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.

The Company is an investment holding company. The principal activities of its subsidiaries are set out in note 14 to the financial statements.

2. BASIS OF PREPARATION

The Group sustained a net loss from ordinary activities attributable to shareholders of HK$19,636,769 (2004: HK$15,524,931) during the year, reported net current liabilities of HK$26,557,653 (2004: HK$29,107,099) as at 31 March 2005, and reported a net cash outflow from operating activities of HK$10,771,124 (2004: HK$11,591,258) for the year.

Notwithstanding concerns on its liquidity concerns as at 31 March 2005, 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) In July 2005, the Company entered into new facility agreements with Mrs. Chong Cheng Man Shan ("Mrs. Chong"), the spouse of Mr. Chong Sing Yuen, to extend the repayment of credit facility of HK$8,000,000 from 31 July 2005 to 31 July 2006 and converted the loan of HK$5,660,000 into a one-year standby facility to 20 July 2006; and

b) On 14 July 2005, the Company entered into a conditional agreement with a subscriber for the subscription of 48,000,000 new shares of HK$0.20 each at a price of HK$0.26 per share for a total of HK$12,480,000, before expenses. The subscription is conditional on the granting of a listing of and permission to deal in the new shares by the Listing Committee of the Stock Exchange of Hong Kong Limited, details of which are set out in note 35 (b) to the financial statements.

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.

2. BASIS OF PREPARATION (continued)

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 immediate 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.

3. PRINCIPAL ACCOUNTING POLICIES

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (which include all applicable Statements of Standard Accounting Practice and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). The financial statements are prepared under the historical cost convention as modified by the revaluation of investment properties and land and buildings. A summary of the significant accounting policies adopted by the Group is set out below.

The Hong Kong Institute of Certified Public Accountants has issued a number of new and revised Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards ("new HKFRSs") which are effective for accounting periods beginning on or after 1 January 2005.

The Company has not early adopted these new HKFRSs in the financial statements for the year ended 31 March 2005. The Group has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a significant impact on its results of operations and financial position.

a) Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31 March 2005. The subsidiaries are those entities in which the Group controls the composition of the board of directors, controls more than half the voting power or holds more than half of the issued share capital or has power to govern the financial and operating policies.

3. PRINCIPAL ACCOUNTING POLICIES (continued)

a) Basis of consolidation (continued)

The results of subsidiaries as 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 goodwill/negative goodwill taken to reserves and which was not previously charged or recognised in the consolidated profit and loss account.

b) Subsidiaries

A subsidiary is a company in which the Group directly or indirectly, controls more than half of its voting power or issued share capital or controls the composition of its board.

Investments in subsidiaries in the balance sheet are stated at cost less any impairment losses, unless it is acquired and held exclusively with a view to subsequent disposal in the near future or operates under severe long-term restrictions which significantly impair its ability to transfer funds to the Company, in which case, it is stated at fair value with changes in fair value recognised in the profit and loss account as they arise. The results of subsidiaries are accounted for to the extent of dividends received and receivable.

c) 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.

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.

3. PRINCIPAL ACCOUNTING POLICIES (continued)

d) 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 basis:

(i) from sale of goods when the significant risks and rewards of ownership have been transferred to the buyer, which generally coincides with the time when the goods are delivered to customers and title has been passed, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold.

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

(iii) management fee, when the services are provided.

(iv) rental income, on a time proportion basis over the lease terms.

e) 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 the 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 acquisition 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.

3. PRINCIPAL ACCOUNTING POLICIES (continued)

e) Goodwill (continued)

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.

f) 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.

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.

3. PRINCIPAL ACCOUNTING POLICIES (continued)

f) Fixed assets and depreciation (continued)

Depreciation is calculated on the straight-line basis to write off the cost or valuation of each asset over its estimated useful lives. 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 fixed assets is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in the profit and loss account.

g) 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.

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 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.

3. PRINCIPAL ACCOUNTING POLICIES (continued)

h) 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.

i) Trade receivable

Provision is made against trade receivable to the extent that they are considered to be doubtful. Trade receivable in the balance sheet is stated net of such provision.

j) 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. PRINCIPAL ACCOUNTING POLICIES (continued)

k) Cash equivalents

Cash and cash equivalents comprise cash and bank balances, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents.

l) 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.

3. PRINCIPAL ACCOUNTING POLICIES (continued)

m) 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.

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 and associates, 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.

3. PRINCIPAL ACCOUNTING POLICIES (continued)

m) Income tax (continued)

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.

n) Borrowing costs

Borrowing costs are interests and other costs incurred in connection with the borrowings of funds. The borrowing costs that are directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial year 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.

o) 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.

3. PRINCIPAL ACCOUNTING POLICIES (continued)

o) Employee benefits (continued)

Employment Ordinance long service payments (continued)

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.

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.

3. PRINCIPAL ACCOUNTING POLICIES (continued)

o) Employee benefits (continued)

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.

p) Translation of 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.

3. PRINCIPAL ACCOUNTING POLICIES (continued)

q) Related parties

Parties are considered to be related to the Company if the Company has the ability, directly, or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the group and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

r) Provisions and contingent liabilities

A provision is recognised when there is present obligation, legal or constructive, as a result of past events and it is probable (i.e. more likely than not) that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed regularly and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

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 company. 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 financial statements. When a change in the probability of an outflow occurs so that the outflow is probable, they will then be recognised as a provision.

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.

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.

4. SEGMENT INFORMATION (continued)

a) Business segments

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

The Group

	Snap off blade cutters		Electronic customer products		Corporate and others		Consolidated	
	2005	2004	**2005**	2004	**2005**	2004	**2005**	2004
	HK$	*HK$*	***HK$***	*HK$*	***HK$***	*HK$*	***HK$***	*HK$*
Segment revenue:								
Sales to external customers	**43,117,145**	47,642,313	**23,640,790**	30,229,484	**3,326,125**	3,129,241	**70,084,060**	81,001,038
Other revenue	**183,075**	923,774	**1,129,375**	673,657	**1,235,707**	1,050,000	**2,548,157**	2,647,431
Total	**43,300,220**	48,566,087	**24,770,165**	30,903,141	**4,561,832**	4,179,241	**72,632,217**	83,648,469
Segment results	**(3,129,999)**	2,888,822	**(9,067,512)**	(11,386,540)	**(4,844,209)**	(4,182,346)	**(17,041,720)**	(12,680,064)
Interest income							**24,059**	21,524
Loss from operating activities							**(17,017,661)**	(12,658,540)
Finance costs							**(2,107,764)**	(2,133,108)
Loss before tax							**(19,125,425)**	(14,791,648)
Tax							**(511,344)**	(733,283)
Net loss from ordinary activities attributable to shareholders							**(19,636,769)**	(15,524,931)

4. SEGMENT INFORMATION (continued)

a) Business segments (continued)

The Group (continued)

	Snap off blade cutters		Electronic customer products		Corporate and others		Consolidated	
	2005	2004	**2005**	2004	**2005**	2004	**2005**	2004
	HK$	*HK$*	***HK$***	*HK$*	***HK$***	*HK$*	***HK$***	*HK$*
Segment assets	**26,055,651**	26,523,484	**102,909,866**	100,972,022	**629,647**	7,096,091	**129,595,164**	134,591,597
Unallocated assets							**–**	459,469
Total assets							**129,595,164**	135,051,066
Segment liabilities	**8,468,191**	9,768,390	**11,177,355**	8,489,229	**7,754,882**	1,449,783	**27,400,428**	19,707,402
Unallocated liabilities							**61,751,688**	55,552,703
Total liabilities							**89,152,116**	75,260,105
Other segment information:								
Depreciation	**682,542**	554,766	**3,024,666**	2,864,280	**27,296**	27,156	**3,734,504**	3,446,202
Provision for bad and doubtful debts	**340,986**	–	**–**	140,000	**–**	–	**340,986**	140,000
Provision for slow-moving and obsolete inventories	**593,072**	–	**686,979**	580,000	**–**	–	**1,280,051**	580,000
Revaluation surplus/(deficit) of investment properties recognised directly in the profit and loss account	**–**	–	**(1,144,990)**	(610,000)	**–**	1,050,000	**(1,144,990)**	440,000
Revaluation surplus of land and buildings recognised directly in the profit and loss account	**125,200**	6,400	**–**	–	**–**	–	**125,200**	6,400
Revaluation surplus/(deficit) of land and buildings recognised directly in equity	**121,600**	(4,399)	**(110,666)**	700,977	**–**	–	**10,934**	696,578
Capital expenditure	**539,594**	1,031,778	**825,664**	4,614,867	**4,180**	–	**1,369,438**	5,646,645

4. SEGMENT INFORMATION (continued)

b) Geographical segments

The Group

	Hong Kong		Mainland China		Europe		North America		East Asia		Others		Consolidated	
	2005	2004	**2005**	2004	**2005**	2004	**2005**	2004	**2005**	2004	**2005**	2004	**2005**	2004
	HK$	*HK$*	***HK$***	*HK$*	***HK$***	*HK$*	***HK$***	*HK$*	***HK$***	*HK$*	***HK$***	*HK$*	***HK$***	*HK$*
Segment revenue														
Sales to external customers	**25,312,246**	33,972,767	**7,821,107**	1,723,538	**13,593,866**	19,831,606	**14,357,419**	10,461,465	**3,606,375**	5,694,548	**5,393,047**	9,317,114	**70,084,060**	81,001,038

	Hong Kong		Mainland China		Consolidated	
	2005	2004	**2005**	2004	**2005**	2004
	HK$	*HK$*	***HK$***	*HK$*	***HK$***	*HK$*
Other segment information						
Segment assets	**24,099,050**	30,392,210	**105,496,114**	104,199,387	**129,595,164**	134,591,597
Capital expenditure	**173,178**	1,010,939	**1,196,260**	4,635,706	**1,369,438**	5,646,645

5. TURNOVER AND OTHER REVENUE

	2005	2004
	HK$	*HK$*
Turnover		
Sale of snap off blade cutters*	**43,117,145**	47,642,313
Sale of electronic consumer products*	**23,640,790**	30,229,484
Gross rental income	**3,326,125**	3,129,241
	70,084,060	81,001,038
Other revenue		
Gain on disposal of investment property	**1,093,960**	–
Revaluation surplus of investment properties	**–**	440,000
Revaluation surplus of land and buildings	**125,200**	6,400
Interest income	**24,059**	21,524
Sundry income	**1,328,997**	2,201,031
	2,572,216	2,668,955
Total revenue	**72,656,276**	83,669,993

* The amounts were net of trade returns and discounts.

6. LOSS FROM OPERATING ACTIVITIES

Loss from operating activities is stated after charging the following:

	2005	2004
	HK$	*HK$*
Auditors' remuneration	**314,018**	480,000
Cost of inventories sold	**64,855,361**	70,651,252
Staff costs (including directors' remuneration)		
– Wages and salaries	**21,285,241**	22,834,033
– Pensions scheme contribution	**334,877**	660,126
	21,620,118	23,494,159
Depreciation		
– Owned assets	**3,589,296**	3,045,984
– Assets held under finance leases	**145,208**	400,218
Exchange loss, net	**192,170**	523,587
Minimum lease payments under operating leases for motor vehicles	**474,000**	474,000
Provision for bad and doubtful debts	**340,986**	140,000
Provision for slow-moving and obsolete inventories	**1,280,051**	580,000
Deficit on revaluation of investment properties	**1,144,990**	–

7. FINANCE COSTS

	2005	2004
	HK$	*HK$*
Interest expenses on bank loans, overdrafts and other loans wholly repayable within 5 years	**2,015,696**	1,788,733
Interest expenses on bank loans wholly repayable after 5 years	**81,742**	261,174
Interest on finance leases	**10,326**	83,201
	2,107,764	2,133,108

8. TAX

Hong Kong profits tax has been provided at the rate of 17.5% (2004: 17.5%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

	The Group	
	2005	2004
	HK$	*HK$*
Current – Hong Kong		
Charge for the year	**12,317**	251,000
Current – Mainland China		
Charge for the year	**49,600**	91,426
	61,917	342,426
Deferred tax *(note 26)*	**449,427**	390,857
Total tax charge for the year	**511,344**	733,283

8. TAX (continued)

A reconciliation of the tax expense applicable to profit/(loss) before tax using the statutory tax rates for the countries in which the Company and its subsidiaries are domiciled to the tax expense is as follows:

The Group

	Hong Kong		Mainland China		Total	
	2005	2004	**2005**	2004	**2005**	2004
	HK$	*HK$*	***HK$***	*HK$*	***HK$***	*HK$*
Profit/(loss) before tax	**(21,943,276)**	(13,780,210)	**2,817,851**	(1,011,438)	**(19,125,425)**	(14,791,648)
Tax at the statutory tax rates	**(3,840,074)**	(2,411,536)	**929,890**	(333,775)	**(2,910,184)**	(2,745,311)
Lower tax rates for specific provinces or local authority	**–**	–	**(111,131)**	201,918	**(111,131)**	201,918
Income not subject to tax	**(239,956)**	(510,142)	**(698,521)**	–	**(938,477)**	(510,142)
Expenses not deductible for tax purpose	**630**	180,188	**–**	578,779	**630**	758,967
Tax losses not recognised as deferred tax assets	**4,106,935**	3,027,851	**–**	–	**4,106,935**	3,027,851
Utilisation of previously unrecognised tax losses	**(86,808)**	–	**–**	–	**(86,808)**	–
Reversal of recognised deferred tax assets	**446,126**	–	**–**	–	**446,126**	–
Unrecognised temporary difference	**4,253**	–	**–**	–	**4,253**	–
Tax charge	**391,106**	286,361	**120,238**	446,922	**511,344**	733,283

9. DIRECTORS' REMUNERATION

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

	The Group	
	2005	2004
	HK$	*HK$*
Fees		
Independent non-executive directors	**159,998**	200,000
Other emoluments		
Executive directors		
– Salaries, allowances and benefits in kind	**7,559,671**	7,965,398
– Provident fund contribution	**103,848**	119,430
	7,663,519	8,084,828
	7,823,517	8,284,828

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

	Number of directors	
	2005	2004
Nil to HK$1,000,000	**12**	9
HK$5,000,001 to HK$5,500,000	**1**	1
	13	10

10. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included two (2004: three) directors, details of whose remuneration are set out in note 9 above. Details of the remuneration of the remaining three (2004: two) non-director, highest paid employees are as follows:

	The Group	
	2005	2004
	HK$	*HK$*
Salaries, allowances and benefits in kind	**1,967,161**	1,723,007
Pension scheme contributions	**34,406**	24,000
	2,001,567	1,747,007

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

	Number of employees	
	2005	2004
Nil to HK$1,000,000	**2**	1
HK$1,000,001 to HK$1,500,000	**1**	1
	3	2

11. NET LOSS FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS

The net loss from ordinary activities attributable to shareholders for the year ended 31 March 2005 dealt with in the financial statements of the Company was HK$6,704,772 (2004: HK$6,561,571).

12. LOSS PER SHARE

The calculation of basic loss per share is based on the net loss from ordinary activities attributable to shareholders for the year of HK$19,636,769 (2004: HK$15,524,931) and the weighted average of 4,846,403,321 (2004: 4,548,528,197) ordinary shares in issue during the year.

Diluted loss per share for the years ended 31 March 2005 and 2004 has not been disclosed as the impact of the potential ordinary shares was anti-dilutive.

13. FIXED ASSETS

The Group

	Investment properties	Land and buildings	Leasehold improvements	Plant and machinery	Furniture and fixtures	Motor vehicles	Total
	HK$	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*
Cost or valuation							
At 1/4/2004	47,961,000	43,719,000	8,744,150	31,282,973	10,656,866	1,375,597	143,739,586
Additions	–	–	–	1,323,769	45,669	–	1,369,438
Disposal	(6,000,000)	–	–	–	–	–	(6,000,000)
Deficit on revaluation	(1,144,990)	(955,010)	–	–	–	–	(2,100,000)
At 31/3/2005	40,816,010	42,763,990	8,744,150	32,606,742	10,702,535	1,375,597	137,009,024
At cost	–	–	8,744,150	32,606,742	10,702,535	1,375,597	53,429,024
At valuation	40,816,010	42,763,990	–	–	–	–	83,580,000
At 31/3/2005	40,816,010	42,763,990	8,744,150	32,606,742	10,702,535	1,375,597	137,009,024
Accumulated depreciation							
At 1/4/2004	–	–	4,457,008	28,729,266	10,026,018	1,375,597	44,587,889
Charge for the year	–	1,091,144	1,182,774	953,395	507,191	–	3,734,504
Eliminated on revaluation	–	(1,091,144)	–	–	–	–	(1,091,144)
At 31/3/2005	–	–	5,639,782	29,682,661	10,533,209	1,375,597	47,231,249
Net book value							
At 31/3/2005	40,816,010	42,763,990	3,104,368	2,924,081	169,326	–	89,777,775
At 31/3/2004	47,961,000	43,719,000	4,287,142	2,553,707	630,848	–	99,151,697

13. FIXED ASSETS (continued)

The Company

	Furniture and fixtures
	HK$
Cost	
At 1/4/2004	135,782
Additions	4,180
At 31/3/2005	139,962
Accumulated depreciation	
At 1/4/2004	78,284
Charge for the year	27,296
At 31/3/2005	105,580
Net book value	
At 31/3/2005	34,382
At 31/3/2004	57,498

The net book value of the Group's fixed assets held under finance leases included in the total amount of plant and machinery at 31 March 2005 was HK$427,466 (2004: HK$1,705,274).

The Group's land and buildings were revalued individually on 31 March 2005 by Castores Magi (Hong Kong) Limited, independent professionally qualified valuers, at an aggregate open market value of HK$6,460,000 based on their existing use, and at HK$36,303,990 using the depreciated replacement cost method, as appropriate. Revaluation surplus of HK$121,600 (2004: surplus of HK$696,578) and revaluation surplus of HK$125,200 (2004: surplus of HK$6,400), resulting from the above valuations, have been credited to the land and buildings revaluation reserve and the 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$28,887,455 (2004: HK$29,797,575).

13. FIXED ASSETS (continued)

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

		Hong Kong		Mainland China		Total	
		2005	2004	**2005**	2004	**2005**	2004
	Notes	***HK$***	*HK$*	***HK$***	*HK$*	***HK$***	*HK$*
At valuation:							
Long term leases	(i)	**6,460,000**	6,340,000	**–**	–	**6,460,000**	6,340,000
Medium term leases	(ii)	**–**	–	**36,303,990**	37,379,000	**36,303,990**	37,379,000
		6,460,000	6,340,000	**36,303,990**	37,379,000	**42,763,990**	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, expect 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 are held in Mainland China under medium-term leases.

The Group's investment properties were revalued on 31 March 2005 by Castores Magi (Hong Kong) Limited, independent professionally qualified valuers, at HK$40,816,010 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 33(a) to the financial statements.

At 31 March 2005, the Group's investment properties with a value of HK$40,816,010 (2004: HK$47,961,000) and the Group's land and buildings with a net book value of HK$26,105,881 (2004: HK$34,396,469) were pledged to secure general banking facilities granted to the Group (note 32).

14. INTEREST IN SUBSIDIARIES

	The Company	
	2005	2004
	HK$	*HK$*
Unlisted shares, at cost	**35,741,016**	35,741,016
Due from subsidiaries	**67,846,342**	69,320,052
Due to subsidiaries	**(13,388,346)**	(15,518,083)
	90,199,012	89,542,985
Provision for impairment	**(35,757,296)**	(35,757,296)
	54,441,716	53,785,689

Notes:

a) The amounts are interest free, unsecured and have no fixed terms of repayment.

14. INTEREST IN SUBSIDIARIES (continued)

b) Particulars of the principal subsidiaries are as follows:

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

15. INTEREST IN ASSOCIATES

	The Group	
	2005	2004
	HK$	*HK$*
Share of net assets	**–**	–
Due from associates	**16,025,387**	16,025,387
	16,025,387	16,025,387
Provision for impairment	**(16,025,387)**	(16,025,387)
	–	–

Notes:

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

b) 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
Genfield Enterprises Limited *	Corporate	Hong Kong	50	Investment holding and sale of printed circuit boards
Genfield PCB (Panyu) Company Limited *	Corporate	Mainland China	50	Manufacture of printed circuit boards

* Not audited by CCIF CPA Limited

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

16. INVENTORIES

	The Group	
	2005	2004
	HK$	*HK$*
Raw materials	**12,867,535**	10,679,308
Work-in-progress	**3,167,594**	2,425,270
Finished goods	**4,434,475**	1,802,775
	20,469,604	14,907,353

The carrying amount of inventories (included above) that stated at net realisable value is approximately HK$8,824,283 (2004: HK$Nil).

17. TRADE AND BILLS RECEIVABLES

The Group generally allows an average credit period of 60 days to its customers.

A longer credit period may be granted to 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:

	The Group	
	2005	2004
	HK$	*HK$*
Within 60 days	**6,783,415**	6,659,435
61 to 90 days	**727,044**	57,701
Over 91 days	**2,879,001**	892,646
	10,389,460	7,609,782

18. CASH AND BANK BALANCES

	The Group		The Company	
	2005	2004	**2005**	2004
	HK$	*HK$*	***HK$***	*HK$*
Cash and bank balances	**4,199,721**	1,690,698	**255,285**	22,831
Pledged time deposits	**500,000**	5,000,000	**–**	–
	4,699,721	6,690,698	**255,285**	22,831
Less: Pledged time deposits	**(500,000)**	(5,000,000)	**–**	–
	4,199,721	1,690,698	**255,285**	22,831

At the balance sheet date, the cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to HK$795,257 (2004: HK$1,130,000). 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.

19. TRADE PAYABLES

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

	The Group	
	2005	2004
	HK$	*HK$*
Within 60 days	**6,530,879**	6,033,316
61 to 90 days	**1,425,517**	292,778
Over 91 days	**3,127,004**	3,438,341
	11,083,400	9,764,435

20. INTEREST-BEARING BANK AND OTHER BORROWINGS

	The Group		The Company	
	2005	2004	**2005**	2004
	HK$	*HK$*	***HK$***	*HK$*
Bank overdrafts				
– secured	**501,276**	4,214,102	**–**	–
– unsecured	**–**	40,892	**–**	–
	501,276	4,254,994	**–**	–
Short-term bank loans, secured	**22,069,406**	30,216,330	**–**	–
Current portion of long-term bank loans *(Note 21)*	**224,039**	6,555,721	**–**	–
Other short-term loans, unsecured	**377,358**	1,500,000	**–**	1,500,000
	23,172,079	42,527,045	**–**	1,500,000

21. INTEREST-BEARING LONG-TERM BANK BORROWINGS

	The Group	
	2005	2004
	HK$	*HK$*
Secured bank loans repayable:		
Within one year	**224,039**	6,555,721
In the second year	**16,244,301**	953,735
In the third to fifth years, inclusive	**860,262**	1,974,533
Beyond five years	**336,646**	1,817,147
	17,665,248	11,301,136
Portion classified as current liabilities *(Note 20)*	**(224,039)**	(6,555,721)
Non-current portion	**17,441,209**	4,745,415

22. 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:

	The Group			
	Minimum lease payments		Present value of minimum lease payments	
	2005	2004	**2005**	2004
	HK$	*HK$*	***HK$***	*HK$*
Within one year	**238,560**	687,297	**229,914**	636,399
In the second year	**11,830**	461,874	**9,178**	449,708
In the third to fifth years, inclusive	**–**	160,854	**–**	144,734
	250,390	1,310,025	**239,092**	1,230,841
Less: Future finance charges	**(11,298)**	(79,184)		
Present value of lease obligations	**239,092**	1,230,841		
Portion classified as current liabilities	**(229,914)**	(636,399)		
Non-current portion	**9,178**	594,442		

23. DUE TO RELATED PARTIES

	The Group		The Company	
	2005	2004	**2005**	2004
	HK$	*HK$*	***HK$***	*HK$*
Mrs. Chong Cheng Man Shan	**14,270,547**	1,471,698	**5,660,000**	–
Mr. Chong Chun Chung	**–**	250,000	**–**	–
	14,270,547	1,721,698	**5,660,000**	–

Mrs. Chong is Mr. Chong Sing Yuen's wife and Mr. Chong Chun Chung is Mr. Chong Sing Yuen's son.

On 1 April 2004, Tung Hing Products Company Limited, a wholly-owned subsidiary of the Group, entered into a facility agreement with Mrs. Chong pursuant to which Mrs. Chong 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 was to enable the Group to have sufficient funds for its operations. The Facility was unsecured and interest free. On 21 July 2005, the Company signed a new facility agreement with Mrs. Chong to extend the Facility to 31 July 2006.

On 23 July 2004, the Company entered into a loan agreement with Mrs. Chong pursuant to which Mrs. Chong agreed to grant to the Company a loan of HK$5,660,000 for repayment of a short term bank loan of the Group matured in August 2004. The loan is unsecured, interest free and 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 aforesaid mentioned short term bank loan. On 21 July 2005, the Company entered into a facility agreement with Mrs. Chong pursuant to which the loan of HK$5,660,000 was renewed to a one-year standby facility to 20 July 2006.

In addition, Mrs. Chong also made advance of HK$610,547 (2004: HK$1,471,698) to the Group as at 31 March 2005. The advance was unsecured, interest free and without fixed terms of repayment.

24. DUE FROM/TO ASSOCIATES

The amounts were unsecured, interest free and without fixed terms of repayment.

25. DUE TO DIRECTORS

The amounts were unsecured, interest free and repayable on demand.

26. DEFERRED TAXATION

a) Deferred tax assets and liabilities recognised

The components of deferred tax (assets)/liabilities recognised in the consolidated balance sheet and the movements during the year are as follows:

	Accelerated tax depreciation	Fair value adjustments arising from acquisition of subsidiaries	Revaluation of properties	Total
	HK$	*HK$*	*HK$*	*HK$*
At 1 April 2003	501,207	169,485	(5,449,061)	(4,778,369)
Deferred tax credited to equity	–	–	255,446	255,446
Deferred tax charged to the profit and loss account	(386,148)	–	(4,709)	(390,857)
At 31 March 2004	115,059	169,485	(5,198,324)	(4,913,780)
At 1 April 2004	115,059	169,485	(5,198,324)	(4,913,780)
Deferred tax credited to equity	–	–	36,520	36,520
Deferred tax charged to the profit and loss account	(162,918)	–	(286,509)	(449,427)
At 31 March 2005	(47,859)	169,485	(5,448,313)	(5,326,687)

26. DEFERRED TAXATION (continued)

a) Deferred tax assets and liabilities recognised (continued)

	2005	2004
	HK$	*HK$*
Net deferred tax assets recognised on the balance sheet	**–**	459,469
Net deferred tax liabilities recognised on the balance sheet	**(5,326,687)**	(5,373,249)
	(5,326,687)	(4,913,780)

b) Deferred tax assets not recognised

The Group has tax losses arising in Hong Kong of HK$85,393,656 (2004: HK$65,251,262) 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 2005, there is no significant unrecognised deferred tax liability (2004: 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.

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

27. ISSUED CAPITAL

	2005		2004	
	No. of shares	Amount *HK$*	No. of shares	Amount *HK$*
Authorised:				
Ordinary shares of HK$0.01 each	**30,000,000,000**	**300,000,000**	30,000,000,000	300,000,000
Issued and fully paid:				
At beginning of the year	**4,803,807,705**	**48,038,077**	4,544,457,705	45,444,577
Share options exercised	**66,150,000**	**661,500**	259,350,000	2,593,500
At end of the year	**4,869,957,705**	**48,699,577**	4,803,807,705	48,038,077

During the year, the subscription rights attaching to 66,150,000 (2004: 259,350,000) share options were exercised at the subscription price of HK$0.01 (2004: HK$0.01) per share (note 28), resulting in the issue of 66,150,000 (2004: 259,350,000) shares of HK$0.01 each for a total cash consideration before expenses of HK$661,500 (2004: HK$2,593,500).

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.

28. SHARE OPTION SCHEME (continued)

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

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to 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 2004	Granted during the year	Exercised during the year	Lapsed during the year	Cancelled during the year	At 31 March 2005	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$
			Number of share options							
Directors										
Mr. Chong Sing Yuen	3,350,000	–	(3,350,000)	–	–	–	30-10-2002	30-10-2002 to 29-10-2012	0.01	0.022
Mr. Sun Tak Yan, Desmond	35,000,000	–	(35,000,000)	–	–	–	30-10-2002	30-10-2002 to 29-10-2012	0.01	0.015
Mr. Wong Siu Keung, Joe	35,000,000	–	(18,000,000)	–	–	17,000,000	30-10-2002	30-10-2002 to 29-10-2012	0.01	0.028
Mr. Chu Bu Yang, Alexander	4,500,000	–	(4,500,000)	–	–	–	30-10-2002	30-10-2002 to 29-10-2012	0.01	0.028
	77,850,000	–	(60,850,000)	–	–	17,000,000				
Employees										
Mrs. Chong Cheng Man Shan*	1,150,000	–	(1,150,000)	–	–	–	30-10-2002	30-10-2002 to 29-10-2012	0.01	0.014
Other employees	6,450,000	–	(4,150,000)	–	–	2,300,000	31-10-2002	31-10-2002 to 30-10-2012	0.01	0.024
	7,600,000	–	(5,300,000)	–	–	2,300,000				
Total	85,450,000	–	(66,150,000)	–	–	19,300,000				

* 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.

The 66,150,000 share options exercised during the year resulted in the issue of 66,150,000 ordinary shares of the Company and new share capital of HK$661,500 as detailed in note 27 to the financial statements.

28. SHARE OPTION SCHEME (continued)

At the balance sheet date, the Company had 19,300,000 (2004: 85,450,000) share options outstanding under the Scheme which represented approximately 0.4% (2004: 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 19,300,000 (2004: 85,450,000) additional ordinary shares of the Company and additional share capital of HK$193,000 (2004: HK$854,500).

29. RESERVES

(a) The 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 28 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 2004 and 31 March 2005. 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) The Company

	Share premium account	Accumulated losses	Total
	HK$	*HK$*	*HK$*
At 1 April 2003	24,482,848	(12,931,866)	11,550,982
Net loss for the year	–	(6,561,571)	(6,561,571)
At 31 March 2004	24,482,848	(19,493,437)	4,989,411
At 1 April 2004	24,482,848	(19,493,437)	4,989,411
Expenses incurred in an open offer	(420,098)	–	(420,098)
Net loss for the year	–	(6,704,772)	(6,704,772)
At 31 March 2005	24,062,750	(26,198,209)	(2,135,459)

The Company had no reserves available for distribution as at 31 March 2005.

30. MAJOR NON-CASH TRANSACTIONS

During the year ended 31 March 2004, the Group entered into finance lease arrangements in respect of fixed assets with a capital value at the inception of the leases of HK$1,010,000.

31. 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 had a beneficial interest:

(i) During the year, the Group made rental payments of approximately HK$474,000 (2004: 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 33(b) to the financial statements.

31. RELATED PARTY TRANSACTIONS (continued)

(ii) As at 31 March 2005, Twin Base pledged certain of its property interests to a bank to secure credit facilities to the extent of HK$12,899,980 (2004: HK$12,899,980) granted to the Group.

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

		The Group	
		2005	2004
	Notes	***HK$***	*HK$*
Purchases of raw materials from an associate	(i)	**673,993**	485,473
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 ended 31 March 2004, the Group advanced HK$3,000,000 to its associates. These advances were unsecured, interest free and repayable on demand. During the year ended 31 March 2005, the associates repaid the HK$3,000,000 to the Group. In addition, the amounts due to associates as at 31 March 2005 were HK$1,655,405 which comprised trade payables and current account balances. The balances were unsecured, interest free and without fixed terms of repayment.

(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 (2004: HK$1,500,000) granted to the Company. In May 2004, the Company repaid the credit facilities and the guarantees were released.

31. RELATED PARTY TRANSACTIONS (continued)

(d) During the year, Mrs. Chong, the spouse of Mr. Chong Sing Yuen, granted a credit facility of HK$8,000,000 and a loan of HK$5,660,000 to the Group, the details of which are set out in note 23 to the financial statements. In addition, Mrs. Chong advanced HK$610,547 (2004: HK$1,471,698) to the Group. The advances were unsecured, interest free and without fixed terms of repayment.

(e) During the year, Mr. Chong Chun Kwok, Piggy, a director of the Company and a son of Mr. Chong Sing Yuen advanced HK$3,650,000 (2004: NIL) to the Group. The advances were unsecured, interest free and without fixed terms of repayment.

(f) During the year ended 31 March 2004, Mr. Chong Chun Chung, a son of Mr. Chong Sing Yuen advanced HK$250,000 to the Group. The advances were unsecured, interest free and repayable on demand. During the year ended 31 March 2005, the Group repaid HK$250,000 to Mr. Chong Chun Chung.

(g) During the year ended 31 March 2004, Mr. Chong Sing Yuen advanced shareholder's loans of approximately HK$5,992,000 in aggregate to the Group. These shareholders loans were unsecured, interest free and were fully repaid during the year ended 31 March 2004.

32. BANKING FACILITIES

As at 31 March 2005, the banking facilities of the Group were secured by the following:

a) Pledged time deposits of HK$500,000 (2004: HK$5,000,000).

b) Investment properties of HK$40,816,100 (2004: HK$47,910,000) and land and buildings of HK$26,105,881(2004:HK$34,396,469).

c) Trade receivables of HK$941,940 (2004: Nil).

d) Guarantees provided by directors of the Company.

33. OPERATING LEASE ARRANGEMENT

a) The Group as lessor:

The Group leases its investment properties under operating lease arrangements, with leases negotiated for terms ranging from one to ten years. The terms of the leases generally require the tenants to pay security deposits. At the balance sheet date, the Group had total future minimum lease payments receivable under non-cancellable operating leases with its tenants falling due as follows:

	2005	2004
	HK$	*HK$*
Not later than one year	**2,971,753**	3,405,266
In the second to fifth years, inclusive	**6,931,241**	9,284,548
Over five years	**2,312,597**	3,017,770
	12,215,591	15,707,584

b) The Group as lessee:

The Company leases a motor vehicle under an operating lease arrangement. The lease for the motor vehicle was negotiated for a term of one year. At the balance sheet date, the Group had total future minimum lease payments under the non-cancellable operating lease falling due as follows:

	The Group and the Company	
	2005	2004
	HK$	*HK$*
Within one year	**197,500**	197,500

34. CONTINGENT LIABILITIES

a) The Group

The Group had 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 approximately HK$275,000 (2004: HK$279,000) as at 31 March 2005, as further explained under the heading "Employee benefits" in note 3(o) to the financial statements. At the balance sheet date, a number of current employees achieved the required number of years of service in the Group to be eligible for long service payments under the Employment Ordinance should their employment be 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.

b) The Company

At the balance sheet date, the Company had given guarantees to banks in connection with banking facilities granted to certain subsidiaries amounted to HK$55,201,866 (2004: HK$88,137,723).

35. POST BALANCE SHEET DATE EVENTS

a) Pursuant to an ordinary resolutions passed at the special general meeting on 4 May 2005, every twenty ordinary shares of HK$0.01 each in the issued and unissued share capital were consolidated into one ordinary share of HK$0.20 each. Upon completion of the share consolidation, the authorised share capital of the Company remained at HK$300,000,000, but divided into 1,500,000,000 shares of HK$0.20 each. Immediately after the share consolidation, the Company had 243,497,885.25 issued shares of HK$0.20 each.

In addition, the number of shares issuable under each outstanding options granted under the Company's share option scheme was reduced by 95% and the exercise price of HK$0.01 per share under the share option scheme was increased to HK$0.20 per share.

b) On 14 July 2005, the Company and an independent subscriber entered into a conditional agreement for the subscription of 48,000,000 new shares of HK$0.20 each at a price of HK$0.26 per share for a total of HK$12,480,000. The net proceeds from the subscription of approximately HK$12.28 million will be used as general working capital. The subscription is conditional on the granting of a listing of and permission to deal in the new shares by the Listing Committee of the Stock Exchange of Hong Kong Limited. If the condition is not fulfilled on or before 3 August 2005 (or such other date as the parties may mutually agree) the subscription agreement will lapse. Details of the subscription were disclosed in the Company's announcement dated 15 July 2005.