

For the year ended 31 March 2005

| | 2005 HK\$'000 | 2004 HK\$'000 |
|--|------------------|------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Loss from operations | (17,003) | (9,537) |
| Adjustments for: | | |
| Depreciation and amortisation | 7,539 | 5,415 |
| Bad debt written off | – | 30 |
| Reduction in provision for litigations | – | (626) |
| Reduction in provision for other payables | (150) | (271) |
| Interest income | (21) | (3) |
| Operating loss before working capital changes | (9,635) | (4,992) |
| Increase in inventories | (2,999) | (8,564) |
| Increase in trade receivables | (1,112) | (8,464) |
| (Increase)/decrease in prepayments, deposits and other receivables | (440) | 598 |
| Increase in trade and other payables | 12,580 | 14,960 |
| Decrease in provision for loss arising from a loan commitment | – | (1,881) |
| Decrease in provision for litigations | – | (738) |
| Net cash used in operations | (1,606) | (9,081) |
| Interest paid | (1,323) | (1,094) |
| Net cash used in operating activities | (2,929) | (10,175) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchases of fixed assets | (7,814) | (22,534) |
| Interest income | 21 | 3 |
| Net cash used in investing activities | (7,793) | (22,531) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Incidentals for acquisition of long term investment | (986) | – |
| Share issue expenses | (197) | – |
| Net proceeds from issue of share capital | – | 12,266 |
| Net proceeds from issue of convertible notes | – | 14,600 |
| Short term borrowing repaid | – | (1,100) |
| Long term borrowings (repaid)/raised, net | (5,728) | 19,856 |
| Net cash (used in)/from financing activities | (6,911) | 45,622 |
| NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS | (17,633) | 12,916 |
| CASH AND CASH EQUIVALENTS AT 1 APRIL | 23,705 | 10,789 |
| CASH AND CASH EQUIVALENTS AT 31 MARCH | 6,072 | 23,705 |
| ANALYSIS OF CASH AND CASH EQUIVALENTS | | |
| Bank and cash balances | 6,072 | 23,705 |

The notes on pages 22 to 43 form an integral part of these financial statements.