1. CORPORATE INFORMATION

The registered office of the Company is located at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda and the principal place of business in Hong Kong is Block A, 2nd floor, Man Foong Industrial Building, 7 Cheung Lee Street, Chaiwan, Hong Kong.

During the year, the Group was involved in the following principal activities:

- manufacture and sale of snap off blade cutters
- manufacture and sale of electronic consumer products, including toys and home appliances
- property investment

2. IMPACT OF A REVISED STATEMENT OF STANDARD ACCOUNTING PRACTICE ("SSAP") AND INTERPRETATION

The following revised SSAP and Interpretation is effective for the first time for the current year's financial statements and have had a significant impact thereon:

- SSAP 12 (Revised) : "Income taxes"
- Interpretation 20 : "Income taxes – Recovery of revalued non-depreciable assets"

This SSAP and Interpretation prescribes new accounting measurement and disclosure practices. The major effects on the Group's accounting policies and on the amounts disclosed in these financial statements of adopting this SSAP and Interpretation, are summarised as follows:

SSAP 12 prescribes the accounting for income taxes payable or recoverable, arising from the taxable profit or loss for the current period (current tax); and income taxes payable or recoverable in future periods, principally arising from taxable and deductible temporary differences and the carryforward of unused tax losses (deferred tax).

2. IMPACT OF A REVISED STATEMENT OF STANDARD ACCOUNTING PRACTICE ("SSAP") AND INTERPRETATION (continued)

The principal impact of the revision of this SSAP on these financial statements is described below:

Measurement and recognition:

- deferred tax assets and liabilities relating to the differences between capital allowances for tax purposes and depreciation for financial reporting purposes and other taxable and deductible temporary differences are fully provided for, whereas previously the deferred tax was recognised for timing differences only to the extent that it was probable that the deferred tax asset or liability would crystallise in the foreseeable future;

- deferred tax liability has been recognised on the revaluation of the Group's land and buildings; and

- a deferred tax asset has been recognised relating to the fair value adjustments arising from the acquisition of subsidiaries.

Disclosures:

- deferred tax assets and liabilities are presented separately on the balance sheet, whereas previously they were presented on a net basis; and

- the related note disclosures are now more extensive than previously required. These disclosures are presented in notes 10 and 26 to the financial statements and include a reconciliation between the accounting loss and the tax expense for the year.

Further details of these changes and the prior year adjustments arising from them are included in the accounting policy for deferred tax in note 3 and in note 26 to the financial statements.

Interpretation 20 requires that a deferred tax asset or liability that arises from the revaluation of certain non-depreciable assets and investment properties is measured based on the tax consequences that would follow from the recovery of the carrying amount of that asset through sale. This policy has been applied by the Group in respect of the revaluation of its investment properties in the deferred tax calculated under SSAP 12.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The Group sustained a net loss from ordinary activities attributable to shareholders of HK$15,524,931 (2003: net profit of HK$2,723,469) during the year, reported net current liabilities of HK$29,107,099 (2003: HK$7,162,813) as at 31 March 2004, and reported a net cash outflow from operating activities of HK$11,569,734 (2003: net cash inflow of HK$10,814,727) and an overall decrease in cash and cash equivalents of HK$11,373,231 (2003: HK$638,290) for the year.

Notwithstanding its liquidity concerns as at 31 March 2004, the financial statements have been prepared on the assumption that the Group will continue to operate as a going concern in the foreseeable future. In the opinion of the directors, the liquidity of the Group can be maintained in the coming year, after taking into consideration several arrangements made subsequent to the balance sheet date as further detailed below:

(a) Subsequent to the balance sheet date, the Group has finalised negotiations with certain bankers which agreed to extend credit facilities of approximately HK$30,400,000 to the Group.

(b) In April 2004, Mrs. Chong Cheng Man Shan, who is the spouse of the Company's chairman, Mr. Chong Sing Yuen, granted to the Group a standby facility of HK$8,000,000 which enables the Group to have sufficient funds for operation purposes.

(c) In June 2004, the Group was granted an extension of the repayment due date for 18 months in respect of a short term bank loan amounting to RMB3,000,000. In addition, a bank conditionally agreed to extend the repayment due dates for 18 months in respect of two bank loans amounting to RMB3,325,000 and RMB10,590,000 upon their maturities on 17 August 2004 and 27 September 2004, respectively.

(d) In July 2004, the Group was granted an extension of the repayment due date for one year in respect of a short term bank loan amounting to US$540,000. In addition, a bank conditionally agreed to extend the repayment due date for one year in respect of a short term bank loan amounting to HK$3,000,000 upon its maturity on 16 August 2004.

(e) In July 2004, Mrs. Chong Cheng Man Shan advanced a loan of HK$5,660,000 to the Group for the repayment of a short term bank loan of the Group to be matured on 16 August 2004. The loan is unsecured, interest-free and is repayable at the earlier of 23 August 2005 or the date on which the Group is able to obtain a new one-year or longer term loan facility to repay the aforementioned short term bank loan.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of presentation (continued)

In the opinion of the directors, in light of the measures and arrangements implemented to date, together with the expected results of other measures and arrangements in progress and as planned, the Group will have sufficient financial resources to satisfy its future working capital and other financing requirements for the foreseeable future. Accordingly, the directors are satisfied that it is appropriate to prepare the financial statements on a going concern basis.

Should the Group be unable to achieve the above and continue in business as a going concern, adjustments would have to be made to restate the values of the assets to their recoverable amounts, to provide for any further liabilities which might arise, and to reclassify non-current assets and liabilities as current assets and liabilities, respectively. The effects of these adjustments have not been reflected in the financial statements.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 March 2004. The results of subsidiaries acquired or disposed of during the year are consolidated from or to their effective dates of acquisition or disposal, respectively. All significant intercompany transactions and balances within the Group are eliminated on consolidation.

Subsidiaries

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

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

Associates

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Associates (continued)

The Group's share of the post-acquisition results and reserves of associates is included in the consolidated profit and loss account and consolidated reserves, respectively. The Group's interests in associates are stated in the consolidated balance sheet at the Group's share of net assets under the equity method of accounting, less any impairment losses.

Goodwill

Goodwill arising on the acquisition of subsidiaries and associates represents the excess of the cost of the acquisition over the Group's share of the fair values of the identifiable assets and liabilities acquired as at the date of acquisition.

Goodwill arising on acquisition is recognised in the consolidated balance sheet as an asset and amortised on the straight-line basis over its estimated useful life, but not exceeding twenty years. In the case of associates, any unamortised goodwill is included in the carrying amount thereof, rather than as a separately identified asset on the consolidated balance sheet.

Prior to the adoption of SSAP 30 "Business combinations" in 2001, goodwill arising on acquisitions was eliminated against consolidated reserves in the year of acquisition. On the adoption of SSAP 30, the Group applied the transitional provision of the SSAP that permitted such goodwill to remain eliminated against consolidated reserves. Goodwill on acquisitions subsequent to the adoption of the SSAP is treated according to the SSAP 30 goodwill accounting policy above.

On disposal of subsidiaries or associates, the gain or loss on disposal is calculated by reference to the net assets at the date of disposal, including the attributable amount of goodwill which remains unamortised and any relevant reserves, as appropriate. Any attributable goodwill previously eliminated against consolidated reserves at the time of acquisition is written back and included in the calculation of the gain or loss on disposal.

The carrying amount of goodwill, including goodwill remaining eliminated against consolidated reserves, is reviewed annually and written down for impairment when it is considered necessary. A previously recognised impairment loss for goodwill is not reversed unless the impairment loss was caused by a specific external event of an exceptional nature that was not expected to recur, and subsequent external events have occurred which have reversed the effect of that event.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Related parties

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities.

Impairment of assets

An assessment is made at each balance sheet date of whether there is any indication of impairment of any asset, or whether there is any indication that an impairment loss previously recognised for an asset in prior years may no longer exist or may have decreased. If any such indication exists, the asset's recoverable amount is estimated. An asset's recoverable amount is calculated as the higher of the asset's value in use or its net selling price.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. An impairment loss is charged to the profit and loss account in the period in which it arises, unless the asset is carried at a revalued amount, when the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount of an 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 an impairment loss is credited to the profit and loss account in the period in which it arises, unless the asset is carried at a revalued amount, when the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

Fixed assets and depreciation

Fixed assets, other than investment properties, are stated at cost or valuation less accumulated depreciation and any impairment losses. The cost of an asset 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 fixed assets have been put into operation, such as repairs and maintenance, is normally charged to the profit and loss account in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the fixed asset, the expenditure is capitalised as an additional cost of that asset.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fixed assets and depreciation (continued)

Changes in the values of fixed assets, other than investment properties, are dealt with as movements in the land and buildings 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 profit and loss account. Any subsequent revaluation surplus is credited to the profit and loss account to the extent of the deficit previously charged. On disposal of a revalued asset, the relevant portion of the land and buildings 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 asset over its estimated useful life. The principal annual rates used for this purpose are as follows:

Leasehold land	Over the lease terms
Buildings	2% or over the lease terms, whichever is shorter
Leasehold improvements	20%
Plant and machinery	20% to 25%
Furniture and fixtures	20%
Motor vehicles	25%

The gain or loss on disposal or retirement of a fixed asset recognised in the profit and loss account is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Investment properties

Investment properties are interests in land and buildings in respect of which construction work and development have been completed and which are intended to be held on a long term basis for their investment potential, any rental income being negotiated at arm's length. Such properties are not depreciated and are stated at their open market values on the basis of annual professional valuations performed at the end of each financial year, except where the unexpired term of the lease is 20 years or less, in which case depreciation is provided on the then carrying amount over the remaining term of the lease.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment properties (continued)

Changes in the values of investment properties are dealt with as movements in the investment property revaluation reserve. If the total of this reserve is insufficient to cover a deficit, on a portfolio basis, the excess of the deficit is charged to the profit and loss account. Any subsequent revaluation surplus is credited to the profit and loss account to the extent of the deficit previously charged.

On disposal of an investment property, the relevant portion of the investment property revaluation reserve realised in respect of previous valuations is released to the profit and loss account.

Leased assets

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 fixed assets and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to the profit and loss account so as to provide a constant periodic rate of charge over the lease terms.

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

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

For the purpose of the balance sheet, cash and bank balances 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 profit and loss account.

Income tax

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

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax (continued)

Deferred tax liabilities are recognised for all taxable temporary differences:

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

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, except 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 assets 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 assets and unused tax losses can be utilised:

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

- in respect of deductible temporary differences associated with investments in subsidiaries and associates, 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 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.

3. 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:

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

(b) management income, when the services are provided;

(c) rental income, on a time proportion basis over the lease terms; and

(d) interest income, on a time proportion basis taking into account the principal outstanding and the effective interest rate applicable.

Employee benefits

Paid leave carried forward

The Group provides paid annual leave to its employees under their employment contracts. Under certain circumstances, such leave which remains untaken as at the balance sheet date is permitted to be carried forward and utilised by the respective employees in the following year. An accrual is made at the balance sheet date for the expected future cost of such paid leave earned during the year by the employees and carried forward.

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.

A contingent liability is disclosed in respect of possible future long service payments to employees, as a number of current employees have achieved the required number of years of service to the Group, to the balance sheet date, in order to be eligible for long service payments under the Employment Ordinance if their employment is terminated in the circumstances specified. A 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Employee benefits (continued)

Retirement benefit scheme and other retirement benefits

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 profit and loss account 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.

Prior to the MPF Scheme becoming effective, the Group operated a defined contribution retirement benefits scheme (the "prior scheme") for those employees who were eligible to participate in this scheme. The prior scheme operated in a similar way to the MPF Scheme, except that when an employee left the prior scheme before his/her interest in the Group's employer contributions vesting fully, the ongoing contributions payable by the Group were reduced by the relevant amount of the forfeited employer's contributions. The prior scheme was still operating at the balance sheet date.

The employees of the Group's 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 contribute a percentage of their payroll costs to the central pension scheme. The contributions are charged to the profit and loss account as they become payable in accordance with the rules of the central pension scheme.

Share option scheme

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. The financial impact of share options granted under the share option scheme is not recorded in the Company's or the Group's balance sheet until such time as the options are exercised, and no charge is recorded in the profit and loss account or balance sheet for their cost. Upon the exercise of share options, the resulting shares issued are recorded by the Company as additional share capital at the nominal value of the shares, and the excess of the exercise price per share over the nominal value of the shares is recorded by the Company in the share premium account. Options which are cancelled prior to their exercise date, or which lapse, are deleted from the register of outstanding options.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies

Foreign currency transactions are recorded at the applicable exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the applicable exchange rates ruling at that date. Exchange differences are dealt with in the profit and loss account.

On consolidation, the financial statements of overseas subsidiaries are translated into Hong Kong dollars using the net investment method. The profit and loss accounts of overseas subsidiaries are translated into Hong Kong dollars at the weighted average exchange rates for the year, and their balance sheets are translated into Hong Kong dollars at the exchange rates ruling at the balance sheet date. The resulting translation differences are included in the exchange fluctuation reserve.

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.

4. SEGMENT INFORMATION

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

The Group's operating businesses are structured and managed separately, according to the nature of their operations and the products and services they provide. Each of the Group's business segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of the other business segments. Summary details of the business segments are as follows:

(a) the snap off blade cutters segment manufactures and sells snap off blade cutters;

(b) the electronic consumer products segment manufactures and sells electronic consumer products; and

(c) the corporate and other segment comprises corporate and rental income and expense item.

4. SEGMENT INFORMATION (continued)

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

(a) Business segments

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

Group

	Snap off blade cutters		Electronic consumer products		Corporate and others		Eliminations		Consolidated	
	2004	2003	**2004**	2003	**2004**	2003	**2004**	2003	**2004**	2003
	HK$	*HK$*	***HK$***	*HK$*	***HK$***	*HK$*	***HK$***	*HK$*	***HK$***	*HK$*
										(Restated)
Segment revenue:										
Sales to external customers	**47,642,313**	44,496,640	**30,229,484**	59,506,358	**3,129,241**	2,653,955	**–**	–	**81,001,038**	106,656,953
Other revenue and gains	**923,774**	68	**673,657**	672,793	**1,050,000**	1,179,495	**–**	–	**2,647,431**	1,852,356
Total	**48,566,087**	44,496,708	**30,903,141**	60,179,151	**4,179,241**	3,833,450	**–**	–	**83,648,469**	108,509,309
Segment results	**2,888,822**	5,948,908	**(11,386,540)**	6,822,781	**(4,182,346)**	(7,561,905)	**–**	–	**(12,680,064)**	5,209,784
Interest income									**21,524**	7,634
Profit/(loss) from operating activities									**(12,658,540)**	5,217,418
Finance costs									**(2,133,108)**	(1,937,366)
Share of profits and losses of associates	**–**	–	**–**	–	**–**	(133,252)	**–**	–	**–**	(133,252)
Profit/(loss) before tax									**(14,791,648)**	3,146,800
Tax									**(733,283)**	(423,331)
Net profit/(loss) from ordinary activities attributable to shareholders									**(15,524,931)**	2,723,469

4. SEGMENT INFORMATION (continued)

(a) Business segments (continued)

Group

	Snap off blade cutters		Electronic consumer products		Corporate and others		Eliminations		Consolidated	
	2004	2003	**2004**	2003	**2004**	2003	**2004**	2003	**2004**	2003
	HK$	*HK$*	***HK$***	*HK$*	***HK$***	*HK$*	***HK$***	*HK$*	***HK$***	*HK$*
		(Restated)		(Restated)						(Restated)
Segment assets	**26,523,484**	25,302,022	**100,972,022**	99,378,163	**7,096,091**	8,124,637	**–**	–	**134,591,597**	132,804,822
Unallocated assets	**–**	–	–	–	**–**	–	**–**	–	**459,469**	491,441
Total assets									**135,051,066**	133,296,263
Segment liabilities	**9,768,390**	5,672,685	**8,489,229**	10,899,606	**1,449,783**	1,795,019	**–**	–	**19,707,402**	18,367,310
Unallocated liabilities	**–**	–	**–**	–	**–**	–	**–**	–	**55,552,703**	42,903,139
Total liabilities									**75,260,105**	61,270,449
Other segment information:										
Depreciation	**554,766**	600,919	**2,864,280**	2,083,124	**27,156**	274,348	**–**	–	**3,446,202**	2,958,391
Recovery of amount due from an associate	**–**	–	**–**	–	**–**	1,000,000	**–**	–	**–**	1,000,000
Provision for amount due from an associate	**–**	–	**–**	–	**–**	2,200,000	**–**	–	**–**	2,200,000
Provision for bad and doubtful debts	**–**	–	**140,000**	–	**–**	–	**–**	–	**140,000**	–
Provision for slow-moving and obsolete inventories	**–**	–	**580,000**	–	**–**	–	**–**	–	**580,000**	–
Recovery of trade receivables	**–**	–	**–**	501,001	**–**	–	**–**	–	**–**	501,001
Revaluation surplus/(deficit) of investment properties recognised directly in the profit and loss account	**–**	–	**(610,000)**	(1,033,400)	**1,050,000**	(470,000)	**–**	–	**440,000**	(1,503,400)
Revaluation surplus/(deficit) of land and buildings recognised directly in the profit and loss account	**6,400**	(165,677)	**–**	–	**–**	–	**–**	–	**6,400**	(165,677)
Revaluation surplus/(deficit) of land and buildings recognised directly in equity	**(4,399)**	(246,466)	**700,977**	(1,460,094)	**–**	–	**–**	–	**696,578**	(1,706,560)
Capital expenditure	**1,031,778**	4,183,140	**4,614,867**	1,781,476	**–**	237,382	**–**	–	**5,646,645**	6,201,998

4. SEGMENT INFORMATION (continued)

(b) Geographical segments

Group

	Hong Kong		Mainland China		Europe		North America		East Asia		Others		Eliminations		Consolidated	
	2004	2003	**2004**	2003	**2004**	2003	**2004**	2003	**2004**	2003	**2004**	2003	**2004**	2003	**2004**	2003
	HK$	*HK$*	***HK$***	*HK$*	***HK$***	*HK$*	***HK$***	*HK$*	***HK$***	*HK$*	***HK$***	*HK$*	***HK$***	*HK$*	***HK$***	*HK$*
Segment revenue:																
Sales to external customers	**33,972,767**	60,822,797	**1,723,538**	1,321,831	**19,831,606**	21,413,167	**10,461,465**	11,947,296	**5,694,548**	2,533,742	**9,317,114**	8,618,120	**-**	–	**81,001,038**	106,656,953

	Hong Kong		Mainland China		Europe		North America		East Asia		Others		Eliminations		Consolidated	
	2004	2003	**2004**	2003	**2004**	2003	**2004**	2003	**2004**	2003	**2004**	2003	**2004**	2003	**2004**	2003
	HK$	*HK$*	***HK$***	*HK$*	***HK$***	*HK$*	***HK$***	*HK$*	***HK$***	*HK$*	***HK$***	*HK$*	***HK$***	*HK$*	***HK$***	*HK$*
Other segment information:																
Segment assets	**30,392,210**	31,232,703	**104,199,387**	101,572,119	-	-	-	-	-	-	**-**	-	-	–	**134,591,597**	132,804,822
Capital expenditure	**1,010,939**	4,701,996	**4,635,706**	1,500,002	-	-	**-**	-	**-**	-	**-**	-	**-**	–	**5,646,645**	6,201,998

5. TURNOVER

Turnover represents the net invoiced value of goods sold, after allowances for returns and trade discounts during the year, and gross rental income received and receivable from investment properties during the year.

Revenue from the following activities has been included in turnover:

	Group	
	2004	2003
	HK$	*HK$*
Sale of snap off blade cutters	**47,642,313**	44,496,640
Sale of electronic consumer products	**30,229,484**	59,506,358
Gross rental income	**3,129,241**	2,653,955
	81,001,038	106,656,953

6. PROFIT/(LOSS) FROM OPERATING ACTIVITIES

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

	2004	2003
	HK$	*HK$*
Depreciation	**3,446,202**	2,958,391
Minimum lease payments under operating leases:		
Land and buildings	**–**	152,100
Motor vehicles	**474,000**	474,000
	474,000	626,100
Auditors' remuneration	**480,000**	420,000
Staff costs (including directors' remuneration *(note 8)*):		
Wages and salaries	**22,834,033**	20,832,155
Pension scheme contributions	**660,126**	306,020
Total staff costs	**23,494,159**	21,138,175
Exchange losses, net	**523,587**	233,675
Revaluation deficit/(surplus) of investment properties	**(440,000)**	1,503,400
Revaluation deficit/(surplus) of land and buildings	**(6,400)**	165,677
Provision for amount due from an associate	**–**	2,200,000
Provision for bad and doubtful debts	**140,000**	–
Provision for slow-moving and obsolete inventories	**580,000**	–
Recovery of trade receivables	**–**	(501,001)
Recovery of amount due from an associate	**–**	(1,000,000)
Interest income	**(21,524)**	(7,634)

7. FINANCE COSTS

	Group	
	2004	2003
	HK$	*HK$*
Interest on bank loans, overdrafts and other loans wholly repayable within five years	**1,788,733**	1,589,086
Interest on bank loans wholly repayable after five years	**261,174**	288,491
Interest on finance leases	**83,201**	59,789
	2,133,108	1,937,366

8. DIRECTORS' REMUNERATION

Directors' remuneration, disclosed pursuant to the Listing Rules and Section 161 of the Hong Kong Companies Ordinance, is as follows:

	Group	
	2004	2003
	HK$	*HK$*
Fees:		
Independent non-executive directors	**200,000**	200,000
Other emoluments:		
Executive directors		
Salaries, allowances and benefits in kind	**7,965,398**	7,230,380
Pension scheme contributions	**119,430**	99,171
	8,084,828	7,329,551
	8,284,828	7,529,551

8. DIRECTORS' REMUNERATION (continued)

The number of directors whose remuneration fell within the following bands is as follows:

	Number of directors	
	2004	2003
Nil to HK$1,000,000	**9**	9
HK$4,500,001 to HK$5,000,000	**–**	1
HK$5,000,001 to HK$5,500,000	**1**	–
	10	10

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

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included three (2003: three) directors, details of whose remuneration are set out in note 8 above. Details of the remuneration of the remaining two (2003: two) non-director, highest paid employees are as follows:

	Group	
	2004	2003
	HK$	*HK$*
Salaries, allowances and benefits in kind	**1,723,007**	1,489,397
Pension scheme contributions	**24,000**	24,000
	1,747,007	1,513,397

9. FIVE HIGHEST PAID EMPLOYEES (continued)

The number of non-director, highest paid employees whose remuneration fell within the following bands is as follows:

	Number of employees	
	2004	2003
Nil to HK$1,000,000	**1**	2
HK$1,000,001 to HK$1,500,000	**1**	–
	2	2

10. TAX

Hong Kong profits tax has been provided at the rate of 17.5% (2003: 16%) on the estimated assessable profits arising in Hong Kong during the year. The increased Hong Kong profits tax rate became effective from the year of assessment 2003/2004, and so is applicable to the assessable profits arising in Hong Kong for the whole of the year ended 31 March 2004. 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.

	Group	
	2004	2003
	HK$	*HK$*
		(Restated)
Current – Hong Kong		
Charge for the year	**251,000**	150,000
Overprovision in prior years	–	–
Current – Elsewhere	**91,426**	335,565
Deferred *(note 26)*	**390,857**	(62,234)
Total tax charge for the year	**733,283**	423,331

10. TAX (continued)

A reconciliation of the tax expense applicable to profit before tax using the statutory rates for the countries in which the Company, its subsidiaries and associates are domiciled 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:

Group – 2004

	Hong Kong		Mainland China		Total	
	HK$	*%*	*HK$*	*%*	*HK$*	*%*
Loss before tax	**(13,780,210)**		**(1,011,438)**		**(14,791,648)**	
Tax at the statutory tax rate	**(2,411,536)**	**17.5**	**(333,775)**	**33.0**	**(2,745,311)**	**18.6**
Lower tax rate for specific provinces or local authority	**–**	**–**	**201,918**	**(20.0)**	**201,918**	**(1.3)**
Income not subject to tax	**(510,142)**	**3.7**	**–**	**–**	**(510,142)**	**3.4**
Expenses not deductible for tax	**180,188**	**(1.3)**	**578,779**	**(57.2)**	**758,967**	**(5.2)**
Tax losses not recognised as deferred tax assets	**3,027,851**	**(22.0)**	**–**	**–**	**3,027,851**	**(20.5)**
Tax charge at the Group's effective rate	**286,361**	**(2.1)**	**446,922**	**(44.2)**	**733,283**	**(5.0)**

Group – 2003

	Hong Kong		Mainland China		Total	
	HK$	*%*	*HK$*	*%*	*HK$*	*%*
Profit/(loss) before tax	(6,182,958)		9,329,758		3,146,800	
Tax at the statutory tax rate	(989,274)	16.0	3,078,820	33.0	2,089,546	66.4
Lower tax rate for specific provinces or local authority	(39,820)	0.6	(2,354,107)	(25.2)	(2,393,927)	(76.1)
Income not subject to tax	(395,072)	6.4	(458,183)	(4.9)	(853,255)	(27.1)
Expenses not deductible for tax	557,247	(9.0)	–	–	557,247	17.7
Tax losses not recognised as deferred tax assets	1,023,720	(16.5)	–	–	1,023,720	32.6
Tax charge at the Group's effective rate	156,801	(2.5)	266,530	2.9	423,331	13.5

11. NET PROFIT/(LOSS) FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS

The net loss from ordinary activities attributable to shareholders for the year ended 31 March 2004 dealt with in the financial statements of the Company was HK$6,561,571 (2003: profit of HK$26,622,103).

12. EARNINGS/(LOSS) PER SHARE

The calculation of basic earnings/(loss) per share is based on the net loss attributable to shareholders for the year of HK$15,524,931 (2003: profit of HK$2,723,469) and the weighted average of 4,548,528,197 (2003: 4,544,457,705) ordinary shares in issue during the year.

Diluted earnings/(loss) per share amounts for the year ended 31 March 2004 and 2003 have not been disclosed as the impact of the potential ordinary shares was anti-dilutive during these years.

13. FIXED ASSETS

Group

	Investment properties	Land and buildings	Leasehold improve-ments	Plant and machinery	Furniture and fixtures	Motor vehicles	Total
	HK$	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*
Cost or valuation:							
At beginning of year	47,521,000	44,389,000	5,369,827	30,049,201	10,277,278	1,375,597	138,981,903
Additions	–	–	3,374,323	1,892,734	379,588	–	5,646,645
Disposals	–	–	–	(658,962)	–	–	(658,962)
Surplus/(deficit) on revaluation	440,000	(670,000)	–	–	–	–	(230,000)
At 31 March 2004	47,961,000	43,719,000	8,744,150	31,282,973	10,656,866	1,375,597	143,739,586
Analysis of cost or valuation:							
At cost	–	–	8,744,150	31,282,973	10,656,866	1,375,597	52,059,586
At 31 March 2004 valuation	47,961,000	43,719,000	–	–	–	–	91,680,000
	47,961,000	43,719,000	8,744,150	31,282,973	10,656,866	1,375,597	143,739,586
Accumulated depreciation:							
At beginning of year	–	–	3,359,352	28,680,376	9,502,856	1,375,597	42,918,181
Provided during the year	–	1,117,532	1,097,656	707,852	523,162	–	3,446,202
Disposals	–	–	–	(658,962)	–	–	(658,962)
Eliminated on revaluation	–	(1,117,532)	–	–	–	–	(1,117,532)
At 31 March 2004	–	–	4,457,008	28,729,266	10,026,018	1,375,597	44,587,889
Net book value:							
At 31 March 2004	47,961,000	43,719,000	4,287,142	2,553,707	630,848	–	99,151,697
At 31 March 2003	47,521,000	44,389,000	2,010,475	1,368,825	774,422	–	96,063,722

13. FIXED ASSETS (continued)

Company

	Furniture and fixtures
	HK$
Cost:	
At beginning of year and at 31 March 2004	135,782
Accumulated depreciation:	
At beginning of year	51,128
Provided during the year	27,156
At 31 March 2004	78,284
Net book value:	
At 31 March 2004	57,498
At 31 March 2003	84,654

The net book value of the Group's fixed assets held under finance leases included in the total amount of plant and machinery and furniture and fixtures at 31 March 2004 were HK$1,705,274 (2003: HK$792,213) and nil (2003: HK$354,174), respectively.

The Group's land and buildings were revalued individually on 31 March 2004 by Castores Magi (Hong Kong) Limited, independent professionally qualified valuers, at an aggregate open market value of HK$6,340,000 based on their existing use, and at HK$37,379,000 using the depreciated replacement cost method, as appropriate. Revaluation surplus of HK$696,578 (2003: deficit of HK$1,706,560) and HK$6,400 (2003: deficit of HK$165,677), resulting from the above valuations, have been charged to the land and buildings revaluation reserve and profit and loss account, respectively.

Had these land and buildings been carried at historical cost less accumulated depreciation and impairment losses, their carrying amounts would have been HK$29,797,575 (2003: HK$30,707,695).

13. FIXED ASSETS (continued)

The Group's land and buildings included above are held under the following lease terms:

		Hong Kong	Elsewhere	Total
	Notes	*HK$*	*HK$*	*HK$*
At valuation:				
Long term leases	(i)	6,340,000	–	6,340,000
Medium term leases	(ii)	–	37,379,000	37,379,000
		6,340,000	37,379,000	43,719,000

Notes:

(i) These land and buildings were valued at open market value, based on their existing use.

(ii) These land and buildings were specially designed properties which, due to their specialised nature, have an utility restricted to particular uses or users, and are rarely, if ever, sold on the open market, except as part of a sale of the business in occupation. They have therefore been valued on the basis of their depreciated replacement cost.

The Group's investment properties included above are held under the following lease term:

	Hong Kong	Elsewhere	Total
	HK$	*HK$*	*HK$*
At valuation:			
Medium term leases	6,000,000	41,961,000	47,961,000

The Group's investment properties were revalued on 31 March 2004 by Castores Magi (Hong Kong) Limited, independent professionally qualified valuers, at HK$47,961,000 on an open market, existing use basis. The investment properties are leased to third parties under operating leases, further summary details of which are included in note 34 to the financial statements.

At 31 March 2004, the Group's investment properties with a value of HK$47,961,000 (2003: HK$47,521,000) and the Group's land and buildings with a net book value of HK$34,396,469 (2003: HK$18,293,848) were pledged to secure general banking facilities granted to the Group (note 22).

14. INTERESTS IN SUBSIDIARIES

	Company	
	2004	2003
	HK$	*HK$*
Unlisted shares, at cost	**35,741,016**	35,741,016
Due from subsidiaries	**69,320,052**	103,770,688
Due to subsidiaries	**(15,518,083)**	(48,357,797)
	89,542,985	91,153,907
Provision for impairment	**(35,757,296)**	(35,757,296)
	53,785,689	55,396,611

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

Particulars of the Company's principal subsidiaries are set out in note 31 to the financial statements.

15. INTERESTS IN ASSOCIATES

	Group	
	2004	2003
	HK$	*HK$*
Share of net assets	**–**	–
Due from associates	**16,025,387**	15,713,271
	16,025,387	15,713,271
Provision for impairment	**(16,025,387)**	(15,713,271)
	–	–

15. INTERESTS IN ASSOCIATES (continued)

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

Particulars of the associates are as follows:

Name	Business structure	Place of incorporation and operations	Percentage of ownership interest attributable to the Group	Principal activities
Levington Associates Limited *	Corporate	British Virgin Islands	50	Investment holding
Northern Newland Engineering Limited *	Corporate	Hong Kong	40	Provision of engineering services

* Not audited by Ernst & Young Hong Kong or other Ernst & Young International member firms.

All of the above investments in associates are indirectly held by the Company.

The financial statements of the above associates are coterminous with those of the Group, except for Northern Newland Engineering Limited which has a financial year ending 30 April. The Group's financial statements have taken into account the results of Northern Newland Engineering Limited between 1 May 2003 and 31 March 2004.

16. INVENTORIES

	Group	
	2004	2003
	HK$	*HK$*
Raw materials	**10,679,308**	11,263,449
Work in progress	**2,425,270**	2,504,819
Finished goods	**1,802,775**	2,693,782
	14,907,353	16,462,050

17. TRADE AND BILLS RECEIVABLES

The Group generally allows an average credit period of 60 days to its trade customers. A longer credit period may be granted to trade customers with a long business relationship to the Group. An aged analysis of the trade and bills receivables as at the balance sheet date, based on payment due date, and net of provisions, is as follows:

	Group	
	2004	2003
	HK$	*HK$*
Within 60 days	**6,659,435**	7,647,831
61 to 90 days	**57,701**	105,319
Over 91 days	**892,646**	570,085
	7,609,782	8,323,235

18. DUE FROM AN ASSOCIATE

The amount is unsecured, interest-free and is repayable on demand.

19. CASH AND CASH EQUIVALENTS AND PLEDGED TIME DEPOSITS

		Group		Company	
		2004	2003	**2004**	2003
	Note	***HK$***	*HK$*	***HK$***	*HK$*
Cash and bank balances		**1,690,698**	9,521,288	**22,831**	3,096,520
Time deposits		**5,000,000**	–	**–**	–
		6,690,698	9,521,288	**22,831**	3,096,520
Less: pledged time deposits	22(iii)	**(5,000,000)**	–	**–**	–
		1,690,698	9,521,288	**22,831**	3,096,520

At the balance sheet date, the cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to HK$1,130,000 (2003: HK$1,195,000). The RMB is not freely convertible into other currencies. However, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Purchase of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

20. TRADE PAYABLES

An aged analysis of the trade payables as at the balance sheet date, based on payment due date, is as follows:

	Group	
	2004	2003
	HK$	*HK$*
Within 60 days	**6,033,316**	5,768,010
61 to 90 days	**292,778**	1,254,094
Over 91 days	**3,438,341**	2,122,232
	9,764,435	9,144,336

21. INTEREST-BEARING BANK AND OTHER BORROWINGS

		Group		Company	
		2004	2003	**2004**	2003
	Notes	***HK$***	*HK$*	***HK$***	*HK$*
Bank overdrafts – unsecured	22	**4,254,994**	712,353	**–**	–
Current portion of bank and other loans	22	**38,272,051**	23,090,779	**1,500,000**	–
		42,527,045	23,803,132	**1,500,000**	–
Current portion of finance lease payables	23	**636,399**	399,744	**–**	11,587
		43,163,444	24,202,876	**1,500,000**	11,587

22. INTEREST-BEARING BANK LOANS AND OVERDRAFTS, AND OTHER LOANS

	Group		**Company**	
	2004	2003	**2004**	2003
	HK$	*HK$*	***HK$***	*HK$*
Bank overdrafts:				
Secured	**4,214,102**	–	**–**	–
Unsecured	**40,892**	712,353	**–**	–
	4,254,994	712,353	**–**	–
Bank loans:				
Secured	**41,517,466**	34,717,699	**–**	–
Unsecured	**–**	–	**–**	–
	41,517,466	34,717,699	**–**	–
Other loans:				
Unsecured	**1,500,000**	–	**1,500,000**	–
	47,272,460	35,430,052	**1,500,000**	–

22. INTEREST-BEARING BANK LOANS AND OVERDRAFTS, AND OTHER LOANS (continued)

	Group		Company	
	2004	2003	**2004**	2003
	HK$	*HK$*	***HK$***	*HK$*
Bank overdrafts repayable within one year or on demand	**4,254,994**	712,353	**–**	–
Bank loans repayable:				
Within one year or on demand	**36,772,051**	23,090,779	**–**	–
In the second year	**953,735**	6,874,580	**–**	–
In the third to fifth years, inclusive	**1,974,533**	2,582,860	**–**	–
Beyond five years	**1,817,147**	2,169,480	**–**	–
	41,517,466	34,717,699	**–**	–
Other loans repayable:				
Within one year or on demand	**1,500,000**	–	**1,500,000**	–
	47,272,460	35,430,052	**1,500,000**	–
Portion classified as current liabilities *(note 21)*	**(42,527,045)**	(23,803,132)	**(1,500,000)**	–
Long term portion	**4,745,415**	11,626,920	**–**	–

Certain of the Group's bank loans are secured by:

(i) mortgages over the Group's investment properties, which had an aggregate carrying value at the balance sheet date of HK$47,961,000 (2003: HK$47,521,000);

(ii) mortgages over certain of the Group's land and buildings, which had an aggregate net book value at the balance sheet date of HK$34,396,469 (2003: HK$18,293,848); and

(iii) the pledge of the Group's time deposits amounting to HK$5,000,000 (2003: Nil).

23. FINANCE LEASE PAYABLES

The Group leases certain of its plant and machinery and furniture and fixtures for its business. These leases are classified as finance lease and have remaining lease terms ranging from one to five years.

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

Group

	Minimum lease payments 2004 *HK$*	Minimum lease payments 2003 *HK$*	**Present value of minimum lease payments 2004 *HK$***	Present value of minimum lease payments 2003 *HK$*
Amounts payable:				
Within one year	**687,297**	442,866	**636,399**	399,744
In the second year	**461,874**	354,394	**449,708**	336,008
In the third to fifth years, inclusive	**160,854**	140,800	**144,734**	133,798
Total minimum lease payments	**1,310,025**	938,060	**1,230,841**	869,550
Future finance charges	**(79,184)**	(68,510)		
Total net finance lease payables	**1,230,841**	869,550		
Portion classified as current liabilities *(note 21)*	**(636,399)**	(399,744)		
Long term portion	**594,442**	469,806		

23. FINANCE LEASE PAYABLES (continued)

Company

	Minimum lease payments 2004 *HK$*	Minimum lease payments 2003 *HK$*	**Present value of minimum lease payments 2004 *HK$***	Present value of minimum lease payments 2003 *HK$*
Amounts payable:				
Within one year	–	11,777	–	11,587
In the second year	–	–	–	–
Total minimum lease payments	–	11,777	–	11,587
Future finance charges	–	(190)		
Total net finance lease payables	–	11,587		
Portion classified as current liabilities *(note 20)*	–	(11,587)		
Long term portion	–	–		

24. DUE TO RELATED PARTIES

The amount represented advances made to the Group by Mrs. Chong Cheng Man Shan, the spouse of Mr. Chong Sing Yuen, and Mr. Chong Chun Chung, a son of Mr. Chong Sing Yuen.

The amount is unsecured, interest-free and is repayable on demand.

25. DUE TO DIRECTORS

The amounts are unsecured, interest-free and are repayable on demand.

26. DEFERRED TAX

Net deferred tax assets/(liabilities) recognised in the consolidated balance sheet:

	Group	
	2004	2003
	HK$	*HK$*
		(Restated)
Deferred tax assets	459,469	491,441
Deferred tax liabilities	(5,373,249)	(5,269,810)
	(4,913,780)	(4,778,369)

The components of deferred tax assets and liabilities and the movements during the year are as follows:

Group

	2004			
	Accelerated tax depreciation	**Fair value adjustments arising from acquisition of subsidiaries**	**Revaluation of properties**	**Total**
	HK$	*HK$*	*HK$*	*HK$*
At 1 April 2003				
As previously reported	–	–	–	–
Prior year adjustment:				
SSAP 12 – restatement of deferred tax	501,207	169,485	(5,449,061)	(4,778,369)
As restated	501,207	169,485	(5,449,061)	(4,778,369)
Deferred tax credited to equity during the year	–	–	255,446	255,446
Deferred tax charged to the profit and loss account during the year (note 10)	(386,148)	–	(4,709)	(390,857)
Net deferred tax assets/(liabilities) at 31 March 2004	**115,059**	**169,485**	**(5,198,324)**	**(4,913,780)**

26. DEFERRED TAX (continued)

Group

	2003			
	Accelerated tax depreciation	**Fair value adjustments arising from acquisition of subsidiaries**	**Revaluation of properties**	**Total**
	HK$	*HK$*	*HK$*	*HK$*
At 1 April 2002				
As previously reported	–	–	–	–
Prior year adjustment:				
SSAP 12 – restatement of deferred tax	429,815	169,485	(3,815,601)	(3,216,301)
As restated	429,815	169,485	(3,815,601)	(3,216,301)
Deferred tax debited to equity during the year	–	–	(1,624,302)	(1,624,302)
Deferred tax credited/(charged) to the profit and loss account during the year (note 10)	71,392	–	(9,158)	62,234
Gross deferred tax liabilities at 31 March 2003	501,207	169,485	(5,449,061)	(4,778,369)

The Group has tax losses arising in Hong Kong of HK$65,251,262 (2003: HK$47,949,256) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time.

At 31 March 2004, there is no significant unrecognised deferred tax liability (2003: Nil) for taxes that would be payable on the unremitted earnings of certain of the Group's subsidiaries or associates as the Group has no liability to additional tax should such amounts be remitted.

26. DEFERRED TAX (continued)

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

SSAP 12 (Revised) was adopted during the year, as further explained in note 2 to the financial statements. As a consequence of the adoption of this revised SSAP, net amounts of HK$390,857 were charged to the consolidated profit and loss account for the year ended 31 March 2004 in respect of the deferred tax of the Group.

In the absence of any specific transitional requirements in SSAP 12 (Revised), the new accounting policy has been applied retrospectively. The comparative statements for the year ended 31 March 2003 have been restated to conform to the new policy. The effect of the change in this accounting policy on the consolidated financial statements in respect of the year ended 31 March 2003 is summarised below:

(i) deferred tax assets and liabilities as at 31 March 2003 have been increased by HK$491,441 and HK$5,269,810, respectively; and

(ii) retained profits and goodwill as at 31 March 2003 have been increased by HK$492,049 and HK$169,485, respectively, and the land and buildings revaluation reserve as at 31 March 2003 has been decreased by HK$5,439,903.

27. SHARE CAPITAL

Shares

	2004	2003
	HK$	*HK$*
Authorised:		
30,000,000,000 ordinary shares of HK$0.01 each	**300,000,000**	300,000,000
Issued and fully paid:		
4,803,807,705 (2003: 4,544,457,705) ordinary shares of HK$0.01 each	**48,038,077**	45,444,577

During the year, the subscription rights attaching to 259,350,000 share options were exercised at the subscription price of HK$0.01 per share (note 28), resulting in the issue of 259,350,000 shares of HK$0.01 each for a total cash consideration before expenses of HK$2,593,500.

27. SHARE CAPITAL (continued)

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

	Number of shares in issue	Issued share capital *HK$*
At 1 April 2002 and 1 April 2003	4,544,457,705	45,444,577
Share options exercised	259,350,000	2,593,500
At 31 March 2004	4,803,807,705	48,038,077

Share options

Details of the Company's share option scheme and the share options issued under the scheme are included in note 28 to the financial statements.

28. 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, customers of the Group, persons or entities that provided research, development or other technological support to the Group and any minority shareholder in the Company's subsidiaries. The Scheme became effective on 4 October 2002 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.

28. SHARE OPTION SCHEME (continued)

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors. 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 prior to the date specified in the offer, upon payment of a nominal consideration of HK$1 in total by the grantee.

The exercise price of the share options is determinable by the directors, but may not be less than the higher 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.

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

28. SHARE OPTION SCHEME (continued)

The following share options were outstanding under the Scheme during the year:

Name or category of participant	At 1 April 2003	Number of share options Granted during the year	Exercised during the year	Lapsed during the year	Cancelled during the year	At 31 March 2004	Date of grant of share options **	Exercise period of share options	Exercise price of share options*** HK$	Price of Company's shares at exercise date of options **** HK$
Directors										
Mr. Chong Sing Yuen	3,350,000	–	–	–	–	3,350,000	30-10-2002	30-10-02 to 29-10-12	0.01	N/A
Mr. Sun Tak Yan, Desmond	45,000,000	–	(10,000,000)	–	–	35,000,000	30-10-2002	30-10-02 to 29-10-12	0.01	0.026
Mr. Chong Chun Kwok, Piggy	45,000,000	–	(45,000,000)	–	–	–	30-10-2002	30-10-02 to 29-10-12	0.01	0.026
Mr. Chong Chun Man	45,000,000	–	(45,000,000)	–	–	–	30-10-2002	30-10-02 to 29-10-12	0.01	0.025
Mr. Chu Kiu Fat	45,000,000	–	(45,000,000)	–	–	–	30-10-2002	30-10-02 to 29-10-12	0.01	0.028
Mr. Wong Siu Keung, Joe	45,000,000	–	(10,000,000)	–	–	35,000,000	30-10-2002	30-10-02 to 29-10-12	0.01	0.028
Mr. Chu Bu Yang, Alexander	4,500,000	–	–	–	–	4,500,000	30-10-2002	30-10-02 to 29-10-12	0.01	N/A
Mr. Chong Chun Hing	4,500,000	–	(4,500,000)	–	–	–	30-10-2002	30-10-02 to 29-10-12	0.01	0.024
Mr. Wong, Bingley	4,500,000	–	(4,500,000)	–	–	–	30-10-2002	30-10-02 to 29-10-12	0.01	0.027
	241,850,000	–	(164,000,000)	–	–	77,850,000				
Employees										
Mrs. Chong Cheng Man Shan*	1,150,000	–	–	–	–	1,150,000	30-10-2002	30-10-02 to 29-10-12	0.01	N/A
Other employees	102,350,000	–	(95,350,000)	–	(550,000)	6,450,000	31-10-2002	31-10-02 to 30-10-12	0.01	0.026
	103,500,000	–	(95,350,000)	–	(550,000)	7,600,000				
Total	345,350,000	–	(259,350,000)	–	(550,000)	85,450,000				

* Spouse of Mr. Chong Sing Yuen

** The vesting period of the share options is from the date of the grant until the commencement of the exercise period.

*** The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital.

**** The price of the Company's shares disclosed as at the date of the exercise of the share options is the weighted average of the Stock Exchange closing prices over all of the exercises of options within the disclosure category.

28. SHARE OPTION SCHEME (continued)

The 259,350,000 share options exercised during the year resulted in the issue of 259,350,000 ordinary shares of the Company and new share capital of HK$2,593,500, as detailed in note 27 to the financial statements.

At the balance sheet date, the Company had 85,450,000 share options outstanding under the Scheme which represented approximately 1.8% of the Company's shares in issue as at that date. The exercise in full of the remaining share options would, under the present capital structure of the Company, result in the issue of 85,450,000 additional ordinary shares of the Company and additional share capital of HK$854,500.

29. RESERVES

(a) Group

The amount of the Group's reserves and the movements therein for the current and prior year are presented in the consolidated statement of changes in equity on page 21 of the financial statements.

The amounts of goodwill remaining in consolidated reserves, arising from the acquisition of subsidiaries prior to 1 April 2002, were HK$22,478,515 as at 1 April 2003 and 31 March 2004. The amount of goodwill is stated at its cost.

The land and buildings revaluation reserve included a revaluation surplus of HK$5,024,251 attributable to the properties which were reclassified from land and buildings to investment properties in the prior year. This portion of revaluation reserve is not available to offset against deficit arising from the revaluation of investment properties subsequent to their reclassification, and can only be transferred to retained profits as a movement in reserves upon the disposal of the relevant investment properties.

The Group's special reserve represents the difference between the nominal value of the shares and the share premium account of the subsidiaries acquired pursuant to the Group reorganisation, over the nominal value of the Company's shares issued in exchange therefore.

29. RESERVES (continued)

(b) Company

	Notes	Share premium account	Accumulated losses	Total
		HK$	*HK$*	*HK$*
At 1 April 2002		24,482,848	(39,553,969)	(15,071,121)
Net profit for the year	11	–	26,622,103	26,622,103
At 31 March 2003 and 1 April 2003		24,482,848	(12,931,866)	11,550,982
Net loss for the year	11	–	(6,561,571)	(6,561,571)
At 31 March 2004		24,482,848	(19,493,437)	4,989,411

30. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

Major non-cash transactions

During the year, the Group entered into finance lease arrangements in respect of fixed assets with a total capital value at the inception of the leases of HK$1,010,000 (2003: HK$765,000).

31. PARTICULARS OF THE PRINCIPAL SUBSIDIARIES

Particulars of the principal subsidiaries are as follows:

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Percentage of equity attributable to the Company Indirect	Principal activities
Goodfit Products Company Limited	Hong Kong	HK$1,000 Ordinary HK$1,000,000 Non-voting deferred *	–	100	Sale of electronic consumer products
Northern Industrial (Panyu) Co., Ltd.#	Mainland China	HK$95,000,000 Registered	–	100	Manufacture of electronic consumer products
Superior Trump Limited	Hong Kong	HK$10,000 Ordinary	–	100	Property investment
Tung Hing Plastic (Panyu) Co., Ltd.#	Mainland China	US$1,800,000 Registered	–	100	Manufacture of snap off blade cutters
Tung Hing Products Company Limited	Hong Kong	HK$100 Ordinary	–	100	Sale of snap off blade cutters

* The non-voting deferred shares, which are not held by the Group, practically carry no rights to dividends or to receive notice of or to attend or vote at any general meeting of the respective companies or to participate in any distribution on winding up. The Group has been granted an option by the holders of the deferred shares to acquire these shares at a nominal amount.

\# Registered under the laws of the People's Republic of China as a wholly foreign-owned enterprise

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

32. CONTINGENT LIABILITIES

(a) At the balance sheet date, contingent liabilities not provided for in the financial statements were as follows:

	Group		Company	
	2004	2003	**2004**	2003
	HK$	*HK$*	***HK$***	*HK$*
Bills discounted with recourse	**–**	2,207,676	**–**	–
Guarantees given to banks in connection with facilities granted to subsidiaries	**–**	–	**88,137,723**	60,288,000
	–	2,207,676	**88,137,723**	60,288,000

(b) The Group has a contingent liability in respect of possible future long service payments to employees under the Hong Kong Employment Ordinance, with a maximum possible amount of HK$279,000 as at 31 March 2004, as further explained under the heading "Employee benefits" in note 3 to the financial statements. The contingent liability has arisen because, at the balance sheet date, a number of current employees have achieved the required number of years of service to the Group in order to be eligible for long service payments under the Employment Ordinance if their employment is terminated under certain circumstances. A 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.

33. PLEDGE OF ASSETS

Details of the Group's bank loans which are secured by assets of the Group are included in note 22 to the financial statements.

34. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases its investment properties (note 13 to the financial statements) under operating lease arrangements, with leases negotiated for terms ranging from one to ten years. The terms of the leases generally also require the tenants to pay security deposits.

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

	Group	
	2004	2003
	HK$	*HK$*
Within one year	**3,405,266**	2,923,765
In the second to fifth years, inclusive	**9,284,548**	8,510,854
Over five years	**3,017,770**	3,970,750
	15,707,584	15,405,369

(b) As lessee

The Group leases certain of its motor vehicles under operating lease arrangements. Leases for motor vehicles are negotiated for term of one year.

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

	Group	
	2004	2003
	HK$	*HK$*
Motor vehicles:		
Within one year	**197,500**	197,500

35. COMMITMENTS

At the balance sheet date, neither the Group nor the Company had any significant commitments, other than the operating lease commitments detailed in note 34 above.

36. RELATED PARTY TRANSACTIONS

(a) During the year, the Group had the following transactions with Twin Base Limited ("Twin Base"), a company in which Mr. Chong Sing Yuen has a beneficial interest:

(i) During the year, the Group paid rentals of approximately HK$474,000 (2003: HK$474,000) to Twin Base for a motor vehicle. The rentals were charged in accordance with a motor vehicle rental agreement. Details of the operating lease commitments at the balance sheet date are set out in note 34(b) to the financial statements.

(ii) As at 31 March 2004, Twin Base had pledged certain of its property interests to a bank to secure the credit facilities to the extent of HK$12,899,980 (2003: HK$12,899,980) granted to the Group.

(b) During the year, the Group had the following material transactions with its associates:

		Group	
		2004	2003
	Notes	***HK$***	*HK$*
Purchases of raw materials from an associate	(i)	**485,473**	352,508
Management fee received from an associate	(ii)	**144,000**	144,000

(i) The purchases from an associate were made according to the prices mutually agreed between the associate and the Group.

(ii) The management fee was charged based on mutually agreed terms between the associate and the Group.

During the year, the Group advanced HK$3,000,000 to its associates. These advances are unsecured, interest-free and are repayable on demand.

36. RELATED PARTY TRANSACTIONS (continued)

(c) During the year, Mr. Chong Sing Yuen and Mr. Chong Chun Kwok, Piggy, a son of Mr. Chong Sing Yuen, gave a joint and several guarantee to a financial institution to secure the credit facilities to the extent of HK$1,500,000 granted to the Company.

(d) During the year, Mrs. Chong Cheng Man Shan, the spouse of Mr. Chong Sing Yuen, and Mr. Chong Chun Chung, a son of Mr. Chong Sing Yuen, advanced approximately HK$1,722,000 in aggregate to the Group. The advances are unsecured, interest-free and are repayable on demand.

(e) During the year, Mr. Chong Sing Yuen advanced shareholder's loans of approximately HK$5,992,000 in aggregate to the Group. These shareholder's loans were unsecured, interest-free and were fully repaid during the year.

37. POST BALANCE SHEET EVENTS

(a) On 1 April 2004, the Group and Mrs. Chong Cheng Man Shan entered into a facility agreement pursuant to which Mrs. Chong Cheng Man Shan agreed to grant to the Group a standby facility (the "Facility") of HK$8,000,000 from 1 April 2004 to 31 July 2005. The purpose of the Facility is to enable the Group to have sufficient funds for its operations. The Facility is unsecured and interest-free.

(b) On 23 June 2004, the Group was granted an extension of the repayment due date for 18 months in respect of a short term bank loan amounting to RMB3,000,000. In addition, on 22 June 2004, a bank conditionally agreed to extend the repayment due dates for 18 months in respect of two bank loans amounting to RMB3,325,000 and RMB10,590,000 upon their maturities on 17 August 2004 and 27 September 2004, respectively.

(c) On 15 July 2004, the Group was granted an extension of the repayment due date for one year in respect of a short term bank loan amounting to US$540,000. In addition, on 20 July 2004, a bank conditionally agreed to extend the repayment due date for one year in respect of a short term bank loan amounting to HK$3,000,000 upon its maturity on 16 August 2004.

37. POST BALANCE SHEET EVENTS (continued)

(d) On 23 July 2004, the Group and Mrs. Chong Cheng Man Shan entered into a loan agreement pursuant to which Mrs. Chong Cheng Man Shan agreed to grant to the Group a loan of HK$5,660,000 for the repayment of a short term bank loan of the Group to be matured in August 2004. The loan is unsecured, interest-free and is repayable at the earlier of 23 August 2005 or the date on which the Group is able to obtain a new one-year or longer term loan facility to repay the aforementioned short term bank loan.

The full principal amount was drawn down by the Group on 23 July 2004.

38. COMPARATIVE AMOUNTS

As further explained in note 2 to the financial statements, due to the adoption of a revised SSAP 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 restated to conform with the current year's presentation.

39. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 28 July 2004.