



1. Statement of compliance

The accounts have been prepared in accordance with Hong Kong Financial Reporting Standard (“HKFRS”) accounting principles generally accepted in Hong Kong and comply with accounting standards issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). The financial statements also comply with the applicable disclosures provisions of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the “Stock Exchange”) and the disclosure requirements of the Hong Kong Companies Ordinance.

The HKICPA has issued a number of new and revised HKFRSs which are effective for accounting periods beginning on or after 1 January 2005. The Group has not early adopted these HKFRSs in the financial statements for the year ended 31 March 2005. The Group has already commenced an assessment of the impact of these HKFRSs but is not yet in a position to state whether these HKFRSs would have a significant impact on its results of operations and financial position.

A summary of the principal accounting policies adopted by the Group is set out below.

2. Principal accounting policies

(a) Basis of preparation

The measurement basis used in the preparation of the financial statements is historical cost modified by the revaluation of leasehold land and buildings.

(b) Consolidation

- (i) The consolidated accounts include the accounts of the Company and its subsidiaries made up to 31 March. Subsidiaries are those entities which the Company, directly or indirectly controls more than one half of the voting power; has the power to govern the financial and operating policies; to appoint or remove the majority of the members of the board of directors; or to cast majority of votes at the meetings of the board of directors.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated profit and loss account from the effective date of acquisition or up to the effective date of disposal, as appropriate.

All significant intercompany transactions and balances within the Group are eliminated on consolidation.

The gain or loss on disposal of a subsidiary represents the difference between the proceeds of the sale and the Group’s share of its net assets together with any unamortised goodwill or negative goodwill or/negative goodwill taken to reserves and which was not previously charged or recognised in the consolidated profit and loss account.

Minority interests represent the interests of outside shareholders in the operating results and net assets of subsidiaries.

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

(ii) Translation of foreign currencies

Transactions in foreign currencies are translated at exchange rates ruling at the transaction dates. Monetary assets and liabilities expressed in foreign currencies at the balance sheet date are translated at rates of exchange ruling at the balance sheet date. Exchange differences arising in these cases are dealt with in the profit and loss account.

The balance sheets of subsidiaries expressed in foreign currencies are translated at the rates of exchange ruling at the balance sheet date whilst the profit and loss account is translated at an average rate. Exchange differences are dealt with as a movement in reserves.



2. Principal accounting policies (cont'd)

(c) Fixed assets

(i) Leasehold land and buildings

Leasehold land and buildings are stated at valuation, being open market value for existing use at the date of revaluation, less accumulated amortisation or depreciation and accumulated impairment losses. Independent valuations are performed periodically. In the intervening years, the directors review the carrying value of the leasehold land and buildings and adjustment is made where there has been a material change. Increases in valuation are credited to the revaluation reserve. Decreases in valuation are first offset against increases on earlier valuations in respect of the same property and thereafter are debited to the operating loss. Any subsequent increases are credited to the operating loss up to the amount previously debited.

Leasehold land is depreciated over the periods of the leases on a straight-line basis.

Buildings are depreciated on the straight-line basis over the unexpired periods of the leases or their expected useful lives to the Group, whichever is shorter. The principal annual rate used for this purpose is 2% per annum.

(ii) Other fixed assets

Other fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. Cost represents the purchase price of the asset and other cost incurred to bring the asset into its existing use. Other tangible fixed assets are depreciated to write off the cost less accumulated impairment losses over their expected useful lives on the straight-line basis. The principal annual rates used for this purpose are:

Leasehold improvements	20%
Furniture, fixtures and equipment	10% – 20%
Motor vehicles	20%

(d) Assets under leases

(i) Finance leases

Leases that substantially transfer to the Group all the risks and rewards of ownership of assets are accounted for as finance leases. Finance leases are capitalised at the inception of the leases at the lower of the fair value of the leased assets or the present value of the minimum lease payments. Each lease payment is allocated between the capital and finance charges so as to achieve a constant rate on the capital balances outstanding. The corresponding rental obligations, net of finance charges, are included in long-term liabilities. The finance charges are charged to the profit and loss account over the lease periods.

Assets held under finance leases are depreciated over the shorter of their estimated useful lives or the lease periods.

(ii) Operating leases

Leases where substantially all the risks and rewards of ownership of assets remain with the lessor are accounted for as operating leases. Payments made under operating leases net of any incentives received from the lessor are charged to the profit and loss account on a straight-line basis over the lease periods.

(e) Inventories

Inventories represent trading stocks and are stated at the lower of cost and net realisable value. Cost represents purchase price and is determined on a weighted average basis. Net realisable value is determined on the basis of anticipated sales proceeds less estimated selling expenses.

(f) Accounts receivable

Provision is made against accounts receivable to the extent which they are considered to be doubtful. Accounts receivable in the balance sheet are stated net of such provision.

(g) Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held at call with banks and bank overdrafts.



2. Principal accounting policies (cont'd)

(h) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Where the Group expects a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

(i) Employee benefits

(i) Employee leave entitlements

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

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

(ii) Pension obligations

The Group contributes to a defined contribution scheme which is available to all relevant employees. Contributions to the scheme by the Group and employees are calculated as a percentage of employees' basic salaries and are subject to a cap of monthly earnings of HK\$20,000 and thereafter contributions are voluntary. The retirement benefit scheme cost charged to the profit and loss account represents contributions payable by the Group to the fund.

The assets of the scheme are held separately from those of the Group in the independently administered fund.

(j) Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the accounts. When a change in the probability of an outflow occurs so that outflow is probable, it will then be recognised as a provision.

(k) Deferred taxation

Deferred taxation is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the accounts. Taxation rates enacted or substantively enacted by the balance sheet date are used to determine deferred taxation.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

(l) Revenue recognition

(i) Revenue from the sale of goods is recognised on the transfer of ownership, which generally coincides with the time of cash receipt for retail sales or the time when the goods are delivered to customers and the title has passed for credit sales, net of returns and discounts given.

(ii) Interest income is recognised on a time proportion basis, taking into account the principal amounts outstanding and the interest rates applicable.



2. Principal accounting policies (cont'd)

(m) *Borrowing costs*

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. All other borrowing costs are charged to the profit and loss account in the year in which they are incurred.

(n) *Segment reporting*

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

Segment assets consist primarily of fixed assets, inventories and receivables and mainly exclude operating cash. Segment liabilities comprise operating liabilities and exclude certain corporate borrowings. Capital expenditure comprises additions to fixed assets (note 12).

3. Revenues and turnover

The Group is principally engaged in the importing and sale of architectural builders hardware and bathroom collections. Revenues recognised during the year are as follows:–

	Group	
	2005	2004
	HK\$'000	HK\$'000
Turnover – sales of goods	199,090	153,897
Other revenue		
Interest income	172	264
Total revenues	<u>199,262</u>	<u>154,161</u>

Primary reporting format – business segments

The Group is organised in Hong Kong into two main business segments:

Wholesale – importing and wholesale of architectural builders hardware and bathroom collections to dealers, traditional hardware stores, contractors and property developers.

Retail – sale of architectural builders hardware and bathroom collections through the Group's retail outlets.



3. Revenues and turnover (cont'd)

Primary reporting format – business segments (cont'd)

	Group	
	2005 HK\$'000	2004 HK\$'000
Segment results		
Turnover		
Wholesale	173,743	136,491
Retail	63,692	41,356
Inter-segment elimination	(38,345)	(23,950)
Total turnover	199,090	153,897
Cost of goods sold		
Wholesale	116,822	102,431
Retail	39,394	26,449
Inter-segment elimination	(38,345)	(23,950)
Total cost of goods sold	117,871	104,930
Gross profit		
Wholesale	56,921	34,060
Retail	24,298	14,907
Total gross profit	81,219	48,967
Other costs, net of other revenues and other income		
Wholesale	(47,508)	(43,767)
Retail	(22,427)	(19,897)
Total other costs, net of other revenues and other income	(69,935)	(63,664)
Segment operating profit/(loss)		
Wholesale	9,413	(9,707)
Retail	1,871	(4,990)
Total operating profit/(loss)	11,284	(14,697)
Finance costs	(53)	(56)
Total operating profit/(loss) after finance cost	11,231	(14,753)
Taxation		
Wholesale	(321)	(298)
Retail	(735)	1,172
Total taxation	(1,056)	874
Profit/(Loss) for the year	<u>10,175</u>	<u>(13,879)</u>



3. Revenues and turnover (cont'd)

Primary reporting format – business segments (cont'd)

	Group	
	2005 HK\$'000	2004 HK\$'000
Capital expenditure		
Wholesale	639	354
Retail	3,672	2,475
Total capital expenditure	<u>4,311</u>	<u>2,829</u>
Depreciation charged to profit and loss account		
Wholesale	2,319	1,904
Retail	3,005	2,828
Total depreciation charged to the profit and loss account	<u>5,324</u>	<u>4,732</u>
Segment assets		
Wholesale	200,633	146,592
Retail	100,322	52,679
Unallocated	30,746	32,932
Inter-segment elimination	(174,847)	(87,608)
Total assets	<u>156,854</u>	144,595
Segment liabilities		
Wholesale	105,720	61,036
Retail	93,133	48,456
Unallocated	–	–
Inter-segment elimination	(174,847)	(87,608)
Total liabilities	<u>24,006</u>	21,884
	<u>132,848</u>	<u>122,711</u>

Secondary reporting format – geographical segments

No geographical analysis is provided as less than 10% of the consolidated turnover and less than 10% of the consolidated trading results of the Group are attributable to markets outside Hong Kong.



4. Operating profit/(loss)

Operating profit/(loss) is stated after charging/(crediting) the following:

	Group	
	2005 HK\$'000	2004 HK\$'000
Auditors' remuneration		
– current year	450	600
– under provision in last year	1	32
Depreciation of owned fixed assets	5,317	4,483
Depreciation of fixed assets held under finance leases	7	249
Legal and professional fee	1,066	1,348
(Gain)/Loss on disposal of fixed assets	(10)	722
Net exchange losses/(gains)	38	(837)
Payments under operating leases for leasehold land and buildings	14,845	15,626
Provision for doubtful debts	2,026	1,047
Write-back of provision for doubtful debts	(466)	(466)
(Write-back of provision)/Provision for slow-moving inventories, included in cost of sales	(2,217)	6,190
Staff costs, including directors' emoluments (<i>note 11</i>)	<u>26,120</u>	<u>27,055</u>

5. Finance costs

	Group	
	2005 HK\$'000	2004 HK\$'000
Interest on bank borrowings	17	21
Interest element of finance leases	<u>36</u>	<u>35</u>
	<u>53</u>	<u>56</u>



6. Taxation

(a) Hong Kong profits tax is calculated at the rate of 17.5% (2004: 17.5%) on the estimated assessable profits for the year.

	Group	
	2005 HK\$'000	2004 HK\$'000
Hong Kong profits tax		
– current year	336	–
– over (under) provision in previous year	(367)	19
Deferred taxation (<i>note 6(b)</i>)	1,087	(893)
	<u>1,056</u>	<u>(874)</u>

(b) The movements in the deferred tax liabilities/(assets) account are as follows:

Deferred tax liabilities	Group					
	Accelerated tax depreciation		Revaluation of properties		Total	
	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000
At beginning of the year	–	–	1,658	1,527	1,658	1,527
Charged/(credited) to profit and loss account	189	–	(14)	131	174	131
At the end of the year	<u>189</u>	<u>–</u>	<u>1,643</u>	<u>1,658</u>	<u>1,832</u>	<u>1,658</u>



6. Taxation (cont'd)

(b) (cont'd):

Deferred tax assets	Group					
	Tax losses		Others		Total	
	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000
At beginning of the year	2,399	1,695	785	465	3,184	2,160
(Charged)/credited to profit and loss account	(1,132)	704	219	320	(913)	1,024
At the end of the year	<u>1,267</u>	<u>2,399</u>	<u>1,004</u>	<u>785</u>	<u>2,271</u>	<u>3,184</u>

Deferred tax assets	Company	
	2005 HK\$'000	2004 HK\$'000
At beginning of the year	146	146
(Charged) to profit and loss account	(146)	—
At the end of the year	<u>—</u>	<u>146</u>

The Group has not recognised deferred tax assets in respect of tax losses carried forward of HK\$18,059,000 (2004: HK\$29,091,000). The tax losses do not expire under the current legislation.



6. Taxation (cont'd)

(c) The taxation on the Group's profit/(loss) before taxation differs from the theoretical amount that would arise using the taxation rate of the country where the Group principally operates as follows:

	2005 HK\$'000	2004 HK\$'000
Profit (Loss) before taxation	<u>11,231</u>	<u>(14,753)</u>
Calculated at a taxation rate of 17.5% (2004: 17.5%)	1,967	(2,582)
(Over)/Under provision in prior years	(367)	19
Income not subject to taxation	(91)	(46)
Expenses not deductible for taxation purpose	8	10
Utilisation of prior years unrecognised tax losses	(1,031)	–
Unrecognised temporary differences	495	–
Unrecognised tax losses	86	1,809
Differential tax rate on the profit of a PRC subsidiary	(11)	(25)
Increase in opening net deferred tax assets resulting from an increase in tax rate	<u>–</u>	<u>(59)</u>
Taxation charged/(credited) to profit and loss account	<u><u>1,056</u></u>	<u><u>(874)</u></u>

7. Profit for the year

Included in the profit for the year is a profit of HK\$780,000 (2004: HK\$184,000) which is dealt with in the accounts of the Company.



8. Dividend

	2005 HK\$'000	2004 HK\$'000
Proposed final dividend of HK2.5 cents (2004: nil) per share (<i>note</i>)	5,000	–
	<u>5,000</u>	<u>–</u>

Note: A final dividend in respect of 2005 of HK2.5 cents (2004: nil) per share amounting to approximately HK\$5,000,000 (2004: nil) has been proposed by the directors after the balance sheet date. The proposed Dividend is not accounted for until it has been approved at the annual general meeting.

9. Basic earnings/(loss) per share

The calculation of basic earnings/(loss) per share is based on the Group's profit for the year of HK\$10,175,000 (2004: loss of HK\$13,879,000) and on the outstanding number of 200,000,000 shares in issue (2004: 200,000,000 shares) during the year.

Diluted earnings (loss) per share was not disclosed as there were no dilutive potential ordinary shares.

10. Staff costs

	2005 HK\$'000	2004 HK\$'000
Wages and salaries	25,237	25,894
Pension costs – defined contribution plans	883	1,161
	<u>26,120</u>	<u>27,055</u>



11. Directors' and senior management's emoluments

(a) Directors' remuneration

Emoluments of the directors of the Company during the year are as follows:

	Group	
	2005 HK\$'000	2004 HK\$'000
Fees (i)	215	240
Other emoluments		
– Basic salaries and allowances	6,084	6,616
– Retirement scheme contributions	76	82
	<u>6,375</u>	<u>6,938</u>

(i) The fees were paid to the three independent non-executive directors during the year.

The emoluments of the directors fell within the following bands:

Emolument bands	Number of directors	
	2005	2004
HK\$Nil – HK\$1,000,000	6 ¹	6 ¹
HK\$1,000,001 – HK\$1,500,000	4	–
HK\$1,500,001 – HK\$2,000,000	–	3
	<u> </u>	<u> </u>

1 These include the three independent non-executive directors.

No director waived or agreed to waive their emoluments in respect of the years ended 31 March 2005 and 2004.



11. Directors' and senior management's emoluments

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include four (2004: three) directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining one (2004: two) individual during the year are as follows:

	Group	
	2005	2004
	HK\$'000	HK\$'000
Basic salaries and allowances	1,157	2,880
Retirement scheme contributions	12	24
	<u>1,169</u>	<u>2,904</u>

The emoluments fell within the following bands:

Emolument bands

	Number of individuals	
	2005	2004
HK\$1,000,001 – HK\$1,500,000	<u>1</u>	<u>2</u>



12. Fixed Assets

	Group					Total
	Land and buildings under long leases in Hong Kong	Land and buildings under long leases in the PRC <i>(Note (b))</i>	Leasehold improvements	Furniture, fixtures and equipment	Motor vehicles	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Cost or valuation						
At 1 April 2004	14,000	1,773	20,512	14,730	2,913	53,928
Additions	–	–	4,042	197	72	4,311
Disposals	–	–	(4,789)	(1,477)	(1,312)	(7,578)
At 31 March 2005	14,000	1,773	19,765	13,450	1,673	50,661
Accumulated depreciation						
At 1 April 2004	782	48	12,951	11,144	1,865	26,790
Charge for the year	195	36	2,913	1,877	303	5,324
Reclassification	–	–	1,395	(1,395)	–	–
Disposals	–	–	(4,789)	(1,477)	(1,170)	(7,436)
At 31 March 2005	977	84	12,470	10,149	998	24,678
Net book value						
At 31 March 2005	13,023	1,689	7,295	3,301	675	25,983
At 31 March 2004	13,218	1,725	7,561	3,586	1,048	27,183
The analysis of the cost or valuation of the above assets at 31 March 2005 is as follows:						
At cost	–	1,773	19,765	13,450	1,673	36,661
At 2000 professional valuation <i>(note a)</i>	14,000	–	–	–	–	14,000
	14,000	1,773	19,765	13,450	1,673	50,661

- (a) The leasehold land and buildings were revalued by Vigers Hong Kong Limited, an independent firm of professional valuers, at 31 January 2000 on the basis of open market value. The revaluation surplus net of applicable deferred income taxes was credited to revaluation reserve in shareholders' equity (Note 20). The directors are of the opinion that there was no material change in the carrying value of the assets since the date of the previous valuation. The carrying amount of the property would have been approximately HK\$3,631,000 (2004: HK\$3,717,000) had they been stated at cost less accumulated depreciation and accumulated impairment losses.
- (b) The directors have reviewed the carrying value of the properties in the PRC as at 31 March 2005 and are of the opinion that there was no material difference between the cost of the property acquired by the Group during the year and the carrying value of the asset as at 31 March 2005.
- (c) At 31 March 2005, the cost less accumulated depreciation of fixed assets held by the Group under finance leases amounted to approximately HK\$571,000 (2004: HK\$747,000).



13. Investment in Subsidiaries

	Company	
	2005 HK\$'000	2004 HK\$'000
Unlisted shares/investments, at cost	<u>90,917</u>	<u>90,917</u>

Particulars of the subsidiaries as at 31 March 2005 are as follows:

Name	Country/place of incorporation/ establishment	Issued and fully paid up share capital/registered capital	Principal activities and place of operation	Equity interest held
Interest held directly:-				
E. Bon (BVI) Holdings Limited	British Virgin Islands	50,000 ordinary shares of US\$1 each	Investment holding in Hong Kong	100 %
Interests held indirectly:-				
Asia Bon Company Limited	Hong Kong	100,000 ordinary shares of HK\$1 each	Property holding in Hong Kong	100 %
E. Bon Building Materials Company Limited	Hong Kong	6,000 ordinary shares of HK\$1,000 each	Importing and sale of architectural builders hardware and bathroom collections in Hong Kong	100 %
Right Century Limited	Hong Kong	1,000 ordinary shares of HK\$1 each	Retail of bathroom accessories and decoration materials in Hong Kong	100 %
Sunny Building and Decoration Materials Company Limited	Hong Kong	6,000 ordinary shares of HK\$1,000 each	Retail of architectural builders hardware and bathroom collections in Hong Kong	100 %
Shanghai Tech Pro International Trading Co., Ltd.	People's Republic of China	US\$300,000	Importing and sale of architectural builders hardware and bathroom collections in mainland China	100 %
Twinwood Venture Limited	British Virgin Islands	1 ordinary share of US\$1 each	Investment holding in Hong Kong	100 %
H2O (Pro) Limited	Hong Kong	2 ordinary shares of HK\$1 each	Importing and sale of bathroom collections in Hong Kong	100 %



13. Investment in Subsidiaries (cont'd)

Name	Country/place of incorporation/ establishment	Issued and fully paid up share capital/registered capital	Principal activities and place of operation	Equity interest held
Interests held indirectly:-				
Massford Holdings Limited	British Virgin Islands	1 ordinary share of US\$1 each	Investment holding in Hong Kong	100 %
Techpro Trading Limited	Hong Kong	2 ordinary shares of HK\$1 each	Importing and sale of architectural builders hardware in Hong Kong	100 %
Massford (Hong Kong) Limited	Hong Kong	2 ordinary shares of HK\$1 each	Supplying architectural builders hardware and bathroom collections for property development in Hong Kong	100 %
Bonco Ironmongery Limited	Hong Kong	2 ordinary shares of HK\$1 each	Importing and sale of architectural builders hardware in Hong Kong	100 %
Kitchen Pro Limited	Hong Kong	2 ordinary shares of HK\$1 each	Importing and sale of kitchen fittings in Hong Kong	100 %
D.I.Y. Limited	Hong Kong	2 ordinary shares of HK\$100 each	Handling of the human resources planning and development activities of the Group	100 %
Sanfield Properties Limited	Hong Kong	2 ordinary shares of HK\$1 each	Property holding in mainland China	100 %
Tech Pro (China) Limited	Hong Kong	2 ordinary shares of HK\$1 each	Importing and sale of architectural builders hardware in mainland China	100 %
Bonlex Properties Limited	Hong Kong	9,998 ordinary shares of HK\$1 each	Property holding in mainland China	98 %

14. Amounts due from/(to) Subsidiaries and Ultimate Holding Company

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

15. Inventories

	Group	
	2005	2004
	HK\$'000	HK\$'000
Inventories	74,007	67,773
Less: Provision for slow-moving inventories	<u>(29,379)</u>	<u>(31,596)</u>
	<u>44,628</u>	<u>36,177</u>

At 31 March 2005, the carrying amount of inventories that are carried at net realisable value amounted to HK\$5,258,000 (2004: HK\$5,620,000).

16. Trade Receivables, Other Receivables, Deposits and Prepayments

Included in the balance are trade receivables and their ageing analysis is as follows:

	Group	
	2005	2004
	HK\$'000	HK\$'000
0 – 30 days	23,730	11,293
31-60 days	3,855	6,821
61-90 days	3,195	3,142
Over 90 days	<u>25,745</u>	<u>26,001</u>
	56,525	47,257
Provision for doubtful debts	<u>(11,582)</u>	<u>(12,332)</u>
	<u>44,943</u>	<u>34,925</u>

The majority of the Group's sales are with credit terms of 30 to 90 days. The remaining amounts are on letter of credit or document against payment.



17. Trade Payables, Accruals and Deposits Received

Included in the balance are trade payables and their ageing analysis is as follows:

	Group	
	2005	2004
	HK\$'000	HK\$'000
0 – 30 days	4,134	6,289
31-60 days	3,658	3,294
61-90 days	1,015	866
Over 90 days	2,110	355
	10,917	10,804
	10,917	10,804

18. Share Capital

	Group	
	2005	2004
	HK\$'000	HK\$'000
<i>Authorised</i>		
1,000,000,000 ordinary shares at HK\$0.1	100,000	100,000
<i>Issued and fully paid</i>		
200,000,000 ordinary share at HK\$0.1	20,000	20,000



19. Non-current Liabilities

Obligations under finance leases:

	Group			
	Minimum lease payments		Present value of minimum lease payments	
	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000
Amount payable:				
Within one year	300	280	262	246
In the second to fifth years inclusive	235	443	199	388
	<u>535</u>	<u>723</u>	<u>461</u>	<u>634</u>
Future finance charges	(74)	(89)	–	–
	<u>461</u>	<u>634</u>	<u>461</u>	<u>634</u>
Present value of lease obligations	<u><u>461</u></u>	<u><u>634</u></u>	<u><u>461</u></u>	<u><u>634</u></u>

20. Reserves

(a) Group

	Share premium	Revaluation reserve	Merger reserve	Capital reserve	Exchange reserve	Retained earnings	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April 2003	41,261	8,355	6,979	2,896	(36)	57,057	116,512
Exchange difference	–	–	–	–	78	–	78
Loss for the year	–	–	–	–	–	(13,879)	(13,879)
	<u>41,261</u>	<u>8,355</u>	<u>6,979</u>	<u>2,896</u>	<u>42</u>	<u>43,178</u>	<u>102,711</u>
At 31 March 2004	<u>41,261</u>	<u>8,355</u>	<u>6,979</u>	<u>2,896</u>	<u>42</u>	<u>43,178</u>	<u>102,711</u>
At 1 April 2004	41,261	8,355	6,979	2,896	42	43,178	102,711
Exchange difference	–	–	–	–	(38)	–	(38)
Profit for the year	–	–	–	–	–	10,175	10,175
	<u>41,261</u>	<u>8,355</u>	<u>6,979</u>	<u>2,896</u>	<u>4</u>	<u>53,353</u>	<u>112,848</u>
At 31 March 2005	<u><u>41,261</u></u>	<u><u>8,355</u></u>	<u><u>6,979</u></u>	<u><u>2,896</u></u>	<u><u>4</u></u>	<u><u>53,353</u></u>	<u><u>112,848</u></u>



20. Reserves (cont'd)

(b) Company

	Share premium HK\$'000	Retained earnings HK\$'000	Total HK\$'000
At 1 April 2003	130,078	2,216	132,294
Profit for the year	—	184	184
At 31 March 2004	<u>130,078</u>	<u>2,400</u>	<u>132,478</u>
At 1 April 2004	130,078	2,400	132,478
Profit for the year	—	780	780
At 31 March 2005	<u>130,078</u>	<u>3,180</u>	<u>133,258</u>

21. Notes to Cash Flow Statement

(a) Reconciliation of operating loss to net cash (outflow)/inflow from operating activities

	2005 HK\$'000	2004 HK\$'000
Operating profit/(loss)	11,284	(14,697)
Interest income	(172)	(264)
Depreciation of owned fixed assets	5,068	4,483
Depreciation of fixed assets held under finance leases	256	249
(Gain)/Loss on disposal of fixed assets	(10)	722
Operating profit/(loss) before working capital changes	<u>16,426</u>	(9,507)
(Increase)/Decrease in inventories	(8,450)	7,001
(Increase) in trade receivables, other receivables, deposits and prepayments	(9,280)	(7,652)
Increase in trade payables, accruals and deposits received and bills payable	2,260	5,396
Effect on foreign exchange rate changes, net	(39)	78
Net cash inflow/(outflow) from operating activities	<u>917</u>	<u>(4,684)</u>



21. Notes to Cash Flow Statement (cont'd)

(b) Analysis of changes in financing during the year

	Obligations under finance leases	
	2005 HK\$'000	2004 HK\$'000
Balance brought forward	634	880
Repayment of capital element of finance leases	(254)	(246)
Balance carried forward	<u>380</u>	<u>634</u>

(c) Major non-cash transactions

The Group entered into finance lease arrangements in respect of fixed assets with total capital value at the inception of the leases of HK\$80,000. No finance leases were entered into by the Group last year.

22. Contingent Liabilities

(a) In August 2001, a subsidiary of the Company ("the Subsidiary") sued one of its customers ("the Defendant") for recovery of an amount of approximately HK\$5,333,000 in respect of goods sold and delivered to the Defendant. In September 2001, the Defendant filed a counter-claim in a sum of approximately HK\$6,148,000 against the Subsidiary for the alleged losses and damages as a result of the alleged breach of the supply agreement entered into between the Defendant and the Subsidiary. The proceedings are still in the pleadings stage and the directors of the Company, on the basis of independent legal advice obtained, consider the Subsidiary has a good arguable case against the Defendant for the counter-claim and accordingly no provision in respect of the amount of the counter-claim has been made in the accounts of the Group.

(b) As at 31 March 2005, the Company had guarantees given to certain banks for banking facilities utilised by certain subsidiaries to the extent of approximately HK\$18,200,000 (2004: HK\$17,000,000).

Apart from the above, the Group and the Company had no material litigation or contingent liabilities as at 31 March 2005 and up to the date of the approval of these accounts.



23. Commitments

Commitments under operating leases

As at 31 March 2005, the Group had future aggregate minimum lease payments under non-cancellable operating leases in respect of land and buildings as follows:

	Group	
	2005	2004
	HK\$'000	HK\$'000
Not later than one year	15,662	15,240
Later than one year and not later than five years	8,170	11,142
	<u>23,832</u>	<u>26,382</u>

The Company did not have any capital or operating lease commitments at 31 March 2005 (2004: Nil).

24. Related Party Transactions

During the year, the Group undertook the following material transactions with Negotiator Consultants Limited ("NCL"), a company in which Mr. TSE Sun Fat, Henry, Mr. TSE Sun Po, Tony, Mr. TSE Sun Lung, Alan, and Mr. WONG Tin Cheung, Ricky have beneficial interests, in the normal course of business at terms mutually agreed between the Group and NCL:

	Group	
	2005	2004
	HK\$'000	HK\$'000
Rental expense paid to NCL	<u>2,500</u>	<u>2,500</u>

25. Ultimate Holding Company

The directors regard Bache Hill Group Limited, a company incorporated in the British Virgin Islands, as being the ultimate holding company.

26. Approval of Accounts

The accounts were approved by the board of directors on 14 July 2005.