1. CORPORATE INFORMATION

The principal place of business of the Company is located at 18/F, Tesbury Centre, 28 Queen's Road East, Hong Kong.

The principal activities of the Group during the year were the manufacturing and trading of plastic products, including PVC films and PVC floor coverings. During the year, the Group disposed of and discontinued its business of manufacturing and trading of PVC floor coverings, further details of which are set out in note 5 to the financial statements. There were no other changes in the nature of the Group's principal activities during the year.

2. BASIS OF PRESENTATION

The Group recorded a net loss of approximately HK$27,131,000 for the year ended 31 March 2005 and had net current liabilities and deficiency in assets at the balance sheet date of approximately HK$7,409,000 and HK$9,646,000, respectively. Notwithstanding that, the financial statements have been prepared on the assumption that the Group will continue to operate as a going concern in the foreseeable future.

During the year, Wealthguard Investment Limited ("Wealthguard"), an independent third party investor, acquired from the Group's bank creditors in Hong Kong (the "Participating Banks") most of the Group's indebtedness under the Rescheduling and Restructuring Deed dated 30 May 2002, including the secured term loan of HK$36 million (note 26) and two tranches of convertible bonds of HK$40 million (the "First CBs") and HK$50.4 million (the "Second CBs") (note 29), respectively. On 22 December 2004, Wealthguard exercised the conversion right and converted the First CBs into 800,000,000 ordinary shares of HK$0.01 each in the Company at a conversion price of HK$0.05.

The following events have taken place subsequent to the balance sheet date:

(a) On 22 April 2005, Wealthguard placed 682,000,000 ordinary shares of HK$0.01 each in the Company to certain independent investors at HK$0.04 per share. On the same day, the Company allotted and issued 682,000,000 new shares to Wealthguard at HK$0.04 per share, with net proceeds of approximately HK$27.3 million. Out of the net proceeds of approximately HK$27.3 million, HK$24.9 million was applied to partially settle the HK$36 million secured term loan due to Wealthguard. The remaining unsettled balance of HK$11.1 million was waived by Wealthguard subsequently.

(b) On 23 June 2005, Wealthguard exercised the right to convert the Second CBs of HK$50,414,704 into 252,073,520 ordinary shares of HK$0.01 each in the Company at a conversion price of HK$0.2.

2. BASIS OF PRESENTATION (Cont'd)

A summary pro forma consolidated net assets statement of the Group, which is based on the audited consolidated net assets of the Group as at 31 March 2005 and adjusted as if the financing measures effected after 31 March 2005 as set out above had taken place on 31 March 2005, is presented below.

		Pro forma adjustments			
	At 31 March 2005	Issue of shares	Repayment and waiver of secured term loan	Conversion of convertible bonds	Pro forma
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
		(note (a))	(note (a))	(note (b))	
Non-current assets	106,193	–	–	–	106,193
Current assets	88,822	27,280	(24,900)	–	91,202
Current liabilities	(96,231)	–	13,500	–	(82,731)
Net current assets/(liabilities)	(7,409)	–	–	–	8,471
Non-current liabilities	(103,999)	–	22,500	50,415	(31,084)
Minority interests	(4,431)	–	–	–	(4,431)
Net assets value/(deficiency in assets)	(9,646)	27,280	11,100	50,415	79,149
Issued capital	42,112	6,820	–	2,521	51,453
Reserves	(51,758)	20,460	11,100	47,894	27,696
	(9,646)	27,280	11,100	50,415	79,149

In addition, the Group disposed of its entire equity interest in Beijing William Shun Plastic Products Company Limited ("BJWS''), a 51%-owned subsidiary, which has been loss-making in recent years. The directors have also been taking ongoing action to tighten cost controls over factory overheads and various general and administrative expenses, including the strict monitoring of the Group's accounts receivable and payable.

2. BASIS OF PRESENTATION (Cont'd)

In the opinion of the directors, in light of the various measures/arrangements implemented to date and the ongoing support of the Group's creditors, the Group will have sufficient working capital for its current requirements and it is reasonable to expect the Group to return to a commercially viable concern. Accordingly, the directors are satisfied that it is appropriate to prepare the financial statements on a going concern basis, notwithstanding the Group's financial position and tight liquidity as at 31 March 2005.

3. IMPACT OF RECENTLY ISSUED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

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, hereinafter collectively referred to as the new HKFRSs, which are generally effective for accounting periods beginning on or after 1 January 2005. The Group 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 the new HKFRSs would have a significant impact on its result of operations and financial positions.

HKFRS 3 "Business combinations" applies to accounting for business combinations for which the agreement date is on or after 1 January 2005. The Group did not have any business combinations during the year and, accordingly, this HKFRS has had no impact on these financial statements.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (which also includes 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 disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for the periodic remeasurement of certain fixed assets as further explained below.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 March 2005. The results of subsidiaries acquired or disposed of during the year are consolidated from or to their effective dates of acquisition or disposal, respectively. All significant intercompany transactions and balances within the Group are eliminated on consolidation.

Minority interests represent the interests of outside shareholders in the results and net assets of the Company's subsidiaries.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Subsidiaries

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

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

Joint venture companies

A joint venture company is a company set up by contractual arrangement, whereby the Group and other parties undertake an economic activity. The joint venture company operates as a separate entity in which the Group and the other parties have an interest.

The joint venture agreement between the venturers stipulates the capital contributions of the joint venture parties, the duration of the joint venture and the basis on which the assets are to be realised upon its dissolution. The profits and losses from the joint venture company's operations and any distributions of surplus assets are shared by the venturers, either in proportion to their respective capital contributions, or in accordance with the terms of the joint venture agreement.

A joint venture company is treated as:

(a) a subsidiary, if the Company has unilateral control, directly or indirectly, over the joint venture company;

(b) a jointly-controlled entity, if the Company does not have unilateral control, but has joint control, directly or indirectly, with other joint venture parties over the joint venture company;

(c) an associate, if the Company does not have unilateral or joint control, but holds, directly or indirectly, generally not less than 20% of the joint venture company's share or registered capital and is in a position to exercise significant influence over the joint venture company; or

(d) a long term investment, if the Company holds, directly or indirectly, less than 20% of the joint venture company's share or registered capital, and neither has joint control of, nor is in a position to exercise significant influence over, the joint venture company.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Jointly-controlled entities

A jointly-controlled entity is a joint venture company which is subject to joint control, resulting in none of the participating parties having unilateral control over the economic activity of the jointly-controlled entity.

The Group's share of the post-acquisition results and reserves of jointly-controlled entities is included in the consolidated profit and loss account and consolidated reserves, respectively. The Group's interests in jointly-controlled entities 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.

Negative goodwill

Negative goodwill arising on the acquisition of subsidiaries and jointly-controlled entities represents the excess of the Group's share of the fair values of the identifiable assets and liabilities acquired as at the date of acquisition, over the cost of the acquisition.

To the extent that negative goodwill relates to expectations of future losses and expenses that are identified in the acquisition plan and that can be measured reliably, but which do not represent identifiable liabilities as at the date of acquisition, that portion of negative goodwill is recognised as income in the consolidated profit and loss account when the future losses and expenses are recognised.

To the extent that negative goodwill does not relate to identifiable expected future losses and expenses as at the date of acquisition, negative goodwill is recognised in the consolidated profit and loss account on a systematic basis over the remaining average useful life of the acquired depreciable/amortisable assets. The amount of any negative goodwill in excess of the fair values of the acquired non-monetary assets is recognised as income immediately.

In the case of jointly-controlled entities, any negative goodwill not yet recognised in the consolidated profit and loss account is included in the carrying amount thereof, rather than as a separately identified item on the consolidated balance sheet.

Prior to the adoption of SSAP 30 "Business combinations" in 2001, negative goodwill arising on acquisitions was credited to the capital reserve in the year of acquisition. On the adoption of SSAP 30, the Group applied the transitional provision of the SSAP that permitted such negative goodwill to remain credited to the capital reserve. Negative goodwill on acquisitions subsequent to the adoption of the SSAP is treated according to SSAP 30 negative goodwill accounting policy above.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Negative goodwill (Cont'd)

On disposal of subsidiaries and jointly-controlled entities, the gain or loss on disposal is calculated by reference to the net assets at the date of disposal, including the attributable amount of negative goodwill which has not been recognised in the consolidated profit and loss account and any relevant reserves as appropriate. Any attributable negative goodwill previously credited to the capital reserve at the time of acquisition is written back and included in the calculation of the gain or loss on disposal.

Related parties

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

Impairment of assets

An assessment is made at each balance sheet date to determine whether there is any indication of impairment of assets, 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 and 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.

4. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)**

Fixed assets and depreciation

Fixed assets 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 are dealt with as movements in the asset revaluation reserve. If the total of this reserve is insufficient to cover a deficit, on an individual asset basis, the excess of the deficit is charged to the 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 asset revaluation reserve realised in respect of previous valuations is transferred to retained profits as a movement in reserves.

Depreciation is calculated on the straight-line basis to write off the cost or valuation of each asset, less any estimated residual value, over its estimated useful life, as follows:

Leasehold land and buildings outside Hong Kong	Over the lease terms
Leasehold improvements	5 to 10 years or over the lease terms, whichever is shorter
Plant and machinery	2 to 15 years
Furniture, fixtures, equipment and motor vehicles	3 to 5 years

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

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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Leased assets (Cont'd)

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 lessee, rentals payable under the operating leases are charged to the profit and loss account on the straight-line basis over the lease terms.

Long term investments

Long term investments represent the Group's interests in its former subsidiary in Mainland China which are intended to be held on a long term basis. They are stated at their carrying value at the time of their transfer to long term investments less (i) amortisation for the investment amounts which will be recovered through the receipt of subcontracting fees from the joint venture partner over the subcontracting period; and (ii) any impairment losses, on an individual investment basis.

Inventories

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

Cash and cash equivalents

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

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

Provisions

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

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 interests in jointly-controlled entities, 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 interests in jointly-controlled entities, 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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Income tax (Cont'd)

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.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

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

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

(c) subcontracting fee income, on an accrual basis and in accordance with the relevant subcontracting agreements.

Employee benefits

Employment Ordinance long service payments

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

A provision is recognised in respect of the probable future long service payments expected to be made. The provision is based on the best estimate of the probable future payments which have been earned by the employees from their service to the Group to the balance sheet date.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Employee benefits (Cont'd)

Pension 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 participating 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.

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 certain 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.

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 and jointly-controlled entities are translated into Hong Kong dollars using the net investment method. The profit and loss accounts of overseas subsidiaries and jointly-controlled entities 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.

5. DISCONTINUED OPERATIONS

During the year, the Group discontinued its business of manufacturing and trading of PVC floor coverings, following the disposal of its 51% equity interest in BJWS.

The turnover, other revenue, expenses and results attributable to the PVC floor coverings business for the two years ended 31 March 2005 were as follows:

	2005 HK$'000	2004 HK$'000
TURNOVER		
Cost of sales	39,775	42,847
Gross loss	(41,738)	(43,849)
	(1,963)	(1,002)
Other revenue	114	33
Selling and distribution costs	(428)	(516)
Administrative expenses	(1,138)	(1,862)
Other operating expenses, net	(1,396)	(65)
Loss on disposal of a discontinued operation (note 33 (a))	(7,554)	–
LOSS FROM OPERATING ACTIVITIES	(12,365)	(3,412)
Finance costs	(255)	(370)
LOSS BEFORE TAX	(12,620)	(3,782)
TAX	–	–
NET LOSS FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS	(12,620)	(3,782)

6. SEGMENT INFORMATION

Segment information is presented by way of the Group's primary segment reporting basis, by business segment. In determining the Group's geographical segments, revenues 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. No further geographical segment information is presented as over 90% of the Group's revenue, results and assets are attributable to its operations in Mainland China.

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:

Continuing operations:

(a) the PVC films segment engages in the manufacture and sale of PVC films; and

(b) the corporate and other activities segment engages in investment holding and also includes general corporate income and expense items.

Discontinued operations:

(a) the PVC floor coverings segment engaged in the manufacture and sale of PVC floor coverings.

6. SEGMENT INFORMATION (Cont'd)

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

Group

	Continuing operations				Discontinued operations			
	PVC films		Corporate and other activities		PVC floor coverings		Consolidated	
	2005	2004	**2005**	2004	**2005**	2004	**2005**	2004
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Segment revenue:								
Sales to external customers	**292,020**	240,754	**–**	–	**39,775**	42,847	**331,795**	283,601
Other revenue	**–**	–	**467**	467	**–**	–	**467**	467
	292,020	240,754	**467**	467	**39,775**	42,847	**332,262**	284,068
Segment results	**8,781**	211	**(21,218)**	(13,605)	**(12,479)**	(3,445)	**(24,916)**	(16,839)
Interest income and unallocated revenue/gains							**5,174**	16,128
Finance costs							**(7,877)**	(8,726)
Share of profits and losses of jointly-controlled entities	**–**	–	**483**	78	**–**	–	**483**	78
Loss before tax							**(27,136)**	(9,359)
Tax							**(105)**	2,440
Loss before minority interests							**(27,241)**	(6,919)
Minority interests							**110**	(43)
Net loss from ordinary activities attributable to shareholders							**(27,131)**	(6,962)

6. SEGMENT INFORMATION (Cont'd)

Group

	Continuing operations				Discontinued operations			
	PVC films		Corporate and other activities		PVC floor coverings		Consolidated	
	2005	2004	**2005**	2004	**2005**	2004	**2005**	2004
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Segment assets	**158,803**	193,837	**10,148**	9,468	**–**	32,024	**168,951**	235,329
Interests in jointly-controlled entities	**–**	–	**8,491**	15,272	**–**	–	**8,491**	15,272
Unallocated assets							**17,573**	6,352
Total assets							**195,015**	256,953
Segment liabilities	**(38,927)**	(47,722)	**(5,521)**	(9,697)	**–**	(11,770)	**(44,448)**	(69,189)
Unallocated liabilities							**(155,782)**	(211,821)
Total liabilities							**(200,230)**	(281,010)
Other segment information:								
Depreciation	**14,749**	16,011	**78**	82	**3,841**	5,026	**18,668**	21,119
Impairment of interest in a jointly-controlled entity	**–**	–	**7,425**	–	**–**	–	**7,425**	–
Surplus on revaluation of leasehold land and buildings	**–**	–	**(11)**	(11)	**–**	–	**(11)**	(11)
Bad debts written off	**–**	–	**–**	–	**514**	–	**514**	–
Provision against other receivables	**–**	–	**–**	940	**–**	–	**–**	940
Loss on disposal of fixed assets	**53**	–	**–**	–	**724**	210	**777**	210
Capital expenditure	**2,102**	1,048	**23**	46	**435**	258	**2,560**	1,352

7. TURNOVER AND REVENUE

Turnover represents the net invoiced value of goods sold, after allowances for returns and trade discounts, but excludes intra-Group transactions.

An analysis of the Group's turnover and other revenue is as follows:

	2005 HK$'000	2004 HK$'000
Turnover		
Sale of goods:		
Continuing operations	292,020	240,754
Discontinued operations	39,775	42,847
	331,795	283,601
Other revenue		
Interest income	6	10
Subcontracting fee income	467	467
Others	228	203
	701	680
	332,496	284,281

8. LOSS FROM OPERATING ACTIVITIES

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

	2005 HK$'000	2004 HK$'000
Cost of inventories sold	**314,234**	273,960
Depreciation	**18,668**	21,119
Less: Amount included in cost of inventories sold	**(17,803)**	(20,107)
	865	1,012
Amortisation of a long term investment	**284**	–
Minimum lease payments under operating leases in respect of land and buildings	**3,568**	3,418
Less: Amount included in cost of inventories sold	**(2,307)**	(2,179)
	1,261	1,239
Auditors' remuneration	**890**	800
Staff costs (excluding directors' remuneration – note 9):		
Wages and salaries	**13,336**	14,133
Less: Amount included in cost of inventories sold	**(5,991)**	(6,484)
	7,345	7,649
Pension scheme contributions	**353**	398
Less: Forfeited contributions	**–**	(15)
Net pension scheme contributions	**353**	383
Impairment of interest in a jointly-controlled entity *	**7,425**	–
Surplus on revaluation of leasehold land and buildings *	**(11)**	(11)
Bad debts written off *	**514**	–
Provision against other receivables *	**–**	940
Loss on disposal of fixed assets *	**777**	210

* These items are included in "Other operating expenses" on the face of the consolidated profit and loss account.

9. DIRECTORS' REMUNERATION AND EMOLUMENTS OF THE FIVE HIGHEST PAID EMPLOYEES

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

	Group	
	2005	2004
	HK$'000	HK$'000
Fees:		
Independent non-executive directors	**180**	50
Other emoluments for executive directors:		
Salaries, allowances and benefits in kind	**3,170**	3,208
Pension scheme contributions	**24**	24
	3,194	3,232
	3,374	3,282

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

	Number of directors	
	2005	2004
Nil – HK$1,000,000	**8**	4
HK$1,000,001 – HK$1,500,000	**1**	2
	9	6

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

9. DIRECTORS' REMUNERATION AND EMOLUMENTS OF THE FIVE HIGHEST PAID EMPLOYEES (Cont'd)

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

	Group	
	2005	2004
	HK$'000	HK$'000
Salaries, allowances and benefits in kind	**701**	1,125
Pension scheme contributions	**24**	12
	725	1,137

The remuneration of the two (2004: three) non-director, highest paid employees fell within the band of nil to HK$1,000,000.

10. FINANCE COSTS

	Group	
	2005	2004
	HK$'000	HK$'000
Interest on:		
Bank loans, overdrafts and other loans		
wholly repayable within five years	**6,060**	6,502
Finance leases	**161**	262
Convertible bonds	**1,656**	1,962
	7,877	8,726

11. TAX

	Group 2005 HK$'000	Group 2004 HK$'000
Current year provision:		
Mainland China	**–**	678
Underprovision/(overprovision) of current tax in respect of prior years	**105**	(3,118)
Tax charge/(credit) for the year	**105**	(2,440)

Hong Kong profits tax has not been provided as the Group did not generate any assessable profits in Hong Kong during the year (2004: Nil). 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.

Certain subsidiaries operating in Mainland China are exempt from income tax for two years starting from their first profitable year of operations and are entitled to a 50% relief from income tax for the following three years under the Income Tax Law of the People's Republic of China (the "PRC"), which have been loss-making since their establishment and accordingly income tax has not been provided for the year ended 31 March 2005.

The Group has tax losses arising in Hong Kong of HK$154,335,000 (2004: HK$150,252,000) 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 the companies that have been loss-making for some time.

11. TAX (Cont'd)

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

Group – 2005

	Hong Kong HK$'000	Mainland China HK$'000	Total HK$'000
Loss before tax	**(14,869)**	**(12,267)**	**(27,136)**
Tax at the statutory tax rates	**(2,602)**	**(4,048)**	**(6,650)**
Lower tax rate for specific provinces or local authority	**–**	**1,315**	**1,315**
Adjustments in respect of current tax of previous years	**105**	**–**	**105**
Income not subject to tax	**(33,726)**	**–**	**(33,726)**
Expenses not deductible for tax	**32,464**	**–**	**32,464**
Tax losses not recognised	**4,687**	**2,733**	**7,420**
Tax losses utilised from previous periods	**(823)**	**–**	**(823)**
Tax charge at the Group's effective rate	**105**	**–**	**105**

Group – 2004

	Hong Kong HK$'000	Mainland China HK$'000	Total HK$'000
Profit/(loss) before tax	1,057	(10,416)	(9,359)
Tax at the statutory tax rates	185	(3,437)	(3,252)
Lower tax rate for specific provinces or local authority	–	(151)	(151)
Adjustments in respect of current tax of previous years	(3,118)	–	(3,118)
Income not subject to tax	(30,130)	–	(30,130)
Expenses not deductible for tax	32,280	–	32,280
Tax losses not recognised	1,279	4,266	5,545
Tax losses utilised from previous periods	(3,614)	–	(3,614)
Tax charge/(credit) at the Group's effective rate	(3,118)	678	(2,440)

12. 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$26,550,000 (2004: HK$5,202,000) (note 32(b)).

13. LOSS PER SHARE

The calculation of the basic loss per share is based on the net loss from ordinary activities attributable to shareholders for the year of HK$27,131,000 (2004: HK$6,962,000), and the weighted average of 3,363,419,178 (2004: 2,851,200,000) ordinary shares in issue during the year.

Diluted loss per share amounts for the years ended 31 March 2005 and 2004 have not been disclosed, as the convertible bonds outstanding during the years had an anti-dilutive effect on the basic loss per share for the years.

14. FIXED ASSETS

Group

	Leasehold land and buildings HK$'000	Leasehold improvements HK$'000	Plant and machinery HK$'000	Furniture, fixtures, equipment and motor vehicles HK$'000	Total HK$'000
Cost or valuation:					
At beginning of year	35,390	12,230	229,123	10,900	287,643
Additions	1,085	–	288	1,187	2,560
Disposals	(5,768)	–	(6,872)	(1,319)	(13,959)
Disposal of a subsidiary	(6,300)	–	(67,380)	(766)	(74,446)
Revaluation	(57)	–	–	–	(57)
Write-off	–	(199)	–	(623)	(822)
At 31 March 2005	24,350	12,031	155,159	9,379	200,919
Accumulated depreciation:					
At beginning of year	–	4,799	132,668	9,742	147,209
Provided during the year	1,193	748	16,312	415	18,668
Disposals	(151)	–	(5,409)	(1,279)	(6,839)
Disposal of a subsidiary	(451)	–	(46,599)	(238)	(47,288)
Reversal of accumulated depreciation upon revaluation	(591)	–	–	–	(591)
Write-off	–	(199)	–	(623)	(822)
At 31 March 2005	–	5,348	96,972	8,017	110,337
Net book value:					
At 31 March 2005	24,350	6,683	58,187	1,362	90,582
At 31 March 2004	35,390	7,431	96,455	1,158	140,434
Analysis of cost and valuation:					
At cost	–	12,031	155,159	9,379	176,569
At 31 March 2005 valuation	24,350	–	–	–	24,350
	24,350	12,031	155,159	9,379	200,919

14. FIXED ASSETS (Cont'd)

The Group's leasehold land and buildings are held under medium term leases outside Hong Kong.

The leasehold land and buildings were revalued by LCH (Asia-Pacific) Surveyors Limited ("LCH"), independent professionally qualified valuers, on the open market, existing use basis or depreciated replacement cost method as appropriate, at 31 March 2005 at HK$24,350,000 in aggregate. The surplus so arising has been credited to the profit and loss account and the asset revaluation reserve as to HK$11,000 (note 8) and HK$523,000, respectively.

Had the leasehold land and buildings been carried at historical cost less accumulated depreciation, their carrying values would have been approximately HK$21,629,000 (2004: HK$29,004,000).

The leasehold land and buildings include a parcel of land (the "Land") located at Lingxia Development Area, Shishuikou Village, Qiaotou Town, Dongguan City, Guangdong Province of the PRC, together with a factory premises (the "Plant") constructed thereon. The Group has not yet obtained the title certificates for the Land and the Plant because the land premium of the Land has not yet been paid-up. Having consulted with the Group's legal advisor in Mainland China, the directors considered that the Group has the right to use the Land and the Plant erected thereon. After payment of the land premium and attending the necessary administrative procedures, the Group should be able to obtain the land use right certificate and realty title certificate for the Land and the Plant, respectively. The aggregate carrying value of the Land and the Plant in this respect as at 31 March 2005 amounted to approximately HK$22,740,000.

The net book value of assets held under finance leases included in the total amount of plant and machinery at 31 March 2004 amounted to HK$12,860,000. During the year, the related plant and machinery were disposed of via the disposal of BJWS.

Certain leasehold land and buildings, and plant and machinery were pledged to secure certain credit facilities and a loan from a shareholder granted to the Group (notes 23 and 26).

15. INTERESTS IN SUBSIDIARIES

	Company	
	2005	2004
	HK$'000	HK$'000
Unlisted shares, at cost	**159,593**	159,593
Provision for impairment	**(147,956)**	(147,956)
	11,637	11,637
Due from subsidiaries	**426,613**	392,846
Provision for impairment	**(348,371)**	(323,771)
	78,242	69,075
Due to subsidiaries	**(18,076)**	(17,125)
	71,803	63,587

The balances with subsidiaries are unsecured, interest-free and have no fixed terms of repayment.

15. INTERESTS IN SUBSIDIARIES (Cont'd)

Particulars of the principal subsidiaries are as follows:

Name	Place of incorporation/ registration and operations	Nominal value of issued and paid-up share/ registered capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Bestway Group International Limited	British Virgin Islands/ Hong Kong	US$1,100	100	–	Investment holding
Bestget Plastic Products Limited	Hong Kong	Ordinary HK$2 Deferred HK$3,900,000 (note (a))	–	100	Property holding and sale of plastic products
Bestway Plastic Products Limited	Hong Kong	Ordinary HK$2 Deferred HK$37,440,000 (note (a))	–	100	Sale of plastic products
Happy Trip Limited	Hong Kong	Ordinary HK$2 Deferred HK$1,200,000 (note (a))	–	100	Sale of plastic products
Luen Fat Hong Investment Limited	British Virgin Islands/ Hong Kong	Ordinary US$100	–	100	Property holding
Rich Ocean Limited	Hong Kong	Ordinary HK$2 Deferred HK$1,000,000 (note (a))	–	100	Investment holding

15. INTERESTS IN SUBSIDIARIES (Cont'd)

Particulars of the principal subsidiaries: (Cont'd)

Name	Place of incorporation/ registration and operations	Nominal value of issued and paid-up share/ registered capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Best Faith Plastic Products Limited	Hong Kong	HK$10,000	–	100	Sale of plastic products
Dongguan Bestway Plastic Manufactory (note (b))	PRC/ Mainland China	US$12,741,664	–	97.65	Manufacturing of plastic products
Dongguan Best Faith Plastic Products Limited (note (c))	PRC/ Mainland China	US$2,826,710	–	100	Manufacturing of plastic products

Notes:

(a) The profits which the company may determine to distribute in respect of any financial year shall be distributed, as regard the first HK$1,000,000,000,000 thereof among the holders of ordinary shares, with one-half of the balance of the said profits being distributed among the holders of the non-voting deferred shares and the other half of such balance being distributed among the holders of ordinary shares. Save as aforesaid, the non-voting deferred shares carry no other rights to dividends. The non-voting deferred shares carry no rights to attend or vote at general meetings, but carry the rights to receive one-half of the balance of any surplus in a return of capital in a winding-up after the holders of the ordinary shares have received a total return of HK$500,000,000,000.

(b) This subsidiary is registered as a contractual joint venture under the PRC law.

(c) This subsidiary is registered as a wholly foreign owned enterprise under the PRC law.

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.

16. INTERESTS IN JOINTLY-CONTROLLED ENTITIES

	Group	
	2005	2004
	HK$'000	HK$'000
Share of net assets	**49,183**	48,539
Provision for impairment	**(40,692)**	(33,267)
	8,491	15,272

The negative goodwill remaining in consolidated reserves, arising from the acquisition of a jointly-controlled entity prior to the adoption of SSAP 30 in 2001, pursuant to the transitional provisions of SSAP 30 amounted to HK$4,581,000 as at 31 March 2004 and 2005 (note 32(a)).

The amount due from a jointly-controlled entity is unsecured, interest-free and has no fixed terms of repayment.

Particulars of the jointly-controlled entities are as follows:

Name	**Business structure**	**Place of incorporation/ registration and operations**	**Percentage of ownership interest, voting power and profit sharing**	**Principal activities**
Shantou SEZ Hua Chang Plastic Packing Co., Ltd.	Corporate	PRC/ Mainland China	40	Manufacturing of plastic products
Shenzhen Wuye Jifa Warehouse Co., Ltd. ("SWJ")	Corporate	PRC/ Mainland China	25	Property holding

SWJ's major asset is the holding of a parcel of land located at Yantian Port, Yantian, Shenzhen, Guangdong Province of the PRC (the "Land"). The accumulated deficit arising from the revaluation of the Land as at 31 March 2005 performed by a firm of independent professionally qualified valuers has been included in the provision for impairment.

17. LONG TERM INVESTMENT

	Group	
	2005	2004
Unlisted equity investment	**10,844**	11,128
Provision for impairment	**(7,978)**	(7,978)
	2,866	3,150

The Group's long term investment represents an investment in Chengdu Xingxing Rich Ocean Plastic Products Co., Ltd. ("CD Rich Ocean"), a former subsidiary of the Company, in respect of which there was a subcontracting arrangement with the PRC joint venture partner. In accordance with the subcontracting agreements, the Group forfeited its rights to exercise significant influence/ control over the financial and operating policy decisions of CD Rich Ocean in return for a fixed and guaranteed annual subcontracting fee. When CD Rich Ocean lost its status as a subsidiary of the Group pursuant to the above in prior years, it was reclassified as a long term investment accordingly.

The Group's interest in CD Rich Ocean is held on a long term basis and is stated at the Group's share of the net assets as at the date when the Group's forfeiture of its control in CD Rich Ocean became effective, less (i) amortisation for the investment amounts which will be recovered through the receipt of subcontracting fees from the joint venture partner over the subcontracting period; and (ii) any impairment losses.

18. PREPAID RENTALS

As at 31 March 2005, the Group prepaid an amount of approximately HK$6,410,000 (2004: HK$8,566,000) in respect of the rentals for the land and buildings situated in Mainland China under an operating lease agreement for the period up to 26 July 2008. At 31 March 2005, the portion of the prepaid rental for the year ending 31 March 2006 of approximately HK$2,156,000 (2004: HK$2,156,000) has been included in prepayments, deposits and other receivables under current assets, while an amount of approximately HK$4,254,000 (2004: HK$6,410,000) attributable to the period after 31 March 2006 has been classified as a non-current asset.

19. INVENTORIES

	Group 2005 HK$'000	2004 HK$'000
Raw materials	**14,988**	19,425
Work in progress	**–**	469
Finished goods	**5,107**	4,420
	20,095	24,314

No inventories included above were carried at net realisable value as at the balance sheet date (2004: Nil).

20. ACCOUNTS AND BILLS RECEIVABLES

The Group's trading terms with its customers are mainly on credit. The credit period is generally for a period of two months, extending up to three months for major customers. Each customer has a maximum credit limit. Overdue balances are regularly reviewed by senior management of the Group.

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

	Group 2005 HK$'000	2004 HK$'000
Within 30 days	**24,600**	24,102
31 to 60 days	**7,001**	8,606
61 to 90 days	**8,449**	5,412
Over 90 days	**3,307**	11,954
	43,357	50,074
Less: Provision for doubtful debts	**(3,420)**	(3,420)
	39,937	46,654

21. PLEDGED DEPOSITS

The Group's bank deposits of HK$4,237,000 as at 31 March 2005 (2004: HK$3,438,000) were pledged for trust receipt loans and other short term trade financing facilities granted to the Group (note 23).

22. ACCOUNTS AND BILLS PAYABLES

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

	Group	
	2005	2004
	HK$'000	HK$'000
Within 30 days	**5,843**	12,363
31 to 60 days	**4,437**	5,715
61 to 90 days	**2,876**	5,545
Over 90 days	**6,068**	12,508
	19,224	36,131

23. INTEREST-BEARING BANK AND OTHER BORROWINGS

	Group		Company	
	2005	2004	**2005**	2004
	HK$'000	HK$'000	**HK$'000**	HK$'000
Bank loans:				
Secured	**12,601**	47,825	**–**	7,031
Unsecured	**20,093**	20,093	**–**	–
	32,694	67,918	**–**	7,031
Other loans:				
Secured	**11,776**	16,448	**–**	–
Unsecured	**11,693**	23,471	**–**	–
	23,469	39,919	**–**	–
	56,163	107,837	**–**	7,031

23. INTEREST-BEARING BANK AND OTHER BORROWINGS (Cont'd)

The interest-bearing bank and other borrowings are further analysed as follows:

	Group		Company	
	2005	2004	**2005**	2004
	HK$'000	HK$'000	**HK$'000**	HK$'000
Bank loans repayable:				
Within one year	**14,002**	17,726	**–**	879
In the second year	**18,692**	27,692	**–**	1,758
In the third to fifth years, inclusive	**–**	22,500	**–**	4,394
	32,694	67,918	**–**	7,031
Other loans repayable:				
Within one year	**11,077**	19,177	**–**	–
In the second year	**616**	14,363	**–**	–
In the third to fifth years, inclusive	**11,776**	6,379	**–**	–
	23,469	39,919	**–**	–
	56,163	107,837	**–**	7,031
Portion classified as current liabilities	**(25,079)**	(36,903)	**–**	(879)
Long term portion	**31,084**	70,934	**–**	6,152

The Group's other loans bear interests ranging from 5% to 18% (2004: 5% to 18%) per annum.

As at 31 March 2005, the Group's bank and other borrowings were secured by:

(i) A pledge of the Group's time deposits amounting to HK$4,237,000 (note 21);

(ii) A legal charge on the Land and the Plant. The net book value of the Land and the Plant was approximately HK$22,740,000 as at 31 March 2005 (note 14);

(iii) Unlimited joint and several personal guarantees executed by a director and his spouse, for a bank loan granted to the Group in the amount of HK$12,601,000 as at 31 March 2005; and

(iv) Unlimited joint and several personal guarantees executed by two directors.

24. FINANCE LEASE PAYABLES

The Group leased certain of its plant and machinery for its manufacturing activities. The lease was classified as a finance lease and had a remaining lease term of one year.

At 31 March 2005, the total future minimum lease payments under finance leases and their present values were as follows:

Group

	Minimum lease payments 2005 HK$'000	Minimum lease payments 2004 HK$'000	Present value of minimum lease payments 2005 HK$'000	Present value of minimum lease payments 2004 HK$'000
Amounts payable:				
Within one year	1,410	1,372	1,355	1,324
In the second year	–	1,400	–	1,241
Total minimum finance lease payments	1,410	2,772	1,355	2,565
Future finance charges	(55)	(207)		
Total net finance lease payables	1,355	2,565		
Portion classified as current liabilities	(1,355)	(1,220)		
Long term portion	–	1,345		

Subsequent to the balance sheet date, the finance lease payables were fully repaid.

25. DUE TO A DIRECTOR AND A RELATED COMPANY

The amount due to a director is unsecured, interest-free and has no fixed terms of repayment.

The amount due to a related company is unsecured, bears interest at 6% per annum and is repayable on demand.

26. LOANS FROM SHAREHOLDERS

	Group		Company	
	2005	2004	**2005**	2004
	HK$'000	HK$'000	**HK$'000**	HK$'000
Secured term loan #	**36,000**	–	**36,000**	–
Unsecured loans ##	**1,420**	–	**–**	–
	37,420	–	**36,000**	–
Secured term loan repayable:				
Within one year	**13,500**	–	**13,500**	–
In the second year	**9,000**	–	**9,000**	–
In the third to fifth years, inclusive	**13,500**	–	**13,500**	–
	36,000	–	**36,000**	–
Unsecured loans repayable within one year	**1,420**	–	**–**	–
	37,420	–	**36,000**	–
Portion classified as current liabilities	**(14,920)**	–	**(13,500)**	–
Long term portion	**22,500**	–	**22,500**	–

The secured term loan was acquired by Wealthguard from the Participating Banks during the year as further set out in note 2 to the financial statements.

As at 31 March 2005, the secured term loan was secured by:

(i) The pledge of certain plant and machinery of the Group with an aggregate net book value of HK$29,132,000 (note 14); and

(ii) Corporate guarantees executed by the Company and certain of its subsidiaries.

Subsequent to the balance sheet date, the Company has applied part of the proceeds from new issue of shares to repay HK$24,900,000 to Wealthguard. The remaining balance of HK$11,100,000 was waived by Wealthguard (note 2(a)).

The unsecured loan from a shareholder bears interest at 10% per annum and is repayable on demand.

27. DUE TO A JOINT VENTURE PARTNER

The amount due to a joint venture partner was unsecured, interest-free and was repayable on demand.

28. PROVISION

The Group provides for the probable future long service payments expected to be made to employees under the Hong Kong Employment Ordinance, as further explained under the heading "Employee benefits" in note 4 to the financial statements. The provision for long service payments of HK$575,000 (2004: HK$575,000) is based on the best estimate of the probable future payments which have been earned by the employees from their service to the Group to the balance sheet date.

29. CONVERTIBLE BONDS

		Group and Company	
		2005	2004
	Notes	**HK$'000**	HK$'000
3% First Convertible Bonds	(a)	**–**	40,000
1.5% Second Convertible Bonds	(b)	**50,415**	50,415
		50,415	90,415

Notes:

(a) During the year, Wealthguard, the bondholder, has exercised the conversion right, and the First CBs were converted into 800,000,000 ordinary shares of HK$0.01 each in the Company at a conversion price of HK$0.05 on 22 December 2004 (note 30(b)).

(b) The Second CBs are convertible, at the option of the bondholder, into ordinary shares of HK$0.01 each in the Company at a conversion price of HK$0.20 at any time before 19 September 2009 (the "Maturity Date"). The Company may at any time before the Maturity Date redeem all or some of the Second CBs on a pro rata basis at an amount equal to 102% of the principal amount of the Second CBs and the accrued interest thereon. The Second CBs will be mandatorily converted into ordinary shares of HK$0.01 each in the Company on maturity, if not previously redeemed, purchased and cancelled, or converted.

Subsequent to the balance sheet date, on 23 June 2005, the Second CBs were converted into 252,073,520 ordinary shares of HK$0.01 each in the Company at a conversion price of HK$0.2 (note 2(b)).

30. SHARE CAPITAL

Shares

	2005 HK$'000	2004 HK$'000
Authorised:		
24,000,000,000 ordinary shares of HK$0.01 each	**240,000**	240,000
Issued and fully paid:		
4,211,200,000 (2004: 2,851,200,000) ordinary shares of HK$0.01 each	**42,112**	28,512

The following changes in the Company's issued share capital took place during the year:

(a) On 22 September 2004, 560,000,000 ordinary shares of HK$0.01 each in the Company were issued at HK$0.024 per share to certain independent investors. The subscription price of HK$0.024 per share, represented a discount of approximately 11.11% to the closing price of HK$0.027 per share as quoted on The Stock Exchange of Hong Kong Limited (the ''Stock Exchange'') on 25 August 2004 and a discount of approximately 16.08% to the average closing price of HK$0.0286 per share as quoted on the Stock Exchange for the five trading days up to and including 25 August 2004. The new shares rank pari passu in all respects with the then issued shares of the Company. The proceeds received by the Company from the placement of the new shares, net of related expenses, of approximately HK$13 million was used to repay other borrowings of the Group and for additional working capital of the Group. The excess of the consideration received over the nominal value of the shares issued, in the amount of HK$7,840,000, was credited to the share premium account.

(b) On 22 December 2004, Wealthguard converted the First CBs in the amount of HK$40 million into 800,000,000 ordinary shares of HK$0.01 each in the Company at a conversion price of HK$0.05 (note 29). The new shares rank pari passu in all respects with the existing issued shares of the Company. The excess of the carrying value of the First CBs over the nominal value of the shares issued, in the amount of HK$32,000,000, was credited to the share premium account.

Further changes in the Company's issued share capital took place subsequent to the balance sheet date are detailed in note 2 to the financial statements.

31. SHARE OPTIONS

The first share option scheme of the Company, which became effective on 13 September 1995, was terminated upon the adoption of a new share option scheme (the "Scheme") on 19 August 2003.

The Company operates the Scheme for the purpose of providing incentives or 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 of the Company, any of its subsidiaries or any entity in which the Group holds any equity interest (the "invested entity"), other employees of the Group, suppliers of goods or services, customers, and shareholders of any member of the Group or the invested entity or holders of securities issued by any member of the Group or the invested entity. The Scheme became effective on 19 August 2003 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

The maximum number of unexercised share options currently permitted to be granted under the Scheme is an amount equivalent, upon their exercise, to 10% of the shares of the Company in issue at any time. Options that lapse in accordance with the terms of this scheme will not be counted for the purpose of calculating the 10% limit unless the Company obtains a fresh approval from shareholders to renew the limit provided that the maximum number of shares in respect of which options may be granted under the Scheme together with any options outstanding and yet to be exercised under the Scheme and any other schemes shall not exceed 30% of the issued shares from time to 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.

An option may not be sold, transferred, charged, mortgaged or assigned and is personal to the grantee.

The offer of a grant of share options may be accepted upon payment of a nominal consideration of HK$1 in total by the grantee. The exercise period of the share options granted is determinable by the directors, and commences on the day on which the offer for the grant of options is made and ends on a date which is not later than 10 years from the date of the offer but subject to the early termination of the Scheme.

31. SHARE OPTIONS (Cont'd)

The exercise price for shares is determinable by the directors, but may not be less than the higher of: (i) the closing price of the shares as stated in the daily quotations sheet of the Stock Exchange on the date of the grant, which must be a business day; (ii) the average closing price of the shares as stated in the daily quotations sheet of the Stock Exchange for the five business days immediately preceding the date of the grant; and (iii) the nominal value of the shares.

No share options were granted during the year and there are no outstanding share options under the Scheme at the balance sheet date.

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

32. RESERVES

(a) Group

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

The contributed surplus of the Group arose as a result of the Group reorganisation prior to its public listing on 2 October 1995 and represents the difference between the nominal value of the share capital of the former holding company of the Group acquired pursuant to the Group reorganisation, over the nominal value of the share capital of the Company issued in exchange therefor.

On the adoption of SSAP 30 in 2001, the Group applied the transitional provisions of SSAP 30 "Business combinations", which permit goodwill and negative goodwill in respect of acquisitions of subsidiaries and jointly-controlled entities that occurred prior to the adoption of the SSAP to remain eliminated against consolidated reserves or credited to the capital reserve, respectively. The amount of negative goodwill remaining in consolidated reserves arising from the acquisition of a jointly-controlled entity prior to the adoption of SSAP 30 was HK$4,581,000 as at 31 March 2004 and 2005.

32. RESERVES (Cont'd)

(b) Company

	Share premium account HK$'000	Contributed surplus HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 April 2003	146,585	159,393	(365,349)	(59,371)
Net loss for the year	–	–	(5,202)	(5,202)
At 31 March 2004 and 1 April 2004	146,585	159,393	(370,551)	(64,573)
Issue of new shares	7,840	–	–	7,840
Share issue expenses	(85)	–	–	(85)
Conversion of convertible bonds	32,000	–	–	32,000
Net loss for the year	–	–	(26,550)	(26,550)
At 31 March 2005	186,340	159,393	(397,101)	(51,368)

The contributed surplus of the Company arose as a result of the Group reorganisation referred to in note 32(a), and represents the excess of the then combined net assets of the subsidiaries acquired, over the nominal value of the share capital of the Company issued in exchange therefor.

33. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Disposal of a subsidiary during the year ended 31 March 2005

	HK$'000
Net assets disposed of:	
Fixed assets	27,158
Inventories	6,101
Accounts receivable	1,830
Prepayments, deposits and other receivables	1,080
Cash and bank balances	335
Accounts payable	(3,113)
Other payables and accruals	(7,558)
Interest-bearing other borrowings	(4,673)
Minority interests	(6,796)
	14,364
Exchange fluctuation reserve	(513)
Loss on disposal of a subsidiary	(7,554)
	6,297
Satisfied by:	
Cash consideration received	1,000
Cash consideration receivable	1,000
Waiver of an amount due to a joint venture partner	4,297
	6,297

An analysis of the net inflow of cash and cash equivalents in respect of the disposal of a subsidiary is as follows:

	HK$'000
Cash consideration received	1,000
Cash and bank balances disposed of	(335)
	665

The subsidiary disposed of contributed HK$39,775,000 to the Group's turnover and a net loss of HK$5,066,000 to the consolidated loss after tax for the year.

33. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (Cont'd)

(b) Major non-cash transactions

(i) During the year, as further disclosed in note 2 to the financial statements, Wealthguard, a substantial shareholder of the Company, acquired from the Participating Banks the secured term loans and convertible bonds of HK$36 million and HK$90.4 million, respectively.

(ii) During the year, 800,000,000 ordinary shares of HK$0.01 each in the Company were issued at a price of HK$0.05 per share, amounting to HK$40,000,000 in total, pursuant to the conversion terms, rights and conditions of the First CBs. Further details are set out in notes 29 and 30 to the financial statements.

(iii) During the year, Wealthguard, being a substantial shareholder of the Company, waived interest payable by the Group on its secured term loan and convertible bonds of approximately HK$1,940,000, which has been included in gain arising on write off of bank indebtedness and interest payable of HK$4,940,000 (note 37(c)).

(iv) During the year, a bank waived short term loan owed by the Group of HK$3 million.

(v) Subcontracting fees payable to the joint venture partner of BJWS of HK$4,297,000 were waived by the joint venture partner during the year pursuant to the disposal of a subsidiary (note 33(a)).

34. CONTINGENT LIABILITIES

At the balance sheet date, the Group's and the Company's contingent liabilities not provided for in the financial statements were as follows:

	Group		Company	
	2005	2004	**2005**	2004
	HK$'000	HK$'000	**HK$'000**	HK$'000
Guarantees of banking facilities granted to subsidiaries	**–**	–	**348,410**	348,410
Guarantees of finance leases granted to subsidiaries	**–**	–	**1,355**	2,772
Guarantees of banking facilities granted to independent third parties	**8,411**	8,411	**–**	–
	8,411	8,411	**349,765**	351,182

35. OPERATING LEASE ARRANGEMENTS

The Group leases certain of its office premises, factory premises and staff quarters under operating lease arrangements. Leases for premises are negotiated for terms ranging from two to seven years. The terms of the leases generally require the Group to pay deposits.

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

	2005	2004
	HK$'000	HK$'000
Within one year	**1,239**	293
In the second to fifth years, inclusive	**1,337**	1,035
	2,576	1,328

At the balance sheet date, the Company had no significant operating lease commitments.

36. COMMITMENTS

In addition to the operating lease commitments detailed in note 35 above, the Group had the following commitments at the balance sheet date:

(a) Contracted commitment in respect of capital contribution to a subsidiary (the "Subsidiary") operating in Mainland China amounting to US$3,603,000 (equivalent to approximately HK$28,106,000), which was due for payment in June 2004. Subsequent to the balance sheet date, the subsidiary applied for a reduction of registered capital by US$2,000,000, from US$6,430,000 to US$4,430,000, which has yet to be approved up to the date of approval of these financial statements. Following the reduction of registered capital, the capital commitment in respect of capital contribution to the Subsidiary will be reduced to US$1,603,000 (equivalent to approximately HK$12,503,000).

(b) The Group had unprovided commitments of RMB9,032,000 (equivalent to approximately HK$8,430,000) in respect of the land premium for a parcel of land located in Dongguan, the PRC.

At the balance sheet date, the Company had no significant commitments.

37. RELATED PARTY TRANSACTIONS

In addition to those transactions and balances disclosed elsewhere in these financial statements, the Group had the following significant transactions with related parties during the year:

(a) Certain of the Group's loan facilities were supported/pledged by personal guarantees executed by certain directors of the Company and the spouse of one of the directors of the Company, as further disclosed in note 23 to the financial statements.

(b) During the year, a director, a related company and certain shareholders of the Company have advanced loans to the Group, as further disclosed in notes 25 and 26 to the financial statements.

(c) During the year, Wealthguard, being a substantial shareholder of the Company, waived interest payable by the Group on its secured term loan and convertible bonds of approximately HK$1,940,000, which has been included in gain arising on write off of bank indebtedness and interest payable of HK$4,940,000 (note 33(b)(iii)).

38. POST BALANCE SHEET EVENTS

Subsequent to the balance sheet date, other than those set out in notes 2, 24 and 36(a) to the financial statements, the following significant event has taken place:

Pursuant to the Company's announcement dated 25 July 2005, the board of directors of the Company intended to put forward to the shareholders a proposal to reduce the entire amount standing to the credit of the share premium account of the Company (the "Share Premium Reduction") as at the date of the general meeting at which the relevant special resolution approving the Share Premium Reduction is to be passed (the "Effective Date") by the shareholders of the Company. The amount so reduced will be used to offset against part of the accumulated losses of the Company as at the Effective Date. The Share Premium Reduction is subject to the following conditions:

(a) the passing of a special resolution to approve the Share Premium Reduction at the special general meeting of the Company to be held on 12 September 2005; and

(b) compliance with Section 46(2) of the Companies Act 1981, including the publication of a notice of the Share Premium Reduction in an appointed newspaper in Bermuda on a date not more than 30 days and not less than 15 days before the Effective Date, and that there are no reasonable grounds for believing that the Company is, and after the Share Premium Reduction would be, unable to pay its liabilities as they become due.

39. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 25 July 2005.