

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2006

### 1. GENERAL

The Company is a public listed company incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The address of the registered office and principal place of business of the Company are disclosed in the directory of the annual report.

The Company acts as an investment holding company. Its subsidiaries are principally engaged in the manufacture and sale of accessories for photographic, electrical and multimedia products and property investment.

The consolidated financial statements are presented in Hong Kong dollars, which is the same as the functional currency of the Company.

### 2. APPLICATION OF NEW/REVISED HONG KONG FINANCIAL REPORTING STANDARDS/ CHANGES IN ACCOUNTING POLICIES

In the current year, the Group has applied, for the first time, a number of new Hong Kong Financial Reporting Standards (HKFRSs), Hong Kong Accounting Standards (HKASs) and Interpretations (hereinafter collectively referred to as "new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants that are effective for accounting periods beginning on or after 1st January, 2005. The application of the new HKFRSs has resulted in a change in the presentation of the consolidated income statement, consolidated balance sheet and consolidated statement of changes in equity. In particular, the presentation of minority interests have been changed. The changes in presentation have been applied retrospectively. The adoption of the new HKFRSs has resulted in changes to the Group's accounting policies in the following areas that have an effect on how the results for the current and/or prior accounting years are prepared and presented.

#### Business Combinations

In the current year, the Group has applied HKFRS 3 "Business Combinations" which is effective for business combinations for which the agreement date is on or after 1st January, 2005 and for goodwill and negative goodwill existed on 1st April, 2005. The principal effects of the application of the transitional provisions of HKFRS 3 to the Group are summarised below:

#### *Goodwill*

In previous years, goodwill arising on acquisitions prior to 1st April, 2001 was held in reserves, and goodwill arising on acquisitions after 1st April, 2001 was capitalised and amortised over its estimated useful life. The Group has applied the relevant transitional provisions in HKFRS 3. Goodwill previously recognised in reserves of HK\$10,638,038 has been transferred to the Group's retained profits on 1st April, 2005. With respect to goodwill previously capitalised on the balance sheet, the Group on 1st April, 2005 eliminated the carrying amount of the related accumulated amortisation of HK\$3,791,854 (see note 17) to the cost of goodwill. The Group has discontinued amortising such goodwill from 1st April, 2005 and goodwill will be tested for impairment at least annually and in the financial year in which the acquisition takes place. Goodwill arising on acquisitions after 1st January, 2005 is measured at cost less accumulated impairment losses (if any) after initial recognition. As a result of this change in accounting policy, no amortisation of goodwill has been charged in the current year. Comparative figures for 2005 have not been restated (see note below for the financial impact).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2006

### 2. APPLICATION OF NEW/REVISED HONG KONG FINANCIAL REPORTING STANDARDS/ CHANGES IN ACCOUNTING POLICIES *(Continued)*

#### **Business Combinations** *(Continued)*

*Excess of the Group's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost (previously known as "negative goodwill")*

In accordance with HKFRS 3, any excess of the Group's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over the cost of acquisition ("discount on acquisition") is recognised immediately in profit or loss in the period in which the acquisition takes place. In previous years, negative goodwill arising prior to 1st April, 2001 was held in reserve. In accordance with the relevant transitional provision in HKFRS 3, negative goodwill previously recognised in reserve of HK\$2,079,850 on 1st April, 2005 has been transferred to retained profits (see note below for financial impact).

#### **Financial Instruments**

In the current year, the Group has applied HKAS 32 "Financial Instruments: Disclosure and Presentation" and HKAS 39 "Financial Instruments: Recognition and Measurement". HKAS 32 requires retrospective application. The application of HKAS 32 did not have material effect on the consolidated financial statements. HKAS 39, which is effective for accounting periods beginning on or after 1st January, 2005, generally does not permit to recognise, derecognise or measure financial assets and liabilities on a retrospective basis. The principal effects resulting from the implementation of HKAS 39 are summarised below:

##### *Derecognition*

HKAS 39 provides more rigorous criteria for the derecognition of financial assets than the criteria applied in previous periods. Under HKAS 39, a financial asset is derecognised, when and only when, either the contractual rights to the asset's cash flows expire, or the asset is transferred and the transfer qualifies for derecognition in accordance with HKAS 39. The decision as to whether a transfer qualifies for derecognition is made by applying a combination of risks and rewards and control tests. The Group has applied the relevant transitional provisions and applied the revised accounting policy prospectively to transfers of financial assets from 1st April, 2005 onwards. As a result, the Group's bills receivables of HK\$2,347,737 discounted with full recourse which were derecognised prior to 1st April, 2005 have not been restated. As at 31st March, 2006, the Group's bills receivables discounted with full recourse have not been derecognised. Instead, the related borrowings of HK\$1,160,396 have been recognised on the balance sheet date. This change in accounting policy has had no material effect on results for the current year.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2006

### 2. APPLICATION OF NEW/REVISED HONG KONG FINANCIAL REPORTING STANDARDS/ CHANGES IN ACCOUNTING POLICIES *(Continued)*

#### Leases

##### *Owner-occupied leasehold interest in land*

In previous years, owner-occupied leasehold land and buildings were included in property, plant and equipment and measured using the cost model. In the current year, the Group has applied HKAS 17 "Leases". Under HKAS 17, the land and buildings elements of a lease of land and buildings are considered separately for the purposes of lease classification, unless the lease payments cannot be allocated reliably between the land and buildings elements, in which case, the entire lease is generally treated as a finance lease. To the extent that the allocation of the lease payments between the land and buildings elements can be made reliably, the leasehold interests in land are treated as operating leases and reclassified to "prepaid lease payments", which are carried at cost and amortised over the lease term on a straight-line basis. This change in accounting policy has been applied retrospectively (see note below for the financial impact). Alternatively, where the allocation between the land and buildings elements cannot be made reliably, the leasehold interests in land continue to be accounted for as property, plant and equipment.

#### Investment Properties

In the current year, the Group has applied HKAS 40 "Investment Property". The Group has elected to use the fair value model to account for its investment properties which requires gains or losses arising from changes in the fair value of investment properties to be recognised directly in the consolidated income statement for the period in which they arise. In previous years, investment properties under Statement of Standard Accounting Practice ("SSAP") 13 were measured at open market values, with revaluation surplus or deficit credited or charged to investment property revaluation reserve unless the balance on this reserve was insufficient to cover a revaluation decrease, in which case the excess of the revaluation decrease over the balance on the investment property revaluation reserve was charged to the consolidated income statement. Where a decrease had previously been charged to the consolidated income statement and revaluation increase subsequently arose, that increase was credited to the consolidated income statement to the extent of the decrease previously charged. In previous years, under SSAP 13 depreciation is provided where the unexpired term of the relevant lease or the term of the joint venture to which the investment properties are held is twenty years or less. On adoption of HKAS 40, no depreciation is required to be provided under fair value model. This change in accounting policy has been applied retrospectively. Comparative figures for 2005 have been restated (see note below for the financial impact).

#### Deferred taxes related to investment properties

In previous years, deferred tax consequences in respect of revalued investment properties were assessed on the basis of the tax consequence that would follow from recovery of the carrying amount of the properties through sale in accordance with the predecessor interpretation. In the current year, the Group has applied HKAS – Int 21 "Income Taxes – Recovery of Revalued Non-Depreciable Assets" which removes the presumption that the carrying amount of investment properties is to be recovered through sale. Therefore, the deferred tax consequences of the investment properties are now assessed on the basis that reflect the tax consequences that will follow from the manner in which the Group expects to recover the property at each balance sheet date. In the absence of any specific transitional provisions in HKAS – Int 21, this change in accounting policy has been applied retrospectively. This change has had no material effect on the results to the current or prior years.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2006

### 2. APPLICATION OF NEW/REVISED HONG KONG FINANCIAL REPORTING STANDARDS/ CHANGES IN ACCOUNTING POLICIES *(Continued)*

The Group has not early applied the following new standards, amendments and interpretations that have been issued but are not yet effective. The directors of the Group are in the process of assessing the potential impact of these new HKFRSs and so far conclude that the application of these new standards, amendments and interpretations will have no material impact on the results and financial positions of the Group.

HKAS 1 (Amendment)	Capital disclosures <sup>1</sup>
HKAS 19 (Amendment)	Actuarial gains and losses, group plans and disclosures <sup>2</sup>
HKAS 21 (Amendment)	Net investment in a foreign operation <sup>2</sup>
HKAS 39 (Amendment)	Cash flow hedge accounting of forecast intragroup transactions <sup>2</sup>
HKAS 39 (Amendment)	The fair value option <sup>2</sup>
HKAS 39 & HKFRS 4 (Amendments)	Financial guarantee contracts <sup>2</sup>
HKFRS 6	Exploration for and evaluation of mineral resources <sup>2</sup>
HKFRS 7	Financial instruments: Disclosures <sup>1</sup>
HK(IFRIC) – INT 4	Determining whether an arrangement contains a lease <sup>2</sup>
HK(IFRIC) – INT 5	Rights to interests arising from decommissioning, restoration and environmental rehabilitation funds <sup>2</sup>
HK(IFRIC) – INT 6	Liabilities arising from participating in a specific market – waste electrical and electronic equipment <sup>3</sup>
HK(IFRIC) – INT 7	Applying the restatement approach under HKAS 29 Financial Reporting in Hyperinflationary Economies <sup>4</sup>
HK(IFRIC) – INT 8	Scope of HKFRS 2 <sup>5</sup>
HK(IFRIC) – INT 9	Reassessment of embedded derivatives <sup>6</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1st January, 2007.

<sup>2</sup> Effective for annual periods beginning on or after 1st January, 2006.

<sup>3</sup> Effective for annual periods beginning on or after 1st December, 2005.

<sup>4</sup> Effective for annual periods beginning on or after 1st March, 2006.

<sup>5</sup> Effective for annual periods beginning on or after 1st May, 2006.

<sup>6</sup> Effective for annual periods beginning on or after 1st June, 2006.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2006

### 2. APPLICATION OF NEW/REVISED HONG KONG FINANCIAL REPORTING STANDARDS/ CHANGES IN ACCOUNTING POLICIES *(Continued)*

#### Summary of the effects of the changes in accounting policies

The effects of the adoption of new HKFRSs on the results for the year are as follows:

	2006 HK\$	2005 HK\$
<i>HKFRS 3</i>		
Decrease in amortisation of goodwill (included in administrative expenses)	<b>1,083,387</b>	–
<i>HKAS 40</i>		
Decrease in depreciation of investment properties (included in administrative expenses)	<b>1,195,045</b>	1,042,857
(Increase) decrease in (loss) gain on fair value changes on investment properties	<b>(1,195,045)</b>	(1,042,857)
Increase in profit for the year attributable to equity holders of the Company	<b>1,083,387</b>	–

The cumulative effects of the adoption of the new HKFRSs as at 31st March, 2005 and 1st April, 2005 are summarised below:

	As at 31st March, 2005 (originally stated) HK\$	Retrospective adjustments HKAS 17 HK\$	As at 31st March, 2005 (restated) HK\$	Adjustments on 1st April, 2005 HKFRS 3 HK\$	As at 1st April, 2005 (restated) HK\$
<b>Balance sheet items</b>					
Property, plant and equipment	53,802,312	(5,407,739)	48,394,573	–	48,394,573
Prepaid lease payments	–	5,407,739	5,407,739	–	5,407,739
Retained profits	64,783,859	–	64,783,859	(8,558,188)	56,225,671
Goodwill reserve	(10,638,038)	–	(10,638,038)	10,638,038	–
Negative goodwill reserve	2,079,850	–	2,079,850	(2,079,850)	–

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2006

### 3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared under the historical cost basis except for investment properties, which are measured at fair values as explained in the accounting policies set out below.

#### **Basis of consolidation**

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Minority interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity therein. Minority interests consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

#### **Goodwill**

##### *Capitalised goodwill arising on acquisitions prior to 1st January, 2005*

As mentioned in note 2, goodwill arising on acquisition of a subsidiary for which agreement date is before 1st January, 2005 represents the excess of the cost of the acquisition over the Group's interest in the fair value of the identifiable assets, liabilities for previously capitalised goodwill arising on acquisitions after 1st January, 2001, the Group has discontinued amortisation from 1st April, 2005 onwards, and such goodwill is tested for impairment annually.

As explained in Note 2 above, all goodwill arising on acquisitions prior to 1st January, 2005 previously recognised in goodwill reserve has been transferred to the Group's retained profits as at 1st April, 2005.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2006

### 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

#### **Goodwill** *(Continued)*

##### *Impairment testing on capitalised goodwill*

For the purpose of impairment testing, goodwill is allocated to each of the Group's relevant cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On subsequent disposal, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

#### **Revenue recognition**

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts and sales related taxes.

Sales of goods are recognised when goods are delivered and title has passed.

Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

#### **Investment properties**

Investment property including land under operating lease arrangement, which is property held to earn rentals and/or for capital appreciation, is stated at its fair value at the balance sheet date. Gains or losses arising from changes in the fair value of investment property are included in profit or loss for the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated income statement in the year in which the item is derecognised.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2006

### 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

#### **Property, plant and equipment**

Property, plant and equipment are stated at cost less subsequent depreciation and subsequent accumulated impairment losses.

Depreciation is provided to write off items of the cost of property, plant and equipment, over their estimated useful lives and after taking into account their estimated residual value, using the straight-line method.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the consolidated income statement in the year in which the item is derecognised.

#### **Impairment losses (other than goodwill (see the accounting policy in respect of goodwill))**

At each balance sheet date, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. 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 loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

#### **Financial instruments**

Financial assets and financial liabilities are recognised in the consolidated balance sheet when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value.

#### ***Financial assets***

##### *Loan and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each balance sheet date subsequent to initial recognition, loans and receivables (including trade and bills receivables, loans receivable and other receivables) are carried at amortised cost using the effective interest method, less any identified impairment loss. An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2006

### 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

#### **Financial assets** *(Continued)*

##### *Cash and cash equivalents*

Cash and cash equivalents comprise cash on hand and demand deposits which carried at amortised cost using effective interest method.

#### **Financial liabilities and equity**

Financial liabilities and equity instruments issued by the Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

##### *Borrowings*

Bank borrowings are subsequently measured at amortised cost, using the effective interest method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings.

##### *Other financial liabilities*

Other financial liabilities (including trade payables, other payables and dividend payable) are subsequently measured at amortised cost, using the effective interest method.

##### *Equity instruments*

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

#### **Derecognition**

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and the cumulative gain or loss that had been recognised directly in equity is recognised in profit or loss.

For financial liabilities, they are removed from the Group's balance sheet (i.e. when the obligation specified in the relevant contract is discharged, cancelled or expires). The difference between the carrying amount of the financial liability derecognised and the consideration paid or payable is recognised in profit or loss.

#### **Inventories**

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the first-in, first-out method.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2006

### 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

#### Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

##### *The Group as lessee*

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight-line basis.

Rental income, including rental invoiced in advance from properties let under operating leases, is recognised on a straight-line basis over the terms of the relevant leases. Initial direct costs incurred in negotiating and arranging an operating leases are added to the carrying amount of the leased asset and recognised as an expense on a straight-line basis over the lease term.

#### Borrowing costs

All borrowings cost are recognised as and included in finance costs in the consolidated income statement in the period in which they are incurred.

#### Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated income statement because it excludes items of income or expense that are taxable or deductible in other years, and it further excludes income statement items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2006

### 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

#### **Taxation** *(Continued)*

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax is charged or credited in the consolidated income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

#### **Foreign currencies**

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in profit or loss for the period. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity. For such non-monetary items, any exchange component of that gain or loss is also recognised directly in equity.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are expressed in Hong Kong dollars using exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are classified as equity and transferred to the Group's translation reserve. Such translation differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

#### **Retirement benefit costs**

Payments to defined contribution retirement benefit plans/state managed retirement benefit scheme/the Mandatory Provident Fund Scheme are charged as an expense as they fall due.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2006

### 4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the process of applying the entity's accounting policies, which are described in note 3, management has made the following estimation that have the most significant effect on the amounts recognised in the consolidated financial statements.

#### Estimated impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31st March, 2006, the carrying amount of goodwill is HK\$4,242,843 (net of accumulated impairment loss of HK\$2,799,172). Details of the recoverable amount calculation are disclosed in note 17.

### 5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's major financial instruments include trade and bills receivables, loans and other receivables, bank balances and cash, bank borrowings, trade and other payables and dividend payable. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial statements and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

#### Credit risk

The Group's maximum exposure to credit risk in the event of the counterparties failure to perform their obligations at the balance sheet date in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated balance sheet. In order to minimize the credit risk, the management of the Group has monitoring procedures to ensure that follow-up action is taken to recover overdue debts and loans receivable. In addition, the Group reviews the recoverable amount of each individual debt at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The credit risk on liquid funds is limited because the counterparties are licensed banks which high credit ranking.

The Group has no significant concentration of credit risk, with exposure spread over a number of counterparties and customers.

#### Market risk

##### *Cash flow interest rate risk*

The Group has exposures to cash flow interest rate risk as its bank balances and borrowings are subject to floating interest rates. Currently, interest rate risk is not hedged. However, from time to time, if interest rate fluctuates significantly, interest rate swaps may be used to convert some of the floating interest rates borrowings to fixed rates, to manage interest rate exposure.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2006

### 5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

#### Market risk *(Continued)*

##### Currency risk

Certain bank borrowings of the Group are denominated in foreign currencies. The Group currently does not have a foreign currency hedging policy in respect of foreign currency debt. However, management monitors the related foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

### 6. SEGMENTS INFORMATION

#### Business segments

For management purposes, the Group is currently organised into two operating divisions – manufacture and sales of goods, and property investment (i.e. rental of properties). These divisions are the basis on which the Group reports its primary segment information.

Segment information about these businesses is presented below:

#### 2006

	Manufacture and sales of goods <i>HK\$</i>	Property investment <i>HK\$</i>	Consolidated <i>HK\$</i>
TURNOVER			
To external customers	206,297,433	3,098,642	209,396,075
RESULT			
Segment results	17,874,736	1,567,146	19,441,882
Unallocated other income			1,075,957
Unallocated corporate expenses			(2,619,800)
Finance costs			(1,703,769)
Profit before taxation			16,194,270
Income tax expenses			(3,452,580)
Profit for the year			12,741,690

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2006

### 6. SEGMENTS INFORMATION *(Continued)*

#### Business segments *(Continued)*

2006

#### BALANCE SHEET

	Manufacture and sales of goods <i>HK\$</i>	Property investment <i>HK\$</i>	Consolidated <i>HK\$</i>
ASSETS			
Segment assets	64,795,459	54,946,588	119,742,047
Unallocated corporate assets			<u>128,979,763</u>
Consolidated total assets			<u>248,721,810</u>
LIABILITIES			
Segment liabilities	22,922,852	300,428	23,223,280
Unallocated corporate liabilities			<u>31,719,892</u>
Consolidated total liabilities			<u>54,943,172</u>

#### OTHER INFORMATION

	Manufacture and sales of goods <i>HK\$</i>	Property investment <i>HK\$</i>	Unallocated <i>HK\$</i>	Consolidated <i>HK\$</i>
Impairment loss on receivables	432,671	–	900,000	1,332,671
Allowance for inventories	3,915	–	–	3,915
Impairment loss on goodwill	2,799,172	–	–	2,799,172
Capital expenditure	1,248,425	5,903,798	–	7,152,223
Amortisation of prepaid lease payments	434,703	–	–	434,703
Depreciation of property, plant and equipment	1,565,394	53,078	741,525	2,359,997
Loss on disposal of property, plant and equipment	29,732	–	–	29,732
Loss on disposal of investment property	–	47,758	–	47,758
Loss on fair value changes on investment properties	–	21,177	–	21,177

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2006

### 6. SEGMENTS INFORMATION *(Continued)*

#### Business segments *(Continued)*

2005 (restated)

	Manufacture and sales of goods <i>HK\$</i>	Property investment <i>HK\$</i>	Consolidated <i>HK\$</i>
<b>TURNOVER</b>			
To external customers	179,503,673	3,157,307	182,660,980
<b>RESULT</b>			
Segment results	14,191,397	1,753,623	15,945,020
Unallocated other income			41,328
Unallocated corporate expenses			(2,547,501)
Finance costs			(1,160,302)
Profit before taxation			12,278,545
Income tax expenses			(5,518,798)
Profit for the year			6,759,747
<b>BALANCE SHEET</b>			
<b>ASSETS</b>			
Segment assets	66,729,657	50,442,356	117,172,013
Unallocated corporate assets			119,696,503
Consolidated total assets			236,868,516
<b>LIABILITIES</b>			
Segment liabilities	16,490,564	472,837	16,963,401
Unallocated corporate liabilities			35,806,017
Consolidated total liabilities			52,769,418

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2006

### 6. SEGMENTS INFORMATION *(Continued)*

#### Business segments *(Continued)*

2005

#### OTHER INFORMATION

	Manufacture and sales of goods <i>HK\$</i>	Property investment <i>HK\$</i>	Unallocated <i>HK\$</i>	Consolidated <i>HK\$</i>
Impairment loss on receivables	–	1,430,000	173,127	1,603,127
Allowance for inventories	732,710	–	–	732,710
Amortisation of goodwill	1,083,387	–	–	1,083,387
Capital expenditure	1,034,456	260,610	–	1,295,066
Amortisation of prepaid lease payments	415,980	–	–	415,980
Depreciation of property, plant and equipment (restated)	1,689,576	45,773	741,323	2,476,672
Gain on disposal of property, plant and equipment	55,234	–	–	55,234
Gain on fair value changes on investment properties (restated)	–	1,431,257	–	1,431,257

#### Geographical segments

The Group's sales of goods are principally carried out in Europe, United States of America, Hong Kong and other regions in the PRC. Property investment is carried out in Hong Kong and other regions in the PRC.

The following table provides an analysis of the Group's sales by geographical market, irrespective of the origin of the goods/services:

	2006 <i>HK\$</i>	2005 <i>HK\$</i>
Europe	131,600,913	107,650,143
United States of America	24,330,261	23,761,877
Hong Kong	18,518,005	19,251,752
Other regions in the PRC	8,114,328	6,060,306
Others	26,832,568	25,936,902
	<b>209,396,075</b>	182,660,980



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2006

### 6. SEGMENTS INFORMATION *(Continued)*

#### Geographical segments *(Continued)*

The following is an analysis of the carrying amount of segment assets, additions to property, plant and equipment and investment properties, analysed by the geographical area in which the assets are located:

	Carrying amount of segment assets		Additions to property, plant and equipment		Additions to investment properties	
	2006 HK\$	2005 HK\$	2006 HK\$	2005 HK\$	2006 HK\$	2005 HK\$
Hong Kong	212,065,710	201,945,213	983,349	809,713	5,835,600	–
Other regions in the PRC	36,656,100	34,923,303	333,274	485,353	–	–
	<b>248,721,810</b>	236,868,516	<b>1,316,623</b>	1,295,066	<b>5,835,600</b>	–

### 7. OTHER INCOME

	2006 HK\$	2005 HK\$
Bank interest income	175,957	22,101
Other interest income	900,000	19,227
Gain on disposal of property, plant and equipment	–	55,234
Sundry income	489,114	316,483
Exchange gain, net	164,172	–
	<b>1,729,243</b>	413,045

### 8. FINANCE COSTS

	2006 HK\$	2005 HK\$
Interest on:		
Bank borrowings wholly repayable within five years	1,142,036	971,765
Bank borrowings not wholly repayable within five years	561,733	188,537
	<b>1,703,769</b>	1,160,302

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2006

### 9. PROFIT BEFORE TAXATION

	<b>2006</b> <b>HK\$</b>	2005 HK\$ (restated)
Profit before taxation has been arrived at after charging:		
Impairment loss on receivables	<b>1,332,671</b>	1,603,127
Allowance for inventories	<b>3,915</b>	732,710
Amortisation of goodwill included in administrative expenses	–	1,083,387
Auditors' remuneration		
– Current year	<b>950,000</b>	750,000
– Underprovision in prior years	–	10,000
Amortisation of prepaid lease payments	<b>434,703</b>	415,980
Depreciation of property, plant and equipment	<b>2,359,997</b>	2,476,672
Minimum lease payments for operating leases in respect of rented premises	<b>1,497,342</b>	2,105,643
Staff costs including directors' emoluments and contributions to retirement benefits schemes	<b>32,245,326</b>	30,527,143
Cost of inventories recognised as expenses	<b>150,606,614</b>	129,109,686
Loss on disposal of property, plant and equipment	<b>29,732</b>	–
Loss on disposal of investment property	<b>47,758</b>	–
Exchange loss	–	72,299
and after crediting:		
Gross rental income from investment properties	<b>3,098,642</b>	3,157,307
Less: direct operating expenses that generated rental income	<b>(637,311)</b>	(712,448)
	<b>2,461,331</b>	2,444,859

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2006

### 10. DIRECTORS' EMOLUMENTS AND HIGHEST PAID EMPLOYEES

#### Directors' emoluments

The emoluments paid or payable to each of the directors are as follows:

	Chan Oi Ling, Maria Olimpia HK\$	Lam Yu Ho, Daniel HK\$	Cheng Lok Hing HK\$	Cheng Chun Kit HK\$	Ji Hong HK\$	Liu Ji Hong HK\$	Wong Yui Leung, Larry HK\$	Lui Wai Shan, Wilson HK\$	Cheung Ngai Lam HK\$	Tsang Heman HK\$	Total HK\$
<b>2006</b>											
Fees	-	-	-	-	-	-	80,000	50,000	50,000	-	180,000
Other emoluments											
Salaries and other benefits	3,600,000	1,700,000	390,000	390,000	56,075	-	-	-	-	-	6,136,075
Retirement benefits scheme contribution	12,000	-	-	-	-	-	-	-	-	-	12,000
Rental paid/rateable value in respect of quarters provided (note)	769,200	-	-	-	47,020	-	-	-	-	-	816,220
<b>Total emolument</b>	<b>4,381,200</b>	<b>1,700,000</b>	<b>390,000</b>	<b>390,000</b>	<b>103,095</b>	<b>-</b>	<b>80,000</b>	<b>50,000</b>	<b>50,000</b>	<b>-</b>	<b>7,144,295</b>
<b>2005</b>											
Fees	-	-	-	-	-	-	90,000	25,000	-	100,000	215,000
Other emoluments											
Salaries and other benefits	3,150,000	1,560,000	390,000	390,000	42,256	226,890	-	-	-	-	5,759,146
Retirement benefits scheme contribution	12,000	-	-	-	-	-	-	-	-	-	12,000
Rental paid/rateable value in respect of quarters provided (note)	666,000	-	-	-	29,700	3,564	-	-	-	-	699,264
<b>Total emolument</b>	<b>3,828,000</b>	<b>1,560,000</b>	<b>390,000</b>	<b>390,000</b>	<b>71,956</b>	<b>230,454</b>	<b>90,000</b>	<b>25,000</b>	<b>-</b>	<b>100,000</b>	<b>6,685,410</b>

Note: The amount includes the estimated monetary value of premises provided rent free to a director as residence with rateable value of approximately HK\$769,000 (2005: HK\$660,000).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2006

### 10. DIRECTORS' EMOLUMENTS AND HIGHEST PAID EMPLOYEES *(Continued)*

#### Highest paid employees

The five highest paid individuals of the Group included two (2005: two) executive directors, details of whose emoluments are set out above. The emoluments of the remaining three (2005: three) highest paid individuals, other than directors of the Company, are as follows:

	<b>2006</b> <i>HK\$</i>	2005 <i>HK\$</i>
Salaries and other benefits	<b>2,452,423</b>	2,225,788
Retirement benefits scheme contributions	<b>24,000</b>	24,000
Rentals paid/rateable value in respect of quarters provided <i>(note)</i>	<b>316,200</b>	293,280
	<b>2,792,623</b>	2,543,068

*Note:* The amount includes the estimated monetary value of premises provided rent free to a staff as residence with rateable value of approximately HK\$215,000 (2005: HK\$192,000).

The emoluments were within the following bands:

	<b>No. of employees</b>	
	<b>2006</b>	2005
Nil to HK\$1,000,000	<b>2</b>	2
HK\$1,000,001 to HK\$1,500,000	<b>1</b>	1
	<b>3</b>	3

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2006

### 11. INCOME TAX EXPENSES

	<b>2006</b> <i>HK\$</i>	2005 <i>HK\$</i>
The charge comprises:		
Current year		
Hong Kong	<b>3,048,270</b>	2,405,600
Other regions in the PRC	<b>353,190</b>	315,990
	<b>3,401,460</b>	2,721,590
(Over) underprovision in prior years		
Hong Kong	<b>(808)</b>	2,610,292
Other regions in the PRC	<b>51,928</b>	186,916
	<b>51,120</b>	2,797,208
	<b>3,452,580</b>	5,518,798

Hong Kong Profits Tax is calculated at 17.5% (2005: 17.5%) of the estimated assessable profits for the year.

Taxation arising in other regions in the PRC is calculated at the rates prevailing in the relevant jurisdictions.

Pursuant to the relevant laws and regulations in the PRC, one of the Company's PRC subsidiaries is exempted from PRC income tax for two years starting from their first profit-making year, followed by a 50% reduction for the next three years.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2006

### 11. INCOME TAX EXPENSES (Continued)

The income tax expenses for the year can be reconciled based on profit per the consolidated income statement as follows:

	2006 HK\$	2005 HK\$
Profit before taxation	<b>16,194,270</b>	12,278,545
Tax at the domestic income tax rate of 17.5% (2005: 17.5%)	<b>2,833,997</b>	2,148,745
Tax effect of expenses not deductible for tax purpose	<b>835,800</b>	969,157
Tax effect of income not taxable for tax purpose	<b>(25,822)</b>	(216,535)
Tax effect of offshore manufacturing profits on 50/50 apportionment basis	<b>(72,088)</b>	(2,640)
Underprovision in prior years	<b>51,120</b>	2,797,208
Tax effect of tax losses not recognised	<b>122,701</b>	78,605
Tax effect of utilisation of deductible temporary differences previously not recognised	<b>(217,954)</b>	(307,107)
Effect of tax exemption granted to a PRC subsidiary	<b>(241,582)</b>	(75,835)
Effect of different tax rates of subsidiaries operating in other jurisdictions	<b>142,542</b>	111,146
Others	<b>23,866</b>	16,054
Income tax expenses for the year	<b>3,452,580</b>	5,518,798

At 31st March, 2006, the Group has unused tax losses of HK\$10,496,377 (2005: HK\$9,795,231) available for offset against future profits. No deferred tax asset has been recognised due to the unpredictability of future profit streams. All losses may be carried forward indefinitely.

At 31st March, 2006, the Group has deductible temporary differences of HK\$1,867,743 (2005: HK\$3,113,195) in respect of accelerated accounting depreciation. No deferred tax asset has been recognised in relation to such deductible temporary difference as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised. All deductible temporary difference may be carried forward indefinitely.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2006

### 12. DIVIDEND

On 9th September, 2005, a dividend of HK1 cent per share amounting to HK\$4,240,001 was paid to shareholders as the final dividend in respect of 2005.

A final dividend of HK1 cent per share amounting to HK\$4,240,001 in respect of 2006 has been proposed by the directors and is subject to approval by the shareholders in annual general meeting. The amount of the proposed final dividend is calculated on the basis of the proposed dividend rate and 424,000,100 ordinary shares in issue at the date of the report.

### 13. EARNINGS PER SHARE – BASIC

The calculation of basic earnings per share is based on the profit attributable to equity holders of the Company for the year of HK\$12,472,177 (2005: HK\$6,559,923) and on 424,000,100 shares in issue throughout the year.

No diluted earnings per share has been presented as there were no dilutive ordinary shares in issue in 2006 or 2005.

#### *Impact of changes in accounting policies*

Changes in Group's accounting policies during the year are described in details in note 2. To the extent that changes have had an impact on results reported for 2006 and 2005, they have had an impact on the amounts reported for earnings per share. The following table summarises that impact on basic earnings per share:

	<b>2006</b> <b>HK cents</b>	2005 <i>HK cents</i>
Figures before changes in accounting policies	<b>2.7</b>	1.5
Effect on changes in accounting policies	<b>0.2</b>	-
Figures after changes in accounting policies	<b>2.9</b>	1.5

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2006

### 14. INVESTMENT PROPERTIES

	<b>2006</b> <i>HK\$</i>	2005 <i>HK\$</i>
AT FAIR VALUE		
At beginning of the year	<b>29,880,000</b>	27,130,000
Exchange adjustments	<b>435,577</b>	–
Additions	<b>5,835,600</b>	–
Transferred from property, plant and equipment ( <i>note 15</i> )	–	1,318,743
Disposal	<b>(1,480,000)</b>	–
(Loss) gain on fair value changes	<b>(21,177)</b>	1,431,257
	<b>34,650,000</b>	29,880,000

The carrying values of the Group's investment properties at 31st March, 2006 are analysed as follows:

	<b>2006</b> <i>HK\$</i>	2005 <i>HK\$</i>
Situated in Hong Kong held under long leases	<b>17,300,000</b>	13,380,000
Situated in the PRC held under medium-term leases	<b>17,350,000</b>	16,500,000
	<b>34,650,000</b>	29,880,000

All of the Group's property interests in land held under operating leases to earn rentals or for capital appreciation purpose are measured using the fair value model and are classified and accounted for as investment properties.

All of the Group's investment properties have been fair valued as at 31st March, 2006 on the basis carried out at that date by Chung, Chan & Associates, Chartered Surveyors, an independent qualified professional valuer not connected with the Group. Chung, Chan & Associates, Chartered Surveyors is a member of Hong Kong Institute of Surveyors and has appropriate qualifications and recent experiences in the valuation of properties in the relevant locations. The valuation, which conforms to Hong Kong Institute of Surveyors Valuation Standards, was arrived at by reference to market evidence of transaction prices for similar properties.

All the Group's investment properties are rented out under operating leases.

Details of the investment properties are set out on pages 61 to 62.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2006

### 15. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings <i>HK\$</i>	Leasehold improvements <i>HK\$</i>	Furniture, fixtures and equipment <i>HK\$</i>	Plant and machinery <i>HK\$</i>	Motor vehicles <i>HK\$</i>	Total <i>HK\$</i>
COST						
At 1st April, 2004						
Originally stated	67,938,236	2,843,733	3,269,478	20,464,233	5,288,925	99,804,605
Effect of changes in accounting policies (note 2)	(10,562,866)	–	–	–	–	(10,562,866)
As restated	57,375,370	2,843,733	3,269,478	20,464,233	5,288,925	89,241,739
Additions	–	260,610	130,608	296,403	607,445	1,295,066
Transferred to investment properties (note 14)	(1,318,743)	–	–	–	–	(1,318,743)
Disposals	–	–	–	–	(672,383)	(672,383)
At 31st March, 2005	56,056,627	3,104,343	3,400,086	20,760,636	5,223,987	88,545,679
Exchange adjustments	167,760	8,496	2,525	432,605	35,404	646,790
Additions	–	–	274,759	356,739	685,125	1,316,623
Disposals	–	(23,559)	–	–	(93,214)	(116,773)
At 31st March, 2006	56,224,387	3,089,280	3,677,370	21,549,980	5,851,302	90,392,319
DEPRECIATION						
At 1st April, 2004						
Originally stated	14,458,718	2,189,390	2,457,625	19,334,644	4,468,951	42,909,328
Effect of changes in accounting policies (note 2)	(4,739,147)	–	–	–	–	(4,739,147)
As restated	9,719,571	2,189,390	2,457,625	19,334,644	4,468,951	38,170,181
Provided for the year	1,280,702	217,064	228,397	376,116	374,393	2,476,672
Eliminated on disposals	–	–	–	–	(495,747)	(495,747)
At 31st March, 2005	11,000,273	2,406,454	2,686,022	19,710,760	4,347,597	40,151,106
Exchange adjustments	60,864	7,768	2,485	415,518	26,965	513,600
Provided for the year	1,267,287	173,258	220,508	399,016	299,928	2,359,997
Eliminated on disposals	–	(13,301)	–	–	(57,482)	(70,783)
At 31st March, 2006	12,328,424	2,574,179	2,909,015	20,525,294	4,617,008	42,953,920
CARRYING VALUES						
At 31st March, 2006	43,895,963	515,101	768,355	1,024,686	1,234,294	47,438,399
At 31st March, 2005	45,056,354	697,889	714,064	1,049,876	876,390	48,394,573

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2006

### 15. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

The above item of property, plant and equipment are depreciated on straight-line basis at the following rates per annum:

Leasehold land and buildings	Over the estimated useful lives of 50 years or the terms of the leases or the term of the relevant joint venture by which the buildings are held, whichever is the shorter
Leasehold improvements	15% or the terms of the leases, if shorter
Furniture, fixtures and equipment	15%
Plant and machinery	20%
Motor vehicles	20%

The carrying values of the Group's leasehold land and buildings at 31st March, 2006 are analysed as follows:

	<b>2006</b> <b>HK\$</b>	2005 <i>HK\$</i> (restated)
Situated in Hong Kong held under long leases	<b>11,631,284</b>	11,862,890
Situated in Hong Kong held under medium-term leases	<b>27,234,986</b>	27,950,738
Situated in other regions in the PRC held under medium-term leases	<b>5,029,693</b>	5,242,726
	<b>43,895,963</b>	45,056,354

### 16. PREPAID LEASE PAYMENTS

	<b>2006</b> <b>HK\$</b>	2005 <i>HK\$</i>
Leasehold interests in land in the PRC under medium-term lease	<b>5,129,029</b>	5,407,739
Analysed for reporting purposes as:		
Current	<b>434,703</b>	422,515
Non-current	<b>4,694,326</b>	4,985,224
	<b>5,129,029</b>	5,407,739

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2006

### 17. GOODWILL

	<i>HK\$</i>
COST	
At 1st April, 2004 and 31st March, 2005	10,833,869
Elimination of accumulated amortisation upon adoption of HKFRS 3	<u>(3,791,854)</u>
At 1st April, 2005 and 31st March, 2006	<u>7,042,015</u>
AMORTISATION	
At 1st April, 2004	2,708,467
Amortisation for the year	<u>1,083,387</u>
At 31st March, 2005	3,791,854
Elimination of accumulated amortisation upon adoption of HKFRS 3	<u>(3,791,854)</u>
At 1st April, 2005 and 31st March, 2006	<u>–</u>
IMPAIRMENT	
Impairment loss recognised in the year ended 31st March, 2006	<u>2,799,172</u>
CARRYING AMOUNT	
At 31st March, 2006	<u>4,242,843</u>
At 31st March, 2005	<u>7,042,015</u>

Until 31st March, 2005, goodwill is amortised on a straight-line basis over the estimated useful life of 10 years.

For the purpose of impairment testing, goodwill is allocated to an individual cash generating unit (CGU) which is engaged in manufacture and sales of goods and is expected to benefit from that business combination.

During the year ended 31st March, 2006, the Group recognised an impairment loss of HK\$2,799,172 (2005: Nil) due to increase in competition.

The basis of the recoverable amounts of the CGU and its major underlying assumption is summarised below:

The recoverable amount of this unit has been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a 5-year period, and discount rate of 10%. The discount rate represented the expected return of the CGU with reference to the market. This unit's cash flows beyond the 5-year period are extrapolated using a steady growth rate of 1%. Another key assumption for the value in use calculation is the budgeted gross margin, which is determined based on the unit's past performance and management's expectations for the market development.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2006

### 18. DEPOSITS PAID

	2006 HK\$	2005 HK\$
Deposit for acquisition of a property in the PRC	18,000,000	18,000,000
Deposit for acquisition of a property in Hong Kong	–	300,000
Deposit for acquisition of an interest in a property development project ( <i>note</i> )	6,000,000	6,000,000
	<b>24,000,000</b>	24,300,000
Less: amounts due within one year shown under other receivables and prepayments	<b>(6,000,000)</b>	(6,000,000)
	<b>18,000,000</b>	18,300,000

*Note:* The amount was fully settled subsequent to the balance sheet date pursuant to a settlement agreement signed between the Group and the Vendor on 28th January, 2005.

### 19. INVENTORIES

	2006 HK\$	2005 HK\$
Raw materials	5,667,890	5,399,890
Work in progress	748,715	620,136
Finished goods	2,250,232	2,209,600
	<b>8,666,837</b>	8,229,626

### 20. TRADE AND BILLS RECEIVABLES

	2006 HK\$	2005 HK\$
Aged analysis of trade receivables:		
Within 60 days	23,504,215	21,491,728
61 – 180 days	2,389,250	1,425,176
More than 180 days	44,190	784,025
	<b>25,937,655</b>	23,700,929
Discounted bills receivables aged within 60 days	<b>1,160,396</b>	–
	<b>27,098,051</b>	23,700,929

The Group allowed a credit period ranging from 30 days to 60 days to its trade customers.

The directors consider that the fair value of trade and bills receivables at 31st March, 2006 approximates to the corresponding carrying amount.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2006

### 21. LOANS RECEIVABLE

	<b>2006</b> <b>HK\$</b>	2005 <i>HK\$</i>
Loans advanced for property development projects ( <i>notes</i> )	<b>46,710,000</b>	46,710,000

*Notes:*

- (i) Pursuant to various agreements signed between the Group and various companies in the PRC (the "Borrowers") on 15th June, 2002 (the date of first advance) and subsequent dates, the Group advanced totalling HK\$34,710,000 (2005: HK\$34,710,000) to the Borrowers for property development purpose.
- (ii) Pursuant to an agreement signed between the Group and an individual in the PRC (the "Individual") on 15th November, 2002, the Group advanced an amount of HK\$12,000,000 (2005: HK\$12,000,000) to the Individual for property development purpose.

The loans were unsecured, carried a return of 10% and were fully settled subsequent to the balance sheet date. Therefore, the loans are classified as current assets on the balance sheet date.

The directors consider that the fair value of loans receivable at 31st March, 2006 approximates to the corresponding carrying amount.

### 22. OTHER RECEIVABLES/OTHER PAYABLES/DIVIDEND PAYABLE

The directors consider that the fair values of amounts at 31st March, 2006 and 2005 approximate to the corresponding carrying amounts.

### 23. BANK BALANCES AND CASH

Bank balances and cash comprise cash held by the Group and short-term bank deposits which carry interest rate ranging from 0.25% to 2.5% (2005: 0.01% to 0.55%) with an original maturity of three months or less. The fair value of bank balances and cash at 31st March, 2006 and 2005 approximates to the corresponding carrying amount.

### 24. TRADE PAYABLES

	<b>2006</b> <b>HK\$</b>	2005 <i>HK\$</i>
Aged analysis of trade payables:		
Within 60 days	<b>13,645,033</b>	8,526,073
61 – 180 days	<b>31,685</b>	446,824
More than 180 days	<b>500</b>	152,755
	<b>13,677,218</b>	9,125,652

The directors consider that the fair value of trade payables at 31st March, 2006 and 2005 approximates to the corresponding carrying amount.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2006

### 25. BANK BORROWINGS

	<b>2006</b> <i>HK\$</i>	2005 <i>HK\$</i>
Bank borrowings comprise the following:		
Bank overdrafts – secured	<b>13,327</b>	–
– unsecured	<b>103,238</b>	960,780
	<b>116,565</b>	960,780
Bank loans – secured	<b>17,437,000</b>	17,514,008
– unsecured	<b>6,970,108</b>	11,476,636
	<b>24,407,108</b>	28,990,644
	<b>24,523,673</b>	29,951,424
The bank borrowings are repayable as follows:		
Within one year	<b>16,414,673</b>	22,908,424
More than one year and not more than two years	<b>2,328,000</b>	1,524,000
More than two years and not more than three years	<b>2,328,000</b>	1,524,000
More than three years and not more than four years	<b>2,328,000</b>	1,524,000
More than four years and not more than five years	<b>1,125,000</b>	1,524,000
More than five years	–	947,000
	<b>24,523,673</b>	29,951,424
Less: Amounts due within one year shown under current liabilities	<b>(16,414,673)</b>	(22,908,424)
Amounts due after one year	<b>8,109,000</b>	7,043,000

The directors believe that the current interest rates represent prevailing market rates and therefore, the fair values of the bank borrowings at 31st March, 2006 estimated by discounting their future cash flows at the prevailing market borrowing rates approximate to the corresponding carrying amounts.

The average effective interest rates of the borrowings are ranging from 3.56% to 6.47% (2005: 1.16% to 4.96%).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2006

### 25. BANK BORROWINGS (Continued)

The carrying amounts of the Group's borrowings are analysed as follows:

Denominated in	2006 HK\$	2005 HK\$	Interest rate
Hong Kong dollars	19,713,961	22,527,780	Hong Kong Inter-bank Offered Rate plus 1.5% to 2.25%
Renminbi	4,809,712	7,423,644	5% markdown from People's Bank of China lending rate
	<b>24,523,673</b>	29,951,424	

At 31st March, 2006, there was bank borrowing amounting to HK\$7,000,000 (2005: HK\$9,000,000) denominated in Hong Kong dollars which was not the functional currency of a subsidiary.

### 26. SHARE CAPITAL

	Number of shares		Nominal value	
	2006	2005	2006 HK\$	2005 HK\$
Ordinary shares of HK\$0.10 each:				
Authorised:				
At beginning and end of the year	1,000,000,000	1,000,000,000	100,000,000	100,000,000
Issued and fully paid:				
At beginning and end of the year	424,000,100	424,000,100	42,400,010	42,400,010

### 27. CAPITAL COMMITMENT

At 31st March, 2006, the Group had the following capital commitment in respect of acquisition of property, plant and equipment:

	2006 HK\$	2005 HK\$
Contracted but not provided for in the financial statements	4,043,000	4,000,000

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2006

### 28. OPERATING LEASE ARRANGEMENTS

*The Group as lessee:*

At 31st March, 2006, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of rented premises which fall due as follows:

	<b>2006</b> <i>HK\$</i>	2005 <i>HK\$</i>
Within one year	<b>946,168</b>	1,277,566
In the second to fifth year inclusive	<b>1,275,286</b>	1,275,286
	<b>2,221,454</b>	2,552,852

Leases are negotiated for terms ranging from one to three years (2005: one to three years) with fixed monthly rentals over the lease terms.

*The Group as lessor:*

At 31st March, 2006, the Group had contracted with tenants for the following future minimum lease payments under non-cancellable operating leases in respect of rented premises which fall due as follows:

	<b>2006</b> <i>HK\$</i>	2005 <i>HK\$</i>
Within one year	<b>2,663,300</b>	2,611,449
In the second to fifth year inclusive	<b>7,309,828</b>	8,211,077
Over five years	<b>1,360,000</b>	2,306,340
	<b>11,333,128</b>	13,128,866

Leases are negotiated for terms ranging from one to eight years (2005: one to eight years) with fixed monthly rentals over the lease terms.

### 29. CONTINGENT LIABILITIES

	<b>2006</b> <i>HK\$</i>	2005 <i>HK\$</i>
Bills discounted with recourse	–	2,347,737



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2006

### 30. PLEDGE OF ASSETS

At 31st March, 2006, the Group had the following pledges over its assets to secure banking facilities granted to the Group.

- (a) Investment properties with an aggregate carrying value of HK\$29,030,000 (2005: HK\$22,700,000).
- (b) Leasehold land and buildings with an aggregate carrying value of HK\$22,150,254 (2005: HK\$22,777,641).
- (c) Prepaid lease payments with an aggregate carrying value of HK\$5,129,029 (2005: HK\$5,407,739).

In addition, there have bills receivable discounted with recourse of HK\$1,160,396 (2005: Nil) as disclosed in note 20.

### 31. SHARE OPTION SCHEME

Pursuant to the Company's share option scheme (the "Scheme") adopted on 5th September, 1997, for the primary purpose of providing incentive to directors and eligible employees, and which will expire 10 years after the date of adoption, the board of directors of the Company may, at its discretion, grant options to eligible employees, including executive directors, of the Company or any of its subsidiaries to subscribe for shares in the Company at a price not less than 80% of the average of the closing prices of the shares on The Stock Exchange of Hong Kong Limited on the five trading days immediately preceding the date of grant of the options or the nominal value of the shares, whichever is the higher.

The maximum number of shares in respect of which options may be granted (together with options exercised and options then outstanding) under the Scheme shall not, when aggregated with any shares subject to any other schemes, exceed such number of shares as shall represent 10% of the nominal amount of the issued share capital of the Company from time to time and the maximum number of shares in respect of which options may be granted to any one employee cannot exceed 25% of the maximum number of shares in respect of which options may be granted under the Scheme. Upon acceptance of option, the grantee shall pay HK\$10 to the Company by way of consideration of the grant. An option may be exercised at any time during the three year period commencing six months after the date on which the option is accepted.

No share option was granted or exercised during the two years ended 31st March, 2006 and there are no share options outstanding as at 31st March, 2006.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2006

### 32. RETIREMENT BENEFIT SCHEME

Prior to 1st December, 2000, the Group operated a defined contribution retirement benefit scheme ("Defined Contribution Scheme") for its qualifying employees in Hong Kong. The assets of the scheme were held separately from those of the Group in funds under the control of an independent trustee. Where there are employees who leave the Defined Contribution Scheme prior to vesting fully in the contributions, the amount of the forfeited contributions would be used to reduce future contributions payable by the Group.

Effective from 1st December, 2000, the Group has joined a Mandatory Provident Fund scheme ("MPF Scheme") for all employees in Hong Kong. The MPF Scheme is registered with the Mandatory Provident Fund Scheme Authority under the Mandatory Provident Fund Schemes Ordinance. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee. Under the rule of the MPF Scheme, the employer and its employees are each required to contribute 5% of the employees' monthly remunerations or HK\$1,000 per month whichever is the smaller to the MPF Scheme. The only obligation of the Group with respect of MPF Scheme is to make the required contributions under the scheme. No forfeited contribution is available to reduce the contribution payable in the future years.

The retirement benefit scheme contributions arising from the Defined Contribution Scheme and the MPF Scheme charged to the consolidated income statement represent contributions paid or payable to the funds by the Group at rates specified in the rules of the schemes.

Employees located in PRC are covered by the retirement and pension schemes defined by local practice and regulations and which are essentially defined contributed schemes.

During the year, the Group made retirement benefits scheme contributions of HK\$698,216 (2005: HK\$720,130).

As at 31st March, 2006 and 2005, there were no forfeited contributions, which arose upon employees leaving the scheme and which are available to reduce the contributions payable by the Group in the future years.

### 33. POST BALANCE SHEET EVENT

On 6th June, 2006, the Group entered into an agreement with Ms. Chan Oi Ling Maria Olimpia, the Chairman and executive director of the Group, to acquire 100% of the issued share capital of Jet Star Industrial Limited ("Jet Star"), a private limited liability company incorporated in Hong Kong, for a total consideration of HK\$92,000,000. The principal asset of Jet Star is its interest in a PRC property, being a 20-storey commercial office building located in Liwan District, in Guangzhou City of Guangzhou Province, PRC. Jet Star is principally engaged in leasing and provision of property management services. The acquisition was completed upon the fulfilment of the conditions contemplated under the sale and purchase agreement subsequent to the balance sheet date.

The acquisition of Jet Star has been completed on 24th July, 2006, the management is in the process of preparing the financial information of Jet Star as at the completion date, in the opinion of the directors of the Company, at the current moment, it is impracticable to disclose the relevant financial information as required under HKFRS 3.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2006

### 34. RELATED PARTY TRANSACTIONS

During the year, the following related party transactions took place:

(i) Transactions with directors' related companies:

Name of party	Directors who have interest	Nature of transactions	2006 HK\$	2005 HK\$
Dawnvast Ltd.	Mr. Cheng Lok Hing Mr. Cheng Chun Kit	Rental expense	369,000	369,600
Techford Development Ltd.	Ms. Chan Oi Ling, Maria Olimpia	Rental expense	156,000	156,000
Wing Nin Trading Co. Ltd.	Family member of Ms. Chan Oi Ling, Maria Olimpia	Rental expense	192,000	196,000

(ii) Transactions with minority shareholders:

Name of party	Nature of transactions	2006 HK\$	2005 HK\$
東莞市橋光實業集團公司 Dongguan City Qiao Guang Industrial Group Company	Rental expenses	891,168	890,459

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2006

### 35. BALANCE SHEET INFORMATION OF THE COMPANY

	<b>2006</b> <i>HK\$</i>	2005 <i>HK\$</i>
<b>Non-current Asset</b>		
Unlisted investment in subsidiaries	<b>44,260,976</b>	44,260,976
<b>Current Assets</b>		
Amount due from a subsidiary	<b>110,185,870</b>	110,185,870
Other receivables and prepayments	<b>65,000</b>	65,260
Bank balances and cash	<b>68,674</b>	465,642
	<b>110,319,544</b>	110,716,772
<b>Current Liabilities</b>		
Other payables and accrued charges	<b>154,452</b>	147,378
Dividend payable	<b>407,920</b>	404,760
Amount due to a subsidiary	<b>20,654,088</b>	15,874,353
	<b>21,216,460</b>	16,426,491
<b>Net Current Assets</b>	<b>89,103,084</b>	94,290,281
	<b>133,364,060</b>	138,551,257
<b>Capital and Reserves</b>		
Share capital	<b>42,400,010</b>	42,400,010
Reserves	<b>90,964,050</b>	96,151,247
	<b>133,364,060</b>	138,551,257

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2006

### 36. SUBSIDIARIES

Particulars of the subsidiaries at 31st March, 2006 are as follows:

Name	Place of incorporation or registration/ operation	Issued and fully paid ordinary share capital/ registered and contributed capital	Attributable equity interest held by the Group	Principal activities
東莞德雅皮具製品廠有限公司 Dongguan Tak Ya Leather Goods Manufactory Limited (note b)	PRC	HK\$8,000,000	70% (note c)	Manufacture of accessories for photographic, electrical and multimedia products
Mana Industrial Limited	Hong Kong	HK\$10,000	100%	Inactive
March Professional Bags Company Limited	Hong Kong/PRC	HK\$50,000	100%	Manufacturing and trading of accessories for photographic, electrical and multimedia products
Mascotte Industrial Associates (Hong Kong) Limited	Hong Kong	HK\$2	100%	Trading of accessories for photographic, electrical and multimedia products
Mascotte Investments Limited	Hong Kong	HK\$1,000 HK\$1,000,000*	100%	Property holding
Mascotte Group Limited	British Virgin Islands/ Hong Kong	US\$100	100%	Investment holding
馬斯葛志豪照相器材(惠州)有限公司 Mascotte Zhi Hao Photographic Equipment (Hui Zhou) Co. Ltd. (note b)	PRC	US\$3,180,000	90%	Property holding and manufacture of accessories for photographic, electrical and multimedia products
Mascotte Hui Zhou Limited	British Virgin Islands/PRC	US\$1	100%	Investment holding
Mascotte Overseas Limited	British Virgin Islands/Macau	US\$1,795,000	100%	Inactive
Mascotte Photographic Trading Limited	British Virgin Islands/Macau	US\$1	100%	Inactive
Newland Kingdom Limited	Hong Kong	HK\$9,998 HK\$2*	100%	Property investment
Tak Ya Leather Goods Manufactory Limited	British Virgin Islands/PRC	US\$1	100%	Investment holding

\* These represent non-voting deferred shares (note d).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2006

### 36. SUBSIDIARIES *(Continued)*

*Notes:*

- a. Except for Mascotte Group Limited, all the companies above are indirectly held by the Company.
- b. These companies are equity joint ventures.
- c. Dongguan Tak Ya Leather Goods Manufactory Limited was established by the Group with an independent party in the PRC. Under various agreements entered into with the PRC party, the Group is entitled to all of the profits derived from its operations up to 31st December, 2006.
- d. These deferred shares, which are not held by the Group, practically carry no right to dividends and no rights to receive notice of or to attend or vote at any general meeting of the respective companies. On winding up, the holders of the deferred shares are entitled to distribution out of the remaining assets of the respective companies only after the distribution of substantial amounts as specified in the Articles of Associations to holders of ordinary shares of the respective companies.