1. CORPORATE INFORMATION

The Company is a limited liability company incorporated in Bermuda. The principal place of business of the Group is located at 27th Floor, Yuen Long Trade Centre, 99–109 Castle Peak Road, Yuen Long, New Territories, Hong Kong.

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

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

2.1 BASIS OF PRESENTATION

At 31 March 2006, the Group had net current liabilities of HK$6,477,000 and had outstanding bank and other borrowings of HK$123,720,000, out of which HK$114,867,000 was due for repayment and renewal within the next twelve months. The Group incurred a loss attributable to equity holders of the parent of HK$7,147,000 and reported a net cash outflow from operating activities of HK$84,000 for the year ended 31 March 2006. In order to strengthen the capital base of the Group and to improve the Group's financial position, the directors of the Company have adopted the following measures:

(a) Subsequent to the balance sheet date, the Group has successfully obtained a new revolving bank loan of RMB12 million by pledging the land and building of the Suzhou factory and additional banking facilities of HK$9 million from its bankers.

(b) Certain directors of the Company have made advances of approximately HK$10,306,000 to the Group during the year. They have expressed their willingness to provide adequate funds for the Group to meet its liabilities as and when they fall due.

(c) The Group continues to implement measures to tighten cost controls over various general and administrative expenses and to attain profitable and positive cash flow operations.

On the basis that all banking facilities as at the date of the directors report to be made available for the Group's use, the directors are satisfied that the Group will be able to meet its financial obligations as and when they fall due for the twelve months from 31 March 2006. The directors are of the opinion that it is appropriate to prepare the financial statements on a going-concern basis.

2.2 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which also include Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties and equity investments, which have been measured at fair value. These financial statements are presented in Hong Kong dollars and all values are rounded to the nearest thousand (HK$'000) except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 March 2006. Adjustments are made to bring into line any dissimilar accounting policies that may exist. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All significant intercompany transactions and balances within the Group are eliminated on consolidation.

2.3 IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

The following new and revised HKFRSs affect the Group and are adopted for the first time for the current year's financial statements:

HKAS 1	Presentation of Financial Statements
HKAS 2	Inventories
HKAS 7	Cash Flow Statements
HKAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
HKAS 10	Events after the Balance Sheet Date
HKAS 11	Construction Contracts
HKAS 12	Income Taxes
HKAS 14	Segment Reporting
HKAS 16	Property, Plant and Equipment
HKAS 17	Leases
HKAS 18	Revenue
HKAS 19	Employee Benefits
HKAS 20	Accounting for Government Grants and Disclosure of Government Assistance
HKAS 21	The Effects of Changes in Foreign Exchange Rates
HKAS 23	Borrowing Costs
HKAS 24	Related Party Disclosures
HKAS 27	Consolidated and Separate Financial Statements

2.3 IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (continued)

HKAS 28	Investments in Associates
HKAS 31	Interests in Joint Ventures
HKAS 32	Financial Instruments: Disclosure and Presentation
HKAS 33	Earnings per Share
HKAS 36	Impairment of Assets
HKAS 37	Provisions, Contingent Liabilities and Contingent Assets
HKAS 38	Intangible Assets
HKAS 39	Financial Instruments: Recognition and Measurement
HKAS 39 Amendment	Transition and Initial Recognition of Financial Assets and Financial Liabilities
HKAS 40	Investment Property
HKFRS 2	Share-based Payment
HKFRS 3	Business Combinations
HKFRS 5	Non-current Assets Held for Sale and Discontinued Operations
HK(SIC)-Int 21	Income Taxes – Recovery of Revalued Non-depreciable Assets
HK-Int 4	Leases – Determination of the Length of Lease Term in respect of Hong Kong Land Leases

The adoption of HKASs 1, 2, 7, 8, 10, 11, 12, 14, 16, 18, 19, 20, 21, 23, 27, 28, 31, 33, 37 and 38, and HKFRS 3 and HK-Int 4 has had no material impact on the accounting policies of the Group and the Company and the methods of computation in the Group's and the Company's financial statements.

HKAS 24 has expanded the definition of related parties and affected the Group's related party disclosures.

The impact of adopting the other HKFRSs is summarised as follows:

(a) HKAS 17 – Leases

In prior years, leasehold land and buildings held for own use were stated at cost less accumulated depreciation and any impairment losses.

Upon the adoption of HKAS 17, the Group's leasehold interest in land and buildings is separated into leasehold land and buildings. The Group's leasehold land is classified as an operating lease, because the title of the land is not expected to pass to the Group by the end of the lease term, and is reclassified from property, plant and equipment to prepaid land lease payments, while buildings continue to be classified as part of property, plant and equipment. Prepaid land premiums for land lease payments under operating leases are initially stated at cost and subsequently amortised on the straight-line basis over the lease term. When the lease payments cannot be allocated reliably between the land and buildings elements, the entire lease payments are included in the cost of the land and buildings as a finance lease in property, plant and equipment.

The effect of adopting HKAS 17 are summarised in note 2.5 to the financial statements.

2.3 IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (continued)

(b) HKAS 32 and HKAS 39 – Financial Instruments

(I) Equity securities

In prior years, the Group classified its investments in equity securities for trading purposes as short term investments, and were stated at their fair values on an individual basis with gains and losses recognised in the income statement. Upon the adoption of HKAS 39, these securities held by the Group at 1 April 2005 in the amount of HK$3,064,000 are designated as financial assets at fair value through profit or loss under the transitional provisions of HKAS 39 and accordingly are stated at fair value with gains or losses being recognised in the income statement.

The adoption of HKAS 39 has not resulted in any change in the measurement of these equity securities. Comparative amounts have been reclassified for presentation purposes.

(II) Factored receivables with recourse

In prior years, the Group accounted for accounts receivables factored with recourse as a contingent liability. Upon the adoption of HKAS 39, accounts receivables factored with recourse are no longer derecognised since the derecognition criteria for financial assets are not met. Accordingly, the related bank advances received as consideration for the factored receivables are recognised as liabilities prospectively on or after 1 April 2005. The effects of the above changes are summarised in note 2.5 to the financial statements.

(c) HKAS 40 – Investment Property

In prior years, changes in the fair values of investment properties were dealt with as movements in the asset revaluation reserve. If the total of this reserve was insufficient to cover a deficit, on a portfolio basis, the excess of the deficit was charged to the income statement. Any subsequent revaluation surplus was credited to the income statement to the extent of the deficit previously charged.

Upon the adoption of HKAS 40, gains or losses arising from changes in the fair values of investment properties are included in the income statement in the year in which they arise. This change in accounting policy has had no effect on the consolidated income statement and retained profits.

2.3 IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (continued)

(d) HKFRS 2 – Share-based Payment

In prior years, no recognition and measurement of share-based payment transactions in which employees (including directors) were granted share options over shares in the Company were required until such options were exercised by employees, at which time the share capital and share premium were credited with the proceeds received.

Upon the adoption of HKFRS 2, when employees (including directors) render services as consideration for equity instruments ("equity-settled transactions"), the cost of the equity-settled transactions with employees is measured by reference to the fair value at the date at which the instruments are granted.

The main impact of HKFRS 2 on the Group is the recognition of the cost of these transactions and a corresponding entry to equity for employee share options. The revised accounting policy for share-based payment transactions is described in more detail in note 2.6 "Summary of significant accounting policies" below.

The Group has adopted the transitional provisions of HKFRS 2 under which the new measurement policies have not been applied to (i) options granted to employees on or before 7 November 2002; and (ii) options granted to employees after 7 November 2002 but which had vested before 1 April 2005.

The adopting of HKFRS 2 had no significant impact on the results and financial position for the current and prior years.

(e) HKFRS 5 – Non-current Assets Held for Sale and Discontinued Operations

HKFRS 5 requires a component of the Group to be classified as discontinued when the criteria to be classified as held for sale have been met or when that component of the Group has been disposed of. An item is classified as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. Upon the adoption of HKFRS 5, the Group's property held for resale is reclassified to investment properties during the year.

HKFRS 5 is applied prospectively on or after 1 April 2005. The effects of the above changes are summarised in note 2.5 to the financial statements.

2.3 IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (continued)

(f) HK(SIC)-Int 21 – Income Taxes – Recovery of Revalued Non-depreciable Assets

In prior periods, deferred tax arising on the revaluation of investment properties was recognised based on the tax rate that would be applicable upon the sale of the investment properties.

Upon the adoption of HK(SIC)-Int 21, deferred tax arising on the revaluation of the Group's investment properties is determined depending on whether the properties will be recovered through use or through sale. The Group has determined that its investment properties will be recovered through use, and accordingly the profits tax rate has been applied to the calculation of deferred tax.

The adopting of HK(SIC)-Int 21 has no significant effect on the consolidated financial statements.

2.4 IMPACT OF ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements. Unless otherwise stated, these HKFRSs are effective for annual periods beginning on or after 1 January 2006:

HKAS 1 Amendment	Capital Disclosures
HKAS 19 Amendment	Actuarial Gains and Losses, Group Plans and Disclosures
HKAS 21 Amendment	Net Investment in a Foreign Operation
HKAS 39 Amendment	Cash Flow Hedge Accounting of Forecast Intragroup Transactions
HKAS 39 Amendment	The Fair Value Option
HKAS 39 & HKFRS 4 Amendments	Financial Guarantee Contracts
HKFRSs 1 & 6 Amendments	First-time Adoption of Hong Kong Financial Reporting Standards and Exploration for and Evaluation of Mineral Resources
HKFRS 6	Exploration for and Evaluation of Mineral Resources
HKFRS 7	Financial Instruments: Disclosures
HK(IFRIC)-Int 4	Determining whether an Arrangement contains a Lease
HK(IFRIC)-Int 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
HK(IFRIC)-Int 6	Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment
HK(IFRIC)-Int 7	Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies
HK(IFRIC)-Int 8	Scope of HKFRS 2
HK(IFRIC)-Int 9	Reassessment of Embedded Derivatives

2.4 IMPACT OF ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (continued)

The HKAS 1 Amendment shall be applied for annual periods beginning on or after 1 January 2007. The revised standard will affect the disclosures about qualitative information about the Group's objective, policies and processes for managing capital; quantitative data about what the Company regards as capital; and compliance with any capital requirements and the consequences of any non-compliance.

HKFRS 7 requires disclosures relating to financial instruments and incorporates in any of the disclosure requirements of HKAS 32. This HKFRS shall be applied for annual periods beginning on or after 1 January 2007.

In accordance with the amendments to HKAS 39 regarding financial guarantee contracts, financial guarantee contracts are initially recognised at fair value and are subsequently measured at the higher of (i) the amount determined in accordance with HKAS 37 and (ii) the amount initially recognised, less, when appropriate, cumulative amortisation recognised in accordance with HKAS 18.

The HKAS 19 Amendment, HKAS 21 Amendment, HKAS 39 Amendment regarding cash flow hedge accounting of forecast intragroup transactions, HKFRSs 1 and 6 Amendments, HKFRS 6, HK(IFRIC)-Int 5, HK(IFRIC)-Int 6 and HK(IFRIC)-Int 7 do not apply to the activities of the Group. HK(IFRIC)-Int 6 and HK(IFRIC)-Int 7, HK(IFRIC)-Int 8 and HK(IFRIC)-Int 9 shall be applied for annual periods beginning on or after 1 December 2005, 1 March 2006, 1 May 2006 and 1 June 2006, respectively.

Except as stated above, the Group expects that the adoption of the other pronouncements listed above will not have any significant impact on the Group's financial statements in the period of initial application.

2.5 SUMMARY OF THE IMPACT OF CHANGES IN ACCOUNTING POLICIES

(a) Effect on the consolidated balance sheet

At 1 April 2005 Effect of new policies (Increase/(decrease))	Effect of adopting HKAS 17# Prepaid land lease payments HK$'000	HKASs 32# and 39* Change in classification of equity investments HK$'000	Total HK$'000
Assets			
Property, plant and equipment	(13,799)	–	(13,799)
Prepaid land lease payments	14,097	–	14,097
Other debtors, prepayments and deposits	(559)	–	(559)
Equity investments at fair value through profit or loss	–	3,064	3,064
Other investments	–	(3,064)	(3,064)
			(261)
Liabilities/equity			
Retained profits	(261)	–	(261)
			(261)

2.5 SUMMARY OF THE IMPACT OF CHANGES IN ACCOUNTING POLICIES (continued)

(a) Effect on the consolidated balance sheet (continued)

At 31 March 2006	Effect of adopting HKAS 17#	HKAS 39*	HKASs 32# and 39*	HKFRS 5*	
Effect of new policies (Increase/(decrease))	Prepaid land lease payments HK$'000	Factored receivables with recourse HK$'000	Change in classification of equity investments HK$'000	A disposal group classified as held for sale HK$'000	Total HK$'000
Assets					
Property, plant and equipment	(14,848)	–	–	–	(14,848)
Investment properties	–	–	–	16,460	16,460
Prepaid land lease payments	14,080	–	–	–	14,080
Trade debtors	–	47,157	–	–	47,157
Other debtors, prepayments and deposits	367	–	–	–	367
Property held for resale	–	–	–	(16,460)	(16,460)
Equity investments at fair value through profit or loss	–	–	3,220	–	3,220
Other investments	–	–	(3,220)	–	(3,220)
					46,756
Liabilities/equity					
Bank and other borrowings	–	47,157	–	–	47,157
Retained profits	(401)	–	–	–	(401)
					46,756

* *Adjustments taken effect prospectively from 1 April 2005*

\# *Adjustments/presentation taken effect retrospectively*

2.5 SUMMARY OF THE IMPACT OF CHANGES IN ACCOUNTING POLICIES (continued)

(b) Effect on the balances of equity at 1 April 2004 and at 1 April 2005

Effect of new policies Decrease	Effect of adopting HKAS 17 Prepaid land lease payments HK$'000
At 1 April 2004	
Retained profits	(142)
	(142)
At 1 April 2005	
Retained profits	(261)
	(261)

(c) Effect on the consolidated income statement for the years ended 31 March 2006 and 2005

Effect of new policies	Effect of adopting HKAS 17 Prepaid land lease payments HK$'000
Year ended 31 March 2006	
Increase in administrative expenses	140
Total decrease in profit	140
Increase in basic loss per share	HK0.0348 cents
Increase in diluted loss per share	HK0.0348 cents
Year ended 31 March 2005	
Increase in administrative expense	119
Total decrease in profit	119
Decrease in basic earnings per share	HK0.0296 cents
Decrease in diluted earnings per share	HK0.0296 cents

2.6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

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

The results of subsidiaries are included in the Company's income statement to the extent of dividends received and receivable. The Company's interests in subsidiaries are stated at cost less any impairment losses.

Impairment of assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, financial assets and investment properties), the asset's recoverable amount is estimated. An asset's recoverable amount is calculated as the higher of the asset's or cash-generating unit's value in use and its fair value less costs to sell, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the income statement in the period in which it arises unless the asset is carried at a revalued amount, in which case the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, however not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation), had no impairment loss been recognised for the asset in prior years. A reversal of such impairment loss is credited to the income statement in the period in which it arises unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

2.6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Related parties

A party is considered to be related to the Group if:

(a) the party, directly or indirectly through one or more intermediaries, (i) controls, is controlled by, or is under common control with, the Group; (ii) has an interest in the Group that gives it significant influence over the Group; or (iii) has joint control over the Group;

(b) the party is an associate;

(c) the party is a jointly-controlled entity;

(d) the party is a member of the key management personnel of the Group or its parent;

(e) the party is a close member of the family of any individual referred to in (a) or (d); or

(f) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e); or

(g) the party is a post-employment benefit plan for the benefit of the employees of the Group, or of any entity that is a related party of the Group.

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, 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, and where the cost of the item can be measured reliably, the expenditure is capitalised as an additional cost of that asset or as a replacement.

2.6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment and depreciation (continued)

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Freehold land	Nil
Buildings	2% to 4.5%
Leasehold improvements	Over the shorter of the lease terms and 20%
Plant and machinery	9% – 10%
Furniture and office equipment	10% – 20%
Motor vehicles	18% – 20%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately.

Residual values, useful lives and depreciation method are reviewed, and adjusted if appropriate, at each balance sheet date.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the income statement in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

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

Trademark

The Group's trademark is stated at cost less any impairment losses and are amortised on the straight-line basis over its estimated useful life of five years. No amortisation is provided until it is available for use.

2.6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment properties

Investment properties are interests in land and buildings (including the leasehold interest under an operating lease for property which would otherwise meet the definition of an investment property) held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the balance sheet date.

Gains or losses arising from changes in the fair values of investment properties are included in the income statement in the year in which they arise.

Any gains or losses on the retirement or disposal of an investment property are recognised in the income statement in the year of the retirement or disposal.

Leases

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases are included in property, plant and equipment, and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to the income statement so as to provide a constant periodic rate of charge over the lease terms.

Assets acquired through hire purchase contracts of a financing nature are accounted for as finance leases, but are depreciated over their estimated useful lives.

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to the income statement on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under the operating leases net of any incentives received from the lessor are charged to the income statement on the straight-line basis over the lease terms.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms.

2.6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets

Applicable to the year ended 31 March 2005:

The Group classified its equity investments, other than subsidiaries as short term investments.

Short term investments

Short term investments are investments in equity securities held for trading purposes and are stated at their fair values on the basis of their quoted market prices at the balance sheet date, on an individual investment basis. The gains or losses arising from changes in the fair value of a security are credited or charged to the income statement in the period in which they arise.

Applicable to the year ended 31 March 2006:

Financial assets in the scope of HKAS 39 are classified as either financial assets at fair value through profit or loss, loans and receivables, and available-for-sale financial assets, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs. The Group determines the classification of its financial assets after initial recognition and, where allowed and appropriate, re-evaluates this designation at the balance sheet date.

All regular way purchases and sales of financial assets are recognised on the trade date, i.e., the date that the Group commits to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Financial assets at fair value through profit or loss

Financial assets classified as held for trading are included in the category “financial assets at fair value through profit or loss”. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Gains or losses on investments held for trading are recognised in the income statement.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest method. Gains and losses are recognised in the income statement when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

2.6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

Applicable to the year ended 31 March 2006: (continued)

Fair value

The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business at the balance sheet date. For investments where there is no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument which is substantially the same; a discounted cash flow analysis; and option pricing models.

Impairment of financial assets (applicable to the year ended 31 March 2006)

The Group assesses at each balance sheet date whether there is any objective evidence that a financial asset or a group of financial assets is impaired.

Assets carried at amortised cost

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced either directly or through the use of an allowance account. The amount of the impairment loss is recognised in profit or loss.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in the income statement, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

2.6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

Impairment of financial assets (applicable to the year ended 31 March 2006) (continued)

Assets carried at cost

If there is objective evidence that an impairment loss on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Impairment losses on these assets are not reversed.

Derecognition of financial assets (applicable to the year ended 31 March 2006)

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- the rights to receive cash flows from the asset have expired;
- the Group retains the rights to receive cash flows from the asset, but has assumed an obligation to pay in full without material delay to a third party under a "pass-through" arrangement; or
- the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

2.6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derecognition of financial assets (applicable to the year ended 31 March 2006) (continued)

Where continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the Group's continuing involvement is the amount of the transferred asset that the Group may repurchase, except in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, where the extent of the Group's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

Interest-bearing loans and borrowings

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

Gains and losses are recognised in net profit or loss when the liabilities are derecognised as well as through the amortisation process.

Derecognition of financial liabilities (applicable to the year ended 31 March 2006)

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in profit or loss.

Inventories

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

2.6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property held for resale

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

Cash and cash equivalents

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

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

Income tax

Income tax comprises current and deferred tax. Income tax is recognised in the income statement, or in equity if it relates to items that are recognised in the same or a different period directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities.

Deferred tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- where the deferred tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

2.6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax (continued)

Deferred tax assets are recognised for all deductible temporary differences, carryforward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised except:

- where the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Conversely, previously unrecognised deferred tax assets are reassessed at each balance sheet date and are recognised to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

2.6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition

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

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

(b) interest income, on an accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset; and

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

Employee benefits

Share-based payment transactions

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of the Company ("market conditions"), if applicable.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (the "vesting date"). The cumulative expense recognised for equity-settled transactions at each balance sheet date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the income statement for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

2.6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Employee benefits (continued)

Share-based payment transactions (continued)

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any modification, which increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

The Group has adopted the transitional provisions of HKFRS 2 in respect of equity-settled awards and has applied HKFRS 2 only to entity-settled awards granted after 7 November 2002 that had not vested on 1 April 2005 and to those granted on or after 1 April 2005.

Retirement benefits schemes

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance in Hong Kong. Ongoing contributions to the MPF Scheme are made based on a percentage of the employees' salaries and are charged to the income statement as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

2.6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Employee benefits (continued)

Retirement benefits schemes (continued)

The Group operates defined contribution schemes for those employees in Thailand who are eligible and have elected to participate in the schemes. The assets of the schemes are held separately from those of the Group in independently administered funds. Contributions are made based on a percentage of the participating employees' basic salaries and are charged to the income statement as they become payable in accordance with the rules of the schemes. When an employee leaves the scheme prior to his/her interest in the Group's employer contributions vesting fully, the ongoing contributions payable by the Group may be reduced by the relevant amount of forfeited contributions.

The employees of the Group's subsidiaries which operate in the PRC are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute a certain percentage of their payroll costs to the central pension scheme. The contributions are charged to the income statement as they become payable in accordance with the rules of the central pension scheme.

Employment Ordinance long service payments

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

A contingent liability is disclosed in respect of possible future long service payments to employees, as a number of current employees have achieved the required number of years of service to the Group, to the balance sheet date, in order to be eligible for long service payments under the Employment Ordinance if their employment is terminated in the circumstances specified. A provision has not been recognised in respect of such possible payments, as it is not considered probable that the situation will result in a material future outflow of resources from the Group.

2.6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Borrowing costs

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

Foreign currencies

These financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions are initially recorded using the functional currency rates ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the balance sheet date. All differences are taken into profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

The functional currencies of certain overseas subsidiaries are currencies other than the Hong Kong dollar. As at the balance sheet date, the assets and liabilities of these entities are translated into the presentation currency of the Company at the exchange rates ruling at the balance sheet date and, their income statements are translated into Hong Kong dollars at the weighted average exchange rates for the year. The resulting exchange differences are included in the exchange equalisation reserve. On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the income statement.

For the purpose of the consolidated cash flow statement, the cash flows of overseas subsidiaries are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

3. SIGNIFICANT ACCOUNTING JUDGEMENT AND ESTIMATES

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(a) Critical judgements in applying the entity's accounting policies

Distinction between investment properties and owner-occupied properties

The Group determines whether a property qualifies as an investment property, and has developed criteria in making that judgement. Investment property is a property held to earn rentals or for capital appreciation or both. Therefore, the Group considers whether a property generates cash flows largely independently of the other assets held by the Group.

(b) Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal to the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Estimation of fair value of investment properties

The best evidence of fair value is current prices in an active market for similar lease and other contracts. In the absence of such information, the Group determines the amount within a range of reasonable fair value estimates. In making its judgment, the Group considers information from a variety of sources including:

(i) current prices in an active market for properties of different nature, condition or location (or subject to different lease or other contracts), adjusted to reflect those differences.

(ii) recent prices of similar properties in less active markets, with adjustments to reflect any changes in economic conditions since the date of transactions that occurred at those prices.

3. SIGNIFICANT ACCOUNTING JUDGEMENT AND ESTIMATES (continued)

(b) Critical accounting estimates and assumptions (continued)

Estimated impairment of receivables

The Group makes provision for impairment of receivables based on an assessment of the recoverability of the receivables. Provisions are applied to receivables where events or changes in circumstances indicate that the balances may not be collectible. The identification of impairment of receivables requires the use of judgment and estimates. Where the expectations are different from the original estimates, such differences will impact the carrying value of receivables and impairment of receivables is recognised in the years in which such estimates have been changed.

The carrying amount of trade debtors as at 31 March 2006 was HK$95,266,000 (2005: HK$45,541,000).

Write-down of inventories

Inventories are written down to net realisable value based on an assessment of their realisability. Write-downs on inventories are recorded where events or changes in circumstances indicate that the balances may not be realised. The identification of write-downs requires the use of judgment and estimates. Where the expectation is different from the original estimate, such difference will impact the carrying value of inventories and write-down of inventories in the periods in which such estimate is changed.

The carrying amount of inventories as at 31 March 2006 was HK$51,494,000 (2005: HK$40,063,000).

4. SEGMENT INFORMATION

Segment information is presented by way of two segment formats: (i) on a primary segment reporting basis, by business segment; and (ii) on a secondary segment reporting basis, by geographical segment.

The Group's operating businesses are structured and managed separately, according to the nature of their operations and the products and services they provide. Each of the Group's business segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of the other business segments. Summary details of the business segments are as follows:

(a) the manufacture and sale of laminates segment is a supplier of industrial laminates mainly for use in the manufacture of telecommunications and computer-related products;

(b) the manufacture and sale of printed circuit boards ("PCBs") segment is a supplier of PCBs mainly for use in audio and visual household products; and

(c) the manufacture and sale of copper foil segment is a supplier of copper foil mainly for use in the manufacture of industrial laminates and PCBs.

4. SEGMENT INFORMATION (continued)

In determining the Group's geographical segments, revenues are attributed to the segments based on the location of the customers, and assets are attributed to the segments based on the location of the assets.

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

(a) Business segments

The following tables present revenue, profit/(loss) and certain asset, liability and expenditure information for the Group's business segments for the years ended 31 March 2006 and 2005.

Group

	Manufacture and sale of laminates		Manufacture and sale of PCBs		Manufacture and sale of copper foil		Eliminations		Consolidated	
	2006 HK$'000	2005 HK$'000	2006 HK$'000	2005 HK$'000	2006 HK$'000	2005 HK$'000	2006 HK$'000	2005 HK$'000	2006 HK$'000	2005 HK$'000 (Restated)
Segment revenue:										
Sales to external customers	193,099	175,795	86,615	98,958	1,414	2,329	–	–	281,128	277,082
Intersegment sales	36,599	37,947	–	–	58,878	45,354	(95,477)	(83,301)	–	–
Other revenue	2,913	851	229	450	1,711	1,664	(309)	(321)	4,544	2,644
Total	232,611	214,593	86,844	99,408	62,003	49,347	(95,786)	(83,622)	285,672	279,726
Segment results	(752)	6,824	406	7,397	(794)	(4,140)			(1,140)	10,081
Interest income									178	16
Unallocated expenses									(1,087)	(737)
Finance costs									(4,939)	(3,356)
Profit/(loss) before tax									(6,988)	6,004
Tax									(159)	(1,105)
Profit/(loss) for the year									(7,147)	4,899

4. SEGMENT INFORMATION (continued)

(a) Business segments (continued)

Group

	Manufacture and sale of laminates		Manufacture and sale of PCBs		Manufacture and sale of copper foil		Eliminations		Consolidated	
	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000 (Restated)
Assets and liabilities:										
Segment assets	296,807	229,940	60,451	45,223	43,299	51,917	(45,688)	(41,786)	354,869	285,294
Unallocated assets									24,842	23,734
Total assets									379,711	309,028
Segment liabilities	40,901	35,651	34,212	26,640	8,064	13,161	(22,291)	(19,054)	60,886	56,398
Unallocated liabilities									123,901	55,885
Total liabilities									184,787	112,283
Other segment information:										
Depreciation	3,630	4,684	3,752	4,255	6,902	9,086	–	–	14,284	18,025
Amortisation on prepaid land lease payments	322	314	45	31	–	–	–	–	367	345
Unallocated write-back of provision for impairment in value of a property held for resale									–	(80)
Unallocated changes in fair value of investment properties									(480)	(40)
Provision for bad and doubtful debts	301	1,310	65	1,118	–	–	–	–	366	2,428
Provision/(write-back) of provision against inventories	453	(872)	–	–	13	–	–	–	466	(872)
Capital expenditure	8,799	10,598	3,177	4,261	407	142	–	–	12,383	15,001

4. SEGMENT INFORMATION (continued)

(b) Geographical segments

The following table presents revenue and certain asset and expenditure information for the Group's geographical segments for the years ended 31 March 2006 and 2005.

	People's Republic of China									
	Hong Kong		Mainland China		Overseas		Eliminations		Consolidated	
	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000 (Restated)
Segment revenue:										
Sales to external customers	221,905	216,683	30,547	29,135	28,676	31,264	–	–	281,128	277,082
Other segment information:										
Segment assets	182,703	122,123	199,390	176,768	43,306	51,923	(45,688)	(41,786)	379,711	309,028
Capital expenditure	487	229	11,489	14,630	407	142	–	–	12,383	15,001

5. REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold, after allowances for returns and trade discounts. An analysis of revenue, other income and gains is as follows:

	Group	
	2006	2005
	HK$'000	HK$'000
Revenue		
Sale of goods	281,128	277,082
Other income and gains		
Sale of scrap materials	1,777	2,277
Bank interest income	178	16
Rental income	156	144
Exchange gains, net	1,962	–
Gain on disposal of items of property, plant and equipment	245	–
Fair value change in equity investments at fair value through profit or loss	69	–
Others	335	223
	4,722	2,660
	285,850	279,742

6. FINANCE COSTS

	Group	
	2006	2005
	HK$'000	HK$'000
Interest expense on:		
Bank loans and other borrowings wholly repayable within five years	3,800	2,652
Factoring arrangements	3,058	1,721
Finance leases	157	186
Total interest	7,015	4,559
Less: Interest capitalised in construction in progress	(2,076)	(1,203)
	4,939	3,356

7. PROFIT/(LOSS) BEFORE TAX

The Group's profit/(loss) before tax is arrived at after charging/(crediting):

		Group	
	Notes	**2006**	2005
		HK$'000	HK$'000 (Restated)
Cost of inventories sold		**188,028**	168,546
Auditors' remuneration		**1,186**	989
Depreciation	13	**14,284**	18,025
Amortisation on prepaid land lease payments	15	**367**	345
Provision for bad and doubtful debts		**366**	2,428
Provision/(write-back of provision) against inventories		**466**	(872)
Write-back of provision for impairment in value of a property held for resale*	19	**–**	(80)
Direct operating expenses arising on rental-earning investment properties*		**54**	48
Changes in fair value of investment properties*	14	**(480)**	(40)
Employee benefits expense (including directors' remuneration):			
Pension scheme contributions		**354**	357
Less: Forfeited contributions		**(36)**	–
Net pension scheme contributions**		**318**	357
Salaries and wages		**29,140**	28,747
		29,458	29,104
Exchange gains, net		**(1,962)**	(59)
Fair value change in equity investments at fair value through profit or loss		**(69)**	131
Gain on disposal of items of property, plant and equipment		**(245)**	–

* *The write-back of provision for impairment in value of a property held for resale and changes in fair value of investment properties for the year are included in "Other expenses" on the face of the consolidated income statement.*

** *At 31 March 2006, there were no forfeited contributions available to the Group to reduce its contributions to the pension schemes in future years (2005: Nil).*

8. DIRECTORS' REMUNERATION

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

	Group	
	2006	2005
	HK$'000	HK$'000
Fees	**450**	375
Other emoluments:		
Salaries, allowances and benefits in kind	**8,708**	7,984
Discretionary bonuses	**281**	1,781
Pension scheme contributions	**147**	126
	9,136	9,891
	9,586	10,266

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the year were as follows:

	2006	2005
	HK$'000	HK$'000
Mr. Chan Wai Nam	**–**	150
Mr. Chang Tso Tung Stephen	**150**	–
Mr. Kwok Kwan Hung	**150**	75
Mr. Leung Hon Ming	**150**	150
	450	375

There were no other emoluments payable to the independent non-executive directors during the year (2005: Nil).

8. DIRECTORS' REMUNERATION (continued)

(b) Executive directors and non-executive directors

	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Discretionary bonuses HK$'000	Pension scheme contributions HK$'000	Total remuneration HK$'000
2006					
Executive directors:					
Mr. Lau Kwai	–	2,386	57	–	2,443
Mr. Lau Chung Yim	–	2,461	72	43	2,576
Mr. Lau Chung Hung	–	744	22	12	778
Mr. Lau Hing Hai	–	2,321	98	59	2,478
Ms. Lau May Wah	–	796	32	12	840
	–	8,708	281	126	9,115
Non-executive directors:					
Mr. Chang Tso Tung Stephen	150	–	–	7	157
Mr. Kwok Kwan Hung	150	–	–	7	157
Mr. Leung Hon Ming	150	–	–	7	157
	450	–	–	21	471
	450	8,708	281	147	9,586

8. DIRECTORS' REMUNERATION (continued)

(b) Executive directors and non-executive directors (continued)

	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Discretionary bonuses HK$'000	Pension scheme contributions HK$'000	Total remuneration HK$'000
2005					
Executive directors:					
Mr. Lau Kwai	–	2,127	807	–	2,934
Mr. Lau Chung Yim	–	2,134	822	43	2,999
Mr. Lau Chung Hung	–	732	22	12	766
Mr. Lau Hing Hai	–	2,308	98	59	2,465
Ms. Lau May Wah	–	683	32	12	727
	–	7,984	1,781	126	9,891
Non-executive directors:					
Mr. Chan Wai Nam	150	–	–	–	150
Mr. Kwok Kwan Hung	75	–	–	–	75
Mr. Leung Hon Ming	150	–	–	–	150
	375	–	–	–	375
	375	7,984	1,781	126	10,266

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

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included five (2005: five) directors, details of whose remuneration are set out in note 8 above.

10. TAX

	Group	
	2006	2005
	HK$'000	HK$'000
Current – Hong Kong:		
Charge for the year	**–**	164
Underprovision in the prior year	**9**	269
Current – Mainland China:		
Charge for the year	**375**	672
Overprovision in the prior year	**(225)**	–
Tax charge for the year	**159**	1,105

Hong Kong profits tax has been provided at the rate of 17.5% (2005: 17.5%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable elsewhere in Mainland China have been calculated at the applicable rates of tax prevailing in the regions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof. In accordance with the relevant tax rules and regulations in Mainland China, certain of the Group's subsidiaries in Mainland China enjoy income tax exemptions and reductions.

The corporate income tax ("CIT") payable by a subsidiary operating in Thailand is charged at 30% (2005: 30%) on the income earned from non-promoted activities as defined by the Board of Investment in Thailand (the "Board of Investment"). The subsidiary received promotional privileges from the Board of Investment under promotion certificates issued for the manufacture of copper foil. Under these privileges, this subsidiary was exempt from certain taxes and duties as detailed in the certificates, including exemption from CIT for a period of seven years from the date of commencement of the promoted business of this subsidiary. As a promoted industry, the subsidiary is required to comply with the terms and conditions as specified in the promotion certificates. No provision for CIT in Thailand has been made as the subsidiary in Thailand incurred a loss for the year (2005: Nil).

10. TAX (continued)

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

Group – 2006

	Hong Kong		Mainland China		Thailand		Total	
	HK$'000	%	HK$'000	%	HK$'000	%	HK$'000	%
Profit/(loss) before tax	(7,163)		1,538		(1,363)		(6,988)	
Tax at the statutory tax rate	(1,254)	17.5	415	27.0	(409)	30.0	(1,248)	17.9
Lower tax rate for specific provinces	–	–	(26)	(1.7)	–	–	(26)	0.4
Adjustments in respect of current tax of previous periods	9	(0.1)	(225)	(14.6)	–	–	(216)	3.1
Tax losses not recognised	1,959	(27.3)	–	–	396	(29.0)	2,355	(33.7)
Income not subject to tax	(843)	11.8	(18)	(1.2)	–	–	(861)	12.3
Expenses not deductible for tax	141	(2.0)	164	10.7	13	(1.0)	318	(4.6)
Tax losses utilised from previous periods	(3)	–	(160)	(10.4)	–	–	(163)	2.3
Tax charge at the Group's effective rate	9	(0.1)	150	9.8	–	–	159	(2.3)

10. TAX (continued)

Group – 2005

	Hong Kong		Mainland China		Thailand		Total	
	HK$'000	%	HK$'000 (Restated)	%	HK$'000	%	HK$'000 (Restated)	%
Profit/(loss) before tax	8,705		1,932		(4,633)		6,004	
Tax at the statutory tax rate	1,523	17.5	522	27.0	(1,389)	30.0	656	10.9
Adjustments in respect of current tax of previous periods	269	3.1	–	–	–	–	269	4.5
Tax losses not recognised	68	0.8	590	30.5	1,385	(29.9)	2,043	34.0
Income not subject to tax	(1,608)	(18.5)	(274)	(14.2)	–	–	(1,882)	(31.3)
Expenses not deductible for tax	584	6.7	–	–	12	(0.3)	596	9.9
Tax losses utilised from previous periods	(290)	(3.3)	(166)	(8.5)	(8)	0.2	(464)	(7.7)
Others	(113)	(1.3)	–	–	–	–	(113)	(1.9)
Tax charge at the Group's effective rate	433	5.0	672	34.8	–	–	1,105	18.4

11. NET PROFIT/(LOSS) FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT

The net loss attributable to equity holders of the parent for the year ended 31 March 2006 dealt with in the financial statements of the Company, was HK$287,000 (2005: net profit of HK$65,000) (note 26(b)).

12. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings/(loss) per share amount is based on the net profit/(loss) for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares in issue during the year.

The calculation of the diluted earnings/(loss) per share amount is based on the net profit/(loss) for the year attributable to ordinary equity holders of the parent. The weighted average number of ordinary shares used in the calculation is the ordinary shares in issue during the year, as used in the basic earnings per share calculation and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

12. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT (continued)

The calculations of basic and diluted earnings/(loss) per share are based on:

	2006 HK$'000	2005 HK$'000 (Restated)
Earnings/(loss)		
Net profit/(loss) attributable to ordinary equity holders of the parent	(7,147)	4,899

	Number of shares	
	2006	2005
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings/(loss) per share calculation	401,838,800	401,838,800
Effect of dilution – weighted average number of ordinary shares:		
Share options	76,387	130,938
Weighted average number of ordinary shares in issue during the year used in the diluted earnings/(loss) per share calculation	401,915,187	401,969,738

The diluted loss per share amount for the year ended 31 March 2006 has not been disclosed as the share options outstanding during the year had an anti-dilutive effect on the basic loss per share for the year.

13. PROPERTY, PLANT AND EQUIPMENT

Group

	Freehold Land and buildings	Leasehold improve-ments	Plant and machinery	Furniture and office equipment	Motor vehicles	Construction in progress	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
31 March 2006							
At 31 March 2005 and at 1 April 2005:							
Cost	59,033	4,939	212,613	18,304	3,546	62,378	360,813
Accumulated depreciation	(18,436)	(4,939)	(148,417)	(15,449)	(2,649)	–	(189,890)
Net carrying amount	40,597	–	64,196	2,855	897	62,378	170,923
At 1 April 2005, net of accumulated depreciation	40,597	–	64,196	2,855	897	62,378	170,923
Additions	179	–	3,502	288	768	7,646	12,383
Disposals	–	–	–	–	(39)	–	(39)
Depreciation provided during the year	(2,803)	–	(10,656)	(432)	(393)	–	(14,284)
Transfers	1,472	–	387	–	–	(1,859)	–
Exchange realignment	569	–	1,863	59	13	1,481	3,985
At 31 March 2006, net of accumulated depreciation	40,014	–	59,292	2,770	1,246	69,646	172,968
At 31 March 2006:							
Cost	61,527	4,939	220,023	18,804	3,513	69,646	378,452
Accumulated depreciation	(21,513)	(4,939)	(160,731)	(16,034)	(2,267)	–	(205,484)
Net carrying amount	40,014	–	59,292	2,770	1,246	69,646	172,968

13. PROPERTY, PLANT AND EQUIPMENT (continued)

Group

(Restated)

	Freehold Land and buildings HK$'000	Leasehold improve-ments HK$'000	Plant and machinery HK$'000	Furniture and office equipment HK$'000	Motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
31 March 2005							
At 1 April 2004:							
Cost	58,572	4,939	208,281	17,905	3,174	52,695	345,566
Accumulated depreciation	(15,597)	(4,939)	(133,531)	(14,695)	(2,630)	–	(171,392)
Net carrying amount	42,975	–	74,750	3,210	544	52,695	174,174
At 1 April 2004, net of accumulated depreciation	42,975	–	74,750	3,210	544	52,695	174,174
Additions	157	–	3,215	329	565	9,818	14,084
Depreciation provided during the year	(2,763)	–	(14,321)	(728)	(213)	–	(18,025)
Transfers	–	–	153	36	–	(189)	–
Exchange realignment	228	–	399	8	1	54	690
At 31 March 2005, net of accumulated depreciation	40,597	–	64,196	2,855	897	62,378	170,923
At 31 March 2005:							
Cost	59,033	4,939	212,613	18,304	3,546	62,378	360,813
Accumulated depreciation	(18,436)	(4,939)	(148,417)	(15,449)	(2,649)	–	(189,890)
Net carrying amount	40,597	–	64,196	2,855	897	62,378	170,923

At the balance sheet date, the cost of the Group's freehold land and buildings situated in Thailand were amounted to HK$27,336,000 (2005: HK$27,260,000).

13. PROPERTY, PLANT AND EQUIPMENT (continued)

The net book values of plant and machinery and motor vehicles held under finance leases at the balance sheet date amounted to HK$7,758,000 (2005: HK$9,142,000) and HK$60,000 (2005: HK$458,000), respectively.

As at 31 March 2006, the Group's freehold land and buildings with an aggregate net book value of HK$18,374,000 (2005: HK$19,819,000) were pledged for banking facilities granted to the Group (note 22).

Included in the Group's property, plant and equipment as at 31 March 2006 was buildings, plant and machinery, furniture and office equipment, motor vehicles and construction in progress situated in Suzhou, the People's Republic of China, with net book values of HK$3,679,000 HK$2,873,000, HK$131,000, HK$93,000 and HK$60,331,000, respectively. As at 31 March 2006, the Group was in the final stage of setting up its operations in Suzhou and trial run production was commenced in July 2006 subsequent to the balance sheet date. The recoverability of these property, plant and equipment depends, inter alia, upon the Group's ability to obtain additional financial resources to establish the operations and thereafter, to obtain additional financial resources and sufficient sales orders to attain profitable and positive cash flow operations in its factory in Suzhou. The directors are confident that the Group will be able to obtain additional financial resources to establish and satisfy the future working capital requirements of its operations in Suzhou, and that such operations will generate sufficient sales orders to sustain profitable and positive cash flow operations. Accordingly, no impairment losses have been made on the above property, plant and equipment.

14. INVESTMENT PROPERTIES

	Group	
	2006	2005
	HK$'000	HK$'000
Carrying amount at 1 April	**4,520**	4,480
Reclassify from a property held for resale (note 19)	**15,980**	–
Net profit from a fair value adjustment	**480**	40
Carrying amount at 31 March	**20,980**	4,520

The Group's investment properties at 31 March 2006 are situated in Hong Kong and were held under medium term leases.

The revaluation of the above investment properties were carried out by LCH (Asia-Pacific) Surveyors Limited, independent professionally qualified valuers, on an open market, existing use basis, as at 31 March 2006.

14. INVESTMENT PROPERTIES (continued)

As at 31 March 2006, the Group's investment properties of HK$20,980,000 (2005: HK$4,520,000) were pledged to a bank for banking facilities granted to the Group (note 22).

Details of the investment properties are as follows:

Location	**Use**	**Site area/gross floor area** (sq. ft)	**Percentage of attributable interest of the Group**
Lot Nos. 587, 588, 675, 714, 1875A, 1875B and the remaining portion of Lot Nos. 589 and 1875C, Demarcation District, No. 107, Fung Kat Heung, Yuen Long, New Territories, Hong Kong.	Industrial	78,408/ 46,505	100
Unit 4B on Ground Floor Fo Tan Industrial Centre Nos. 26-28 Au Pui Wan Street Fo Tan Shatin New Territories, Hong Kong	Industrial	3,767	100

15. PREPAID LAND LEASE PAYMENTS

	Group	
	2006	2005
	HK$'000	HK$'000
		(Restated)
Carrying amount at 1 April		
As previously reported	**–**	–
Effect of adopting HKAS 17 (note 2.3(a))	**14,455**	13,870
As restated	**14,455**	13,870
Additions	**–**	917
Recognised during the year	**(367)**	(345)
Exchange realignment	**358**	13
Carrying amount at 31 March	**14,446**	14,455
Current portion included in other debtors, prepayments and deposits	**(366)**	(358)
Non-current portion	**14,080**	14,097

15. PREPAID LAND LEASE PAYMENTS (continued)

At the balance sheet date, the Group leasehold land was situated in the following locations under the following lease terms:

	2006 HK$'000	2005 HK$'000 (Restated)
At carrying amount:		
Medium term lease situated in Hong Kong	140	144
Medium term lease situated in Mainland China	14,306	14,311
	14,446	14,455

As at 31 March 2006, the Group's leasehold land with an aggregate carrying amount of HK$140,000 (2005: HK$144,000) were pledged for banking facilities granted to the Group (note 22).

16. INTERESTS IN SUBSIDIARIES

	Company	
	2006 HK$'000	2005 HK$'000
Unlisted shares, at cost	63,074	63,074
Amounts due from subsidiaries	187,548	187,829
Amount due to a subsidiaries	(246)	(246)
	250,376	250,657
Provision for impairment	(10,371)	(10,371)
	240,005	240,286

The balances with subsidiaries are unsecured, interest-free and have no fixed terms of repayment. The carrying amounts of these amounts due from and to subsidiaries approximate to their fair values.

16. INTERESTS IN SUBSIDIARIES (continued)

The Company's interests in subsidiaries included its interest in Nam Hing (B.V.I.) Limited in relation to the Group's operations in Suzhou amounting to HK$90,735,000 as at 31 March 2006. The directors are aware of the fact that the recoverability of the Group's trademark and property, plant and equipment in Suzhou may have a direct impact on the carrying value of the Company's interest in Nam Hing (B.V.I.) Limited. As further explained in note 13 to the financial statements, the directors are confident that the Group will be able to obtain additional financial resources to establish the Suzhou operations and thereafter, be able to obtain additional financial resources and sufficient sales orders to attain profitable and positive cash flow operations. Accordingly, no impairment losses have been made in respect of its interest in Nam Hing (B.V.I.) Limited.

Particulars of the principal subsidiaries are as follows:

Name of company	Place of incorporation/ registration and operations	Nominal value of issued/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			2006	2005	
Nam Hing (B.V.I.) Limited	British Virgin Islands	US$50,000	100	100	Investment holding
Nam Hing Industrial Laminate Limited	Hong Kong	HK$200 HK$2,000,000*	100	100	Trading of laminates
Nam Hing Circuit Board Company Limited	Hong Kong	HK$500,000	100	100	Trading of printed circuit boards
Natural Century Limited	Hong Kong	HK$2	100	100	Investment holding
Bangkok Industrial Laminate Company Limited #	Thailand	Baht20,000,000	100	100	Trading and manufacture of copper foil
Zhongshan Nam Hing Insulating Material Limited @#	Mainland China	HK$93,000,000	100	100	Manufacture of laminates
Nam Hing Circuit Board (Dongguan) Co., Ltd. @#	Mainland China	HK$35,886,662	100	100	Manufacture of printed circuit boards

16. INTERESTS IN SUBSIDIARIES (continued)

Name of company	Place of incorporation/ registration and operations	Nominal value of issued/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			2006	2005	
Suzhou Nam Hing Industrial Laminate Co., Ltd. (Previous known as "Suzhou Nam Hing Industrial Laminate Limited") @#	Mainland China	US$6,800,000	100	100	Manufacture of laminates
Zhongshan Chung Yuen Electronic Applied Materials Company Limited @#	Mainland China	HK$2,000,000	100	100	Manufacture of laminates
珠海南興隆電子有限公司@#^	Mainland China	HK$269,000	100	100	Not yet commenced business

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

* Non-voting deferred shares.

@ These subsidiaries are registered as wholly-foreign-owned enterprises under the PRC laws.

^ The Group is obliged to pay up the capital contribution by 2003. In the opinion of the directors, the Group is able to obtain further extention from the government authorities.

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

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

The above summary lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, results in particulars of excessive length.

17. TRADE DEBTORS

An aged analysis of the trade debtors at the balance sheet date, based on the invoice date and net of provisions, is as follows:

	Group	
	2006	2005
	HK$'000	HK$'000
Within 3 months	66,652	36,404
4 to 6 months	27,041	7,437
Over 6 months	1,573	1,700
	95,266	45,541

The Group's credit terms given to its customers vary, which generally range from current to 120 days, and are granted based on the financial status of the individual customers. In order to effectively manage the credit risks associated with trade debtors, credit evaluations of customers are performed periodically by management. Trade debtors are non-interest-bearing.

At 31 March 2006, the Group's trade debtors of approximately HK$56,379,000 were factored to certain banks under certain receivable purchase agreements (the "Factored Receivables"). The Group continued to recognise the Factored Receivables in the balance sheet because, in the opinion of the directors, the Group has retained substantially all the risks and rewards of ownership of the Factored Receivables, either the risks in respect of default payments or the time value of money, as at the balance sheet date.

Accordingly, the advances from the relevant banks of approximately HK$47,157,000 received by the Group as consideration for the Factored Receivables at the balance sheet date were recognised as liabilities and included in "Bank and other borrowings" (note 22).

18. INVENTORIES

	Group	
	2006	2005
	HK$'000	HK$'000
Raw materials	31,691	23,826
Work in progress	5,756	5,252
Finished goods	16,227	12,658
	53,674	41,736
Less: Provision against inventories	(2,180)	(1,673)
	51,494	40,063

19. PROPERTY HELD FOR RESALE

	Group	
	2006	2005
	HK$'000	HK$'000
At beginning of year	15,980	15,900
Write-back of provision for impairment in value	–	80
Reclassify to investment properties (note 14)	(15,980)	–
At end of year	–	15,980

20. EQUITY INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS/OTHER INVESTMENTS

	Group	
	2006	2005
	HK$'000	HK$'000
Listed equity investment in Hong Kong, at market value	**207**	120
Unlisted investments, at fair value	**3,013**	2,944
	3,220	3,064

As at 31 March 2006, the Group's certain investments at fair value through profit or loss amounting to HK$3,013,000 (2005: HK$2,944,000) were pledged to a bank for banking facilities granted to the Group (note 22).

21. TRADE CREDITORS

An aged analysis of the trade creditors at the balance sheet date, based on the invoice date, is as follows:

	Group	
	2006	2005
	HK$'000	HK$'000
Within 3 months	**36,045**	28,079
4 to 6 months	**8,777**	10,861
Over 6 months	**2,343**	3,725
	47,165	42,665

The trade creditors are non-interest-bearing and are normally settled on terms varying from current to 90 days.

22. BANK AND OTHER BORROWINGS

	Effective interest rate (%)	Maturity	2006 HK$'000	2005 HK$'000
Current				
Finance lease payables (note 23)	2.35% – 8%	2007	1,553	1,286
Bank overdrafts – secured	7.5% – 8.25%	2007	13,276	12,786
Bank loans – secured	4.5% – 10.25%	2007	6,306	9,485
Trust receipt loans – secured	7.46% – 8.25%	2007	39,932	23,798
Loans from directors – unsecured	Nil – 5.45%	2007	6,643	314
Advances from banks as consideration for Factored Receivables	8% – 9.25%	2007	47,157	–
			114,867	47,669
Non-current				
Finance lease payables (note 23)	2.35% – 8%	2008	608	1,248
Bank loans – secured	4% – 6.25%	2008-2011	4,582	6,314
Loans from directors – unsecured	2.95% – 5.45%	2008-2010	3,663	–
			8,853	7,562
			123,720	55,231

22. BANK AND OTHER BORROWINGS (continued)

	Group	
	2006	2005
	HK$'000	HK$'000
Analysed into:		
Bank loans and overdrafts repayable:		
Within one year or on demand	**106,671**	46,069
In the second year	**1,185**	1,842
In the third to fifth years, inclusive	**3,397**	3,932
Beyond five years	**–**	540
	111,253	52,383
Other borrowings repayable:		
Within one year	**8,196**	1,600
In the second year	**800**	1,064
In the third to fifth years, inclusive	**3,471**	184
	12,467	2,848
	123,720	55,231

(a) Certain bank borrowings are secured by:

(i) the Group's freehold land and buildings with an aggregate carrying value at the balance sheet date of approximately HK$18,374,000 (2005: HK$19,819,000);

(ii) the Group's prepaid land lease payments with an aggregate carrying value at the balance sheet date of approximately HK$140,000 (2005: HK$144,000);

(iii) the Group's investment properties of HK$20,980,000 (2005: HK$4,520,000);

(iv) the Group's property held for resale with a carrying amount of HK$15,980,000 in 2005;

(v) the Group's unlisted investments amounting to HK$3,013,000 (2005: HK$2,944,000); and

(vi) the Group's fixed deposits amounting to HK$8,229,000 (2005: HK$4,067,000).

22. BANK AND OTHER BORROWINGS (continued)

(b) As at 31 March 2006, the carrying amounts of the Group's bank and other borrowings approximated to their fair values. The fair value of bank and other borrowings has been calculated by discounting the expected future cash flows at prevailing interest rates.

(c) Except for the secured bank loans and overdrafts with an aggregate amount of HK$10,582,000 (2005: HK$11,661,000) which are denominated in Thai Baht, all other borrowings are in Hong Kong dollars.

(d) Loans from a director of HK$6,365,000 (2005: HK$314,000) are unsecured, interest-free and have no fixed terms of repayment. The remaining loans from directors of HK$3,941,000 (2005: Nil) are unsecured, bear interest at rates ranging from 0.16% to 5.45% per annum and with repayment terms of 12 or 48 instalments payable monthly with the last installment due in January 2007 and May 2009, respectively.

Other interest rate information:

	Group					
	2006			2005		
	Interest-free HK$'000	Fixed rate HK$'000	Floating rate HK$'000	Interest-free HK$'000	Fixed rate HK$'000	Floating rate HK$'000
Finance lease payables	–	1,897	264	–	421	2,113
Bank overdrafts	–	–	13,276	–	–	12,786
Bank loans – secured	–	–	10,888	–	–	15,799
Trust receipt loans – secured	–	–	39,932	–	–	23,798
Loans from directors						
– unsecured	6,365	96	3,845	314	–	–
Advances from banks as consideration for the Factored Receivables	–	–	47,157	–	–	–

23. FINANCE LEASE PAYABLES

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

23. FINANCE LEASE PAYABLES (continued)

At the balance sheet date, the total future minimum lease payments under finance leases and their present values were as follows:

Group	Minimum lease payments 2006 HK$'000	Minimum lease payments 2005 HK$'000	Present value of minimum lease payments 2006 HK$'000	Present value of minimum lease payments 2005 HK$'000
Amounts payable:				
Within one year	1,616	1,380	1,553	1,286
In the second year	617	1,098	608	1,064
In the third to fifth years, inclusive	–	186	–	184
Total minimum finance lease payments	2,233	2,664	2,161	2,534
Future finance charges	(72)	(130)		
Total net finance lease payables	2,161	2,534		
Portion classified as current liabilities (note 22)	(1,553)	(1,286)		
Long term portion (note 22)	608	1,248		

24. DEFERRED TAX

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

	Group		Company	
	2006	2005	**2006**	2005
	HK$'000	HK$'000	**HK$'000**	HK$'000
Decelerated depreciation allowances	**181**	340	**–**	–
Tax losses	**12,560**	10,200	**88**	59
	12,741	10,540	**88**	59

The Group has tax losses arising in Hong Kong of HK$71,770,000 (2005: HK$58,268,000) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. The Group also has tax losses arising in Thailand of HK$14,955,000 (2005: HK$6,139,000) that can be used to offset against future taxable profits of the companies in which the losses arose, which are due to expire after five years. Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time.

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

25. SHARE CAPITAL

Shares

	Company	
	2006	2005
	HK$'000	HK$'000
Authorised:		
500,000,000 (2005: 500,000,000) ordinary shares of HK$0.10 each	**50,000**	50,000
Issued and fully paid:		
401,838,800 (2005: 401,838,800) ordinary shares of HK$0.10 each	**40,184**	40,184

25. SHARE CAPITAL (continued)

Share option scheme

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

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

Purpose	To provide incentives and rewards to eligible participants for their contributions to the Group and/or to enable the Group to recruit and retain high-calibre employees and attract human resources that are valuable to the Group and any entity in which the Group holds an equity interest (the "Invested Entity").
Participants	(i) any employee (whether full-time or part-time), executive directors, non-executive directors and independent non-executive directors of the Company, any of its subsidiaries or any Invested Entity;
	(ii) any supplier of goods or services to any member of the Group or any Invested Entity; any customer of the Group or any Invested Entity; any person or entity that provides research, development or other technological support to the Group or any Invested Entity; and
	(iii) any shareholder of any member of the Group or any Invested Entity or any holder of any securities issued by any member of the Group or any Invested Entity.

25. SHARE CAPITAL (continued)

Share option scheme (continued)

Total number of ordinary shares available for issue under the New Scheme and the percentage of the issued share capital that it represents as at the date of the annual report	40,183,880 ordinary shares and approximately 10% of the issued share capital.
Maximum entitlement of each participant	Where any grant or further grant of options to a participant would result in the total number of shares issued and to be issued upon exercise of all the options granted and to be granted to such person (including exercised, cancelled and outstanding options) in the 12 month period up to and including the date of such grant or further grant representing in aggregate over 1% of the total number of shares in issue, such grant or further grant must be separately approved by the shareholders in a general meeting. Where any grant or further grant of options to a substantial shareholder or an independent non-executive director of the Company, or any of their respective associates, would result in the shares issued and to be issued upon exercise of all options already granted and to be granted (including exercised, cancelled and outstanding options) to such person in the 12 month period up to and including the date of such grant: (a) representing in aggregate over 0.1% of the relevant class of shares in issue; and (b) having an aggregate value, based on the closing price of the shares at the date of each grant, in excess of HK$5,000,000, such grant or further grant of options must be approved by the shareholders in a general meeting.
Period within which the securities must be taken up under an option	An option may be exercised at any time during a period to be determined and notified by the directors to each grantee, but shall end in any event not later than 10 years from the date of offer of the grant of options subject to the provisions for early termination set out in the New Scheme.

25. SHARE CAPITAL (continued)

Share option scheme (continued)

Minimum period for which an option must be held before it can be exercised	There is no minimum period for which an option granted must be held before it can be exercised except otherwise imposed by the directors.
Amount payable on acceptance of the option and the period within which such payment must be made	The offer of a grant of share options may be accepted within 28 days from the date of the offer with a consideration of HK$1.00 being payable by the grantee.
Basis of determining the exercise price	Determined by the directors but shall not be less than the highest of (i) the closing price of the Company's ordinary shares as stated in the Stock Exchange's daily quotation sheet on the date of offer of grant of options, which must be a trading day; (ii) the average closing price of the Company's ordinary shares as stated in the Stock Exchange's daily quotation sheets for the five trading days immediately preceding the date of offer of grant of options; and (iii) the nominal value of the Company's shares.
The remaining life of the New Scheme	The New Scheme remains in force until 27 August 2012.

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

25. SHARE CAPITAL (continued)

The following table shows the movements of share options during the year:

Category of participant	Number of share options: At 1 April 2005	Granted/ Exercised/ Cancelled during the year	Lapsed during the year	At 31 March 2006	Date of grant of share options	Exercise period of share options	Exercise price of share options* HK$
Employees other than the directors							
In aggregate	930,000	–	(400,000)	530,000	3 June 2004	From 21 May 2004 to 20 May 2007	0.180
	930,000	–	(400,000)	530,000	3 June 2004	From 21 January 2005 to 20 May 2007	0.180
	930,000	–	(400,000)	530,000	3 June 2004	From 21 September 2005 to 20 May 2007	0.180
	2,790,000	–	(1,200,000)	1,590,000			

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

At the balance sheet date, the Company had 1,590,000 share options outstanding under the New Scheme which represented approximately 0.40% of the Company's shares in issue as at that date. The exercise in full of the remaining share options would, under the present capital structure of the Company, result in the issue of 1,590,000 additional ordinary shares of the Company and additional share capital of HK$159,000 and share premium of HK$127,200 (before issue expenses).

26. RESERVES

(a) Group

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on page 38 of the financial statements.

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

(b) Company

	Share premium account	Contributed surplus	Capital redemption reserve	Retained profits	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 April 2004	124,711	62,604	464	12,285	200,064
Profit for the year	–	–	–	65	65
At 31 March 2005 and 1 April 2005	124,711	62,604	464	12,350	200,129
Loss for the year	–	–	–	(287)	(287)
At 31 March 2006	**124,711**	**62,604**	**464**	**12,063**	**199,842**

The contributed surplus of the Company represents the excess of the fair value of the subsidiaries acquired pursuant to the reorganisation referred to in note 26(a), over the nominal value of the Company's shares issued for their acquisition. Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus shall not be distributed to the shareholders if there are reasonable grounds for believing that:

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

(ii) the realisable value of the Company's assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium account.

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

27. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

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

	Notes	2006 HK$'000	2005 HK$'000 (Restated)
Profit/(loss) before tax		(6,988)	6,004
Adjustments for:			
Finance costs	6	4,939	3,356
Bank interest income	5	(178)	(16)
Gain on disposal of items of property, plant and equipment	5	(245)	–
Depreciation	7	14,284	18,025
Amortisation on prepaid land lease payments	7	367	345
Provision for bad and doubtful debts	7	366	2,428
Provision/(write-back of provision) against inventories	7	466	(872)
Write-back of provision for impairment in value of property held for resale	7	–	(80)
Changes in fair value of investment properties	7	(480)	(40)
Fair value change in equity investments at fair value through profit or loss	5, 7	(69)	131
Operating profit before working capital changes		12,462	29,281
Decrease/(increase) in trade debtors		(2,934)	12,805
Decrease/(increase) in other debtors, prepayments and deposits		(1,139)	256
Increase in inventories		(11,897)	(3,505)
Increase in trade creditors		4,500	1,061
Decrease in bills payable		(359)	(5,508)
Increase in other creditors and accruals		387	55
Cash generated from operations		1,020	34,445
Hong Kong profits tax paid		(638)	–
Overseas taxes paid		(466)	(615)
Net cash inflow/(outflow) from operating activities		(84)	33,830

27. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (continued)

(b) Major non-cash transactions

During the year, the Group entered into finance lease arrangements in respect of items of property, plant and equipment with a capital value at the inception of lease of HK$1,450,000 (2005: HK$968,000).

28. CONTINGENT LIABILITIES

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

	Group	
	2006	2005
	HK$'000	HK$'000
Debts factored with recourse	**–**	28,125

At 31 March 2006, the Company had guarantees given to banks in connection with facilities granted to its subsidiaries to the extent of approximately HK$84,138,000 (2005: HK$69,955,000), of which HK$64,096,000 (2005: HK$52,382,000) had been utilised at the balance sheet date.

(b) The Group has a contingent liability in respect of possible future long service payments to employees under the Hong Kong Employment Ordinance, with a maximum possible amount of HK$234,000 (2005: HK$539,000), as further explained under the heading "Employee benefits" in note 2.6 to the financial statements. A provision has not been recognised in respect of such possible payments, as it is not considered probable that the situation will result in a material future outflow of resources from the Group.

29. OPERATING LEASE ARRANGMENTS

(a) As lessor

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

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

	2006 HK$'000	2005 HK$'000
Within one year	216	128
In the second to fifth years, inclusive	414	–
	630	128

(b) As lessee

At 31 March 2006, the Company had no future minimum lease payments under the non-cancellable operating lease (2005: HK$58,000 falling due within one year).

30. COMMITMENTS

In addition to the operating lease commitments detailed in note 29(b) above, at the balance sheet date, the Group had the following commitments in respect of capital expenditure, which was authorised, but not provided for in the financial statements:

	Group	
	2006 HK$'000	2005 HK$'000
Contracted for in respect of purchases of items of property, plant and equipment	11,185	1,937

Apart from the above, a subsidiary of the Company had commitments in respect of capital contributions to a wholly-foreign-owned enterprise of the Company in Mainland China amounting to HK$33,689,000 (2005: HK$33,979,000) at the balance sheet date.

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

31. RELATED PARTY TRANSACTIONS

(a) In addition to the transactions detailed elsewhere in these financial statements, the Group had the following material transactions with related parties during the year:

	Group	
	2006 HK$'000	2005 HK$'000
Interest expense paid to a director (note (i))	151	–

Note:

(i) The interest expense paid to a director arose from the loans advance from the director during the year. Further details of the loans are disclosed in note 22 to the financial statements.

(b) Outstanding balances with related parties:

(i) As disclosed in the consolidated balance sheet, the Group had advanced to a related company, in which a director of the Group has a beneficial interest, of HK$632,000 (2005: HK$632,000) included in the other debtors, prepayments and deposits, as at the balance sheet date. The advances are unsecured, interest– free and have no fixed terms of repayment.

(ii) Details of the Group's loans from directors as at the balance sheet date are disclosed in note 22 to the financial statements.

(c) Compensation of key management personnel of the Group:

	2006 HK$'000	2005 HK$'000
Short term employee benefits	10,757	11,249
Post-employment benefits	164	158
Total compensation paid to key management personnel	10,921	11,407

Further details of directors' emoluments are included in note 8 to the financial statements.

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's activities expose it to a variety of financial risks including cash flow interest rate risk, foreign exchange risk, credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(a) Cash flow interest rate risk

As the Group has no significant interest-bearing assets, the Group's income and operating cash flows are substantially independent of changes in market interest rates. The Group's interest rate risk mainly arises from bank borrowings. As at 31 March 2006, bank borrowings were primarily at floating rates. The Group generally has not used interest rate swaps to hedge its exposure to interest rate risk.

(b) Foreign currency risk

The Group operates internationally and has transactional currency exposures to various currencies. Most of the Group's operating activities are denominated in United States dollars ("USD"), Thailand Baht ("THB"), Renminbi ("RMB") and Hong Kong dollars. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations.

The Group has not used any forward contracts or currency borrowings to hedge its exposure as foreign currency risk is considered to be minimal.

(c) Credit risk

The carrying amount of trade receivables included in the consolidated balance sheet represents the Group's maximum exposure to credit risk. The Group has put in place policies to ensure that sales of products are made to recognised and creditworthy customers and the Group performs periodic credit evaluations of its customers. The Group's historical experience in collection of trade receivables falls within the recorded allowances and the management are of the opinion that adequate provision for uncollectible trade receivables has been made.

(d) Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of an adequate amount of committed credit facilities. The management aim to maintain flexibility in funding by keeping credit lines available.

33. COMPARATIVE AMOUNTS

As further explained in note 2.3 and 2.5 to the financial statements, due to the adoption of new HKFRSs during the current year, the accounting treatment and presentation of certain items and balances in the financial statements have been revised to comply with the new requirements. Accordingly, certain prior year adjustment has been made and certain comparative amounts have been reclassified and restated to conform with the current year's presentation and accounting treatment.

34. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 26 July 2006.