

Notes to Financial Statements

31 March 2005

1. CORPORATE INFORMATION

During the year, the Group was involved in the following principal activities:

- Manufacture and sale of laminates
- Manufacture and sale of printed circuit boards
- Manufacture and sale of copper foil

2. 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, herein 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 these new HKFRSs would have a significant impact on its results of operations and financial position.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (which also include 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 an investment property and other investments, 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 interests in subsidiaries are stated at cost less any impairment losses.

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 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.

Fixed assets and depreciation

Fixed assets, other than investment property, are stated at cost 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**Fixed assets and depreciation** (continued)

Depreciation of fixed assets is calculated on the straight-line basis to write off the cost of each asset over its estimated useful life. The principal annual rates used for calculating depreciation are as follows:

Freehold land	Nil
Leasehold land	2%
Buildings	2% – 4.5%
Leasehold improvements	20%
Plant and machinery	9% – 10%
Furniture and office equipment	10% – 20%
Motor vehicles	18% – 20%

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.

Construction in progress

Construction in progress represents factory buildings and plant and machinery under construction, and is included in fixed assets and stated at cost less any impairment losses. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. No depreciation is provided until the construction work is completed. Construction in progress is reclassified to the appropriate category of fixed assets when completed and ready for use.

Investment property

Investment property is interest in land and building in respect of which construction work and development has been completed and which is intended to be held on a long term basis for its investment potential, any rental income being negotiated at arm's length. Such property is not depreciated and is stated at its open market value on the basis of annual professional valuations performed at the end of each financial year.

Changes in the value of such investment property is dealt with as movements in the investment property revaluation reserve. If the total of this reserve is insufficient to cover a deficit, 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 such 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 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.

Trademark

The trademark is stated at cost less any impairment losses. Amortisation of trademark is calculated on the straight-line basis over its estimated useful lives of five years. No amortisation is provided until the products are put into commercial production.

Other investments

Other investments represent investment in listed equity security and unlisted funds which are held for the purpose of capital gain, and are stated at their fair values on the basis of their quoted market price and market price quoted by the bank, respectively, at the balance sheet date. The gains or losses arising from changes in the fair value of such investments are credited or charged to the profit and loss account in the period in which they arise.

Inventories

Inventories are stated at the lower of cost and net realisable value after making due allowance for any obsolete or slow-moving items. Cost is determined on the weighted average basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of manufacturing overheads. Net realisable value is based on estimated selling prices less any estimated costs expected to be incurred to completion and in selling and distribution.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property held for resale

Property held for resale, consisting of completed properties, are classified under current assets and stated at the lower of cost and net realisable value. Cost consists of all expenditure directly attributable to the acquisition and development of the property plus other direct costs attributable to such property. Net realisable value is determined by reference to prevailing market price, less all costs of marketing and selling.

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 equalisation 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.

With respect to the investments in certain overseas subsidiaries which are financed by way of loans that are not repayable in the foreseeable future, rather than by equity, the resulting exchange differences on translation are included in the exchange equalisation reserve. In the opinion of the directors, such loans are for practical purposes as permanent as equity and, accordingly, are treated as part of the Group's net investment in the subsidiaries.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Employee benefits

Retirement benefits schemes

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the “MPF Scheme”) under the Mandatory Provident Fund Schemes Ordinance in Hong Kong. Ongoing contributions to the MPF Scheme are made based on a percentage of the employees’ 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 Group operates defined contribution schemes for those employees in Thailand who are eligible and have elected to participate in the schemes. The assets of the schemes are held separately from those of the Group in independently administered funds. 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 schemes. When an employee leaves the scheme prior to his/her interest in the Group’s employer contributions vesting fully, the ongoing contributions payable by the Group may be reduced by the relevant amount of forfeited contributions.

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.

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.

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 which are not restricted as to use.

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 the initial recognition of an asset or liability 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 interests in subsidiaries, 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 the initial recognition of an asset or liability 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 interests in subsidiaries, 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 obtained.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e. assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. Where funds have been borrowed generally, and used for the purpose of obtaining qualifying assets, a capitalisation rate at Hong Kong prime rate has been applied to the expenditure on the individual assets.

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 manufacture and sale of laminates segment is a supplier of industrial laminates mainly for use in the manufacture of telecommunications and computer-related products;
- (b) the manufacture and sale of printed circuit boards ("PCBs") segment is a supplier of PCBs mainly for use in audio and visual household products; and
- (c) the manufacture and sale of copper foil segment is a supplier of copper foil mainly for use in the manufacture of industrial laminates and PCBs.

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.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

Notes to Financial Statements

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4. SEGMENT INFORMATION (continued)

(a) Business segments

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

Group

	Manufacture and sale of laminates		Manufacture and sale of PCBs		Manufacture and sale of copper foil		Eliminations		Consolidated	
	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000
Segment revenue:										
Sales to external customers	175,795	184,859	98,958	70,118	2,329	2,622	-	-	277,082	257,599
Intersegment sales	37,947	29,154	-	-	45,354	49,686	(83,301)	(78,840)	-	-
Other revenue	2,052	2,637	450	243	1,664	90	(1,522)	(1,454)	2,644	1,516
Total	<u>215,794</u>	<u>216,650</u>	<u>99,408</u>	<u>70,361</u>	<u>49,347</u>	<u>52,398</u>	<u>(84,823)</u>	<u>(80,294)</u>	<u>279,726</u>	<u>259,115</u>
Segment results	<u>53,504</u>	<u>43,837</u>	<u>42,140</u>	<u>25,372</u>	<u>(2,534)</u>	<u>(1,753)</u>	<u>(82,910)</u>	<u>(76,307)</u>	<u>10,200</u>	<u>(8,851)</u>
Interest income									16	47
Unallocated expenses									(737)	(1,226)
Profit/(loss) from operating activities									9,479	(10,030)
Finance costs									(3,356)	(5,495)
Profit/(loss) before tax									6,123	(15,525)
Tax									(1,105)	38
Net profit/(loss) from ordinary activities attributable to shareholders									<u>5,018</u>	<u>(15,487)</u>

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4. SEGMENT INFORMATION (continued)

(a) Business segments (continued)

Group

	Manufacture and sale of laminates		Manufacture and sale of PCBs		Manufacture and sale of copper foils		Eliminations		Consolidated	
	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000
Segment assets	<u>230,827</u>	259,180	<u>44,597</u>	44,215	<u>51,917</u>	57,643	<u>(41,786)</u>	(58,644)	<u>285,555</u>	302,394
Unallocated assets									<u>23,734</u>	23,584
Total assets									<u>309,289</u>	<u>325,978</u>
Segment liabilities	<u>35,651</u>	40,639	<u>26,640</u>	42,382	<u>13,161</u>	14,279	<u>(19,054)</u>	(36,650)	<u>56,398</u>	60,650
Unallocated liabilities									<u>55,885</u>	74,323
Total liabilities									<u>112,283</u>	<u>134,973</u>
Other segment information:										
Depreciation	<u>4,885</u>	4,836	<u>4,280</u>	4,437	<u>9,086</u>	10,050	-	-	<u>18,251</u>	19,323
Unallocated write back of provision for impairment in value of property held for resale and surplus on revaluation of an investment property									<u>(120)</u>	(350)
Provision for bad and doubtful debts	<u>1,310</u>	1,323	<u>1,118</u>	-	-	-	-	-	<u>2,428</u>	1,323
Write back of provision against inventories	<u>(872)</u>	(654)	-	-	-	(10)	-	-	<u>(872)</u>	(664)
Capital expenditure	<u>10,598</u>	6,971	<u>3,344</u>	3,100	<u>142</u>	78	-	-	<u>14,084</u>	10,149

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4. SEGMENT INFORMATION (continued)

(b) Geographical segments

The following table presents revenue and certain asset and expenditure information for the Group's geographical segments.

Group

	People's Republic of China								Consolidated	
	Hong Kong		Mainland China		Overseas		Eliminations		2005	2004
	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000
Segment revenue:										
Sales to external customers	216,683	213,732	29,135	21,590	31,264	22,277	-	-	277,082	257,599
Other segment information:										
Segment assets	122,123	157,881	177,029	169,019	51,923	57,721	(41,786)	(58,643)	309,289	325,978
Capital expenditure	229	9	13,713	10,062	142	78	-	-	14,084	10,149

5. TURNOVER AND REVENUE

Turnover represents the net invoiced value of goods sold, after allowances for returns and trade discounts. An analysis of turnover and revenue is as follows:

	Group	
	2005 HK\$'000	2004 HK\$'000
Turnover		
Sale of goods	277,082	257,599
Other revenue		
Sale of scrap materials	2,277	722
Interest income	16	47
Rental income	144	156
Others	223	638
	2,660	1,563
Total turnover and revenue	279,742	259,162

6. PROFIT/(LOSS) FROM OPERATING ACTIVITIES

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

	Notes	Group	
		2005 HK\$'000	2004 HK\$'000
Auditors' remuneration		989	846
Depreciation	13	18,251	19,323
Provision for bad and doubtful debts		2,428	1,323
Write back of provision against inventories		(872)	(664)
Write back of provision for impairment in value of property held for resale*	18	(80)	(200)
Surplus on revaluation of an investment property	14	(40)	(150)
Staff costs (including directors' remuneration – note 8):			
Pension scheme contributions		357	289
Less: Forfeited contributions		–	(46)
Net pension scheme contributions**		357	243
Salaries and wages		28,747	26,176
		29,104	26,419
Foreign exchange losses/(gains), net		(59)	2,505
Unrealised holding losses on unlisted investments		131	–

* The write back of provision for impairment in value of property held for resale for the year is included in "Other operating expenses" on the face of the consolidated profit and loss account.

** At 31 March 2005, there were no forfeited contributions available to the Group to reduce its contributions to the pension scheme in future years (2004: Nil).

7. FINANCE COSTS

	Group	
	2005 HK\$'000	2004 HK\$'000
Interest expense on:		
Bank loans and other borrowings wholly repayable within five years	2,652	3,681
Factoring arrangements	1,721	2,230
Finance leases	186	492
	<hr/>	<hr/>
Total interest	4,559	6,403
Less: Interest capitalised in construction in progress	(1,203)	(908)
	<hr/>	<hr/>
	3,356	5,495
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8. DIRECTORS' REMUNERATION

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

	Group	
	2005 HK\$'000	2004 HK\$'000
Fees:		
Executive directors	–	–
Independent non-executive directors	375	300
Other emoluments:		
Salaries, allowances and benefits in kind:		
Executive directors	9,891	8,073
Independent non-executive directors	–	–
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	10,266	8,373
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8. DIRECTORS' REMUNERATION (continued)

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

	Number of directors	
	2005	2004
Nil – HK\$1,000,000	5	4
HK\$1,500,001 – HK\$2,000,000	–	1
HK\$2,000,001 – HK\$2,500,000	1	2
HK\$2,500,001 – HK\$3,000,000	2	–
	<u>8</u>	<u>7</u>

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2004: Nil).

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included five (2004: five) directors, details of whose remuneration are set out in note 8 above.

10. TAX

	Group	
	2005 HK\$'000	2004 HK\$'000
Current – Hong Kong:		
Charge for the year	164	–
Underprovision/(overprovision) in the prior year	269	(38)
Current – Mainland China	672	–
	<u>1,105</u>	<u>(38)</u>
Tax charge/(credit) for the year		

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 in Mainland China have been calculated at the applicable rates of tax prevailing in the regions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof. In accordance with the relevant tax rules and regulations in Mainland China, certain of the Group's subsidiaries in Mainland China enjoy income tax exemptions and reductions.

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10. TAX (continued)

The corporate income tax (“CIT”) payable by a subsidiary operating in Thailand is charged at 30% (2004: 30%) on the income earned from non-promoted activities as defined by the Board of Investment in Thailand (the “Board of Investment”). The subsidiary received promotional privileges from the Board of Investment under promotion certificates issued for the manufacture of copper foil. Under these privileges, this subsidiary was exempt from certain taxes and duties as detailed in the certificates, including exemption from CIT for a period of seven years from the date of commencement of the promoted business of this subsidiary. As a promoted industry, the subsidiary is required to comply with the terms and conditions as specified in the promotion certificates. No provision for CIT in Thailand has been made as the subsidiary in Thailand incurred a loss for the year (2004: Nil).

A reconciliation of the tax charge applicable to profit/(loss) before tax using the statutory rates for the countries in which the Company and its subsidiaries are domiciled to the tax expense/(credit) at the effective tax rates, and a reconciliation of the applicable rates (i.e., the statutory tax rates) to the effective tax rates, are as follows:

Group – 2005

	Hong Kong		Mainland China		Thailand		Total	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
Profit/(loss) before tax	8,705		2,051		(4,633)		6,123	
Tax at the statutory tax rate	1,523	17.5	554	27.0	(1,389)	30.0	688	11.2
Adjustments in respect of current tax								
of previous periods	269	3.1	-	-	-	-	269	4.4
Tax losses not recognised	68	0.8	558	27.2	1,385	(29.9)	2,011	32.8
Income not subject to tax	(1,608)	(18.5)	(274)	(13.3)	-	-	(1,882)	(30.7)
Expenses not deductible for tax	584	6.7	-	-	12	(0.3)	596	9.7
Tax losses utilised from previous periods	(290)	(3.3)	(166)	(8.1)	(8)	0.2	(464)	(7.6)
Others	(113)	(1.3)	-	-	-	-	(113)	(1.8)
Tax charge at the Group's effective rate	433	5.0	672	32.8	-	-	1,105	18.0

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10. TAX (continued)

Group – 2004

	Hong Kong		Mainland China		Thailand		Total	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
Loss before tax	<u>(7,943)</u>		<u>(949)</u>		<u>(6,633)</u>		<u>(15,525)</u>	
Tax at the statutory tax rate	(1,390)	17.5	(256)	27.0	(1,990)	30.0	(3,636)	23.4
Adjustments in respect of current tax								
of previous periods	(38)	0.5	–	–	–	–	(38)	0.2
Tax losses not recognised	2,131	(26.8)	545	(57.4)	1,980	(29.9)	4,656	(30.0)
Income not subject to tax	(1,223)	15.4	(289)	30.4	–	–	(1,512)	9.8
Expenses not deductible for tax	<u>482</u>	<u>(6.1)</u>	<u>–</u>	<u>–</u>	<u>10</u>	<u>(0.1)</u>	<u>492</u>	<u>(3.2)</u>
Tax charge at the Group's effective rate	<u>(38)</u>	<u>0.5</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>(38)</u>	<u>0.2</u>

11. NET PROFIT/(LOSS) FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS

The net profit from ordinary activities attributable to shareholders for the year ended 31 March 2005 dealt with in the financial statements of the Company, was HK\$65,000 (2004: net loss of HK\$1,225,000) (note 25(b)).

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12. EARNINGS/(LOSS) PER SHARE

The calculation of basic earnings/(loss) per share is based on the net profit from ordinary activities attributable to shareholders of HK\$5,018,000 (2004: net loss of HK\$15,487,000) and the weighted average of 401,838,800 (2004: 375,417,161) ordinary shares in issue during the year.

The calculation of diluted earnings per share for the year ended 31 March 2005 is based on the net profit attributable to shareholders for the year of HK\$5,018,000. The weighted average number of ordinary shares used in the calculation is the 401,838,800 ordinary shares in issue during the year, as used in the basic earnings per share calculation, and the weighted average of 130,938 ordinary shares assumed to have been issued at no consideration on the deemed exercise of all share options during the year.

Diluted loss per share amount for the year ended 31 March 2004 had not been disclosed, as the share options outstanding during that year had an anti-dilutive effect on the basic loss per share for that year.

13. FIXED ASSETS

Group

	Land and buildings	Leasehold improve- ments	Plant and machinery	Furniture and office equipment	Motor vehicles	Construction in progress	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Cost:							
At beginning of year	75,352	4,939	208,281	17,905	3,174	52,695	362,346
Additions	157	-	3,215	329	565	9,818	14,084
Disposals	-	-	-	-	(201)	-	(201)
Transfers	-	-	153	36	-	(189)	-
Exchange realignment	320	-	964	34	8	54	1,380
At 31 March 2005	75,829	4,939	212,613	18,304	3,546	62,378	377,609
Accumulated depreciation:							
At beginning of year	18,365	4,939	133,531	14,695	2,630	-	174,160
Provided during the year	2,989	-	14,321	728	213	-	18,251
Disposals	-	-	-	-	(201)	-	(201)
Exchange realignment	79	-	565	26	7	-	677
At 31 March 2005	21,433	4,939	148,417	15,449	2,649	-	192,887
Net book value:							
At 31 March 2005	54,396	-	64,196	2,855	897	62,378	184,722
At 31 March 2004	56,987	-	74,750	3,210	544	52,695	188,186

13. FIXED ASSETS (continued)

At the balance sheet date, the Group's land and buildings were situated in the following locations under the following lease terms:

	2005 HK\$'000	2004 HK\$'000
At cost:		
Freehold land and buildings situated in Thailand	27,260	26,986
Medium term leasehold land and buildings situated in Hong Kong	1,039	1,039
Medium term leasehold land and buildings situated in Mainland China	47,530	47,327
	75,829	75,352

The net book values of plant and machinery and motor vehicles held under finance leases at the balance sheet date amounted to HK\$9,142,000 (2004: HK\$13,238,000) and HK\$458,000 (2004: HK\$461,000), respectively.

As at 31 March 2005, the Group's land and buildings with an aggregate net book value of HK\$19,963,000 (2004: HK\$21,255,000) were pledged for banking facilities granted to the Group (note 21).

Included in the Group's fixed assets as at 31 March 2005 was land and buildings, plant and machinery, furniture and office equipment, motor vehicles and construction in progress situated in Suzhou, the People's Republic of China, with net book values of HK\$11,517,000, HK\$2,679,000, HK\$131,000, HK\$129,000 and HK\$54,699,000, respectively. As at 31 March 2005, the Group was in the process of setting up its operations in Suzhou. The recoverability of these fixed assets depends, inter alia, upon the Group's ability to obtain additional financial resources to establish the operations and thereafter, to obtain additional financial resources and sufficient sales orders to attain profitable and positive cash flow operations in its factory in Suzhou. In the opinion of the directors, the factory is in its final stage of completion. The directors are confident that the Group will be able to obtain additional financial resources to establish and satisfy the future working capital requirements of its operations in Suzhou, and that such operations will generate sufficient sales orders to sustain profitable and positive cash flow operations. Accordingly, no impairment losses have been made on the above fixed assets.

14. INVESTMENT PROPERTY

	Group	
	2005 HK\$'000	2004 HK\$'000
At beginning of year	4,480	4,330
Surplus on revaluation	40	150
	4,520	4,480
At end of year	4,520	4,480

The Group's investment property at 31 March 2005 is situated in Hong Kong and is held under a medium term lease.

The revaluation of the above investment property was carried out by LCH (Asia-Pacific) Surveyors Limited, independent professionally qualified valuers, on an open market, existing use basis, as at 31 March 2005.

As at 31 March 2005, the Group's investment property of HK\$4,520,000 (2004: HK\$4,480,000) was pledged to a bank for banking facilities granted to the Group (note 21).

15. INTERESTS IN SUBSIDIARIES

	Company	
	2005 HK\$'000	2004 HK\$'000
Unlisted shares, at cost	63,074	63,074
Amounts due from subsidiaries	187,829	188,067
Amount due to a subsidiary	(246)	(246)
	250,657	250,895
Provision for impairment	(10,371)	(10,371)
	240,286	240,524

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

15. INTERESTS IN SUBSIDIARIES (continued)

The Company's interests in subsidiaries included its interest in Nam Hing (B.V.I.) Limited in relation to the Group's operations in Suzhou amounting to HK\$81,096,000 as at 31 March 2005. The directors are aware of the fact that the recoverability of the Group's trademark and fixed assets in Suzhou may have a direct impact on the carrying value of the Company's interest in Nam Hing (B.V.I.) Limited. As further explained in note 13 to the financial statements, the directors are confident that the Group will be able to obtain additional financial resources to establish the Suzhou operations and thereafter, be able to obtain additional financial resources and sufficient sales orders to attain profitable and positive cash flow operations. Accordingly, no impairment losses have been made in respect of its interest in Nam Hing (B.V.I.) Limited.

Particulars of the principal subsidiaries are as follows:

Name of company	Place of incorporation/ registration and operations	Nominal value of issued/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			2005	2004	
Nam Hing (B.V.I.) Limited	British Virgin Islands	US\$50,000	100	100	Investment holding
Nam Hing Industrial Laminate Limited	Hong Kong	HK\$200 HK\$2,000,000*	100	100	Trading of laminates
Nam Hing Circuit Board Company Limited	Hong Kong	HK\$500,000	100	100	Trading of printed circuit boards
Natural Century Limited	Hong Kong	HK\$2	100	100	Investment holding
Bangkok Industrial Laminate Company Limited #	Thailand	Baht20,000,000	100	100	Trading and manufacture of copper foil
Zhongshan Nam Hing Insulating Material Limited @#	Mainland China	HK\$93,000,000	100	100	Manufacture of laminates
Nam Hing Circuit Board (Dongguan) Co., Ltd. @#	Mainland China	HK\$32,295,982	100	100	Manufacture of printed circuit boards

15. INTERESTS IN SUBSIDIARIES (continued)

Name of company	Place of incorporation/ registration and operations	Nominal value of issued/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			2005	2004	
Suzhou Nam Hing Industrial Laminate Limited @#	Mainland	US\$6,800,000	100	100	Not yet commenced business
Zhongshan Chung Yuen Electronic Applied Materials Company Limited @#	Mainland China	HK\$2,000,000	100	100	Manufacture of laminates
珠海南興隆電子有限公司 @#	Mainland China	HK\$35,000,000	100	100	Not yet commenced business

Not audited by Ernst & Young Hong Kong or other Ernst & Young International member firms.

* Non-voting deferred shares.

@ These subsidiaries are registered as wholly owned foreign enterprises under Laws of Mainland China.

Except for Nam Hing (B.V.I.) Limited which operates in Hong Kong, all of the other subsidiaries' places of operations are the same as their places of incorporation/registration.

Except for Nam Hing (B.V.I.) Limited, all subsidiaries are indirectly held by the Company.

The above summary 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. TRADE DEBTORS

An aged analysis of the trade debtors at the balance sheet date is as follows:

	Group	
	2005	2004
	HK\$'000	HK\$'000
Within 3 months	36,404	43,438
4 to 6 months	7,437	15,723
Over 6 months	1,700	1,613
	<u>45,541</u>	<u>60,774</u>

The Group's credit terms given to its customers vary, which are generally around three months, and are granted based on the financial strengths of the individual customers. In order to effectively manage the credit risks associated with trade debtors, credit evaluations of customers are performed periodically by management.

17. INVENTORIES

	Group	
	2005	2004
	HK\$'000	HK\$'000
Raw materials	23,826	19,413
Work in progress	5,252	3,802
Finished goods	12,658	15,880
	<u>41,736</u>	<u>39,095</u>
Less: Provision against inventories	(1,673)	(3,409)
	<u>40,063</u>	<u>35,686</u>

The carrying amount of inventories carried at net realisable value included in the above balance was HK\$735,000 (2004: HK\$496,000) at the balance sheet date.

18. PROPERTY HELD FOR RESALE

	Group	
	2005	2004
	HK\$'000	HK\$'000
At beginning of year	15,900	15,700
Write back of provision for impairment in value	80	200
At end of year	<u>15,980</u>	<u>15,900</u>

The Group's property held for resale is held under a medium term lease.

The amount of property held for resale carried at net realisable value, which is determined with reference to valuation performed by LCH (Asia-Pacific) Surveyors Limited, included in the above balance was HK\$15,980,000 (2004: HK\$15,900,000) at the balance sheet date.

Details of the property held for resale are as follows:

Location	Use	Site area/gross floor area (sq. feet)	Percentage of attributable interest of the Group
Lot Nos. 587, 588, 675, 714, 1875A, 1875B and the remaining portion of Lot Nos. 589 and 1875C, Demarcation District, No. 107, Fung Kat Heung, Yuen Long, New Territories, Hong Kong.	Industrial	78,408/ 46,505	100

As at 31 March 2005, the Group's property held for resale with a carrying amount of HK\$15,980,000 (2004: HK\$15,900,000) was pledged for banking facilities granted to the Group (note 21).

Notes to Financial Statements

31 March 2005

19. OTHER INVESTMENTS

	Group	
	2005	2004
	HK\$'000	HK\$'000
Listed equity investment in Hong Kong, at market value	120	120
Unlisted investments, at fair value	2,944	3,075
	<hr/>	<hr/>
	3,064	3,195
	<hr/>	<hr/>

As at 31 March 2005, the Group's other investments amounting to HK\$2,944,000 (2004: HK\$3,075,000) were pledged to a bank for banking facilities granted to the Group (note 21).

20. TRADE CREDITORS

An aged analysis of the trade creditors at the balance sheet date is as follows:

	Group	
	2005	2004
	HK\$'000	HK\$'000
Within 3 months	28,079	32,028
4 to 6 months	10,861	6,389
Over 6 months	3,725	3,187
	<hr/>	<hr/>
	42,665	41,604
	<hr/>	<hr/>

21. INTEREST-BEARING BANK AND OTHER BORROWINGS

	Group	
	2005 HK\$'000	2004 HK\$'000
Bank overdrafts, secured	12,786	13,252
Bank loans, secured	15,799	24,710
Trust receipt loans, secured	23,798	30,066
Loan from a director, unsecured	314	1,464
	<hr/>	<hr/>
	52,697	69,492
Less: Portion due within one year included under current liabilities	(46,383)	(55,548)
	<hr/>	<hr/>
Long term portion	6,314	13,944
	<hr/>	<hr/>
Bank loans and other borrowings are repayable:		
Within one year	46,383	55,548
In the second year	1,842	6,688
In the third to fifth years, inclusive	3,932	5,362
Over the fifth year	540	1,894
	<hr/>	<hr/>
	52,697	69,492
	<hr/>	<hr/>

The loan from a director is unsecured, interest-free and has no fixed terms of repayment.

Certain bank borrowings are secured by:

- (a) the Group's leasehold land and buildings with an aggregate net book value of HK\$19,963,000 (2004: HK\$21,255,000);
- (b) the Group's investment property of HK\$4,520,000 (2004: HK\$4,480,000);
- (c) the Group's property held for resale with a carrying amount of HK\$15,980,000 (2004: HK\$15,900,000);
- (d) the Group's other investments amounting to HK\$2,944,000 (2004: HK\$3,075,000); and
- (e) the Group's fixed deposits amounting to HK\$4,067,000 (2004: HK\$7,114,000).

22. FINANCE LEASE PAYABLES

The Group leases certain of its plant and machinery for its manufacturing operations. These leases are classified as finance leases and have remaining lease terms ranging from one to three years.

At the balance sheet date, 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	1,380	3,769	1,286	2,778
In the second year	1,098	2,162	1,064	974
In the third to fifth years, inclusive	186	1,186	184	775
Total minimum finance lease payments	2,664	7,117	2,534	4,527
Future finance charges	(130)	(2,590)		
Total net finance lease payables	2,534	4,527		
Portion classified as current liabilities	(1,286)	(2,778)		
Long term portion	1,248	1,749		

23. DEFERRED TAX

The principal components of the Group's and Company's net deferred tax asset position which have not been recognised in the financial statements are as follows:

	Group		Company	
	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000
Accelerated depreciation allowances	340	400	–	–
Tax losses	10,200	9,970	59	59
	<u>10,540</u>	<u>10,370</u>	<u>59</u>	<u>59</u>

The Group has tax losses arising in Hong Kong of HK\$58,268,000 (2004: HK\$56,965,000) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. The Group also has tax losses arising in Thailand of HK\$6,139,000 (2004: HK\$2,674,000) that can be used to offset against future taxable profits of the companies in which the losses arose, which are due to expire after five years. 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.

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

24. SHARE CAPITAL

Shares

	Company	
	2005 HK\$'000	2004 HK\$'000
Authorised:		
500,000,000 (2004: 500,000,000) ordinary shares of HK\$0.10 each	<u>50,000</u>	<u>50,000</u>
Issued and fully paid:		
401,838,800 (2004: 401,838,800) ordinary shares of HK\$0.10 each	<u>40,184</u>	<u>40,184</u>

24. SHARE CAPITAL (continued)

Shares (continued)

A summary of the movements in the Company's issued share capital during the year is as follows:

	Number of issued shares	Issued share capital HK\$'000
At 1 April 2003	371,718,800	37,172
Exercise of share options	120,000	12
Subscription of shares	30,000,000	3,000
At 31 March 2004 and 2005	<u>401,838,800</u>	<u>40,184</u>

Share option scheme

On 12 January 1994, the Company adopted a share option scheme (the "Old Scheme"), which was the first share option scheme of the Company, for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. The Old Scheme was terminated and replaced by a new share option scheme (the "New Scheme") at the annual general meeting of the Company held on 23 August 2002.

A summary of the New Scheme of the Company is as follows:

Purpose	To provide incentives and rewards to eligible participants for their contributions to the Group and/or to enable the Group to recruit and retain high-calibre employees and attract human resources that are valuable to the Group and any entity in which the Group holds an equity interest (the "Invested Entity").
Participants	<ul style="list-style-type: none"> (i) any employee (whether full-time or part-time), executive directors, non-executive directors and independent non-executive directors of the Company, any of its subsidiaries or any Invested Entity; (ii) any supplier of goods or services to any member of the Group or any Invested Entity; any customer of the Group or any Invested Entity; any person or entity that provides research, development or other technological support to the Group or any Invested Entity; and (iii) any shareholder of any member of the Group or any Invested Entity or any holder of any securities issued by any member of the Group or any Invested Entity.

24. SHARE CAPITAL (continued)

Share option scheme (continued)

Total number of ordinary shares available for issue under the New Scheme and the percentage of the issued share capital that it represents as at the date of the annual report

40,183,880 ordinary shares and 10% of the existing issued share capital.

Maximum entitlement of each participant

Where any grant or further grant of options to a participant would result in the total number of shares issued and to be issued upon exercise of all the options granted and to be granted to such person (including exercised, cancelled and outstanding options) in the 12 month period up to and including the date of such grant or further grant representing in aggregate over 1% of the total number of shares in issue, such grant or further grant must be separately approved by the shareholders in a general meeting.

Where any grant or further grant of options to a substantial shareholder or an independent non-executive director of the Company, or any of their respective associates, would result in the shares issued and to be issued upon exercise of all options already granted and to be granted (including exercised, cancelled and outstanding options) to such person in the 12 month period up to and including the date of such grant:

- (a) representing in aggregate over 0.1% of the relevant class of shares in issue; and
- (b) having an aggregate value, based on the closing price of the shares at the date of each grant, in excess of HK\$5,000,000,

such grant or further grant of options must be approved by the shareholders in a general meeting.

Period within which the securities must be taken up under an option

An option may be exercised at any time during a period to be determined and notified by the directors to each grantee, but shall end in any event not later than 10 years from the date of offer of the grant of options subject to the provisions for early termination set out in the New Scheme.

24. SHARE CAPITAL (continued)

Share option scheme (continued)

Minimum period for which an option must be held before it can be exercised

There is no minimum period for which an option granted must be held before it can be exercised except otherwise imposed by the directors.

Amount payable on acceptance of the option and the period within which such payment must be made

The offer of a grant of share options may be accepted within 28 days from the date of the offer with a consideration of HK\$1.00 being payable by the grantee.

Basis of determining the exercise price

Determined by the directors but shall not be less than the highest of (i) the closing price of the Company's shares as stated in the Stock Exchange's daily quotation sheet on the date of offer of grant of options, which must be a trading day; (ii) the average closing price of the Company's shares as stated in the Stock Exchange's daily quotation sheets for the five trading days immediately preceding the date of offer of grant of options; and (iii) the nominal value of the Company's shares.

The remaining life of the New Scheme

The New Scheme remains in force until 27 August 2012.

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

Notes to Financial Statements

31 March 2005

24. SHARE CAPITAL (continued)

Share option scheme (continued)

The following table shows the movement of share options granted under the New Scheme during the year:

Category of participant	Number of share options outstanding at 1 April 2004	Number of share options granted during the year	Number of share options lapsed during the year	Number of share options outstanding at 31 March 2005	Date of grant of share options	Exercise period of share options	Exercise price of share options*	Price of Company's shares before date of grant**
							HK\$	HK\$
Employees other than the directors								
In aggregate	-	1,296,000	(366,000)	930,000	3 June 2004	From 21 May 2004 to 20 May 2007	0.180	0.190
	-	1,296,000	(366,000)	930,000	3 June 2004	From 21 January 2005 to 20 May 2007	0.180	0.190
	-	1,298,000	(368,000)	930,000	3 June 2004	From 21 September 2005 to 20 May 2007	0.180	0.190
	-	3,890,000	(1,100,000)	2,790,000				

* 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 is the Stock Exchange closing price on the trading day, immediately prior to the date of the grant of the options.

25. 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 on page 24 of the financial statements.

The contributed surplus of the Group represents the excess of the nominal value of the shares of the subsidiaries acquired pursuant to the Group reorganisation in 1994, over the nominal value of the Company's shares issued in exchange therefor.

25. RESERVES (continued)

(b) Company

	Share premium account HK\$'000	Contributed surplus HK\$'000	Capital redemption reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1 April 2003	120,372	62,604	464	13,510	196,950
Exercise of shares options	13	–	–	–	13
Subscription of shares	4,650	–	–	–	4,650
Share issue expenses	(324)	–	–	–	(324)
Net loss for the year	–	–	–	(1,225)	(1,225)
At 31 March 2004 and 1 April 2004	124,711	62,604	464	12,285	200,064
Net profit for the year	–	–	–	65	65
At 31 March 2005	124,711	62,604	464	12,350	200,129

The contributed surplus of the Company represents the excess of the fair value of the subsidiaries acquired pursuant to the reorganisation referred to in note 25(a), over the nominal value of the Company's shares issued for their acquisition. Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus shall not be distributed to the shareholders if there are reasonable grounds for believing that:

- (i) the Company is, or would after the payment be, unable to pay its liabilities as they become due; or
- (ii) the realisable value of the Company's assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium account.

The capital redemption reserve represents the par value of shares of the Company which have been repurchased and cancelled.

26. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Reconciliation of profit/(loss) before tax to net cash inflow from operating activities

	Notes	2005 HK\$'000	2004 HK\$'000
Profit/(loss) before tax		6,123	(15,525)
Adjustments for:			
Finance costs	7	3,356	5,495
Interest income	5	(16)	(47)
Depreciation	6	18,251	19,323
Provision for bad and doubtful debts	6	2,428	1,323
Write back of provision against inventories	6	(872)	(664)
Write back of provision for impairment in value of property held for resale	6	(80)	(200)
Surplus on revaluation of an investment property	6	(40)	(150)
Unrealised holding losses on unlisted investments	6	131	–
Operating profit before working capital changes		29,281	9,555
Decrease/(increase) in trade debtors		12,805	(18,601)
Decrease/(increase) in other debtors, prepayments and deposits		(661)	1,198
Decrease/(increase) in inventories		(3,505)	7,369
Increase in trade creditors		1,061	15,654
Increase/(decrease) in bills payable		(5,508)	2,374
Increase/(decrease) in other creditors and accruals		55	(887)
Cash generated from operations		33,528	16,662
Hong Kong profits tax refunded		–	38
Overseas taxes paid		(615)	(140)
Net cash inflow from operating activities		32,913	16,560

(b) Major non-cash transactions

During the year, the Group entered into finance lease arrangements in respect of fixed assets with a total capital value at the inception of leases of HK\$968,000 (2004: HK\$608,000).

27. CONTINGENT LIABILITIES

- (a) At the balance sheet date, contingent liabilities not provided for in the financial statements were as follows:

	Group	
	2005	2004
	HK\$'000	HK\$'000
Debts factored with recourse	<u>28,125</u>	<u>38,657</u>

At 31 March 2005, the Company had guarantees given to banks in connection with facilities granted to its subsidiaries to the extent of approximately HK\$69,955,000 (2004: HK\$105,258,000), of which HK\$52,382,000 (2004: HK\$68,029,000) had been utilised at the balance sheet date.

- (b) The Group has 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 HK\$539,000 (2004: HK\$637,000), as further explained under the heading "Employee benefits" in note 3 to the financial statements. The contingent liability has arisen because, at 31 March 2005, a number of current employees had achieved the required number of years of service to the Group in order to be eligible for long service payments under the Employment Ordinance if their employment was 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.

28. OPERATING LEASE ARRANGEMENTS

- (a) **As lessor**

The Group leases its investment property (note 14) under an operating lease arrangement, with the lease negotiated for a term of three years. The terms of the lease also requires the tenants to pay security deposits.

At the balance sheet date, the Group had total future minimum lease receivable under non-cancellable operating lease with its tenants falling due as follows:

	2005	2004
	HK\$'000	HK\$'000
Within one year	128	140
In the second to fifth years, inclusive	—	128
	<u>128</u>	<u>268</u>

28. OPERATING LEASE ARRANGEMENTS (continued)

(b) As lessee

At 31 March 2005, the Company had no future minimum lease payments under the non-cancellable operating lease (2004: HK\$58,000 falling due within one year).

29. COMMITMENTS

In addition to the operating lease commitments detailed in note 28(b) above, at the balance sheet date, the Group had the following commitments in respect of capital expenditure, which was authorised, but not provided for in the financial statements:

	Group	
	2005 HK\$'000	2004 HK\$'000
Contracted for in respect of purchases of fixed assets	1,937	4,238
Not contracted for	—	580
	<u>1,937</u>	<u>4,818</u>

Apart from the above, a subsidiary of the Company had commitments in respect of capital contributions to a wholly-owned foreign enterprise of the Company in Mainland China amounting to HK\$33,979,000 (2004: HK\$34,731,000) at the balance sheet date.

At the balance sheet date, the Company did not have any significant commitments.

30. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 26 July 2005.