended 31 March 2006: (continued)

Assets carried at amortised cost (continued)

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

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

Available-for-sale investments

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

Derecognition of financial assets

Applicable to the year ended 31 March 2006:

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

- the rights to receive cash flows from the asset have expired;
- the Group retains the rights to receive cash flows from the asset, but has assumed an obligation to pay in full without material delay to a third party under a "pass-through" arrangement; or

2.5 主要會計政策概要 (續)

金融資產減值 (續)

適用於截至二零零六年三月三十一日止年度: (續)

按攤銷成本入賬之資產 (續)

本集團首先評估是否有客觀證據顯示就個別屬重大金融資產個別存在，及就個別並不重大金融資產個別或共同存在之減值。倘並無客觀證據顯示就個別經評估金融資產存在減值，不論重大與否，該資產會列入具類似信貸風險特色之一組金融資產內，而該組別會共同評估減值。個別評估減值或有關減值虧損將繼續確認之資產，並不會計入減值之共同評估內。

倘其後減值虧損金額減少，而該減少可以客觀地與確認減值後發生之事件相關，則回撥早前確認之減值虧損。其後回撥之減值虧損於收益表確認，惟以並無超逾其於回撥日期攤銷成本之資產賬面值為限。

可供出售投資

倘可供出售投資出現減值，其成本（扣除任何本金付款及攤銷）與其現時公平值之差額，減早前於收益表確認之任何減值虧損所得數額，會自資本轉撥至收益表。分類為可供出售資本工具之減值虧損不會自收益表回撥。

剔除確認金融資產

適用於截至二零零六年三月三十一日止年度:

金融資產或（如適用）金融資產其中部分或任何一類相若金融資產其中部分，於下列情況下將被剔除確認：

- 自資產收取現金流量的權利已屆滿；
- 本集團保留自資產收取現金流量的權利，但有責任根據「經手」安排盡快向第三方支付有關現金流量；或

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2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derecognition of financial assets (continued)

Applicable to the year ended 31 March 2006: (continued)

- the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

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

Derecognition of financial liabilities

Applicable to the year ended 31 March 2006:

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

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the income statement.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the first-in, first-out basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

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

2.5 主要會計政策概要 (續)

剔除確認金融資產 (續)

適用於截至二零零六年三月三十一日止年度: (續)

- 本集團已轉讓其自資產收取現金流量的權利,且(a)已轉讓有關資產絕大部分風險及回報;或(b)並無轉讓或保留有關資產絕大部分風險及回報,但已轉讓有關資產的控制權。

倘本集團已轉讓其自資產收取現金流量的權利,但並無轉讓或保留有關資產絕大部分風險及回報,亦無轉讓有關資產的控制權,則按本集團繼續涉及有關資產的程度確認該項資產。倘本集團因擔保已轉讓資產繼續涉及有關資產,則按該項資產的原本賬面值及本集團可能須支付最高代價中之較低者列賬。

剔除確認金融負債

適用於截至二零零六年三月三十一日止年度:

倘負債項下之責任已履行或取消或屆滿,將會剔除確認金融負債。

倘現有金融負債由同一貸款人按大致不同之條款以另一項金融負債取代,或現有負債條款經大幅修訂,則有關轉換或修訂視作剔除確認原有負債及確認新負債,而有關賬面值間之差額則於收益表確認。

存貨

存貨乃按成本值及可變現淨值之較低者列賬。成本按先進先出基準釐定,在製品及製成品則包括直接材料、直接勞工及適當比例之間接成本。可變現淨值按估計售價減完工及出售所產生任何估計成本計算。

現金及現金等值項目

就綜合現金流量表而言,現金及現金等值項目包括手頭現金及活期存款以及可隨時轉換為已知數額現金的短期高度流通投資,有關投資所承受價值風險輕微,一般於購入後三個月內到期,另扣除須按要求償還及構成本集團現金管理其中部分之銀行透支。

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2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and cash equivalents (continued)

For the purpose of the balance sheets, cash and cash equivalents comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

Provisions

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

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

Income tax

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

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

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

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

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

2.5 主要會計政策概要 (續)

現金及現金等值項目 (續)

就資產負債表而言，現金及現金等值項目包括手頭及銀行現金，當中包括無使用限制之定期存款。

撥備

因過往事件產生現時承擔（法定或推定），且有可能需要動用未來資源以償還承擔，則於能夠可靠估計承擔數額時確認撥備。

若貼現之影響重大，則就撥備所確認數額為預期償還債務所需未來開支於資產負債表日之現值。隨時間推移而產生之貼現現值增加計入收益表的財務開支中。

所得稅

所得稅包括即期及遞延稅項。所得稅於收益表確認，或倘有關稅項與相同或不同期間直接於資本確認之項目相關，則於資本確認。

於目前或過往期間的即期稅項資產及負債，按預期自稅務機關退回或付予稅務機關的金額計算。

遞延稅項須按負債法，就資產及負債之稅基與財務申報賬面值於資產負債表日之所有暫時差額作出撥備。

遞延稅項負債就所有應課稅暫時差額確認，下列情況除外：

- 產生自初步確認一項交易（商業合併除外）資產或負債，以及於進行交易時並無影響會計溢利或應課稅溢利或虧損的遞延稅項負債；及

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2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax (continued)

- in respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

- where the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

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

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

2.5 主要會計政策概要 (續)

所得稅 (續)

- 當中包括與於附屬公司之投資相關之應課稅暫時差額，倘可控制暫時差額之回撥時間，並有可能在可預見未來不會回撥暫時差額。

遞延稅項資產於可能有應課稅溢利抵銷可扣減暫時差額，以及可運用未運用稅項資產及未運用稅項虧損結轉情況下，就所有可扣減暫時差額、未運用稅項資產及未運用稅項虧損結轉確認。

- 惟產生自初步確認一項交易（商業合併除外）資產或負債，以及於進行交易時並無影響會計溢利或應課稅溢利或虧損之可扣減暫時差額相關之遞延稅項資產除外；及
- 當中包括與於附屬公司之投資相關之可扣減暫時差額，遞延稅項資產僅會於暫時差額可能在可預見未來回撥及有應課稅溢利以抵銷暫時差額情況下方予確認。

遞延稅項資產賬面值於每個資產負債表日審閱，並於不再可能有足夠應課稅溢利抵銷所有或部分遞延稅項資產情況下調減。相反，早前未確認之遞延稅項資產於各資產負債表日重估，並於有足夠應課稅溢利抵銷所有或部分遞延稅項資產情況下確認。

遞延稅項資產及負債乃根據於資產負債表日頒佈或實質頒佈之稅率（及稅法），按預期於變現資產或清償債務期間適用之稅率計算。

倘存在容許將即期稅項資產抵銷即期稅項負債的可合法執行權利，且遞延稅項與同一應課稅實體及同一稅務機關有關，則遞延稅項資產可與遞延稅項負債抵銷。

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2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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) from the sale of goods and samples, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold; and
- (ii) interest income, on an accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset.

Employee benefits

Employment Ordinance long service payments

Certain of the Group's employees have completed the required number of years of service to the Group in order to be eligible for long service payments under the Hong Kong Employment Ordinance in the event of the termination of their employment. The Group is liable to make such payments in the event that such a termination of employment meets the circumstances specified in the Employment Ordinance.

Provision has not been recognised in respect of such possible payments, as it is not considered probable that the situation will result in a material future outflow of resources from the Group.

Staff retirement schemes

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for 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.

2.5 主要會計政策概要 (續)

收入確認

收入乃於本集團有可能獲得經濟利益及該收益能可靠計算時，按以下基準確認：

- (i) 貨物及樣辦之銷售：當擁有權之絕大部分風險及回報轉讓予買方時，惟本集團須不再參與一般與擁有權有關之管理，亦不再對已售出貨物有實際控制權；及
- (ii) 利息收入按應計基準，採用實際利率法，以將於金融工具預計年期所收取估計未來現金折算至該金融資產賬面淨值的利率計算。

僱員福利

長期服務金之僱傭條例

本集團若干僱員已完成服務本集團之所需年期，根據香港僱傭條例可於終止聘用時合資格獲發長期服務金。倘終止聘用符合僱傭條例所指定之情況，本集團須支付有關款項。

尚未就有關可能須支付之款項確認撥備，原因為有關情況很可能導致本集團的資源於日後重大流出。

退休福利計劃

本集團根據強制性公積金計劃條例，為合資格參加大額供款強制性公積金退休福利計劃（「強積金計劃」）之僱員推行強積金計劃。本集團須按僱員基本薪酬的一定百分比作出供款，並在按照強積金計劃之規定應付時自收益表扣除。強積金計劃資產與本集團資產分開持有，並由獨立管理基金保管。本集團的僱主供款在向強積金計劃作出供款時全數撥歸僱員所有。

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2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Employee benefits (continued)

Staff retirement schemes (continued)

In addition, the Group also operates a defined contribution retirement benefits scheme (the "Retirement Scheme") for those employees who are eligible to participate in the Retirement Scheme. Contributions to the Retirement Scheme are charged to the income statement as incurred. The Retirement Scheme operates in a similar way to the MPF Scheme, except that when an employee leaves the Retirement Scheme before his/her interest in the Group's employer contributions vests fully, the ongoing contributions payable by the Group are reduced by the relevant amount of the forfeited employer contributions.

The employees of the subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to make contributions for its employees who are registered as permanent residents in Mainland China. The contributions are charged to the income statement as they become payable in accordance with the rules of the central pension scheme.

Dividends

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

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

2.5 主要會計政策概要 (續)

僱員福利 (續)

退休福利計劃 (續)

此外，本集團亦為合資格參加退休福利計劃（「退休計劃」）計劃之僱員推行定額供款退休計劃。向退休計劃作出之供款在產生時自收益表扣除。退休計劃之運作方式與強積金計劃類似，惟當僱員在本集團僱主供款全數撥歸其所有前退出退休計劃，所沒收僱主供款可用作扣減本集團持續應付之供款。

本集團在中國大陸所經營附屬公司之僱員須參加由當地市政府推行的中央退休金計劃。有關附屬公司須為登記為中國大陸永久居民之僱員作出供款。有關供款在根據中央退休金計劃之規定應付時自收益表扣除。

股息

董事建議派付之末期股息在資產負債表中歸入資本部分保留溢利之獨立分配，直至股東在股東大會批准為止。有關股息於獲股東批准及宣派時確認為負債。

由於本公司的組織章程大綱及組織章程細則授權董事宣派中期股息，故可同時建議派付及宣派中期股息。因此，中期股息在建議派付及宣派時即時確認為負債。

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2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies

These financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions are initially recorded using the functional currency rates ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the balance sheet date. All differences are taken to the income statement. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

The functional currencies of certain overseas subsidiaries are currencies other than the Hong Kong dollar. As at the balance sheet date, the assets and liabilities of these entities are translated into the presentation currency of the Company at the exchange rates ruling at the balance sheet date and, their income statements are translated into Hong Kong dollars at the weighted average exchange rates for the year. The resulting exchange differences are included in the exchange fluctuation reserve. On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the income statement.

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

2.5 主要會計政策概要 (續)

外幣

此財務報表以港元呈報，港元乃本公司之功能及呈報貨幣。本集團各實體釐定其本身功能貨幣，而各實體於財務報表計入之項目乃按該功能貨幣計算。外幣交易初步按交易日期之功能貨幣匯率記錄。以外幣結算的貨幣資產及負債按結算日的功能貨幣匯率重新換算。所有差額計入收益表。按貨幣過往成本計算的非貨幣項目乃按初步交易日期匯率換算。以外幣按公平值計算的非貨幣項目則按公平值釐定之日期匯率換算作計算。

若干海外附屬公司並非以港元為功能貨幣。於資產負債表日，該等實體之資產及負債按資產負債表日的匯率換算為本公司呈報貨幣，其收益表則按年內加權平均匯率換算為港元。最終匯兌差額會計入匯兌波動儲備。出售海外實體時，於資本所確認有關該項特定海外業務的遞延累計金額於收益表確認。

就綜合現金流量表而言，海外附屬公司之現金流量按現金流量日期之適用匯率換算為港元。年內海外附屬公司之經常現金流量按年內加權平均匯率換算為港元。

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3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATE

Judgements

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

Impairment of assets

In determining whether an asset is impaired or whether the event previously causing the impairment no longer exists, the Group has to exercise judgement in the area of asset impairment, particularly in assessing: (1) whether an event has occurred that may affect the asset value, or such an event affecting the asset value has not been in existence; (2) whether the carrying value of an asset can be supported by the net present value of future cash flows, which are estimated based upon the continued use of the asset; and (3) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate. Changing the assumptions selected by management to determine the level of impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could have a material effect on the net present value used in the impairment test.

Income tax

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

Estimation uncertainty

The key assumption concerning the future and other key sources of estimation uncertainty at the balance sheet date, that has a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, is discussed below.

Impairment test of assets

The Group determines whether an asset is impaired at least on an annual basis. This requires an estimation of the value in use of the asset. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the asset and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

3. 重要會計判斷及估計

判斷

應用本集團會計政策時，除該等涉及估計者外，管理層曾作出下列對財務報表已確認金額影響最大之判斷：

資產減值

釐定資產是否減值或過往導致減值事件是否不再存在時，本集團須就資產減值作出判斷，尤其需要評估：(1)有否發生可影響資產價值之事件，或影響資產價值之事件是否仍然存在；(2)資產之賬面值能否以根據持續使用資產估計之未來現金流量現值淨額支持；及(3)預測未來現金流量時所採用合適重要假設，包括該等現金流量預測是否以適用比率貼現。倘改變管理層用以確定減值程度之假設（包括現金流量預測中採用之貼現率或增長率假設），或會對減值測試中使用的淨現值產生重大影響。

所得稅

遞延稅項乃就資產與負債之稅基及彼等用於財務申報用途之賬面值於資產負債表日之間全部暫時差額，以負債法作出撥備。

估計之不確定性

下文討論於資產負債表日極可能導致本集團之資產與負債賬面值於下一財政年度需要作出重大調整之未來相關重要假設及導致估計不可靠之其他重要因素。

測試資產減值

本集團最少每年釐定資產是否減值。釐定是否減值時須估計資產的使用價值。估計使用價值時，本集團先估計資產預計未來現金流量，再選擇合適折算率為該等現金流量計算現值。

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4. SEGMENT INFORMATION

Segment information is presented by way of the Group's primary segment reporting basis, by geographical segment. No further business segment information is presented as the Group is solely engaged in the manufacture and trading of sportswear and garments.

Each of the Group's geographical segments, based on the location of customers (the destination of sales), represents a strategic business unit that offers products to customers located in different geographical areas which are subject to risks and returns that are different from those of the other geographical segments. The Group's customer-based geographical segments are as follows:

- (a) Mainland China
- (b) Japan
- (c) South Korea
- (d) Hong Kong
- (e) Australia
- (f) Others

In addition, segment assets and capital expenditure are further analysed by the geographical location of the assets (the origin of sales), where the Group's assets are located in different geographical areas from its customers and segment revenue from external customers or segment assets are 10% or more of the Group's total amount. There are two asset-based geographical segments, namely Hong Kong and Mainland China.

4. 分類資料

本集團以地區分類為主要分類報告基準呈列分類資料。由於本集團只從事運動服及成衣生產及買賣之業務，故並無進一步呈列業務分類資料。

本集團各地區分類以客戶所在地（銷售目的地）為基礎，代表向不同地區的客戶提供產品的策略業務單位，所承擔風險及回報會因地區不同而有所差別。本集團以客戶為基礎的地區分類如下：

- (a) 中國大陸
- (b) 日本
- (c) 南韓
- (d) 香港
- (e) 澳洲
- (f) 其他地區

此外，倘本集團的資產地區分佈與客戶分佈不同以及源自外界客戶之分類收入或分類資產佔本集團總額10%或以上，則分類資產及資本開支會按資產所在地區（以銷售源頭為基礎）作進一步分析。本集團以資產為基礎的地區分類有兩個，分別為香港及中國大陸。

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4. SEGMENT INFORMATION (continued)

(i) Geographical segments based on the location of customers

The following tables present revenue, profit and certain asset, liability and expenditure information for the Group's geographical segments for the years ended 31 March 2006 and 2005.

Group-2006

		Mainland China 中國大陸 HK\$'000 千港元	Japan 日本 HK\$'000 千港元	South Korea 南韓 HK\$'000 千港元	Hong Kong 香港 HK\$'000 千港元	Australia 澳洲 HK\$'000 千港元	Others 其他地區 HK\$'000 千港元	Consolidated 綜合 HK\$'000 千港元
Segment revenue:	分類營業收入:							
Sales to external customers	對外客戶銷售額	255,083	161,243	44,302	15,902	-	42,780	519,310
Segment results	分類業績	66,689	36,127	10,184	3,610	-	9,023	125,633
Interest and other unallocated income	利息及其他未編配收入							7,634
Unallocated expenses	未編配費用							(41,186)
Profit before tax	除稅前溢利							92,081
Tax	稅項							(14,670)
Profit for the year attributable to equity holders of the Company	本公司股權持有人應佔年度溢利							77,411
Segment assets	分類資產	146,294	78,655	24,659	7,223	-	22,300	279,131
Unallocated assets	未編配資產							299,918
								579,049
Segment liabilities	分類負債	3,366	4,470	2,302	378	-	2,769	13,285
Unallocated liabilities	未編配負債							35,426
								48,711
Other segment information:	其他分類資料:							
Depreciation and amortisation	折舊及攤銷	6,539	4,134	1,136	408	-	1,096	13,313
Unallocated amounts	未編配數額							8,718
								22,031
Capital expenditure	資本開支	82,101	51,898	14,259	5,118	-	13,770	167,146
Unallocated amounts	未編配數額							26,322
								193,468

4. 分類資料 (續)

(i) 按客戶所在地區分類

下表呈列截至二零零六年及二零零五年三月三十一日止年度按客戶所在地區分類之營業收入、溢利及若干資產、負債及開支之資料。

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4. SEGMENT INFORMATION (continued)

(i) Geographical segments based on the location of customers (continued) Group-2005 (Restated)

		Mainland China 中國大陸 HK\$'000 千港元	Japan 日本 HK\$'000 千港元	South Korea 南韓 HK\$'000 千港元	Hong Kong 香港 HK\$'000 千港元	Australia 澳洲 HK\$'000 千港元	Others 其他地區 HK\$'000 千港元	Consolidated 綜合 HK\$'000 千港元
Segment revenue:	分類營業收入:							
Sales to external customers	對外客戶銷售額	177,722	165,213	48,649	14,853	12,557	32,452	451,446
Sale of samples	樣辦銷售	427	1,238	13	1,192	592	1,070	4,532
Total	總計	178,149	166,451	48,662	16,045	13,149	33,522	455,978
Segment results	分類業績	55,158	46,236	12,960	5,265	3,920	9,553	133,092
Interest and other unallocated income	利息及其他未編配收入							2,579
Unallocated expenses	未編配費用							(31,379)
Finance costs	財務開支							(189)
Profit before tax	除稅前溢利							104,103
Tax	稅項							(9,200)
Profit for the year attributable to equity holders of the Company	本公司股權持有人應佔年度溢利							94,903
Segment assets	分類資產	45,370	39,280	10,057	5,588	3,755	16,002	120,052
Unallocated assets	未編配資產							431,374
								551,426
Segment liabilities	分類負債	2,240	5,540	1,534	1,177	1,116	4,602	16,209
Unallocated liabilities	未編配負債							37,915
								54,124
Other segment information:	其他分類資料:							
Depreciation and amortisation	折舊及攤銷	1,436	3,876	1,256	354	338	914	8,174
Unallocated amounts	未編配數額							3,093
								11,267
Capital expenditure	資本開支	2,039	8,495	2,900	782	799	2,198	17,213
Unallocated amounts	未編配數額							30,796
								48,009

4. 分類資料 (續)

(i) 按客戶所在地區分類 (續)

本集團－二零零五年 (經重列)

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4. SEGMENT INFORMATION (continued)

(ii) Geographical segments based on the location of assets

4. 分類資料 (續)

(ii) 按資產所在地區分類

		Mainland		
		China 中國大陸 HK\$'000 千港元	Hong Kong 香港 HK\$'000 千港元	Consolidated 綜合 HK\$'000 千港元
Group-2006	本集團－二零零六年			
Segment assets as at 31 March 2006	於二零零六年三月三十一日 之分類資產	264,093	15,038	279,131
Capital expenditure	資本開支	167,146	–	167,146
Unallocated amounts	未編配數額			26,322
				193,468
Group-2005 (Restated)	本集團－二零零五年 (重列)			
Segment assets as at 31 March 2005	於二零零五年三月三十一日 之分類資產	95,893	24,159	120,052
Capital expenditure	資本開支	17,043	170	17,213
Unallocated amounts	未編配數額			30,796
				48,009

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5. REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold, after allowances for returns and trade discounts. All significant intra-group transactions have been eliminated on consolidation.

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

5. 營業收入、其他收入及收益

營業收入即本集團之營業額，乃指扣除退貨及商業折扣後已售貨品之發票淨值。本集團公司間所有重大交易已於綜合賬目時對銷。

本集團營業收入、其他收入及收益之分析如下：

		2006 二零零六年 HK\$'000 千港元	2005 二零零五年 HK\$'000 千港元
Revenue	營業收入		
Sale of goods	貨品銷售	519,310	451,446
Other income	其他收入		
Sale of samples	樣辦銷售	-	4,532
Bank interest income	銀行利息收入	6,503	2,192
Others	其他	800	387
		7,303	7,111
Gains	收益		
Gain on redemption of available-for-sale investments	贖回可供出售投資之收益	215	-
Gain on disposal of items of property, plant and equipment	出售物業、廠房及設備項目之收益	116	-
		331	-
Other income and gains	其他收入及收益	7,634	7,111

6. FINANCE COSTS

6. 財務開支

		Group 本集團 2006 二零零六年 HK\$'000 千港元	2005 二零零五年 HK\$'000 千港元
Interest on bank loans and overdrafts wholly repayable within five years	須於五年內悉數償還之銀行貸款及銀行透支之利息	-	121
Interest on finance leases	融資租賃之利息	-	68
		-	189

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7. PROFIT BEFORE TAX

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

7. 除稅前溢利

本集團除稅前溢利扣除／(計入)下列各項後得出：

		2006 二零零六年 HK\$'000 千港元	2005 二零零五年 HK\$'000 千港元 (Restated) (重列)
Cost of inventories sold	已售存貨成本	393,677	322,886
Auditors' remuneration	核數師酬金	1,030	940
Depreciation (note 14) *	折舊 (附註14)*	20,914	10,894
Amortisation of prepaid land lease payments (note 15) *	預付土地租賃款項攤銷 (附註15)*	1,117	373
Staff costs (excluding directors' remuneration-note 8):	員工成本 (不包括董事酬金—附註8):		
Wages and salaries	工資及薪金	84,168	72,549
Pension scheme contributions (defined contribution schemes)	退休金計劃供款 (定額供款計劃)	2,338	1,898
Less: Forfeited contributions	減:已沒收供款	(114)	(28)
Net pension scheme contributions	退休金計劃供款淨額	2,224	1,870
Total staff costs*	總員工成本*	86,392	74,419
Minimum lease payments under operating leases in respect of land and buildings*	土地及樓宇經營租賃之最低租金付款*	3,097	4,445
Foreign exchange differences, net	外幣匯兌差額淨額	1,558	430

* Included in the respective balances are the following amounts which are also included in cost of inventories sold disclosed above:

* 各項結餘中包括以下亦計入上文所披露已售存貨成本之金額：

		2006 二零零六年 HK\$'000 千港元	2005 二零零五年 HK\$'000 千港元 (Restated) (重列)
Depreciation	折舊	12,855	8,091
Amortisation of prepaid land lease payments	預付土地租賃款項攤銷	458	83
Staff costs	員工成本	73,102	64,774
Minimum lease payments under operating leases in respect of land and buildings	土地及樓宇經營租賃之最低租金付款	3,056	3,580

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8. DIRECTORS' REMUNERATION

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

8. 董事酬金

本年度董事酬金根據香港聯合交易所有限公司證券上市規則(「上市規則」)及香港公司條例第161條披露如下:

		Group 本集團	
		2006 二零零六年 HK\$'000 千港元	2005 二零零五年 HK\$'000 千港元
Fees	袍金	430	420
Other emoluments:	其他酬金:		
Salaries, allowances and benefits in kind	薪金、津貼及實物福利	2,558	2,828
Performance related bonuses	與表現掛鈎花紅	860	830
Pension scheme contributions	退休金計劃供款	162	152
		3,580	3,810
		4,010	4,230

(a) Independent non-executive directors

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

(a) 獨立非執行董事

年內付予獨立非執行董事之袍金如下:

		2006 二零零六年 HK\$'000 千港元	2005 二零零五年 HK\$'000 千港元
Mr. Chan Cheuk Ho	陳卓豪先生	120	120
Mr. Cheng Yung Hui, Tony	鄭榮輝先生	120	60
Mr. Li Chi Chung	李智聰先生	120	120
		360	300

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

年內並無其他應付獨立非執行董事之酬金(二零零五年:無)。

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8. DIRECTORS' REMUNERATION (continued)

(b) Executive directors and a non-executive director

8. 董事酬金 (續)

(b) 執行董事及一名非執行董事

		Fees	Salaries, allowances and benefits in kind	Performance related bonuses	Pension scheme contributions	Total remuneration
		袍金	薪金、津貼及 實物福利	與表現 掛鈎花紅	退休金 計劃供款	酬金總額
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
		千港元	千港元	千港元	千港元	千港元
2006	二零零六年					
Executive directors:	執行董事:					
Mr. Chung Yuk Sing	鍾育升先生	–	1,040	240	60	1,340
Mr. Chung Tung Sau	鍾桐琇先生	–	520	120	36	676
Ms. Tsang Sau Fan	曾秀芬女士	–	683	500	44	1,227
Ms. Tsang Yuk Ni	曾郁妮女士	–	315	–	22	337
		–	2,558	860	162	3,580
Non-executive director:	非執行董事:					
Mr. Ong Chor Wei	王祖偉先生	70	–	–	–	70
		70	2,558	860	162	3,650
2005	二零零五年					
Executive directors:	執行董事:					
Mr. Chung Yuk Sing	鍾育升先生	–	1,040	160	60	1,260
Mr. Chung Tung Sau	鍾桐琇先生	–	520	80	36	636
Ms. Tsang Sau Fan	曾秀芬女士	–	683	500	44	1,227
Ms. Tsang Yuk Ni	曾郁妮女士	–	585	90	12	687
		–	2,828	830	152	3,810
Non-executive director:	非執行董事:					
Mr. Ong Chor Wei	王祖偉先生	120	–	–	–	120
		120	2,828	830	152	3,930

There was no arrangement under which a director waived or agreed to waive any remuneration.

本集團並無任何董事放棄或同意放棄任何酬金之安排。

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8. DIRECTORS' REMUNERATION (continued)

(b) Executive directors and a non-executive director (continued)

The directors' remuneration shown above does not include the estimated monetary value of the Group's owned premises provided rent-free to an executive director, Mr. Chung Yuk Sing, during the year. The estimated rental value of such accommodation was HK\$718,000 (2005: HK\$595,000) for the year ended 31 March 2006.

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included three (2005: four) directors, details of whose remuneration are set out in note 8 above. Details of the remuneration of the remaining two (2005: one) non-director, highest paid employees for the year are set out below:

		Group 本集團	
		2006 二零零六年 HK\$'000 千港元	2005 二零零五年 HK\$'000 千港元
Salaries, allowances and benefits in kind	薪金、津貼及實物福利	991	405
Performance related bonuses	與表現掛鉤花紅	150	100
Pension scheme contributions	退休金計劃供款	57	30
		1,198	535

The remuneration of each of the non-director, highest paid employees for the year ended 31 March 2006 fell within the band of nil to HK\$1,000,000. The remuneration of the remaining one non-director, highest paid employee for the year ended 31 March 2005 fell within the band of nil to HK\$1,000,000.

10. TAX

Hong Kong profits tax has been provided at the rate of 17.5% (2005: 17.5%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

8. 董事酬金 (續)

(b) 執行董事及一名非執行董事 (續)

上述所示董事酬金並未包括年內向執行董事鍾育升先生免租提供的本集團自置物業之估計幣值。截至二零零六年三月三十一日止年度，該住宿之估計租值為718,000港元(二零零五年: 595,000港元)。

9. 五名最高薪酬僱員

年內，五名最高薪酬僱員包括三名(二零零五年: 四名)董事，有關彼等薪酬的詳情已在上文附註8披露。年內，餘下兩名(二零零五年: 一名)最高酬金的非董事僱員的酬金詳情如下:

截至二零零六年三月三十一日止年度，各最高薪酬非董事僱員之酬金均介乎零至1,000,000港元範圍。於截至二零零五年三月三十一日止年度，餘下一名最高薪的非董事僱員之酬金介乎零至1,000,000港元範圍。

10. 稅項

香港利得稅以年內在在香港產生的估計應課稅溢利按17.5% (二零零五年: 17.5%) 稅率撥備。其他地方應課稅溢利的稅項，則根據本集團業務所在國家的現存法規、法例詮釋及慣例以當地稅率計算。

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10. TAX (continued)

汕頭市鷹美製衣有限公司 (“EN (Shantou)”), Shantou SEZ Far East (International) Garments Factory Co., Ltd. (“FE (Shantou)”) and 裕鷹 (汕頭) 製衣有限公司 (“YY (Shantou)”) are entitled to be exempted from the People’s Republic of China (the “PRC”) corporate income tax for the first two profit-making years and a 50% reduction in the corporate income tax for the succeeding three years. Moreover, under the relevant tax laws and regulations in Mainland China, EN (Shantou), FE (Shantou), YY (Shantou) and 裕美 (汕頭) 製衣有限公司 (“YM (Shantou)”) may set off losses incurred by them in a financial year against profits made by them in the succeeding financial year or years, subject to a maximum of five financial years.

According to the confirmation obtained by the Group from the PRC tax bureau, the first profit-making year of both EN (Shantou) and FE (Shantou) was the year ended 31 December 2002, and the first profit-making year of YY (Shantou) was the year ended 31 December 2005.

10. 稅項 (續)

汕頭市鷹美製衣有限公司 (「鷹美 (汕頭)」) · 汕頭經濟特區遠東 (國際) 製衣廠有限公司 (「遠東 (汕頭)」) 及裕鷹 (汕頭) 製衣有限公司 (「裕鷹 (汕頭)」) 可獲豁免首兩個盈利年度的中華人民共和國 (「中國」) 企業所得稅, 以及在其後三年獲豁免繳交50%企業所得稅。此外, 根據有關中國大陸稅務法及規則, 鷹美 (汕頭) · 遠東 (汕頭) · 裕鷹 (汕頭) 及裕美 (汕頭) 製衣有限公司 (「裕美 (汕頭)」) 可將其於一個財政年度產生之虧損, 抵銷其於其後一或多個財政年度之溢利, 但最多不得超過五個財政年度。

根據本集團獲中國稅務機關之確認, 鷹美 (汕頭) 及遠東 (汕頭) 的首個盈利年度均為截至二零零二年十二月三十一日止年度而裕鷹 (汕頭) 的首個獲利年度則均為截至二零零五年十二月三十一日止年度。

		Group 本集團	
		2006 二零零六年 HK\$'000 千港元	2005 二零零五年 HK\$'000 千港元
Current tax charge for the year:	本年度稅項支出:		
Hong Kong	香港	4,534	5,688
Elsewhere	其他地方	2,573	3,519
Underprovision/(overprovision) of current tax in respect of prior years	過往年度稅項撥備不足/ (超額撥備)	6,748	(7)
Deferred (note 24)	遞延稅項 (附註24)	815	-
Total tax charge for the year	本年度稅項支出總額	14,670	9,200

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10. TAX (continued)

A reconciliation of the tax expense applicable to profit before tax using the statutory rates to the tax expense at the effective tax rates, and a reconciliation of the applicable rates (i.e., the statutory tax rates) to the effective tax rates, are as follows:

10. 稅項 (續)

使用法定稅率計算之除稅前溢利之稅項開支，與按實際稅率計算的稅項開支之對賬，以及適用稅率（即法定稅率）與實際稅率之對賬如下：

		Group 本集團	
		2006 二零零六年 HK\$'000 千港元	2005 二零零五年 HK\$'000 千港元
Profit before tax	除稅前溢利	92,081	104,103
Tax at the applicable rate to profit in the tax jurisdictions concerned	按有關稅務司法權區之適用所得稅率計算之稅項	22,471	25,249
Lower tax rate for specific provinces	個別省份之較低稅率	(7,383)	(8,165)
Income not subject to tax	毋須課稅收入	(3,580)	(4,508)
Expenses not deductible for tax	不可扣稅費用	656	174
Adjustments in respect of current tax of previous years	就過往年度稅項作出之調整	6,748	(7)
Lower tax rate due to tax holiday	稅務優惠期之較低稅率	(4,825)	(3,420)
Tax losses utilised from previous periods	動用過往年度之稅項虧損	(103)	-
Tax losses not recognised	未確認稅項虧損	1,291	371
Others	其他	(605)	(494)
Tax charge at the Group's effective rate	按本集團實際稅率計算之稅項支出	14,670	9,200

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11. NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The net profit from ordinary activities attributable to equity holders of the Company for the year ended 31 March 2006 dealt with in the financial statements of the Company was HK\$54,172,000 (2005: HK\$41,433,000) (note 27).

11. 股東應佔日常業務純利

截至二零零六年三月三十一日止年度已於本公司財務報表處理之股東應佔日常業務純利為54,172,000港元(二零零五年:41,433,000港元)(附註27)。

12. DIVIDENDS

12. 股息

		2006 二零零六年 HK\$'000 千港元	2005 二零零五年 HK\$'000 千港元
Interim-HK6 cents (2005: HK4.5 cents) per ordinary share based on 427,000,000 (2005: 340,000,000) shares in issue	中期股息－每股普通股6港仙(二零零五年:4.5港仙)·按已發行427,000,000股(二零零五年:340,000,000股)股份計算	25,620	15,300
Proposed final – HK6 cents (2005: HK6 cents) per ordinary share based on 427,000,000 (2005: 427,000,000) shares in issue	擬派末期股息－每股普通股6港仙(二零零五年:6港仙)·按已發行427,000,000股(二零零五年:427,000,000股)股份計算	25,620	25,620
		51,240	40,920

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

本年度之擬派末期股息須待本公司股東於應屆股東週年大會批准後·方可作實。

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13. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of basic earnings per share amounts is based on the profit for the year attributable to ordinary equity holders of the Company for the year of HK\$77,411,000 (2005: HK\$94,903,000 (restated)), and the weighted average number of 427,000,000 ordinary shares in issue (2005: 337,821,918 ordinary shares deemed to have been in issue) during the year.

A diluted earnings per share amount for the year ended 31 March 2006 has not been disclosed as no dilution events existed during the year.

The calculation of diluted earnings per share amount for the year ended 31 March 2005 is based on the profit attributable to ordinary equity holders of the Company for that year of HK\$94,903,000 (restated). The weighted average number of ordinary shares used in the calculation was the sum of the 337,821,918 ordinary shares in issue during that year as used in the basic earnings per share calculation and the weighted average number of 79,849,315 ordinary shares assumed to have been issued at no consideration on the deemed conversion of the outstanding convertible note since its date of issue to the date of conversion during that year.

13. 本公司普通股股權持有人應佔每股盈利

每股基本盈利乃根據年內本公司普通股股權持有人應佔溢利77,411,000港元(二零零五年: 94,903,000港元(經重列))，以及年內已發行加權平均股數427,000,000股普通股(二零零五年: 337,821,918股視作已發行普通股)計算。

截至二零零六年三月三十一日止年度並無存在攤薄事件，故並無披露年內之每股攤薄盈利。

截至二零零五年三月三十一日止年度之每股攤薄盈利金額乃按年內本公司普通股股權持有人應佔溢利94,903,000港元(經重列)計算。用於有關計算之普通股加權平均股數，包括用來計算每股基本盈利的年內已發行普通股總數337,821,918股及假設尚未兌換可換股票據視作於發行日期至年內換股日期間按零代價發行的普通股加權平均股數79,849,315股。

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14. PROPERTY, PLANT AND EQUIPMENT

Group

31 March 2006

14. 物業、廠房及設備

本集團

二零零六年三月三十一日

		Buildings 樓宇 HK\$'000 千港元	Leasehold improvements 租賃 物業裝修 HK\$'000 千港元	Plant and machinery 機器設備 HK\$'000 千港元	Furniture, fixtures, equipment and motor vehicles 傢具、裝置、 設備及汽車 HK\$'000 千港元	Construction in progress 在建工程 HK\$'000 千港元	Total 總計 HK\$'000 千港元
Cost or valuation:	成本或估值:						
At beginning of year	年初						
As previously reported	如先前報告	49,458	13,210	42,319	10,367	7,437	122,791
Prior year adjustment	過往年度調整	(36,519)	-	-	-	-	(36,519)
As restated	重列	12,939	13,210	42,319	10,367	7,437	86,272
Additions	添置	72,317	8,805	57,889	10,343	14,518	163,872
Surplus on revaluation	重估盈餘	1,184	-	-	-	-	1,184
Transfers	轉撥	-	15,991	-	5,964	(21,955)	-
Disposals	出售	-	(1,080)	(1,200)	(500)	-	(2,780)
Exchange realignment	匯兌調整	62	46	222	45	-	375
At 31 March 2006	於二零零六年 三月三十一日	86,502	36,972	99,230	26,219	-	248,923
Analysis of cost or valuation:	成本或估值分析:						
At cost	按成本值	-	36,972	99,230	26,219	-	162,421
At 31 March 2006 valuation	按於二零零六年 三月三十一日之估值	86,502	-	-	-	-	86,502
		86,502	36,972	99,230	26,219	-	248,923
Accumulated depreciation:	累積折舊:						
At beginning of year	年初	-	9,760	19,764	4,954	-	34,478
Provided during the year	年內撥備	1,575	4,653	11,372	3,314	-	20,914
Write-back of disposal	出售回撥	-	(911)	(867)	(207)	-	(1,985)
Write-back of revaluation	重估回撥	(1,575)	-	-	-	-	(1,575)
Exchange realignment	匯兌調整	-	11	62	8	-	81
At 31 March 2006	於二零零六年 三月三十一日	-	13,513	30,331	8,069	-	51,913
Net book value:	賬面淨值:						
At 31 March 2006	於二零零六年 三月三十一日	86,502	23,459	68,899	18,150	-	197,010
At 31 March 2005 (restated)	於二零零五年 三月三十一日 (重列)	12,939	3,450	22,555	5,413	7,437	51,794

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(31 March 2006)

(於二零零六年三月三十一日)

14. PROPERTY, PLANT AND EQUIPMENT (continued)

Group
31 March 2005

14. 物業、廠房及設備 (續)

本集團
二零零五年三月三十一日

		Buildings 樓宇 HK\$'000 千港元	Leasehold improvements 租賃 物業裝修 HK\$'000 千港元	Plant and machinery 機器設備 HK\$'000 千港元	Furniture, fixtures, equipment and motor vehicles 傢具、裝置、 設備及汽車 HK\$'000 千港元	Construction in progress 在建工程 HK\$'000 千港元	Total 總計 HK\$'000 千港元
Cost or valuation:	成本或估值:						
At beginning of year	年初						
As previously reported	如先前報告	24,128	11,566	30,321	8,024	-	74,039
Prior year adjustment	過往年度調整	(19,286)	-	-	-	-	(19,286)
As restated	重列	4,842	11,566	30,321	8,024	-	54,753
Additions	添置	8,097	1,644	11,998	2,343	7,437	31,519
At 31 March 2005	於二零零五年 三月三十一日	12,939	13,210	42,319	10,367	7,437	86,272
Analysis of cost or valuation:	成本或估值分析:						
At cost	按成本值	-	13,210	42,319	10,367	7,437	73,333
At 31 March 2005 valuation	於二零零五年 三月三十一日估值	12,939	-	-	-	-	12,939
		12,939	13,210	42,319	10,367	7,437	86,272
Accumulated depreciation:	累積折舊:						
At beginning of year	年初	-	7,338	13,289	3,356	-	23,983
Provided during the year	年內撥備	399	2,422	6,475	1,598	-	10,894
Write-back of revaluation	重估回撥	(399)	-	-	-	-	(399)
At 31 March 2005	於二零零五年三月三十一日	-	9,760	19,764	4,954	-	34,478
Net book value:	賬面淨值:						
At 31 March 2005 (Restated)	於二零零五年 三月三十一日 (重列)	12,939	3,450	22,555	5,413	7,437	51,794
At 31 March 2004 (Restated)	於二零零四年 三月三十一日 (重列)	4,842	4,228	17,032	4,668	-	30,770

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14. PROPERTY, PLANT AND EQUIPMENT (continued)

The Group's buildings were revalued at 31 March 2006 by Greater China Appraisal Limited, independent professionally qualified valuers, at open market value, based on their existing use. A revaluation surplus of HK\$2,759,000 (2005: HK\$399,000 (restated)) resulting therefrom has been credited to the asset revaluation reserve.

Had these buildings been carried at historical cost less accumulated depreciation, their carrying amounts would have been HK\$82,744,000 (2005: HK\$12,003,000 (restated)).

As at 31 March 2006, one of the Group's buildings with a net book value of HK\$2,607,000 (2005: HK\$2,607,000 (restated)) was pledged to secure banking facilities granted to the Group (note 23).

Two of the Group's properties with a net book value of HK\$3,147,000 (2005: HK\$3,136,000 (restated)) in aggregate have been provided as rent-free accommodation to an executive director of the Company during the year.

14. 物業、廠房及設備 (續)

本集團之樓宇由獨立專業合資格估值師漢華評值有限公司於二零零六年三月三十一日按其當時用途以公開市值重估。重估所產生2,759,000港元(二零零五年:399,000港元(重列))重估盈餘已分別計入資產重估儲備。

倘有關土地及樓宇按歷史成本減累積折舊列賬，其賬面值原應為82,744,000港元(二零零五年:12,003,000港元(重列))。

於二零零六年三月三十一日，本集團其中一項賬面淨值2,607,000港元(二零零五年:2,607,000港元(重列))之樓宇已抵押，以擔保本集團獲授之銀行備用額(附註23)。

本集團其中兩項賬面淨值合共3,147,000港元(二零零五年:3,136,000港元(重列))之物業於年內提供予本公司一名執行董事作免租住宿。

15. PREPAID LAND LEASE PAYMENTS

15. 預付土地租賃款項

		Group 本集團	
		2006 二零零六年 HK\$'000 千港元	2005 二零零五年 HK\$'000 千港元 (Restated) (重列)
Carrying amount at beginning of year	年初賬面值		
As previously reported	如先前報告	-	-
Effect of adopting HKAS 17	採納香港會計準則第17條之影響	30,985	14,868
As restated	重列	30,985	14,868
Additions	添置	29,596	16,490
Amortisation recognised during the year	於年內確認攤銷	(1,117)	(373)
Exchange realignment	匯兌調整	120	-
Carrying amount at 31 March	於三月三十一日之賬面值	59,584	30,985
Current portion included in prepayments, deposits and other receivables	計入預付款項、按金及其他應收賬款之即期部分	(1,491)	(1,117)
Non-current portion	非即期部分	58,093	29,868

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(於二零零六年三月三十一日)

15. PREPAID LAND LEASE PAYMENTS (continued)

An analysis of carrying amounts of prepaid land lease payments of the Group at the balance sheet date is as follows:

		2006 二零零六年 HK\$'000 千港元	2005 二零零五年 HK\$'000 千港元
Long term leases outside Hong Kong	香港境外之長期租約	1,637	1,632
Medium term leases in Hong Kong	香港境內之中期租約	24,151	24,724
Medium term leases outside Hong Kong	香港境外之中期租約	33,796	4,629
		59,584	30,985

As at 31 March 2006, one of the Group's prepaid land lease payments with a net book value of HK\$11,180,000 (2005: HK\$11,444,000 (restated)) was pledged to secure banking facilities granted to the Group (note 23).

Certain of the Group's prepaid land lease payments with a net book value of HK\$12,603,000 (2005: HK\$12,862,000 (restated)) in aggregate have been provided as rent-free accommodation to an executive director of the Company during the year.

16. PREPAYMENTS AND DEPOSITS FOR PROPERTY, PLANT AND EQUIPMENT

As at 31 March 2006, prepayments and deposits for property, plant and equipment included a deposit of HK\$11,107,000 for the acquisition of a multi-purpose building (the "Multi-purpose Building") located at No. 49 Hengshan Road, Longhu District, Shantou Special Economic Zone, the PRC (note 31) from an independent third-party of the Group for staff recreation and training purposes and a deposit for the development of certain computer equipment of HK\$1,034,000 from a related company (note 32).

Subsequent to the balance sheet date, the Multi-purpose Building has been accepted by and delivered to the Group. The Group is currently in the progress of applying for the relevant title certificates.

As at 31 March 2005, prepayments and deposits for property, plant and equipment included deposits of HK\$43,341,000 and HK\$1,088,000 for the acquisition of a production plant (the "New Production Plant") and certain office and computer equipment, respectively, which have been accepted by and delivered to the Group during the year ended 31 March 2006, and such amounts were transferred to property, plant and equipment during the year.

15. 預付土地租賃款項 (續)

於資產負債表日，本集團預付土地租賃款項之賬面值分析如下：

	2006 二零零六年 HK\$'000 千港元	2005 二零零五年 HK\$'000 千港元
Long term leases outside Hong Kong	1,637	1,632
Medium term leases in Hong Kong	24,151	24,724
Medium term leases outside Hong Kong	33,796	4,629
	59,584	30,985

於二零零六年三月三十一日，本集團其中一項賬面淨值為11,180,000港元（二零零五年：11,444,000港元（重列））之預付土地租賃款項已抵押作為本集團取得銀行備用信貸之擔保（附註23）。

年內，本集團若干賬面淨值合共12,603,000港元（二零零五年：12,862,000港元（重列））之預付土地租賃款項於年內提供作為本公司一名執行董事之免租住宿。

16. 物業、廠房及設備之預付款項及按金

於二零零六年三月三十一日，物業、廠房及設備之預付款項及按金包括向本集團一名獨立第三者購入位於中國汕頭市經濟特區龍湖區衡山路49號用作員工消閑及訓練用途之多用樓宇（「多用樓宇」）的按金11,107,000港元（附註31），以及就開發若干電腦設備而向一間關連公司支付之按金1,034,000港元（附註32）。

於資產負債表日後，本集團已接收多用樓宇。本集團現正申請有關物業權證。

於二零零五年三月三十一日，物業、廠房及設備之預付款項及按金包括收購一間生產廠房（「新廠房」）及若干辦公室及電腦設備的按金分別為43,341,000港元及1,088,000港元，並已於截至二零零六年三月三十一日止年度內由本集團接收，有關金額已於年內轉撥至物業、廠房及設備。

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(於二零零六年三月三十一日)

17. AVAILABLE-FOR-SALE INVESTMENTS/LONG TERM INVESTMENTS

17. 可供出售投資／長期投資

		Group 本集團	
		2006 二零零六年 HK\$'000 千港元	2005 二零零五年 HK\$'000 千港元
Unlisted investment funds, at fair value	非上市投資基金·按公平價值	—	4,527

Upon the adoption of HKAS 39 on 1 April 2005, the Group has reclassified long term investments as available-for-sale investments.

於二零零五年四月一日採納香港會計準則第39號後，本集團已將長期投資重新分類為可供出售投資。

The unlisted investment funds were matured and redeemed during the year ended 31 March 2006. The cumulative gain reported in asset revaluation reserve is included in the consolidated income statement.

非上市投資基金已於截至二零零六年三月三十一日止年度內到期及贖回。於資產重估儲備內呈報之累計收益已計入綜合收益表。

As at 31 March 2005, the unlisted investment funds were pledged as security for banking facilities granted to the Group.

於二零零五年三月三十一日，非上市投資基金已抵押作為本集團獲授銀行信貸之擔保。

18. INTERESTS IN SUBSIDIARIES

18. 於附屬公司之權益

		Company 本公司	
		2006 二零零六年 HK\$'000 千港元	2005 二零零五年 HK\$'000 千港元
Unlisted investments, at cost	非上市投資·按成本值	43,368	43,368

The balances with subsidiaries approximate to their fair values and are unsecured, interest-free and are repayable on demand.

與附屬公司之結餘為無抵押、免息及須應要求償還。

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(於二零零六年三月三十一日)

18. INTERESTS IN SUBSIDIARIES (continued)

Particulars of subsidiaries of the Company are as follows:

Name 公司名稱	Place of incorporation/ registration and operations 註冊成立／登記 及營業地點	Nominal value of issued share/paid-up registered capital 已發行 股份面值／ 繳足註冊資本	Percentage of equity attributable to the Company 本公司所佔 股權百分比		Principal activities 主要業務
			Direct 直接	Indirect 間接	
Jespar Age Limited	British Virgin Islands ("BVI") 英屬處女島 (「英屬處女島」)	US\$1,000 1,000美元	100	—	Investment holding 投資控股
Eagle Nice Development Limited 鷹美發展有限公司	Hong Kong 香港	Ordinary HK\$2; Non-voting deferred HK\$10,000 (Note (a)) 普通股2港元; 無投票權遞延股 10,000港元 (附註(a))	—	100	Manufacture and trading of sportswear and garments 生產及買賣 運動服及成衣
Far East (International) Garment Limited 遠東(國際)製衣有限公司	Hong Kong 香港	Ordinary HK\$2; Non-voting deferred HK\$10,000 (Note (a)) 普通股2港元; 無投票權遞延股 10,000港元 (附註(a))	—	100	Manufacture and trading of sportswear and garments 生產及買賣 運動服及成衣
EN (Shantou) (Note (b)) 鷹美(汕頭)(附註(b))	PRC/ Mainland China 中國／中國大陸	HK\$9,500,000 9,500,000港元	—	100	Manufacture and trading of sportswear and garments 生產及買賣 運動服及成衣

18. 於附屬公司之權益(續)

本公司之附屬公司詳情如下:

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18. INTERESTS IN SUBSIDIARIES (continued)

18. 於附屬公司之權益 (續)

Name 公司名稱	Place of incorporation/ registration and operations 註冊成立／登記 及營業地點	Nominal value of issued share/paid-up registered capital 已發行 股份面值／ 繳足註冊資本	Percentage of equity attributable to the Company 本公司所佔 股權百分比		Principal activities 主要業務
			Direct 直接	Indirect 間接	
FE (Shantou) (Note (b)) 遠東(汕頭) (附註(b))	PRC/ Mainland China 中國／中國大陸	HK\$15,000,000 15,000,000港元	—	100	Manufacture and trading of sportswear and garments 生產及買賣 運動服及成衣
YM (Shantou) (Note (b)) 裕美(汕頭) (附註(b))	PRC/ Mainland China 中國／中國大陸	US\$22,497,139 22,497,139美元	—	100	Manufacture and trading of sportswear and garments 生產及買賣 運動服及成衣
YY (Shantou) (Note (b)) 裕鷹(汕頭) (附註(b))	PRC/ Mainland China 中國／中國大陸	HK\$10,000,000 10,000,000港元	—	100	Manufacture and trading of sportswear and garments 生產及買賣 運動服及成衣
Everall Development Limited 永全發展有限公司	BVI 英屬處女島	US\$1,000 1,000美元	—	100	Investment holding 投資控股
Yue Mei (HK) Garment Limited 裕美(香港)製衣有限公司	Hong Kong 香港	HK\$1,000 1,000港元	—	100	Manufacture and trading of sportswear and garments 生產及買賣 運動服及成衣

Notes:

(a) The non-voting deferred shares carry no rights to dividends, no rights to attend or vote at general meetings and no rights to receive any surplus assets in a return of capital in a winding-up (other than the nominal amount paid up or credited as paid-up on such shares, after the sum of HK\$100,000,000,000,000 per ordinary share has been distributed to the holders of the ordinary shares of the company in such winding-up).

(b) EN (Shantou), FE (Shantou), YM (Shantou) and YY (Shantou) are registered as wholly-foreign-owned enterprises under the PRC law.

附註:

(a) 無投票權遞延股並無附帶以下權利: 獲派股息、出席股東大會或在會上投票, 以及在清盤退還資本時獲得任何剩餘資產(清盤時每股普通股總數100,000,000,000,000港元分派予公司普通股持有人後, 有關股份之繳足或入賬列作繳足的面值除外)。

(b) 鷹美(汕頭)、遠東(汕頭)、裕美(汕頭)及裕鷹(汕頭)為根據中國法例註冊之外商獨資企業。

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19. INVENTORIES

		Group 本集團	
		2006 二零零六年 HK\$'000 千港元	2005 二零零五年 HK\$'000 千港元
Raw materials	原材料	13,175	13,655
Work in progress	在製品	10,532	28,205
Finished goods	製成品	7,738	5,832
		31,445	47,692

20. ACCOUNTS AND BILLS RECEIVABLE

The Group's accounts receivable mainly relate to a few recognised and creditworthy customers. The credit period is generally for a period of 30 days. The Group seeks to maintain strict control over its outstanding receivables to minimise the credit risk. Overdue balances are regularly reviewed by the management of the Group. Trade receivables are non-interest-bearing and their carrying amount approximate to their fair values.

An aged analysis of the accounts and bills receivable as at the balance sheet date, based on the invoice date, is as follows:

19. 存貨

20. 應收賬款及票據

本集團之應收賬款主要與若干獲確認及信譽良好的客戶相關。信貸期一般為30天。本集團致力對應收賬款餘額保持嚴密監控，將信貸風險控制至最低水平。逾期未付之結餘由本集團管理層定期審閱。應收賬款為免息賬款，其賬面值與公平值相若。

本集團於資產負債表日之應收賬款及票據根據發票日期的賬齡分析如下：

		Group 本集團	
		2006 二零零六年 HK\$'000 千港元	2005 二零零五年 HK\$'000 千港元
Within 30 days	30天內	45,075	37,207
31 to 60 days	31天至60天	6,100	703
61 to 90 days	61天至90天	14	531
Over 90 days	90天以上	656	116
		51,845	38,557

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21. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

21. 現金及現金等值項目與質押存款

		Group 本集團		Company 本公司	
		2006 二零零六年	2005 二零零五年	2006 二零零六年	2005 二零零五年
		HK\$'000 千港元	HK\$'000 千港元	HK\$'000 千港元	HK\$'000 千港元
Cash and bank balances	現金及銀行結存	41,692	51,374	176	141
Time deposits	定期存款	183,530	277,020	104,051	271,502
		225,222	328,394	104,227	271,643
Less: Time deposits pledged for bank overdrafts and trade financing facilities (note 23)	減: 就銀行透支及貿易融資備用額質押之定期存款 (附註23)	(10,105)	(5,518)	-	-
Cash and cash equivalents	現金及現金等值項目	215,117	322,876	104,227	271,643

As at the balance sheet date, the cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to HK\$23,916,000 (2005: HK\$44,829,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at bank earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The carrying amounts of the cash and cash equivalents and the pledged deposits approximate to their fair values.

於資產負債表日，本集團以人民幣（「人民幣」）計值的現金及銀行結存為23,916,000港元（二零零五年：44,829,000港元）。人民幣不得自由兌換為其他貨幣，惟根據中國大陸的外匯管理條例以及結匯、售匯及付匯管理規定，本集團容許透過獲准辦理外匯業務之銀行將人民幣兌換為其他貨幣。

存於銀行的現金按每日銀行存款利率之浮動息率賺取利息。本集團按即時現金需要作出一日至三個月之短期定期存款，並分別按短期定期存款利率賺取利息。現金及現金等值項目及已抵押定期存款之賬面值與其公平值相若。

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22. ACCOUNTS AND BILLS PAYABLE

An aged analysis of the accounts and bills payable as at the balance sheet date, based on the invoice date, is as follows:

		Group 本集團	
		2006 二零零六年 HK\$'000 千港元	2005 二零零五年 HK\$'000 千港元
Within 90 days	90天內	12,533	15,598
91 to 180 days	91天至180天	524	532
181 to 365 days	181天至365天	50	26
Over 365 days	365天以上	178	53
		13,285	16,209

The trade payables are non-interest-bearing and are normally settled on 45-day terms.

貿易應付款為免息賬款，信貸期一般為45天。

23. BANKING FACILITIES

As at 31 March 2006, the Group's banking facilities were secured by the following:

- (i) Certain property, plant and equipment (note 14) and prepaid land lease payments (note 15) of the Group;
- (ii) pledged bank deposits of the Group (note 21);
- (iii) corporate guarantees executed by the Company to the extent of HK\$163.6 million; and
- (iv) unlimited corporate guarantees executed by three subsidiaries.

23. 銀行備用信貸

於二零零六年三月三十一日，本集團之銀行備用信貸以下列各項作為抵押：

- (i) 本集團若干物業、廠房及設備（附註14）及預付土地租賃款項（附註15）；
- (ii) 本集團之質押銀行存款（附註21）；
- (iii) 本公司簽立以163,600,000港元為限之公司擔保；及
- (iv) 三家附屬公司簽立的無限額公司擔保。

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24. DEFERRED TAX LIABILITIES

Group

		Accelerated tax depreciation 加速稅項折舊 HK\$'000 千港元	Asset revaluation 資產重估 HK\$'000 千港元	Total 總計 HK\$'000 千港元
At 1 April 2004	於二零零四年四月一日			
As previously reported	如先前報告	810	400	1,210
Prior year adjustments	過往年度調整	-	(390)	(390)
As restated	重列	810	10	820
Deferred tax debited to equity during the year (restated)	年內於資本扣除之遞延稅項(重列)	-	78	78
At 31 March 2005	於二零零五年三月三十一日	810	88	898
At 1 April 2005	於二零零五年四月一日			
As previously reported	如先前報告	810	656	1,466
Prior year adjustments	過往年度調整	-	(568)	(568)
As restated	重列	810	88	898
Deferred tax charged to the consolidated income statement during the year (note 10)	年內於綜合收益表扣除之遞延稅項(附註10)	815	-	815
Deferred tax debited to equity during the year	年內於資本扣除之遞延稅項	-	89	89
At 31 March 2006	於二零零六年三月三十一日	1,625	177	1,802

At 31 March 2006, there was no significant unrecognised deferred tax liability (2005: Nil) for taxes that would be payable on the unremitted earnings of certain of the subsidiaries as the Group has no liability to additional tax should such amounts be remitted.

The Company has tax losses arising in Hong Kong of HK\$1,224,000 (2005: HK\$1,814,000) that are available indefinitely for offsetting against future taxable profits of the Company in which the losses arose. Deferred tax assets have not been recognised in respect of those losses as the Company has had no taxable profits for some time.

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

24. 遞延稅項負債

本集團

		Accelerated tax depreciation 加速稅項折舊 HK\$'000 千港元	Asset revaluation 資產重估 HK\$'000 千港元	Total 總計 HK\$'000 千港元
At 1 April 2004	於二零零四年四月一日			
As previously reported	如先前報告	810	400	1,210
Prior year adjustments	過往年度調整	-	(390)	(390)
As restated	重列	810	10	820
Deferred tax debited to equity during the year (restated)	年內於資本扣除之遞延稅項(重列)	-	78	78
At 31 March 2005	於二零零五年三月三十一日	810	88	898
At 1 April 2005	於二零零五年四月一日			
As previously reported	如先前報告	810	656	1,466
Prior year adjustments	過往年度調整	-	(568)	(568)
As restated	重列	810	88	898
Deferred tax charged to the consolidated income statement during the year (note 10)	年內於綜合收益表扣除之遞延稅項(附註10)	815	-	815
Deferred tax debited to equity during the year	年內於資本扣除之遞延稅項	-	89	89
At 31 March 2006	於二零零六年三月三十一日	1,625	177	1,802

於二零零六年三月三十一日，並無任何因本集團若干附屬公司之未匯出盈利所產生應付稅項而出現之重大未確認遞延稅項負債(二零零五年：無)，原因為即使該等款額匯出，本集團亦毋須承擔額外稅項責任。

本公司於香港產生之稅項虧損1,224,000港元(二零零五年：1,814,000港元)可無限期用作抵銷本公司日後應課稅溢利。由於本公司已有一段時間無應課稅溢利，因而並無就該等虧損確認遞延稅項資產。

本公司向其股東派發股息概無附帶所得稅後果。

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(於二零零六年三月三十一日)

25. ISSUED CAPITAL

25. 已發行股本

		Company 本公司	
		2006 二零零六年 HK\$'000 千港元	2005 二零零五年 HK\$'000 千港元
Authorised:	法定:		
10,000,000,000 ordinary shares of HK\$0.01 each	10,000,000,000股 每股面值0.01港元之普通股	100,000	100,000
Issued and fully paid:	已發行及繳足:		
427,000,000 ordinary shares of HK\$0.01 each	427,000,000股每股面值 0.01港元之普通股	4,270	4,270

The changes in the issued share capital of the Company for the year ended 31 March 2005 were as follows:

本公司已發行股本於截至二零零五年三月三十一日止年度之變動如下:

		Number of ordinary shares of HK\$0.01 each 每股面值0.01港元 之普通股數目 '000 千股	Nominal value of ordinary shares 普通股面值 HK\$'000 千港元
	Notes 附註		
Issued:	已發行:		
At 1 April 2004	於二零零四年四月一日	200,000	2,000
Subscription of new shares	認購新股 (i)	105,000	1,050
Placement of new shares	配售新股 (ii)	35,000	350
Exercise of the Convertible Note	行使可換股票據 (iii)	87,000	870
At 31 March 2005	於二零零五年三月三十一日	427,000	4,270

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財務報表附註

(31 March 2006)

(於二零零六年三月三十一日)

25. ISSUED CAPITAL (continued)

The movements in the share capital of the Company during the year ended 31 March 2005 were as follows:

- (i) On 16 April 2004, 105,000,000 new shares of HK\$0.01 each in the Company were issued to Great Pacific Investments Limited ("Great Pacific"), a wholly-owned subsidiary of Yue Yuen Industrial (Holdings) Limited, at a price of HK\$1.06 per share, for a cash consideration, before expenses, of HK\$111,300,000.
- (ii) On 16 April 2004, 35,000,000 new shares of HK\$0.01 each in the Company were issued at a price of HK\$1.06 each by way of placement of shares, for a total cash consideration, before expenses, of HK\$37,100,000.
- (iii) On 3 March 2004, the Company entered into a conditional subscription agreement with Great Pacific in relation to the subscription by Great Pacific of a convertible note (the "Convertible Note") at a subscription price of HK\$207,060,000, which was convertible into 87,000,000 new shares of the Company at the conversion price of HK\$2.38 per share. The subscription agreement was completed on 16 April 2004. On 17 March 2005, 87,000,000 shares of HK\$0.01 each in the Company were issued pursuant to the conversion of the Convertible Note.

A summary of the transactions during the year ended 31 March 2005 with reference to the above movements in the Company's issued ordinary share capital is as follows:

25. 已發行股本 (續)

截至二零零五年三月三十一日止年度，本公司之股本變動如下：

- (i) 於二零零四年四月十六日，本公司股本中105,000,000股每股面值0.01港元之新股，按每股1.06港元之價格發行予裕元工業(集團)有限公司之全資附屬公司Great Pacific Investments Limited (「Great Pacific」)，以換取現金代價(未扣除開支)111,300,000港元。
- (ii) 於二零零四年四月十六日，本公司股本中35,000,000股每股面值0.01港元之新股，透過配股方式，按每股1.06港元之價格發行，以換取總現金代價(未扣除開支)37,100,000港元。
- (iii) 於二零零四年三月三日，本公司就Great Pacific按認購價207,060,000港元認購可換股票據(「可換股票據」)與Great Pacific訂立有條件認購協議，可換股票據可按每股2.38港元之兌換價兌換87,000,000股本公司新股。認購協議已於二零零四年四月十六日完成。於二零零五年三月十七日，本公司根據兌換可換股票據發行87,000,000股每股面值0.01港元之股份。

就上述本公司已發行普通股本之變動，截至二零零五年三月三十一日止年度內交易概述如下：

		Notes 附註	Number of shares 股份數目 '000 千股	Issued share capital 已發行股本 HK\$'000 千港元	Share premium account 股份溢價賬 HK\$'000 千港元	Total 總計 HK\$'000 千港元
At 1 April 2004	於二零零四年四月一日		200,000	2,000	19,354	21,354
Issue of new shares	發行新股	(i), (ii)	140,000	1,400	147,000	148,400
Conversion of the Convertible Note	兌換可換股票據	(iii)	87,000	870	206,190	207,060
			227,000	2,270	353,190	355,460
Share issue expenses	股份發行費用		-	-	(12,612)	(12,612)
At 31 March 2005	於二零零五年 三月三十一日		427,000	4,270	359,932	364,202

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26. SHARE OPTION SCHEME

The Company operates a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Scheme include the Company's directors, including independent non-executive directors, other employees of the Group, suppliers of goods or services to the Group and customers of the Group. The Scheme became effective on 6 August 2003 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

The maximum number of unexercised share options currently permitted to be granted under the Scheme is an amount equivalent, upon their exercise, to 10% of the shares of the Company in issue at any time. The maximum number of shares issuable under share options to each eligible participant in the Scheme within any 12-month period is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to independent non-executive directors' approval in advance. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the price of the Company's shares at the date of the grant) in excess of HK\$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

The offer of a grant of share options may be accepted within 21 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, and commences after a certain vesting period and ends on a date which is not later than five years from date of the offer of the share options or the expiry date of the Scheme, if earlier.

26. 購股權計劃

本公司設有一項購股權計劃(「該計劃」)，旨在向對本集團成功經營有所貢獻的合資格參與人士提供獎勵及獎賞。該計劃的合資格參與人士包括本公司董事(包括獨立非執行董事)、本集團其他僱員、本集團貨品或服務供應商及本集團客戶。該計劃自二零零三年八月六日起生效，除非經另行取消或修訂，否則，該計劃將自該日期起計10年內有效。

現時根據該計劃獲准授出的未行使購股權數目履行行使時，最多不得超過相當於本公司於任何時間已發行股份10%。於任何十二個月期間內，根據購股權可向該計劃每名合資格參與人士發行的股份數目，最多不得超過本公司於任何時候已發行股份1%。進一步授出任何超過該限額的購股權均須於股東大會取得股東批准。

向本公司董事、行政總裁或主要股東或彼等任何聯繫人士授出購股權，均須事先取得獨立非執行董事批准。此外，於任何十二個月期間內，倘向本公司主要股東或獨立非執行董事或彼等任何聯繫人士授出的購股權，超過本公司於任何時候已發行股份0.1%或按授出當日本公司股價計算總值超過5,000,000港元，則須事先於股東大會取得股東批准。

提呈授出的購股權可於提呈日期起計21天內由承授人支付合共1港元象徵式代價後接納。所授出購股權的行使期由董事釐定，於若干歸屬期後開始，並於不遲於提呈授出購股權之日起計五年或該計劃屆滿日的較早日期結束。

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26. SHARE OPTION SCHEME (continued)

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

No share options have been granted under the Scheme as at 31 March 2006 or up to the date of approval of these financial statements.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

27. RESERVES

Group

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on page 55 of the financial statements.

The capital reserve of the Group represents the difference between the aggregate of the nominal value of the share capitals of the subsidiaries acquired by the Company pursuant to a group reorganisation in August 2003, over the nominal value of the share capital of the Company issued in exchange therefor and the existing 1,000,000 shares of HK\$0.01 each credited as fully paid, at par.

In accordance with the relevant PRC regulations, subsidiaries registered in the PRC are required to transfer 10% of their profits after tax, as determined under the PRC accounting regulations, to the statutory surplus reserve, until the balance of the reserve reaches 50% of their respective registered capitals. Subject to certain restrictions as set out in the relevant PRC regulations, the statutory surplus reserve may be used to offset against accumulated losses.

26. 購股權計劃 (續)

購股權的行使價由董事釐定，惟不得低於以下三者之最高者：(i) 提呈授出購股權當日本公司股份在聯交所的收市價；(ii) 提呈授出日期前五個交易日本公司股份在聯交所平均收市價；及(iii) 本公司股份面值。

於二零零六年三月三十一日或直至財務報表獲批准日期為止，並無根據該計劃授出任何購股權。

購股權並無賦予持有人獲取股息或於股東大會投票的權利。

27. 儲備

本集團

本集團於本年度及過往年度之儲備金額及其變動詳情於財務報表第55頁之綜合資本變動表呈列。

本集團資本儲備指本公司根據二零零三年八月之集團重組所收購附屬公司的股本面值總額，超出本公司就交換而發行之股本面值及現有1,000,000股每股面值0.01港元按面值入賬列作繳足股份間之差額。

根據有關中國規例，本集團在中國註冊的附屬公司目前須將除稅後溢利10%（按中國會計規例釐定）轉撥至法定盈餘儲備，直至該儲備的結餘達到其各自註冊資本50%。在有關中國規例所載若干限制規限下，法定盈餘儲備可用作抵銷累積虧損。

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27. RESERVES (continued)

Company

27. 儲備(續)

本公司

		Notes 附註	Share premium account 股份溢價賬 HK\$'000 千港元	Capital reserve 資本儲備 HK\$'000 千港元 (Note) 附註	Retained profits 保留溢利 HK\$'000 千港元	Total 總計 HK\$'000 千港元
At 1 April 2004	二零零四年四月一日		19,354	43,088	491	62,933
Issue of new shares	發行新股	25	147,000	–	–	147,000
Conversion of the Convertible Note	兌換可換股票據	25	206,190	–	–	206,190
Share issue expenses	發行股份費用	25	(12,612)	–	–	(12,612)
Profit for the year	年內溢利	11	–	–	41,433	41,433
Interim 2005 dividend	二零零五年中期股息	12	–	–	(15,300)	(15,300)
Proposed final 2005 dividend	擬派二零零五年末期股息	12	–	–	(25,620)	(25,620)
At 31 March 2005 and at 1 April 2005	於二零零五年 三月三十一日及 二零零五年四月一日		359,932	43,088	1,004	404,024
Profit for the year	年內溢利	11	–	–	54,172	54,172
Interim 2006 dividend	二零零六年中期股息	12	–	–	(25,620)	(25,620)
Proposed final 2006 dividend	擬派二零零六年末期股息	12	–	–	(25,620)	(25,620)
At 31 March 2006	二零零六年三月三十一日		359,932	43,088	3,936	406,956

Note:

The capital reserve of the Company represents the excess of the then consolidated net assets of the subsidiaries acquired by the Company pursuant to the same reorganisation over the nominal value of the share capital of the Company issued in exchange therefor. Under the Companies Law of the Cayman Islands, the capital reserve may be distributed to the shareholders of the Company, provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as and when they fall due in the ordinary course of business.

附註:

本公司資本儲備指本公司根據同一重組所收購附屬公司當時的綜合資產淨值，超出本公司就交換而發行之本公司股本面值之差額。根據開曼群島公司法，資本儲備可分派予本公司股東，惟於緊隨建議派付股息日期後，本公司必須能償還其日常業務中到期債項。

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28. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Disposal of subsidiaries

Net assets disposed of:	已出售資產淨值:
Cash and bank balances	現金及銀行結餘
Satisfied by:	支付:
Cash	現金

There was no net inflow or outflow of cash and cash equivalents in respect of the disposal of subsidiaries for the year ended 31 March 2005.

The subsidiaries disposed of had no significant contribution to the Group's consolidated revenue or profit after tax for the year ended 31 March 2005.

(b) Major non-cash transaction

During the year ended 31 March 2005, 87,000,000 ordinary shares of HK\$0.01 each in the Company were issued at a price of HK\$2.38 per share, amounted to HK\$207,060,000 in total, pursuant to the conversion terms, rights and conditions of the Convertible Note issued by the Company to Great Pacific.

29. CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities not provided for at the balance sheet date (2005: Nil).

As at 31 March 2006, the Company has given corporate guarantees to banks to the extent of HK\$163,600,000 (2005: HK\$163,600,000) for banking facilities granted to certain subsidiaries of the Company, which were not utilised at the balance sheet date.

28. 綜合現金流量表附註

(a) 出售附屬公司

	2006	2005
	二零零六年	二零零五年
	HK\$'000	HK\$'000
	千港元	千港元

	-	31
	-	31

於截至二零零五年三月三十一日止年度，並無因出售附屬公司產生任何現金及現金等值項目流入或流出淨額。

已出售附屬公司對本集團於截至二零零五年三月三十一日止年度之綜合營業收入或除稅後溢利並無任何重大貢獻。

(b) 主要非現金交易

截至二零零五年三月三十一日止年度，本公司根據可換股票據之兌換條款、權利及條件，按每股2.38港元之價格向Great Pacific發行87,000,000股每股面值0.01港元之普通股，合共207,060,000港元。

29. 或然負債

於資產負債表日，本集團並無任何尚未撥備之重大或然負債（二零零五年：無）。

截至二零零六年三月三十一日，本公司就其若干附屬公司獲授之銀行備用信貸向銀行作出最多163,600,000港元（二零零五年：163,600,000港元）公司擔保，有關備用額於資產負債表日尚未動用。

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30. OPERATING LEASE ARRANGEMENTS

The Group leases certain of its factories under operating lease arrangements, with leases negotiated for terms ranging from one to four years.

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

		2006 二零零六年 HK\$'000 千港元	2005 二零零五年 HK\$'000 千港元
Within one year	一年內	1,318	3,624
In the second to fifth years, inclusive	第二年至第五年(包括首尾兩年)	-	1,930
		1,318	5,554

31. COMMITMENTS

In addition to the operating lease commitments detailed in note 30 above, the Group had the following capital commitments at the balance sheet date:

		2006 二零零六年 HK\$'000 千港元	2005 二零零五年 HK\$'000 千港元
Contracted, but not provided for:	已訂約但未撥備:		
Acquisition of the New Production Plant	購置新廠房	-	53,939
Construction in progress	在建工程	-	6,926
Purchases of computer equipment (note 32)	購買電腦設備(附註32)	1,861	-
Acquisition of Multi-purpose Building*	收購多用途樓宇*	5,346	-
		7,207	60,865
Authorised, but not contracted for:	已授權但未訂約:		
Leasehold improvements	租賃物業裝修	2,223	-
Construction in progress	在建工程	-	39,416
		2,223	39,416

30. 經營租賃安排

本集團根據經營租賃安排租賃其若干廠房，議定之租期介乎一至四年不等。

於資產負債表日，本集團於不可撤銷經營租賃項下之未來最低租金總額須於下列期限償付：

31. 承擔

除上文附註30詳列之經營租賃承擔外，本集團於資產負債表日之資本承擔如下：

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31. COMMITMENTS (continued)

- * As at 31 March 2006, the unpaid consideration for the Multi-purpose Building amounted to RMB5.56 million (approximately HK\$5.34 million). Subsequent to the balance sheet date, in April 2006, an instalment of RMB5 million (approximately HK\$4.8 million) was paid. The remaining balance is payable as to RMB560,000 (approximately HK\$538,000) after the issuance of the Real Estate Title Certificate of the Multi-purpose Building by the relevant PRC authorities.

The Company did not have any significant commitments at the balance sheet date (2005: Nil).

32. RELATED PARTY TRANSACTIONS

- (i) In May 2005, a subsidiary of the Company entered into a contract with Pou Yuen Technology Company Limited ("Pou Yuen"), a subsidiary of Yue Yuen Industrial (Holdings) Limited, a substantial shareholder of the Company, for purchasing a computer system of HK\$2,895,000. The consideration was determined after arm's length negotiation.

Up to the balance sheet date, aggregate instalments of HK\$1,034,000 had been paid by the Group and such amount was classified as non-current assets under "Prepayments and deposits for property, plant and equipment", as further detailed in note 16 to the financial statements. The unpaid balance of HK\$1,861,000 had been included as commitment as detailed in note 31 to the financial statements.

- (ii) The directors are the key management personnel of the Group. Details of their remunerations are disclosed in note 8 to the financial statements.

31. 承擔 (續)

- * 於二零零六年三月三十一日，多用途樓宇之未付代價為人民幣5,560,000元(約5,340,000港元)。資產負債表日後，於二零零六年四月，已分期支付人民幣5,000,000元(約4,800,000港元)。餘額人民幣560,000元(約538,000港元)須於有關中國機關就多用途樓宇簽發房地產所有權證後支付。

於資產負債表日，本公司並無任何重大承擔(二零零五年：無)。

32. 關連人士交易

- (i) 於二零零五年五月，本公司一間附屬公司與本公司主要股東裕元工業(集團)有限公司之附屬公司Pou Yuen Technology Company Limited ("Pou Yuen")訂立合約，以2,895,000港元購入電腦系統。代價乃經公平磋商釐定。

截至資產負債表日，本集團已支付分期付款合共1,034,000港元，該等款項已分類為非流動資產項下「物業、廠房及設備之預付款項及按金」，進一步詳情載於財務報表附註16。未支付餘額1,861,000港元已計入於財務報表附註31詳述之承擔當中。

- (ii) 各董事為本集團之主要管理人員。彼等薪酬之詳情於財務報表附註8披露。

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33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise cash and short term deposits. The Group has various other financial assets and liabilities such as accounts and bills receivable and accounts and bills payable, which arise directly from its operations.

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

Cash flow interest rate risk

The Group has no interest-bearing borrowings, and believes its exposure to cash flow interest rate risk is minimal.

Foreign currency risk

The Group has transactional currency exposures. Such exposures arise from substantial portion of sales or purchases by operating units in US dollars and RMB. The Group is exposed to foreign exchange risk arising from the exposure of US dollars and RMB. Considering that there is insignificant fluctuation in the exchange rates of US dollars and RMB against Hong Kong dollars, the Group believes its exposure to exchange rate risk is minimal.

The Group currently does not have a foreign currency hedging policy. However, the management monitors the foreign exchange exposures and will consider hedging the significant foreign currency exposures should the need arise.

Liquidity risk

The Group maintains a balance between continuity of funding and flexibility through maintaining sufficient cash and available banking facilities. The directors have reviewed the Group's working capital and capital expenditure requirements and determined that the Group has no significant liquidity risk.

Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivables balances are monitored on an ongoing basis.

Since the Group trades only with recognised and creditworthy third parties, there is generally no requirement for collateral.

33. 財務風險管理之目的及政策

本集團的主要金融工具包括現金及短期定期存款。本集團擁有應收賬款及票據、應付賬款及票據等各種其他金融資產及負債，乃於其營運時直接產生。

本集團金融工具之主要風險乃來自現金流利率風險、外匯風險、流動資金風險及信貸風險。董事會審閱並協定管理各項有關風險之政策，於下文概述。

現金流利率風險

本集團並無計息借貸，並相信所面對之現金流利率風險屬微不足道。

外匯風險

本集團承受交易貨幣風險。有關風險主要由業務單位以美元及人民幣進行買賣產生。本集團所承受的為美元及人民幣的外匯風險。基於美元及人民幣兌港元的匯率波動不大，本集團相信承受的外匯風險不高。

本集團目前並無採用任何外匯對沖政策。然而，管理層會監察外匯風險，並會於需要時考慮對沖重大的外匯風險。

流動資金風險

本集團透過維持足夠現金及銀行備用信貸，維持資金持續供應及靈活性之間的平衡。董事已檢討本集團的營運資金及資本支出需求，並認為本集團並無重大的流動資金風險。

信貸風險

本集團僅與獲確認及有信譽的第三方進行交易。本集團會對以賒賬方式交易的客戶進行信貸審查。此外，應收賬款結餘亦會作定期審閱。

由於本集團僅與獲確認及有信譽的第三方進行交易，因此一般情況下無需要取得抵押品。

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34. COMPARATIVE AMOUNTS

As further explained in notes 2.2 and 2.4 to the financial statements, due to the adoption of new and revised HKFRSs during the current year, the accounting treatment and presentation of certain items and balances in the financial statements have been revised to comply with the new requirements. Accordingly, certain prior year adjustments have been made and certain comparative amounts have been reclassified and restated to conform with the current year's presentation and accounting treatment.

35. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors of the Company on 18 July 2006.

34. 比較數額

如財務報表附註2.2及2.4所詳述，由於本年度採納新訂及經修訂香港財務報告準則，財務報表內的若干項目及結餘之會計處理方法及呈報方式經修訂以符合有關新規定。因此本公司作出若干過往年度之調整，若干比較數額亦作重新分類及重列，以配合本年度的呈報及會計方法。

35. 財務報表之批准

財務報表已於二零零六年七月十八日獲董事會批准並授權刊行。

