FOR THE YEAR ENDED 31ST MARCH, 2005

1. GENERAL

Peace Mark (Holdings) Limited (the "Company") was incorporated in Bermuda as an exempted company with limited liability. Its shares are listed on The Stock Exchange of Hong Kong Limited.

The Company is an investment holding company. The principal activities of the Company's subsidiaries are set out in note 17 to the financial statements.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

In 2004, the Hong Kong Institute of Certified Public Accountants (the "HKICPA") issued a number of new or revised Hong Kong Accounting Standards ("HKASs") and Hong Kong Financial Reporting Standards ("HKFRSs") (herein collectively referred to as "new HKFRSs") which are effective for accounting periods beginning on or after 1st January, 2005 except for HKFRS 3 Business Combinations. The Group has not early adopted these new HKFRSs in the financial statements for the year ended 31st March, 2005.

HKFRS 3 "Business Combinations" applies to accounting for business combinations for which the agreement date is on or after 1st January, 2005. The Group did not have any major business combinations for which the agreement date is on or after 1st January, 2005 and accordingly, this HKFRS did not have any material impact on these financial statements for the year ended 31st March, 2005.

The Group has commenced considering the potential impact of these new HKFRSs but is not yet in a position to determine whether these new HKFRSs would have a significant impact on how its results of operations and financial position are prepared and presented. These new HKFRSs may result in changes in the future as to how the results and financial position are prepared and presented.

The financial statements have been prepared in accordance with HKFRSs (which also includes Statement of Standard Accounting Practice and Interpretation) issued by the HKICPA, accounting principles generally accepted, the disclosure requirement of the Hong Kong Companies Ordinance, and with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of consolidation

The consolidated financial statements of the Group include the financial statements of the Company and its subsidiaries. A subsidiary is a company whose financial and operating policies are under the Company's control, directly or indirectly, so as to obtain benefits from its activities. The results of subsidiaries acquired or disposed of during the year are consolidated from or to their effective dates of acquisition or disposal. The equity and net income attributable to minority shareholders' interests, representing the interests of outside shareholders, are shown separately in the Group's balance sheet and income statement, respectively.

Intragroup balances and transactions and resulting unrealized profits are eliminated in full. Unrealized losses resulting from intragroup transactions are eliminated unless cost cannot be recovered. Consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances.

In the Company's financial statements, investments in subsidiaries are carried at cost less any accumulated impairment losses. The results of the subsidiaries are accounted for by the Company on the basis of dividends received and receivable during the year.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(b) Associates and jointly controlled entities

An associate is an entity in which the Group or Company has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

A jointly controlled entity is an entity which operates under a contractual arrangement between the Group or Company and other parties, where the contractual arrangement establishes that the Group or Company and one or more of the other parties share joint control over the economic activity of the entity.

The consolidated income statement includes the Group's share of the post-acquisition results of associates and jointly controlled entities for the year. In the consolidated balance sheet, interest in associates are stated at the Group's share of the net assets plus the goodwill/less the negative goodwill in so far as it has not already been amortized, less any identified impairment loss.

In the Company's balance sheet, the investments in associates and jointly controlled entities are stated at cost less impairment losses. The results of associates and jointly controlled entities are accounted for by the Company on the basis of dividends received and receivable.

(c) Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair values of the identifiable assets and liabilities acquired. Goodwill is carried at cost less accumulated amortization and accumulated impairment losses. Goodwill is capitalized and amortized on a straight-line basis over the shorter of its estimated useful life or 20 years. The amortization charge for each period is recognized as an expense.

Goodwill arising from transactions completed prior to 1st April, 2001 is written off directly against reserves and is reduced by impairment losses. Any impairment loss identified is recognized as an expense.

In respect of acquisitions of associates and jointly controlled entities, goodwill is amortized to income statement on a straight line basis over its estimated useful life. Goodwill is carried at cost less accumulated amortization and accumulated impairment losses.

The profit and loss on disposal of a subsidiary or an associate is calculated by reference to the net assets at the date of disposal including the attributable amount of goodwill which remains unamortized.

(d) Investments in securities

(i) Investment securities

Investment securities, which are securities held for an identified long-term strategic purpose, are stated at cost less any provision for impairment losses.

The carrying amounts of individual investments are reviewed at each balance sheet date to assess whether the fair values have declined below the carrying amounts. When a decline other than temporary has occurred, the carrying amount of such securities will be reduced to its fair value. The impairment loss is recognized as an expense in the income statement. This impairment loss is written back to profit and loss when the circumstances and events that led to the write-down or write-offs cease to exist and there is persuasive evidence that the new circumstances and events will persist for the foreseeable future.

(ii) Other investments

Other investments are measured at fair value with unrealized gains and losses included in net profit or loss for the year.

FOR THE YEAR ENDED 31ST MARCH, 2005

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(e) Property, plant and equipment

Property, plant and equipment, other than plant and machinery under installation, are stated at cost or valuation less accumulated depreciation and accumulated impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the item to working condition and location for its intended use. Expenditure incurred after the property, plant and equipment have been put into operation, such as repairs and maintenance and overhaul costs, is normally charged to the income statement 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 an item of property, plant and equipment, the expenditure is capitalized as additional cost of the item.

Advantage has been taken of the transitional relief provided by paragraph 80 of SSAP 17 (Revised) "Property, plant and equipment" from the requirement to make regular revaluations of the Group's land and buildings which had been carried at revalued amounts prior to 30th September, 1995, and accordingly no further revaluation of land and buildings is carried out. In previous years, surplus arising on the revaluation of these assets was credited to the revaluation reserve. Any future deficit in value of these assets will be dealt with as an expense to the extent that they exceed the balance, if any, on the revaluation reserve relating to a previous revaluation of the same asset. On the subsequent sale or retirement of a revalued asset, the attributable revaluation surplus is transferred to accumulated profits.

Depreciation is provided to write off the cost or valuation of property, plant and equipment over their estimated useful lives.

Freehold land	Nil
Leasehold land	Over the term of lease
Buildings	2% straight line method or over the term of lease whichever is shorter
Leasehold improvements	20% reducing balance method
Other assets	20% reducing balance method

The useful lives of assets and depreciation method are reviewed periodically.

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the net sale proceeds and the carrying amount of the relevant item, and is recognized in the income statement.

(f) Plant and machinery under installation

Plant and machinery under installation is stated at cost less any impairment losses. Cost comprises direct and indirect costs of acquisition and installation. Installed items are transferred from plant and machinery under installation to other categories of property, plant and equipment. No provision for depreciation is made on these assets until such time as the relevant assets are installed and ready for use.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(g) Intangible assets

Intangible assets are measured initially at cost. Intangible assets are recognized if it is probable that the future economic benefits that are attributable to the asset will flow to the enterprise, and the cost of the asset can be measured reliably.

Subsequent expenditure on an intangible asset after its purchase or its completion is recognized as an expense when it is incurred unless it is probable that the expenditure will enable the asset to generate future economic benefits in excess of its originally assessed standard of performance and can be measured and attributed to the asset reliably in which case it will be added to the cost of the intangible asset.

After initial recognition, intangible assets are measured at cost less accumulated amortization and any accumulated impairment losses.

Intangible assets mainly comprise the trademark, which is stated at acquisition cost and is amortized on a straight line basis over its expected future economic life of 20 years.

The amortization period and the amortization method are reviewed annually at each financial year end.

(h) Impairment of assets

At each balance sheet date, the Group assesses whether there is any indication that fixed assets, intangible assets, interests in subsidiaries, interest in an associate and interest in a jointly controlled entity have suffered an impairment loss. If such an indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment losses, if any.

The recoverable amount is the higher of the net selling price and value in use of an asset. The net selling price is the amount that could be obtained from the sale of an asset in an arm's length transaction less the costs of the disposal, while value in use is the present value of estimated future cash flows expected to arise from the use of the asset and from its disposal at the end of its useful life.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment losses are recognized as an expense immediately, unless the relevant asset is carried at revalued amount, in which case the impairment loss is firstly charged against the related revaluation reserve to the extent of the amount held in the revaluation reserve with any excess recognized as an expense.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, which is restricted to the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years. A reversal of an impairment loss is recognized as income immediately, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

FOR THE YEAR ENDED 31ST MARCH, 2005

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(i) Inventories

Inventories are stated at the lower of cost and net realizable value. Cost, calculated on the first-in first-out basis, comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognized as an expense in the period in which the related revenue is recognized. The amount of any write-down of inventories to net realizable value and all losses of inventories are recognized as an expense in the period in which the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realizable value, is recognized as a reduction in the amount of inventories recognized as an expense in the period in which the reversal occurs.

(j) Income tax

(i) Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognized in the income statement except to the extent that they relate to items recognized directly in equity, in which case they are recognized in equity.

(ii) Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

(iii) Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilized, are recognized. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilized.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, negative goodwill treated as deferred income, the initial recognition of assets or labilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognized is measured based on the expected manner of realization or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax assets and liabilities are not discounted.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(j) Income tax *(Continued)*

The carrying amount of a deferred tax asset is reviewed at each balance sheet date and is reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the related tax benefit to be utilized. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profit will be available.

Additional income taxes that arise from the distribution of dividends are recognized when the liability to pay the related dividends is recognized.

(iv) Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities if, and only if, the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously, or

- In the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  - the same taxable entity; or

  - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realize the current tax assets and settle the current tax liabilities on a net basis or realize and settle simultaneously.

(k) Foreign currencies

Foreign currency transactions are recorded at the applicable rates of exchange ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the applicable rates of exchange ruling at that date. Exchange differences are dealt with in the income statement.

On consolidation, the financial statements of overseas subsidiaries are translated into Hong Kong dollars using the net investment method. The income statement 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 applicable rates of exchange 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 applicable rates of exchange ruling at the dates of 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.

(l) Trade and other receivables

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

FOR THE YEAR ENDED 31ST MARCH, 2005

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(m) Provisions and contingencies

A provision is recognized when the Group has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of obligation can be made. Expenditures for which a provision has been recognized are charged against the related provision in the year in which the expenditures are incurred. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount provided is the present value of the expenditures expected to be required to settle the obligation.

Contingent liabilities are not recognized in the financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is not recognized in the financial statements but disclosed when an inflow of economic benefits is probable.

(n) Revenue recognition

Revenue from the sale of goods is recognized on the transfer of risks and rewards of ownership, which generally coincides with the time when the goods are delivered to customers and title has passed.

Service income is recognised when the services are rendered.

Rental income under operating leases is recognized on a straight-line basis over the respective terms of the leases.

Interest income is accrued on a time proportion basis by reference to the principal outstanding and at the interest rate applicable.

Proceeds from disposal of other investments are recognized on a trade date basis when contracts are executed.

(o) Leases

Finance leases

A finance lease is a lease that transfers substantially all the risks and rewards incident to ownership of an asset. Title may or may not eventually be transferred.

The Group recognizes finance leases as assets and liabilities in the balance sheet at amounts equal, at the inception of the lease, to the fair value of the leased property or, if lower, at the present value of the minimum lease payments. In calculating the present value of the minimum lease payments the discount factor used is the interest rate implicit in the lease, when it can be determined. Otherwise, the Group's incremental borrowing rate is used. Initial direct costs incurred are included as part of the asset. Lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to periods during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

A finance lease gives rise to depreciation expense for the asset as well as a finance cost for each accounting period. The depreciation policy for leased assets is the same as that for depreciable assets that are owned.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(o) Leases *(Continued)*

Operating leases

An operating lease is a lease other than a finance lease.

Leases of assets under which substantially all the risks and rewards of ownership are retained by the lessor are classified as operating leases. Lease payments under an operating lease are recognized as an expense on a straight-line basis over the lease term.

(p) Off balance sheet financial instruments

Off balance sheet financial instruments arise from swap transactions undertaken by the Group in the interest rate and currency markets.

The accounting for these instruments is dependent upon whether the transactions are undertaken for trading purposes or to hedge risk.

Transactions undertaken for trading purposes are marked to market and the gains or losses arising are recognized in the income statement. Transactions designated as hedges are valued on an equivalent basis to the assets, liabilities or net positions that they are hedging. Any profits or losses are recognized in the income statement on the same basis as those arising from the related assets, liabilities or net positions. Unrealized gains on transactions which are marked to market are included in "Trade and other receivables" in the balance sheet. Unrealized losses on transactions which are marked to market are included in "Trade and other payables".

(q) Employee benefits

(i) Employee leave entitlements

Employee entitlements to annual leave and long service leave are recognized when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the balance sheet date. Employee entitlements to sick leave and maternity leave are not recognized until the time of leave.

(ii) Pension obligations

The Group operates a number of defined contribution plans in Hong Kong, the assets of which are generally held in separate trustee-administered funds. The pension plans are generally funded by payments from employees and by the relevant group companies. The Group's contributions to the defined contribution retirement schemes are expensed as incurred.

(iii) Share option scheme

The financial impact of share options granted under the share option scheme is not recorded in the Company's or the Group's balance sheet until such time as the options are exercised, and no charge is recorded in the income statement or balance sheet for their cost. Upon the exercise of share options, the resulting shares issued are recorded by the Company as additional share capital at the nominal value of shares, and the excess of the exercise price per share over the nominal value of the shares is recorded by the Company in the share premium account.

FOR THE YEAR ENDED 31ST MARCH, 2005

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(r) Related parties

For the purposes of these financial statements, parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decision, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

(s) Cash and cash equivalents

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

(t) Segments

A segment is a distinguished component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

In accordance with the Group's internal financial reporting policy, the Group has chosen business segment information as the primary reporting format and geographical segment information as the secondary reporting format for the purposes of these financial statements.

Segment revenue, expenses, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to that segment. For example, segment assets may include inventories, trade receivables and property, plant and equipment. Segment revenue, expenses, assets, and liabilities are determined before intra-group balances and intra-group transactions are eliminated as part of the consolidation process, except to the extent that such intra-group balances and transactions are between group enterprises within a single segment. Inter-segment pricing is based on similar terms as those available to other external parties.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets (both tangible and intangible) that are expected to be used for more than one period.

Unallocated items mainly comprise financial and corporate assets, interest-bearing loans, borrowings, corporate and financing expenses and minority interest.

4. SEGMENT INFORMATION

In accordance with its internal financial reporting policy, the Group has determined that business segments should be presented as primary reporting format. However, business segments are not presented because the Group's turnover and operating profit were contributed solely by manufacture, trading, distribution, retailing and related service income of timepiece products.

Geographical segments are presented as secondary reporting format, segment revenue is based on the final destination of goods sold.

4. SEGMENT INFORMATION *(Continued)*

Segment assets and capital expenditure are based on the geographical location in which the assets are located at the balance sheet date.

	2005			
		Segment	**Segment**	**Capital**
	Turnover	**results**	**assets**	**expenditure**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***
The Americas	**855,550**	**151,554**	**241,254**	**1,730**
Asia (excluding China)	**438,525**	**68,320**	**1,074,381**	**35,065**
Europe	**301,678**	**45,849**	**43,979**	**3,507**
China	**342,194**	**91,658**	**986,040**	**81,684**
	1,937,947	**357,381**	**2,345,654**	**121,986**
Other revenue		**22,864**		
Unallocated expenses		**(199,267)**		
Finance costs		**(27,439)**		
Share of loss of an associate		**(357)**		
Share of loss of a jointly controlled entity		**(929)**		
Profit before taxation		**152,253**		
Unallocated assets			**53,629**	
Total assets			**2,399,283**	

	2004			
		Segment	Segment	Capital
	Turnover	results	assets	expenditure
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
The Americas	788,970	123,358	222,741	9,106
Asia (excluding China)	354,962	55,811	1,045,417	47,064
Europe	229,519	36,089	27,494	701
China	61,041	12,140	456,640	113,161
	1,434,492	227,398	1,752,292	170,032
Other revenue		11,639		
Unallocated expenses		(130,747)		
Finance costs		(18,155)		
Share of profit of an associate		321		
Share of loss of a jointly controlled entity		(2,998)		
Profit before taxation		87,458		
Unallocated assets			56,532	
Total assets			1,808,824	

FOR THE YEAR ENDED 31ST MARCH, 2005

5. TURNOVER AND OTHER REVENUE

(a) Turnover

The principal activities of the Group are manufacturing, trading, distributing, retailing and related service of timepiece products.

Turnover represents the amounts received and receivable for goods sold, less discounts and returns, to outside customers during the year.

(b) Other revenue

	2005	2004
	HK$'000	*HK$'000*
Interest income	**8,590**	4,761
Sale of scrapped materials	**670**	–
Exchange gain	**693**	–
Rental income	**485**	3,280
Net realized gains on other investments	**296**	600
Realized gains on financial instruments	**5,892**	–
Technical service income	**1,840**	–
Sundry income	**4,398**	2,998
	22,864	11,639

6. PROFIT FROM OPERATIONS

Profit from operations is arrived at after charging (crediting):

	2005	2004
	HK$'000	*HK$'000*
Auditors' remuneration		
– Current year	**2,290**	1,190
– Under provision in prior years	**–**	10
Depreciation of property, plant and equipment		
– Owned assets	**62,312**	38,001
– Assets under finance leases	**2,278**	697
Amortization of intangible assets	**3,093**	4,380
Amortization of goodwill	**7,422**	2,825
Amortization of goodwill in an associate	**1,652**	–
Impairment loss of goodwill	**12,575**	–
Loss on write-down of inventories to net realizable value	**31,943**	4,398
Loss on disposal of property, plant and equipment	**56**	4,046
Loss on disposal of a jointly controlled entity	**–**	1,764
Staff costs, including directors' emoluments		
– Wages, salaries and benefits in kind	**108,996**	71,497
– Pension costs: defined contribution plans, net of forfeited contributions	**1,400**	1,209
Minimum lease payments in respect of properties under operating leases	**9,530**	3,230
Provision for bad debts	**18,853**	2,500

7. FINANCE COSTS

	2005 HK$'000	2004 HK$'000
Interest on:		
Term loans, syndicated loans and bank overdrafts wholly repayable within five years	**27,002**	17,982
Obligations under finance leases	**437**	173
	27,439	18,155

8. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

Particulars of the Directors' and the five highest paid employees' emoluments are as follows:

(a) Directors' emoluments

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

	2005 HK$'000	2004 HK$'000
Directors' fees:		
– Executive	**–**	–
– Non-executive	**–**	–
– Independent non-executive	**200**	310
	200	310
Other emoluments of Executive Directors:		
Salaries and other benefits	**3,500**	5,396
Pension scheme contributions	**156**	156
	3,656	5,552
	3,856	5,862

The emoluments of the Directors are within the following bands:

	2005 Number of Directors	2004 Number of Directors
Nil to HK$1,000,000	**9**	7
HK$1,000,001 to HK$1,500,000	**1**	1
HK$1,500,001 to HK$2,000,000	**–**	2
	10	10

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

During the year, no remuneration was paid by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office.

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8. DIRECTORS' AND EMPLOYEES' EMOLUMENTS *(Continued)*

(b) Employees' emoluments

During the year ended 31st March, 2005, the five highest paid individuals included two Directors (2004: three), details of whose emoluments are set out in note 8(a) to the financial statements above. The emoluments of the remaining individuals for the year are as follows:

	2005 HK$'000	2004 HK$'000
Salaries and other benefits	3,758	2,258
Pension scheme contributions	48	280
	3,806	2,538

The emoluments of the three (2004: two) individuals with the highest emoluments are within the following bands:

	2005 Number of individuals	2004 Number of individuals
Nil to HK$1,000,000	–	–
HK$1,000,001 to HK$1,500,000	3	2
	3	2

During the year, no remuneration was paid by the Group to any of the three (2004: two) highest paid, non-director employees as an inducement to join or upon joining the Group or as compensation for loss of office.

9. INCOME TAX

	2005 HK$'000	2004 HK$'000
(a) Income tax in the consolidated income statement represents:		
Current tax		
Hong Kong	16,229	9,791
The People's Republic of China (the "PRC")	238	–
Overseas	1,101	–
	17,568	9,791
Deferred tax		
Origination and reversal of temporary differences	5,590	(9,585)
	23,158	206

Hong Kong income tax has been provided at the rate of 17.5% (2004: 17.5%) on the estimated assessable profit for the year. Taxation on other overseas profits has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries in which the subsidiaries of the Group operate.

9. INCOME TAX *(Continued)*

(a) The PRC income tax has been provided at the rate of 15% to 33% on the assessable profits of the PRC subsidiaries. No provision for the PRC income tax had been made in last year. Some of the subsidiaries operating in the PRC has unused tax losses of HK$25,979,000 (2004: HK$903,000) available for offset against future profits. No deferred tax asset has been recognized in respect of such losses due to the unpredictability of future profit streams. These unrecognized tax losses will expire before 2010.

Pursuant to the laws and regulations in the PRC, a PRC subsidiary in the Group is entitled to exemption from PRC income tax for two years commencing from the first profit-making year of operation and thereafter, this PRC subsidiary will be entitled to a 50% relief from PRC income tax for the following three years.

(b) Reconciliation between tax expense and accounting profit at the applicable tax rates:

	2005 **HK$'000**	2004 HK$'000
Profit before taxation	**152,253**	87,458
Notional tax charge on profit before taxation, calculated at the applicable tax rate of 17.5% (2004: 17.5%)	**26,644**	15,305
Tax effect of income not taxable for tax purpose	**(9,371)**	(56,561)
Tax effect of expenses not deductible for tax purpose	**18,502**	56,173
Utilization of tax losses previously not recognized	**(10)**	(2,718)
Recognition of previously unrecognized tax losses	**(1,656)**	(5,320)
Recognition of unrecognized temporary difference	**28**	–
Tax effect of unused tax losses not recognized	**184**	210
Effect of different tax rates in other jurisdictions	**92**	1,769
Effect on income tax of concessionary rates for certain subsidiaries	**(12,545)**	(9,486)
Others	**1,290**	834
Actual tax expense	**23,158**	206

10. PROFIT ATTRIBUTABLE TO SHAREHOLDERS

The Group's profit attributable to shareholders includes a profit of HK$50,436,000 (2004: HK$59,576,000) which has been dealt with in the financial statements of the Company.

11. DIVIDENDS

	2005 **HK$'000**	2004 HK$'000
Interim dividend paid of HK2.2 cents (2004: HK1.8 cents) per share	**18,574**	11,544
Final dividend proposed of HK2.8 cents (2004: HK2.0 cents) per share	**24,532**	16,414
	43,106	27,958

A final dividend in respect of 2005 of HK2.8 cents per share amounting to approximately HK$24,532,000 was proposed by the Board of Directors after the balance sheet date. The proposed dividend has not been accounted for as a liability until it is approved at the forthcoming Annual General Meeting.

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12. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share is as follows:

	2005	2004
Profit attributable to shareholders (in HK$'000)	**123,811**	80,005
Weighted average number of shares for the purpose of basic earnings per share calculation (in '000)	**831,722**	643,510
Potential dilutive shares		
Share options (in '000)	**18**	16
Warrants (in '000)	**23,421**	18,158
Weighted average number of shares for the purpose of diluted earnings per share calculation (in '000)	**855,161**	661,684
Basic earnings per share (HK cents)	**14.89**	12.43
Diluted earnings per share (HK cents)	**14.48**	12.09

13. RELATED PARTY TRANSACTIONS

Significant related party transactions which were carried out in the normal course of the Group's business and were conducted on normal commercial terms are as follows:

	Note	**2005** *HK$'000*	2004 *HK$'000*
Sale of finished goods to related companies	*(a)*	**12,134**	7,236
Rental for use of plant and machinery provided to and charged to a jointly controlled entity	*(b)*	**1,000**	1,000
Electroplating services provided by and respective fee charged by a jointly controlled entity	*(c)*	**–**	4,918
Electroplating services provided by and respective fee charged by a related company	*(c)*	**10,836**	6,727

Notes:

(a) Sale of finished goods to the related companies were conducted in the normal course of business at prices and terms as determined by the transaction parties.

(b) The amount of the rental received from the jointly controlled entity was agreed between the transaction parties on arm's length basis.

(c) Fee for electroplating services provided by the jointly controlled entity and a related company was charged at prices and terms as agreed between the transaction parties.

14. PROPERTY, PLANT AND EQUIPMENT

	Group					
	Plant and machinery under installation	Freehold and leasehold properties	Leasehold improve-ments	Plant and machinery	Other assets	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Cost or valuation						
As at 1st April, 2004	41,863	205,602	73,981	183,008	50,002	554,456
Additions	1,560	1,885	27,296	81,527	9,718	121,986
Acquisition of subsidiaries	596	–	12,826	5,913	22,329	41,664
Disposals	–	(407)	(34)	–	(1,616)	(2,057)
Exchange realignment	–	434	26	71	231	762
Reclassification	(44,019)	–	9,044	34,317	658	–
As at 31st March, 2005	**–**	**207,514**	**123,139**	**304,836**	**81,322**	**716,811**
Comprising						
At valuation	–	14,000	–	–	–	14,000
At cost	–	193,514	123,139	304,836	81,322	702,811
As at 31st March, 2005	**–**	**207,514**	**123,139**	**304,836**	**81,322**	**716,811**
Accumulated depreciation						
As at 1st April, 2004	–	18,917	33,890	95,115	22,866	170,788
Provided for the year	–	4,051	13,787	36,751	10,001	64,590
Eliminated on disposal	–	(407)	(4)	–	(1,444)	(1,855)
Exchange realignment	–	43	7	19	52	121
As at 31st March, 2005	**–**	**22,604**	**47,680**	**131,885**	**31,475**	**233,644**
Carrying amount						
As at 31st March, 2005	**–**	**184,910**	**75,459**	**172,951**	**49,847**	**483,167**
As at 31st March, 2004	41,863	186,685	40,091	87,893	27,136	383,668

One of the leasehold properties of the Group was revalued as at 31st March, 1995, on an open market value basis by Messrs. Jones Lang Wooton Limited, independent registered surveyors.

Had the leasehold properties of the Group been carried at historical cost less accumulated depreciation, their carrying amount as at 31st March, 2005, would have been approximately HK$180,528,000 (2004: HK$182,199,000).

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14. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

The carrying amount of properties held by the Group comprises:

	Group	
	2005	2004
	HK$'000	*HK$'000*
Leasehold properties:		
Held in Hong Kong, medium-term leases	**15,231**	15,594
Held in PRC, medium-term leases	**162,212**	165,831
Freehold properties:		
Held outside Hong Kong	**7,467**	5,260
	184,910	186,685

As at 31st March, 2005, the carrying amount of the Group's property, plant and equipment held under finance leases was approximately HK$11,111,000 (2004: HK$2,594,000).

15. INTANGIBLE ASSETS

	Group
	Trademarks
	HK$'000
Cost	
As at 1st April, 2004	61,668
Exchange realignment	192
As at 31st March, 2005	**61,860**
Accumulated amortization	
As at 1st April, 2004	5,136
Provided for the year	3,093
Exchange realignment	2
As at 31st March, 2005	**8,231**
Carrying amount	
As at 31st March, 2005	**53,629**
As at 31st March, 2004	56,532

16. GOODWILL

	Group	
	2005	2004
	HK$'000	*HK$'000*
Cost		
At the beginning of the year	**63,253**	20,717
Additions	**107,940**	42,536
Impairment loss	**(12,575)**	–
At the end of the year	**158,618**	63,253
Accumulated amortization		
At the beginning of the year	**3,201**	1,336
Provided for the year	**7,422**	1,865
At the end of the year	**10,623**	3,201
Carrying amount		
At the end of the year	**147,995**	60,052

In the opinion of the Board of Directors, the underlying value of goodwill as at 31st March, 2005 was not less than its carrying amount.

17. INTEREST IN SUBSIDIARIES

	The Company	
	2005	2004
	HK$'000	*HK$'000*
Unlisted shares, at cost	**51,398**	51,398
Amounts due from subsidiaries	**1,168,402**	1,006,063
	1,219,800	1,057,461

The balances with subsidiaries are unsecured, non-interest bearing and not repayable within the next twelve months.

As at 31st March, 2005, the underlying value of interests in subsidiaries is, in the opinion of the Board of Directors, not less than the carrying amount in the books of the Company.

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17. INTEREST IN SUBSIDIARIES *(Continued)*

Details of the Company's principal subsidiaries as at 31st March, 2005 are as follows:

Name of subsidiary	Place of incorporation/ registration	Issued and fully paid capital/ registered capital	Percentage of equity interest held by the Company Direct %	Indirect %	Principal place of operation	Principal activities
Aerostar Timewear International Limited	British Virgin Islands	US$1 Ordinary	–	100	The Americas	Trademark holding
Bensonic International Limited	British Virgin Islands	US$100 Ordinary	–	51	The Americas	Timepiece distribution, trading and marketing
Capricon Company Limited	British Virgin Islands	US$2 Ordinary	–	100	The People's Republic of China	Manufacturing timepiece
金百利實業(深圳)有限公司 (Transliteration: Capricon Industrial (Shenzhen) Co., Limited)	The People's Republic of China	HK$40,600,000	–	100	The People's Republic of China	Property holding
重慶美達實業有限公司 (Transliteration: Chongqing Meida Enterprise Co., Limited)	The People's Republic of China	RMB10,000,000	–	51	The People's Republic of China	Timepiece distribution and retail
Cornell Worldwide International Holdings Limited	British Virgin Islands	US$1 Ordinary	–	100	The Americas	Trademark holding
Eastern Group (Asia) Limited	Hong Kong	HK$2,000,000 Ordinary	–	100	Hong Kong	Timepiece distribution, trading and marketing
Easy Winner Development Limited	Hong Kong	HK$1 Ordinary	–	100	Hong Kong	Timepiece retail
Ever Precision Corporation	British Virgin Islands	US$1 Ordinary	–	100	The People's Republic of China	Trademark holding
Epoch World Company Limited▲	Taiwan	NTD19,000,000	–	63	Taiwan	Timepiece distribution, trading and marketing
Fiorucci Timewear (Far East) Limited	British Virgin Islands	US$1 Ordinary	–	100	Hong Kong	License holding
廣州金匠時計有限公司 (Transliteration: Guangzhou Goldsmith Timepiece Co., Limited)	The People's Republic of China	RMB500,000	–	100	The People's Republic of China	Timepiece distribution and retail
廣州意瑪迅貿易有限公司 (Transliteration: Guangzhou Imarsion Trading Co., Limited)	The People's Republic of China	RMB500,000	–	100	The People's Republic of China	Timepiece distribution and retail
廣州表匠鐘表維修有限公司 (Transliteration: Guangzhou Watchsmith Timepiece Servicing Co., Limited)	The People's Republic of China	RMB100,000	–	100	The People's Republic of China	Provision of after sales service and timepiece components trading

17. INTEREST IN SUBSIDIARIES *(Continued)*

Name of subsidiary	Place of incorporation/ registration	Issued and fully paid capital/ registered capital	Percentage of equity interest held by the Company Direct %	Indirect %	Principal place of operation	Principal activities
Inter Mark Worldwide Limited	Hong Kong	HK$100 Ordinary	–	100	Hong Kong	Timepiece distribution and marketing
Mega Chains (China) Limited	Hong Kong	HK$100 Ordinary	–	100	Hong Kong	Timepiece trading and marketing
Milus International S.A.▲	Switzerland	CHF760,000	–	100	Switzerland	Timepiece manufacturing and trading
Montana Timepieces International Limited	Hong Kong	HK$100 Ordinary	–	51	Hong Kong	Timepiece trading and marketing
Omni Watch & Clock Co., LLC.▲	State of New York, United States	US$8,698,090	–	51	United States	Timepiece distribution, trading and marketing
Peace Mark (B.V.I.) Limited	British Virgin Islands	HK$10,000 Ordinary	100	–	British Virgin Islands	Investment holding
Peace Mark Limited	Hong Kong	HK$110,000 Ordinary HK$10,000 Non-voting deferred*	–	100	Hong Kong	Timepiece trading, marketing and manufacturing
PM License Management Limited	British Virgin Islands	US$100 Ordinary	–	100	British Virgin Islands	License holding
Pure Riches Industries Limited	Hong Kong	HK$2,760,000 Ordinary	–	100	The People's Republic of China	Manufacturing of timepiece components
深圳市大元錶業有限公司 (Transliteration: Shenzhen Dayuan Watches Co., Limited)	The People's Republic of China	RMB15,000,000	–	62.5	The People's Republic of China	Timepiece distribution and retail
Sinotop Investment Limited	British Virgin Islands	US$1 Ordinary	–	100	Hong Kong	Investment holding
Sky Type Limited	Hong Kong	HK$10,000 Ordinary	–	100	Hong Kong	Asset holding
上海金時精密機械有限公司 (Transliteration: Shanghai Golden Time Precision Instrument Co., Limited)	The People's Republic of China	RMB30,000,000	–	51	The People's Republic of China	Manufacturing of mechancial movement

FOR THE YEAR ENDED 31ST MARCH, 2005

17. INTEREST IN SUBSIDIARIES *(Continued)*

Name of subsidiary	Place of incorporation/ registration	Issued and fully paid capital/ registered capital	Percentage of equity interest held by the Company Direct %	Indirect %	Principal place of operation	Principal activities
Timetech Industrial Limited	Hong Kong	HK$100 Ordinary	–	100	The People's Republic of China	Manufacturing of timepiece components
World Grade Industries Limited	Hong Kong	HK$10,000 Ordinary	–	100	Hong Kong	Property holding
T&T Timepieces Co., Limited	Hong Kong	HK$1 Ordinary	–	100	Hong Kong	Timepieces distribution, trading and marketing
Solomon Watch & Jewellery Co., Limited	Hong Kong	HK$1 Ordinary	–	100	Hong Kong	Timepieces distribution, trading and marketing
Eastco Business Limited	British Virgin Islands	US$10 Ordinary	–	100	Hong Kong	Trademark holding
Timezone Trademark Management Limited	British Virgin Islands	US$10 Ordinary	–	100	Hong Kong	Trademark holding
Solomon Trademark Management Limited	British Virgin Islands	US$10 Ordinary	–	100	Hong Kong	Trademark holding
深圳市天美時有限公司 (Translation: Shenzhen Times Co., Limited)	The People's Republic of China	RMB10,000,000	–	60	The People's Republic of China	Timepiece distribution and retail
上海世琪貿易有限公司 (Translation: Shanghai Shiqi Trading Co., Limited)	The People's Republic of China	RMB500,000	–	51	The People's Republic of China	Timepiece distribution and retail
上海卓時表業有限公司 (Translation: Shanghai Zhoushi Watches Co., Limited).	The People's Republic of China	RMB500,000	–	51	The People's Republic of China	Timepiece distribution and retail

17. INTEREST IN SUBSIDIARIES *(Continued)*

* *The deferred shares, which are not held by the Group, practically carry no rights to dividend or to receive notice of or to attend or vote at any general meeting of the subsidiary or to participate in any distribution on winding up.*

▲ *Companies not audited by Chu and Chu, Certified Public Accountants. The financial statements of the subsidiaries not audited by Chu and Chu, Certified Public Accountants reflect total net assets and total turnover constituting approximately 2.4% and 9.9% respectively of the related consolidated totals.*

The above table listed the subsidiaries of the Company which, in the opinion of the Board of Directors, principally affected the results of 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 Board of Directors, result in excessive length.

None of the subsidiaries had any loan capital outstanding at the year end, nor at any time during the year.

18. INTEREST IN AN ASSOCIATE

	Group	
	2005	2004
	HK$'000	*HK$'000*
Share of net assets	**6,244**	5,642
Unamortized goodwill	**23,508**	26,120
	29,752	31,762
Amount due from an associate	**35,623**	33,918
	65,375	65,680

The amount due from an associate is unsecured, interest bearing at HIBOR plus 1.5% with no fixed terms of repayment. In the opinion of the directors, the amount is not expected to be realized within twelve months from the balance sheet date and is therefore included in non-current assets.

Details of the Group's associate as at 31st March, 2005 are as follows:

Name of associate	**Place of incorporation/ registration**	**Issued and fully paid capital/ registered capital**	**Percentage of equity interest held indirectly by the Company %**	**Principal activities**
Niceworld Group Corporation	British Virgin Islands	US$12 Ordinary	50	Timepiece distribution in Latin America*

* *Niceworld holds three subsidiaries which have their respective places of incorporation in Mexico, Panama and Peru. These three subsidiaries have their distribution networks covering the whole of Latin America.*

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19. INTEREST IN A JOINTLY CONTROLLED ENTITY

	Group	
	2005	2004
	HK$'000	*HK$'000*
Share of net assets of a jointly controlled entity	**9,668**	10,597
Amount due from a jointly controlled entity	**5,972**	325
	15,640	10,922

Details of the Group's jointly controlled entity as at 31st March, 2005 are as follows:

Name of jointly controlled entity	**Place of incorporation and operation**	**Issued and fully paid capital/ registered capital**	**Percentage of equity interest held indirectly by the Company %**	**Principal activities**
Pearl Link Limited	British Virgin Islands	US$300 Ordinary	49	Investment holding*

* *Pearl Link Limited directly holds 100% equity interest in the capital of Gar Shun Enterprises Development Ltd., an electroplating and ionized plating production company in the PRC.*

20. INVESTMENTS IN SECURITIES

	Group	
	2005	2004
	HK$'000	*HK$'000*
Unlisted investments, at cost	**16,768**	15,600

In 2004, the Group invested HK$15,600,000 in 20% of the capital of a watch company incorporated in Japan, for long-term purpose. This company advises and assists Japanese brands in identifying and co-ordinating with PRC manufacturers, distribution partners and acquisition targets. It also assists the Group to serve its Japanese customers.

21. OTHER FINANCIAL ASSETS

The amount of HK$29,225,000 represents investments in three investment and insurance combined policies issued by an international insurance group. A minimum annual return of 4% is guaranteed by the insurance group. Insurance costs are being deducted from the investment return for the key man insurances of the directors.

22. INVENTORIES

	Group	
	2005	2004
	HK$'000	*HK$'000*
Raw materials	**52,105**	53,109
Work in progress	**64,493**	139,031
Finished goods	**396,702**	117,769
	513,300	309,909

The carrying amount of inventories that are carried at net realizable value, with the original cost of HK$36,341,000 (2004: HK$4,398,000), is HK$nil (2004: HK$nil).

23. TRADE AND OTHER RECEIVABLES

	Group	
	2005	2004
	HK$'000	*HK$'000*
Trade receivables	**276,038**	191,558
Trade and other deposits, prepayments and other receivables	**119,402**	205,915
	395,440	397,473

An aging analysis of trade receivables is as follows:

	Group	
	2005	2004
	HK$'000	*HK$'000*
Not yet due	**214,307**	137,764
Overdue within 90 days	**38,444**	23,616
Overdue between 91 to 180 days	**21,021**	30,178
Overdue over 180 days	**2,266**	–
	276,038	191,558

Credit policy:

Payment terms with customers are mainly on credit. Invoices are normally payable within 90 days to 120 days of issuance. Each customer has a pre-set maximum credit limit.

FOR THE YEAR ENDED 31ST MARCH, 2005

24. TRADE AND OTHER PAYABLES

An aging analysis of trade payable is as follows:

	Group	
	2005	2004
	HK$'000	*HK$'000*
Trade payables:		
Not yet due	**59,295**	45,885
Overdue within 90 days	**43,030**	1,195
Overdue between 91 days to 180 days	**9,680**	3,251
Overdue over 180 days	**6,903**	–
	118,908	50,331
Accruals and other payables	**101,186**	92,120
	220,094	142,451

25. INTEREST-BEARING BORROWINGS

	Group	
	2005	2004
	HK$'000	*HK$'000*
Interest-bearing borrowings comprise:		
– Term loans	**421,679**	261,662
– Syndicated loan, unsecured	**342,000**	380,000
– Trust receipt and import loans	**177,031**	161,804
	940,710	803,466
Analyzed as:		
– Secured	**16,800**	23,928
– Unsecured	**923,910**	779,538
	940,710	803,466
Interest-bearing borrowings are repayable as follows:		
– Not exceeding one year or upon demand	**671,570**	382,016
– More than one year, but not exceeding two years	**217,940**	187,400
– More than two years, but not exceeding five years	**51,200**	234,050
	940,710	803,466
Representing:		
Current portion	**671,570**	382,016
Non-current portion	**269,140**	421,450
	940,710	803,466

Included in interest-bearing borrowings an outstanding amount of HK$43,750,000 as at 31st March, 2005 (2004: HK$nil) was obtained from a bank for the purpose of financing the operation of a share incentive scheme adopted on 13th December, 2004.

25. INTEREST-BEARING BORROWINGS *(Continued)*

	The Company	
	2005	2004
	HK$'000	*HK$'000*
Interest-bearing borrowings comprise:		
– Syndicated loan, unsecured	**342,000**	380,000
– Term loans	**62,650**	70,000
	404,650	450,000
Interest-bearing borrowings are repayable as follows:		
– Not exceeding one year or upon demand	**182,600**	45,350
– More than one year, but not exceeding two years	**184,050**	182,600
– More than two years, but not exceeding five years	**38,000**	222,050
	404,650	450,000
Representing:		
Current portion	**182,600**	45,350
Non-current portion	**222,050**	404,650
	404,650	450,000

26. OBLIGATIONS UNDER FINANCE LEASES

	Group	
	2005	2004
	HK$'000	*HK$'000*
Within one year	**3,187**	3,279
More than one year, but not exceeding two years	**1,151**	2,431
More than two years, but not exceeding five years	**611**	808
	4,949	6,518
Less: Finance charges	**(380)**	(76)
	4,569	6,442
Representing:		
Current portion	**2,918**	3,233
Non-current portion	**1,651**	3,209
	4,569	6,442

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27. DEFERRED TAXATION

The followings are the components of deferred tax assets (liabilities) recognized in the consolidated balance sheet and the movements thereon during the year and prior reporting periods:

	Group				
	Accelerated tax depreciation	Tax losses	Unrealized profits on inventories	Revaluation of properties	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
As at 31st March, 2003	(6,802)	–	–	46	(6,756)
Credited (Charged) to consolidated income statement for the year	(2,617)	11,224	1,002	–	9,609
As at 31st March, 2004	(9,419)	11,224	1,002	46	2,853
Credited (Charged) to consolidated income statement for the year	(5,895)	654	(349)	–	(5,590)
As at 31st March, 2005	**(15,314)**	**11,878**	**653**	**46**	**(2,737)**

Deferred taxation is calculated in full on temporary differences under the liability method using the applicable rates prevailing in the countries/places in which the Group operates.

The analysis of the deferred tax balances is as follows:

	Group	
	2005	2004
	HK$'000	*HK$'000*
Deferred tax assets	**12,577**	12,272
Deferred tax liabilities	**(15,314)**	(9,419)
	(2,737)	2,853

Deferred tax assets are recognized for tax losses carry forwards to the extent that realization of the related tax benefits through the future taxable profit is probable. As at 31st March, 2005, the Group has unrecognized tax losses of approximately HK$25,979,000 (2004: HK$11,111,000) to carry forward indefinitely against future taxable income.

The Company has no significant unprovided deferred taxation for the year or at the balance sheet date.

28. SHARE CAPITAL

	Note	Number of shares	Amount HK$'000
Ordinary shares of HK$0.1 each			
Authorized:			
As at 31st March, 2003, 31st March, 2004 and 31st March, 2005		**6,000,000,000**	**600,000**
Issued and fully paid:			
As at 31st March, 2003		630,899,833	63,090
Issue of new shares pursuant to the exercise of share options	*(a)*	1,980,000	198
Issue of new shares pursuant to the exercise of warrants	*(b)*	43,276,528	4,328
Issue of new shares as 2003 final scrip dividend, in lieu of cash	*(e)*	8,534,818	853
Issue of new shares as 2004 interim scrip dividend, in lieu of cash	*(f)*	6,062,352	606
As at 31st March, 2004		690,753,531	69,075
Issue of new shares for subscription	*(c)*	126,500,000	12,650
Issue of new shares pursuant to the exercise of warrants	*(b)*	43,295,402	4,330
Issue of new shares as 2004 final scrip dividend, in lieu of cash	*(e)*	8,333,326	833
Shares repurchased and cancelled	*(d)*	(800,000)	(80)
As at 31st March, 2005		**868,082,259**	**86,808**

Notes:

(a) In 2004, 1,980,000 new shares of HK$0.1 each were issued upon the exercise of options under a share option scheme adopted on 24th January, 2002 at exercise prices of HK$0.2 and HK$0.227 for 945,000 shares and 1,035,000 shares respectively. These shares rank pari passu with the existing shares of the Company.

(b) As at 31st March, 2005, 43,295,402 (2004: 43,276,528) shares were issued pursuant to the exercise of warrant holders' right to purchase the shares at HK$0.65. The gross proceeds were approximately HK$28,142,000 (2004: HK$28,130,000). The share capital increase in relation to the exercises of warrants was HK$4,329,540 (2004: HK$4,327,653). These shares rank pari passu with existing shares of the Company.

(c) On 6th April 2004, A-ONE INVESTMENTS LIMITED and United Success Enterprises Limited, substantial shareholders of the Company, subscribed for 126,500,000 new shares in total at HK$1.63 per share.

FOR THE YEAR ENDED 31ST MARCH, 2005

28. SHARE CAPITAL *(Continued)*

(d) During the year, the Company repurchased its own shares on the Stock Exchange as follows:

Month of repurchase	Number of shares	Price per share	Aggregate consideration paid
		HK$	*HK$'000*
August 2004	800,000	1.24-1.27	1,010

The above shares were cancelled upon repurchase and accordingly the issued share capital of the Company was reduced by the nominal value of these shares. The premiums on repurchase were charged against share premium.

(e)

Year	Number of shares issued as final dividend	Scrip price	Credited to share capital account	Credited to share premium account	Total
		HK$	*HK$'000*	*HK$'000*	*HK$'000*
2005	**8,333,326**	**1,350**	**833**	**9,833**	**10,666**
2004	8,534,818	0.733	853	5,402	6,255

(f)

Year	Number of shares issued as interim dividend	Scrip price	Credited to share capital account	Credited to share premium account	Total
		HK$	*HK$'000*	*HK$'000*	*HK$'000*
2005	–	–	–	–	–
2004	6,062,352	1.309	606	7,329	7,935

29. RESERVES

	Group									
	Share premium	Merger deficit	Capital reserve	Contributed surplus	Leasehold property revaluation reserve	Other reserve	Exchange fluctuation reserve	Retained profits (Accumulated losses)	Proposed final dividend	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
As at 1st April, 2003	76,734	(11,988)	12,372	349,431	5,466	(26)	86	170,894	9,463	612,432
Exercise of share options	226	–	–	–	–	–	–	–	–	226
Exercise of warrants	23,683	–	–	–	–	–	–	–	–	23.683
2003 final cash and scrip dividend	5,402	–	–	–	–	–	–	(28)	(9,463)	(4,089)
2004 interim cash and scrip dividend	7,329	–	–	–	–	–	–	(11,544)	–	(4,215)
Exchange realignment	–	–	–	–	–	–	782	–	–	782
Net profit for the year	–	–	–	–	–	–	–	80,005	–	80,005
Proposed 2004 final cash dividend	–	–	–	–	–	–	–	(16,414)	16,414	–
As at 31st March, 2004	113,374	(11,988)	12,372	349,431	5,466	(26)	868	222,913	16,414	708,824
Issue of new share for subscription	193,409	–	–	–	–	–	–	–	–	193,409
Shares repurchased and cancelled	(930)	–	–	–	–	–	–	–	–	(930)
Exercise of warrants	23,812	–	–	–	–	–	–	–	–	23,812
2004 final cash and scrip dividend	9,833	–	–	–	–	–	–	(110)	(16,414)	(6,691)
2005 interim cash dividend	–	–	–	–	–	–	–	(18,574)	–	(18,574)
Exchange realignment	–	–	–	–	–	–	1,341	–	–	1,341
Net profit for the year	–	–	–	–	–	–	–	123,811	–	123,811
Proposed 2005 final cash dividend	–	–	–	–	–	–	–	(24,532)	24,532	–
As at 31st March, 2005	**339,498**	**(11,988)**	**12,372**	**349,431**	**5,466**	**(26)**	**2,209**	**303,508**	**24,532**	**1,025,002**

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29. RESERVES *(Continued)*

	The Company				
	Share premium	**Contributed surplus**	**Retained profits (Accumulated losses)**	**Proposed final dividend**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
As at 1st April, 2003	76,734	388,830	3	9,463	475,030
Exercise of share options	226	–	–	–	226
Exercise of warrants	23,683	–	–	–	23,683
2003 final cash and scrip dividend	5,402	–	(28)	(9,463)	(4,089)
2004 interim cash and scrip dividend	7,329	–	(11,544)	–	(4,215)
Profit for the year	–	–	59,576	–	59,576
Proposed 2004 final dividend	–	–	(16,414)	16,414	–
As at 31st March, 2004	113,374	388,830	31,593	16,414	550,211
Issue of new Shares for subscription	193,409	–	–	–	193,409
Shares repurchase and cancelled	(930)	–	–	–	(930)
Exercise of warrants	23,812	–	–	–	23,812
2004 final cash and scrip dividend	9,833	–	(110)	(16,414)	(6,691)
2005 interim cash and scrip dividend	–	–	(18,574)	–	(18,574)
Profit for the year	–	–	50,436	–	50,436
Proposed 2005 final dividend	–	–	(24,532)	24,532	–
As at 31st March, 2005	**339,498**	**388,830**	**38,813**	**24,532**	**791,673**

The capital reserve represents the total of the share premium of a subsidiary prior to becoming a member of the Group in a merger and the amount arising from the excess of the purchase consideration over the fair value of the Group's share of separate net assets of the subsidiaries acquired.

The merger deficit of the Group represents the excess of the nominal value of the shares in the Company issued as consideration over the nominal value of the subsidiaries' shares transferred to the Company.

The contributed surplus of the Company represents the difference between the consolidated shareholders' funds of the subsidiaries acquired by the Company and the nominal amount of the Company's shares issued for the acquisition.

29. RESERVES *(Continued)*

The other reserve represents the amount of unrealized holding loss from the investments in securities.

Under the Companies Act 1981 of Bermuda, the contributed surplus of the Company is available for distribution to shareholders. However, the Company cannot declare or pay a dividend, or make a distribution out of contributed surplus if:

(a) it is, or would after the payment be, unable to pay its liabilities as they become due; or

(b) the realizable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium account.

In the opinion of the Directors, the Company's reserves available for distribution to shareholders were as follows:

	2005	2004
	HK$'000	*HK$'000*
Contributed surplus	**388,830**	388,830
Retained profits	**38,813**	31,593
Proposed final dividend	**24,532**	16,414
	452,175	436,837

30. SHARE OPTION SCHEME

The Company operates a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Scheme include any directors, employees, consultants or professional advisors, suppliers or customers, and authorized agents of the Group. The Scheme became effective on 24th January, 2002 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

The maximum number of shares in respect of which options may be granted under the Scheme shall not exceed 10% of the number of issued shares of the Company from time to time excluding the aggregate number of shares which were issued pursuant to the Scheme.

The offer of a grant of share options may be accepted within 28 days from the date of the offer, 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 Board of Directors, and in any event such period of time shall not exceed a period of 3 years commencing on the expiry of 6 months after the date of the acceptance of the offer and expiring on the last day of such period, or 24th January, 2012, whichever is the earlier.

The exercise price of the share options is determinable by the Board of Directors, but shall be the higher of (i) the closing price of the shares as stated in the daily quotations sheet issued by The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on the offer date, which must be a business day; and (ii) the average of the closing price of the shares as stated in the daily quotations sheets issued by the Stock Exchange for the five business days immediately preceding the offer date.

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30. SHARE OPTION SCHEME *(Continued)*

The following share options were outstanding under the Scheme at the end of the year:

	Number of share options						Price of Company's shares***	
Name or category of participant	As at 1st April, 2004 '000	Exercised during the year '000	At at 31st March, 2005 '000	Date of grant of share options*	Exercise period of share options	Exercise price of share options** HK$	At grant date of options HK$	At exercise date of options HK$
Other employees								
In aggregate	20	–	20	23/08/2002	23/02/2003 to 23/02/2006	0.200	0.202	–
	20	–	20					

* *The vesting periods of the share options are from the dates of the grant until the commencement of the exercise periods.*

** *The exercise prices of the share options are subject to adjustment in case of rights or bonus issues, or other similar changes in the Company's share capital.*

*** *The prices of the Company's shares disclosed as at the dates of the grant of the share options are the Stock Exchange closing prices on the trading days immediately prior to the dates of the grant of the options. The prices of the Company's shares disclosed as at the dates of the exercise of the share options are the weighted average of the Stock Exchange closing prices over all of the exercises of options within the disclosure category.*

As at 31st March, 2005, the Company had 20,000 share options outstanding under the Scheme, with exercise period from 23rd February, 2003 to 23rd February, 2006 (both dates inclusive) and exercise price of HK$0.200. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 20,000 additional shares of HK$0.10 each and proceeds of approximately HK$4,000.

31. SHARE INCENTIVE SCHEME

On 13th December, 2004, the Company adopted a share incentive scheme (the "Scheme") which will enable selected eligible persons to purchase shares of the Company (the "Shares") at a 5% discount to the market price. The selected eligible persons have the option of paying for their Shares in one lump sum, or by monthly instalments. Where eligible persons choose the latter option, they will pay an additional finance charge to cover the Company's finance costs.

Eligible persons will not be able to dispose Shares purchased under the Scheme immediately following their purchase. Those selected eligible persons who opt to pay for their Shares in one lump sum will be able to dispose their Shares after one year, while those who opt to pay for their Shares in installments will be able to dispose their Shares over a period of time commencing after one year and ending when they make their final instalment payment.

The Company has obtained a loan in the amount up to HK$50 million from a bank for the purpose of financing the operation of the Scheme. Shares to be purchased pursuant to the Scheme will be purchased on behalf of the eligible persons by the custodian. The custodian will hold the Shares on behalf of the eligible persons until they are permitted under the rules of the Scheme to dispose of their Shares.

The aggregate number of Shares to be offered under the Scheme shall at all times be less than 5% of the issued share capital of the Company from time to time and the aggregate acquisition cost of all Shares purchased under the Scheme shall not exceed HK$50 million.

32. ACQUISITION OF SUBSIDIARIES

	2005 HK$'000	2004 HK$'000
Net assets of the subsidiaries acquired comprise of:		
Furniture, fixtures and office equipment	**28,482**	393
Leasehold improvements	**12,826**	–
Plant and machinery	**356**	–
Investments in securities	**668**	–
Inventories	**31,217**	21,333
Trade and other receivables	**18,437**	10,631
Bank balances and cash	**8,987**	3,628
Trade and other payables	**(25,648)**	(7,569)
Tax payable	**(1,840)**	(2,483)
Lease obligation	**(100)**	–
Bank loan	**(10,394)**	(2,725)
Minority interest	**(15,355)**	(9,226)
	47,636	13,982
Goodwill arising on consolidation	**107,112**	42,536
Total purchase price paid, satisfied in cash	**154,748**	56,518
Less: cash of the subsidiaries acquired	**(8,987)**	(3,628)
Net outflow of cash and cash equivalents in connection with the purchase of the subsidiaries	**145,761**	52,890

33. MAJOR NON-CASH TRANSACTION

During the year, the Group entered into finance lease arrangement in respect of assets with a total capital value at the inception of the leases of HK$1,488,000 (2004: HK$nil).

34. RETIREMENT BENEFIT SCHEME

(i) Plan for Hong Kong employees

Defined contribution plan

The Group contributes to a defined contribution retirement scheme which is available to all employees. Employees are required to contribute each month an amount equal to 5% of the basic monthly salary and contributions are made by the employer at 5% of the employee's basic monthly salary. The assets of the scheme are held separately from those of the Group in an independently administered fund. The Group's contributions to this scheme are expensed as incurred and may be reduced by contributions forfeited by those employees who leave the scheme prior to vesting fully in the contributions.

A mandatory provident fund scheme (the "MPF") was established under the MPF Ordinance in December 2000. Since the Company has obtained exemption for its existing retirement schemes, all staff were offered the choice of switching to the MPF scheme or staying in existing schemes. Where staff elected to join MPF, both the Company and staff are required to contribute 5% of the employees' relevant income (capped at HK$20,000 per month). Staff may elect to contribute more than the minimum as a voluntary contribution. The Group's contributions to this mandatory provident fund scheme are expensed as incurred.

(ii) Plan for PRC employees

The Group also contributes to employees pension schemes established by municipal government in respect of certain companies in Mainland China. The municipal government undertakes to assume the retirement benefit obligations of all existing and future retired employees of the Group. Contributions to these schemes are charged to the income statement as incurred.

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35. CONTINGENT LIABILITIES

As at 31st March, 2005, the Group has contingent liabilities in respect of bills discounted with recourse amounted to approximately HK$10,511,000 (2004: HK$19,445,000).

The Company has given corporate guarantees to banks in respect of general banking facilities granted to subsidiaries and a related company amounted to approximately HK$1,653,307,000 and HK$nil (2004: HK$1,483,160,000 and HK$2,328,000) respectively. The extent of such facilities utilized by the subsidiaries as at 31st March, 2005 amounted to approximately HK$486,654,000 (2004: HK$357,066,000).

36. FINANCIAL INSTRUMENTS

The Group had entered into interest rate swaps, currency rate swaps and currency rate options to manage its interest rate and currency rate risks. As at 31st March, 2005, the total notional amount of such instruments were up to approximately HK$329,230,000 (2004: HK$403,098,000). The notional amounts of the outstanding interest rate swaps, currency rate swaps and currency rate options indicate the contract size outstanding at the balance sheet date and do not represent the amount at risk.

37. OPERATING LEASE ARRANGEMENTS

As at 31st March, 2005, the total future minimum lease payments under non-cancellable operating leases in respect of leasehold land and buildings were payable as follows:

	Group	
	2005	2004
	HK$'000	*HK$'000*
– Within one year	**5,126**	2,646
– After one year but within five years	**8,679**	7,195
– After five years	**–**	933
	13,805	10,774

38. PLEDGE OF ASSETS

As at 31st March, 2005, leasehold properties with carrying amount of approximately HK$15,231,000 (2004: HK$15,594,000) and a fixed deposit of HK$nil (2004: HK$2,328,000) had been pledged to secure banking facilities for a subsidiary. The legal charge against the leasehold properties was subsequently released after the year end date and before the issuance of the financial statements.

39. POST BALANCE SHEET EVENT

On 22th April, 2005, the Group entered into a facility agreement with ABN AMRO Bank N. V. and ING Bank N.V. as co-ordinating arrangers and lenders and 21 other international banks and financial institutions as lenders in relation to a term-loan and revolving credit facility in an aggregate amount of HK$630,000,000. The term-loan has a tenor of 48 months.