

NOTES TO THE INTERIM FINANCIAL STATEMENTS

30 September 2006

1. BASIS OF PREPARATION

This interim financial report is unaudited but has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“the Listing Rules”), including compliance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim financial reporting”, issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

The preparation of an interim financial report in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

This interim financial report contains unaudited condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the Group’s financial statements for the year ended 31 March 2006. The unaudited condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

2. PRINCIPAL ACCOUNTING POLICIES

The unaudited condensed consolidated financial statements have been prepared under the historical cost convention, as modified for certain properties which are measured at fair value or revalued amounts, as appropriate.

The accounting policies adopted are consistent with those of the Group’s annual financial statements for the year ended 31 March 2006 as described in the annual financial statements for the year ended 31 March 2006.

The Group ceased to carry on electronic consumer business during the period, which constituted a discontinued operation under HKFRS 5 “Non-current Assets Held for Sale and Discontinued Operations”. Therefore, the results derived from the operations of electronic customer business are presented as discontinued operation in current accounting period. The comparative figures for the corresponding period in 2005 have been reclassified to conform with current period’s presentation.

The following new standards, amendments to standards and interpretations are mandatory for financial year ending 31 March 2007.

HKAS 19 (Amendment)	Actuarial Gains and Losses, Group Plans and Disclosures ¹
HKAS 21 (Amendment)	Net Investment in a Foreign Operation ¹
HKAS 39 (Amendment)	Cash Flow Hedge Accounting of Forecast Intragroup Transactions ¹
HKAS 39 (Amendment)	The Fair Value Option ¹
HKAS 39 & HKFRS 4 (Amendment)	Financial Guarantee Contracts ¹
HKFRS 6	Exploration for and Evaluation of Mineral Resources ¹
HK (IFRIC) – INT 4	Determining whether an Arrangement Contains a Lease ¹
HK (IFRIC) – INT 5	Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds ¹
HK (IFRIC) – INT 6	Liabilities Arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment ²
HK (IFRIC) – INT 7	Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies ³

¹ Effective for annual periods beginning on or after 1 January 2006

² Effective for annual periods beginning on or after 1 December 2005

³ Effective for annual periods beginning on or after 1 March 2006

2. PRINCIPAL ACCOUNTING POLICIES (continued)

The adoption of the above new standards, amendments to standards and interpretations did not result in substantial changes to the Group's accounting policies.

The Group has not early adopted the following standards or interpretations that have been issued but are not yet effective. The Directors anticipate that the adoption of such standards and interpretations will not result in substantial changes to the Group's accounting policies.

HKAS 1 (Amendment)	Capital Disclosures ¹
HKFRS 7	Financial Instruments – Disclosures ¹
HK (IFRIC) – INT 8	Scope of HKFRS ²
HK (IFRIC) – INT 9	Reassessment of Embedded Derivatives ³
HK (IFRIC) – INT 10	Interim Financial Reporting and Impairment ⁴

¹ Effective for annual periods beginning on or after 1 January 2007

² Effective for annual periods beginning on or after 1 May 2006

³ Effective for annual periods beginning on or after 1 June 2006

⁴ Effective for annual periods beginning on or after 1 November 2006

3. PRINCIPAL ACTIVITIES

The Company is an investment holding company. The principal activities of the Group are properties investment, manufacture and sale of electronic consumer products and snap off blade cutters.

4. SEGMENT INFORMATION

The analysis of the Group's turnover and loss from operations by business and geographical segments for the six months ended 30 September 2006 and 2005 are as follows:

(a) Business segments

Six months ended 30 September 2006 (Unaudited)

	Continuing operations		Discontinued operation		Consolidated HK\$'000
	Snap off blade cutters HK\$'000	Corporate and others HK\$'000	Total HK\$'000	Electronic customer products HK\$'000	
Revenue	<u>25,689</u>	<u>1,345</u>	<u>27,034</u>	<u>2,335</u>	<u>29,369</u>
Segment results	<u>(2,671)</u>	<u>(910)</u>	(3,581)	(15,563)	(19,144)
Interest income			<u>93</u>	<u>2</u>	<u>95</u>
Loss from operations			(3,488)	(15,561)	(19,049)
Finance costs			<u>(802)</u>	<u>(759)</u>	<u>(1,561)</u>
Loss before taxation			(4,290)	(16,320)	(20,610)
Income tax			<u>-</u>	<u>-</u>	<u>-</u>
Net loss from ordinary activities attributable to equity shareholders			<u>(4,290)</u>	<u>(16,320)</u>	<u>(20,610)</u>

4. SEGMENT INFORMATION (continued)

(a) Business segments (continued)

Six months ended 30 September 2005 (Unaudited)

	Continuing operations			Discontinued operation	Consolidated HK\$'000
	Snap off blade cutters HK\$'000	Corporate and others HK\$'000	Total HK\$'000	Electronic customer products HK\$'000	
Revenue	<u>21,357</u>	<u>1,509</u>	<u>22,866</u>	<u>37,901</u>	<u>60,767</u>
Segment results	<u>389</u>	<u>(4,167)</u>	(3,778)	(3,607)	(7,385)
Interest income			4	-	4
Loss from operations			(3,774)	(3,607)	(7,381)
Finance costs			(329)	(751)	(1,080)
Loss before taxation			<u>(4,103)</u>	<u>(4,358)</u>	<u>(8,461)</u>
Income tax			-	-	-
Net loss from ordinary activities attributable to equity shareholders			<u>(4,103)</u>	<u>(4,358)</u>	<u>(8,461)</u>

(b) Geographic segments

	Six month ended 30 September					
	2006			2005		
	Continuing operations HK\$'000	Discontinued operation HK\$'000	Total HK\$'000	Continuing operations HK\$'000	Discontinued operation HK\$'000	Total HK\$'000
Hong Kong	2,992	2,245	5,237	2,839	35,947	38,786
Mainland China	4,587	-	4,587	3,947	-	3,947
Europe	8,565	87	8,652	7,396	45	7,441
North America	3,809	-	3,809	6,164	2	6,166
East Asia	5,806	3	5,809	960	1,905	2,865
Others	1,275	-	1,275	1,560	2	1,562
	<u>27,034</u>	<u>2,335</u>	<u>29,369</u>	<u>22,866</u>	<u>37,901</u>	<u>60,767</u>

5. TURNOVER

Turnover represents the net invoiced value of goods sold, after allowances for returns and trade discounts, and gross rental income received and receivable from investment properties during the period.

6. LOSS FROM OPERATING ACTIVITIES

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

	Six months ended 30 September	
	2006 (Unaudited) HK\$'000	2005 (Unaudited) HK\$'000
Interest income	(95)	(5)
Surplus on revaluation on investment property	(617)	-
Depreciation	882	1,697
Amortisation of leasehold land and land use rights	55	57
	<u>55</u>	<u>57</u>

7. TAXATION

No (2005: Nil) income tax has been provided as the Group has no estimated assessable profits during the period.

8. LOSS PER SHARE

The calculation of basic loss per share from continuing and discontinued operations is based on the loss attributable to shareholders for the period of HK\$20,609,610 (2005: HK\$8,461,096) and on the weighted average number of 324,142,694 shares (2005: 260,547,066) in issue during the period.

The calculation of basic loss per share from continuing operations is based on the loss attributable to shareholders for the period of HK\$4,290,417 (2005: HK\$4,103,482) and on the weighted average number of 324,142,694 shares (2005: 260,547,066) in issue during the period.

Diluted loss per share has not been disclosed as the impact of the potential ordinary shares was anti-dilutive for both periods.

9. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 September 2006, the Group acquired property, plant and equipment at a cost of HK\$12,102 (Six months ended 30 September 2005: HK\$2,761,080). The Group ceased to carry on electronic consumer business during the period. The Group provided an impairment loss for the property, plant and equipment related to electronic business at the net book value of HK\$3,843,766, and disposal of the plant and machinery of net book value of HK\$1,369,567. The sales proceeds of the plant and machinery is HK\$582,524 and resulting from a loss on disposal of HK\$787,043 during the period.

During the period, the Group had changed the usage of a leasehold property located at Hong Kong, which is occupied by the Group as office in the previous year. The Group rented out the office and received a rental income during the period. As a result, net book value of building HK\$1,048,000 and interest in leasehold land held for own use under operating lease HK\$974,441 were reclassified as investment property. The investment property was valued by independent third party at HK\$2,640,000 during the period and a surplus on revaluation on investment property of HK\$617,560 was recognised in the income statement.

10. INTERESTS IN ASSOCIATES

	As at 30 September 2006 (Unaudited) HK\$'000	As at 31 March 2006 (Audited) HK\$'000
	Share of net assets	-
Due from associates	16,025	16,025
	<u>16,025</u>	<u>16,025</u>
Less: impairment losses	(16,025)	(16,025)
	<u>-</u>	<u>-</u>

11. TRADE AND BILLS RECEIVABLES

The Group allows an average credit period of 60 days. The following is an aging analysis of trade and bills receivables at the balance sheet date:

	As at 30 September 2006 (Unaudited) HK\$'000	As at 31 March 2006 (Audited) HK\$'000
Within 60 days	5,712	5,363
61-90 days	539	1,068
Over 90 days	2,362	1,708
	<u>8,613</u>	<u>8,139</u>

12. TRADE PAYABLES

The following is an aging analysis of trade payables at the balance sheet date:

	As at 30 September 2006 (Unaudited) HK\$'000	As at 31 March 2006 (Audited) HK\$'000
Within 60 days	5,729	5,759
61-90 days	758	1,142
Over 90 days	5,844	5,721
	<u>12,331</u>	<u>12,622</u>

13. SHARE CAPITAL

	As at 30 September 2006	
	Number of shares	Amount HK\$'000
Ordinary shares of HK\$0.2 each		
Authorised:		
Balance at beginning and end of the period	<u>1,500,000,000</u>	<u>300,000</u>
Issued and fully paid:		
Balance at beginning of the period	291,497,885	58,300
Issue of new shares	<u>58,000,000</u>	<u>11,600</u>
Balance at end of the period	<u>349,497,885</u>	<u>69,900</u>

14. RELATED PARTY TRANSACTIONS

(a) During the period, the Group had the following transactions with Twin Base Limited ("Twin Base"), a company in which Mrs. Chong Cheng Man Shan ("Mrs. Chong"), the spouse of Mr. Chong Sing Yuen has a beneficial interest:

- (i) The Group paid rentals of approximately HK\$197,500 (2005: HK\$237,000) to Twin Base for a motor vehicle. The rentals were charged in accordance with a motor vehicle rental agreement.
- (ii) As at 30 September 2006, Twin Base had pledged certain of its property interests to a bank to secure the credit facilities to the extent of HK\$7,234,000 (31 March 2006: HK\$12,899,980) granted to the Group.
- (iii) During the period, Twin Base advanced HK\$4,061,859 (2005: HK\$ Nil) to the Group. The advances are unsecured, interest-free and are repayable on demand.

14. RELATED PARTY TRANSACTIONS *(continued)*

- (b) During the period, Mrs. Chong advanced HK\$14,362,094 (2005: HK\$15,658,111) to the Group. The advances are unsecured, interest-free and are repayable on demand.
- (c) During the period, Mr. Chim Pui Chung, a shareholder of the Company, advanced HK\$19,000,000 (2005: HK\$ Nil) to the Group. The advances are unsecured, interest-free and are repayable on demand.
- (d) During the period, Mr Chong Sing Yuen, a director of the Company advanced approximately HK\$10,374,018 (2005:HK \$3,135,539) to the Group. The advances are unsecured, interest-free and are repayable on demand.
- (e) Key management compensation

Details of compensation paid to key management of the Group (all being Directors) are as follows:

	Six months ended	
	30 September	
	2006	2005
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Salaries and other benefits	2,120	2,273
Contribution to retirement benefit scheme	26	42
	<u>2,146</u>	<u>2,315</u>

15. OPERATING LEASE COMMITMENTS**(a) The Group as lessor:**

The Group had total future minimum lease payments receivable under non-cancellable operating leases with its tenants falling due as follows:

	As at 30 September	As at 31 March
	2006	2006
	(Unaudited)	(Audited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within one year	2,769	3,130
In the second to fifth years, inclusive	5,130	4,185
Over five years	985	2,643
	<u>8,884</u>	<u>9,958</u>

(b) The Group as lessee:

The Group had total future minimum lease payments under non-cancellable operating lease falling due as follows:

	As at 30 September	As at 31 March
	2006	2006
	(Unaudited)	(Audited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within one year	-	198

16. CHARGES ON GROUP'S ASSETS

The Group's investment properties situated in Panyu, PRC are all rented out. As at 30 September 2006, Nil (31 March 2006: 100%) of the Group's investment properties were pledged to banks to secure credit facilities granted to the Group.

As at 30 September 2006, approximately 12% (31 March 2006: 64%) of the Group's land and buildings were pledged to banks to secure credit facilities granted to the Group.

17. DISCONTINUED OPERATION

The Group decided to terminate the consumer electronic business due to the continuous under performance.

The loss generated from electronic business segment during the period ended 30 September 2006 was approximately HK\$16,320,000 (30 September 2005: approximately HK\$4,358,000).

18. COMPARATIVE FIGURES

Due to the termination of the consumer electronic business during the period, which constituted a discontinued operation under HKFRS 5 "Non-current Assets Held for Sale and Discontinued Operations", certain comparative figures have been reclassified to conform with current period's presentation.

19. APPROVAL OF INTERIM FINANCIAL REPORT

The interim financial report was approved and authorised for issue by the board on 20 December 2006.