

CHARGES ON GROUP'S ASSETS

As at 30 September 2004, the Group's investment properties with a value of HK\$8,000,000 (31 March 2004: HK\$8,000,000), other investment of HK\$2,414,000 (31 March 2004: HK\$2,414,000) and certain of the Group's leasehold land and buildings, and plant and machinery were pledged to secure general banking facilities granted to the Group.

CONTINGENT LIABILITIES

As at 30 September 2004, the Group did not have material contingent liabilities (31 March 2004: Nil).

MATERIAL ACQUISITION OF ASSOCIATE AND DISPOSAL OF SUBSIDIARIES

On 15 March 2004, the Company entered into the sale and purchase agreement with two independent third parties (the "Vendor") for the acquisition of 49% equity interest in Success Start, a limited company incorporated in the British Virgin Islands, pursuant to which the consideration shall be satisfied by the Company by way of the issue and allotment of 21,939,084 new shares of HK\$0.10 each. Further details of the transaction were set out in the Company's announcement dated 16 March 2004.

On 8 September 2004, the Company entered into the sale and purchase agreement with Ms. Li Kwo Yuk ("Ms. Li"), a director of the Company, pursuant to which the Company agreed to sell the entire interests in German Time Limited and Smart Best Development Limited, which are indirect wholly-owned subsidiaries of the Company to Ms. Li for the consideration of HK\$22,000,000. Further details of the transaction were set out in the circular dated 2 October 2004.

FOREIGN EXCHANGE EXPOSURE

The Group mainly earns revenue and incurs costs in Renminbi ("RMB"), US dollars and Hong Kong dollars. Foreign exchange exposure of the Group is minimal so long as the Hong Kong SAR Government's policy to link the Hong Kong dollars to the US dollars remains in effect. Since the Group's principal manufacturing operations are in the PRC and most of the operating expenses are in RMB, the Management is aware of possible exchange rate exposure. As a hedging strategy, the Management emphasizes on using RMB borrowings to finance the Group's PRC operation and capital expenditure.