

NOTES TO THE FINANCIAL STATEMENTS For the year ended 31st March, 2004

1. GENERAL

The Company was incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited.

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

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has adopted Hong Kong Financial Reporting Standard newly issued by the Hong Kong Society of Accountants ("HKSA"). The term of Hong Kong Financial Reporting Standard is inclusive of Statement of Standard Accounting Practice ("SSAP") and Interpretations approved by the HKSA.

Income taxes

In the current year, the Group has adopted SSAP 12 (Revised) "Income taxes". SSAP 12 (Revised) requires the adoption of a balance sheet liability method, whereby deferred tax is recognised in respect of all temporary differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, with limited exceptions. The adoption of SSAP 12 (Revised) has had no material effect on the results for the current or prior accounting periods and, accordingly, no prior period adjustment has been required.

3. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention, as modified for the revaluation of investment properties.

The financial statements have been prepared in accordance with accounting principles generally accepted in Hong Kong. The principal accounting policies adopted are as follows:

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31st March each year.

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

Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary at the date of acquisition.

Goodwill arising on acquisitions prior to 1st April, 2001 continues to be held in reserves, and will be charged to the income statement at the time of disposal of the relevant subsidiary, or at such time as the goodwill is determined to be impaired.

NOTES TO THE FINANCIAL STATEMENTS For the year ended 31st March, 2004**3. SIGNIFICANT ACCOUNTING POLICIES** *(Continued)***Goodwill** *(Continued)*

Goodwill arising on acquisitions after 1st April, 2001 is capitalised and amortised on a straight-line basis over its useful economic life. Goodwill arising on the acquisition of subsidiaries is presented separately in the balance sheet.

On disposal of a subsidiary, the attributable amount of unamortised goodwill/goodwill previously debited to reserves is included in the determination of the profit or loss on disposal.

Negative goodwill

Negative goodwill represents the excess of the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary at the date of acquisition over the cost of acquisition.

Negative goodwill arising on acquisition of subsidiaries prior to 1st April, 2001 continues to be held in reserves and will be credited to income at the time of disposal of the relevant subsidiary.

Subsidiaries

Investments in subsidiaries are included in the Company's balance sheet at cost, less any identified impairment loss.

Revenue recognition

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

Rental income, including rental invoiced in advance from properties under operating leases, is recognised on a straight-line basis over the terms of the relevant leases.

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

Investment properties

Investment properties are completed properties which are held for their investment potential, any rental income being negotiated at arm's length.

Investment properties are stated at their open market value based on professional valuations at the balance sheet date. Any surplus or deficit arising on the revaluation of investment properties is credited or charged to the investment property revaluation reserve unless the balance of this reserve is insufficient to cover a deficit, in which case the excess of the deficit over the balance on the investment property revaluation reserve is charged as expenses. Where a deficit has previously been charged as expenses and a revaluation surplus subsequently arises, this surplus is credited as income to the extent of the deficit previously charged.

On disposal of an investment property, the balance on the investment property revaluation reserve attributable to that property is transferred to the income statement.

NOTES TO THE FINANCIAL STATEMENTS For the year ended 31st March, 2004

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investment properties *(Continued)*

No depreciation is provided on investment properties except where the unexpired term of the relevant lease or the term of the joint venture to which the investment properties are held is twenty years or less.

Property, plant and equipment

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

Depreciation and amortisation are provided to write off the cost of property, plant and equipment, over their estimated useful lives, using the straight-line method, at the following rates per annum:

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

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sale proceeds and the carrying amount of the asset and is included in the net profit or loss for the year.

Impairment

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment loss is recognised as an expense immediately.

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

Inventories

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

Operating leases

Rentals payable under operating leases are charged as expenses on a straight-line basis over the respective lease terms.

NOTES TO THE FINANCIAL STATEMENTS For the year ended 31st March, 2004**3. SIGNIFICANT ACCOUNTING POLICIES** (Continued)**Foreign currencies**

Transactions in currencies other than Hong Kong dollars are initially recorded at the rates prevailing on the dates of the transactions. Monetary assets and liabilities denominated in currencies other than Hong Kong dollars are re-translated into Hong Kong dollars at the rates prevailing on the balance sheet date. Gains and losses arising on exchange are dealt with in the net profit or loss for the year.

On consolidation, the assets and liabilities of subsidiaries which are denominated in currencies other than Hong Kong dollars and which operate in the People's Republic of China ("PRC") and overseas are translated into Hong Kong dollars at the rates prevailing on the balance sheet date. Income and expenses items are translated at the average exchange rates for the period. Exchange differences arising, if any, are classified as equity and transferred to Group's translation reserve. Such translation differences are recognised as income or as expenses in the period in which the operation is disposed of.

Taxation

Income taxes represent the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years, and it further excludes income statement items that are never taxable or deductible.

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

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

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Retirement benefits cost

The amount of contributions payable to the retirement benefits schemes is charged as expenses.

NOTES TO THE FINANCIAL STATEMENTS For the year ended 31st March, 2004

4. SEGMENTS INFORMATION

Business segments

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

Segment information about these businesses is presented below:

2004

	Manufacture and sales of goods <i>HK\$</i>	Property investment and development <i>HK\$</i>	Consolidated <i>HK\$</i>
TURNOVER	155,378,729	4,452,844	159,831,573
RESULT			
Segment profit	12,650,349	10,432,051	23,082,400
Unallocated other operating income			200,685
Unallocated corporate expenses			(1,802,378)
Profit from operations			21,480,707
Finance costs			(1,108,277)
Profit before taxation			20,372,430
Income taxes			(1,121,197)
Profit before minority interests			19,251,233
Minority interests			(347,145)
Net profit for the year			18,904,088

NOTES TO THE FINANCIAL STATEMENTS For the year ended 31st March, 2004**4. SEGMENTS INFORMATION** (Continued)**Business segments** (Continued)

2004

BALANCE SHEET

	Manufacture and sales of goods HK\$	Property investment and development HK\$	Consolidated HK\$
ASSETS			
Segment assets	64,608,333	141,436,421	206,044,754
Unallocated corporate assets			43,823,435
Consolidated total assets			249,868,189
LIABILITIES			
Segment liabilities	16,651,877	1,196,142	17,848,019
Unallocated corporate liabilities			50,471,519
Consolidated total liabilities			68,319,538

OTHER INFORMATION

	Manufacture and sales of goods HK\$	Property investment and development HK\$	Unallocated HK\$	Consolidated HK\$
Allowance for doubtful debts, net	–	750,000	–	750,000
Amortisation of goodwill	1,083,387	–	–	1,083,387
Capital expenditure	576,605	1,353,562	–	1,930,167
Depreciation and amortisation of property, plant and equipment and investment properties	2,355,755	1,390,313	773,341	4,519,409
Gain on disposal of property, plant and equipment and investment properties	–	6,337,072	–	6,337,072
Surplus arising on revaluation of investment properties	–	2,036,000	–	2,036,000

NOTES TO THE FINANCIAL STATEMENTS For the year ended 31st March, 2004

4. SEGMENTS INFORMATION *(Continued)*

Business segments *(Continued)*

2003

	Manufacture and sales of goods <i>HK\$</i>	Property investment and development <i>HK\$</i>	Consolidated <i>HK\$</i>
TURNOVER	182,310,316	4,396,383	186,706,699
RESULT			
Segment profit	18,131,805	3,092,461	21,224,266
Unallocated other operating income			1,259,332
Unallocated corporate expenses			(285,317)
Profit from operations			22,198,281
Finance costs			(703,430)
Profit before taxation			21,494,851
Income taxes			(10,510,977)
Profit before minority interests			10,983,874
Minority interests			(118,536)
Net profit for the year			10,865,338

NOTES TO THE FINANCIAL STATEMENTS For the year ended 31st March, 2004**4. SEGMENTS INFORMATION** (Continued)**Business segments** (Continued)

2003

BALANCE SHEET

	Manufacture and sales of goods HK\$	Property investment and development HK\$	Consolidated HK\$
ASSETS			
Segment assets	77,166,660	95,867,585	173,034,245
Unallocated corporate assets			62,409,011
Consolidated total assets			235,443,256
LIABILITIES			
Segment liabilities	18,901,975	455,375	19,357,350
Unallocated corporate liabilities			53,788,488
Consolidated total liabilities			73,145,838

OTHER INFORMATION

	Manufacture and sales of goods HK\$	Property investment and development HK\$	Unallocated HK\$	Consolidated HK\$
Allowance for doubtful debts	2,290,009	1,000,000	–	3,290,009
Amortisation of goodwill	1,083,387	–	–	1,083,387
Capital expenditure	2,580,850	917,667	21,653,033	25,151,550
Depreciation and amortisation of property, plant and equipment and investment properties	2,495,533	1,273,015	741,323	4,509,871
Loss on disposal of property, plant and equipment	49,925	–	–	49,925
Surplus arising on revaluation of investment properties	–	344,350	–	344,350

NOTES TO THE FINANCIAL STATEMENTS For the year ended 31st March, 2004

4. SEGMENTS INFORMATION *(Continued)*

Geographical segments

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

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

	Revenue by geographical market		Contribution to profit from operations	
	2004 HK\$	2003 HK\$	2004 HK\$	2003 HK\$
Europe	85,806,932	107,374,493	8,140,817	11,238,526
United States of America	23,866,131	29,126,662	2,264,267	3,048,589
Hong Kong	24,123,930	23,822,955	8,373,637	1,500,340
Other regions in the PRC	2,887,206	4,376,624	2,107,603	3,133,521
Others	23,147,374	22,005,965	2,196,076	2,303,290
	159,831,573	186,706,699	23,082,400	21,224,266
Unallocated other operating income			200,685	1,259,332
Unallocated corporate expenses			(1,802,378)	(285,317)
Profit from operations			21,480,707	22,198,281

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

	Carrying amount of segment assets		Additions to investment properties		Additions to property, plant and equipment	
	2004 HK\$	2003 HK\$	2004 HK\$	2003 HK\$	2004 HK\$	2003 HK\$
Europe	–	24,834	–	–	–	–
Hong Kong	213,968,507	199,557,023	–	455,650	208,952	23,954,439
Other regions in the PRC	35,218,595	35,820,416	–	–	1,721,215	741,461
Segment assets	249,187,102	235,402,273	–	455,650	1,930,167	24,695,900
Unallocated corporate assets	681,087	40,983				
	249,868,189	235,443,256				

NOTES TO THE FINANCIAL STATEMENTS For the year ended 31st March, 2004

5. OTHER OPERATING INCOME

	2004 HK\$	2003 HK\$
Bank interest income	23,243	112,459
Other interest income	2,386,183	2,621,957
Gain on disposal of property, plant and equipment and investment properties	6,337,072	–
Sundry income	190,074	224,780
	8,936,572	2,959,196

6. PROFIT FROM OPERATIONS

	2004 HK\$	2003 HK\$
Profit from operations has been arrived at after charging:		
Allowance for doubtful debts		
– trade and other debtors	1,500,000	2,290,009
– loans receivable	–	1,000,000
Amortisation of goodwill included in administrative expenses	1,083,387	1,083,387
Auditors' remuneration		
– Current year	650,000	610,280
– Underprovision in prior years	50,000	50,000
Depreciation and amortisation of property, plant and equipment and investment properties	4,519,409	4,509,871
Loss on disposal of property, plant and equipment	–	49,925
Minimum lease payments for operating leases in respect of rented premises	2,114,468	2,198,916
Staff costs including directors' emoluments and contributions to retirement benefits schemes	27,891,191	28,046,919
and after crediting:		
Gain on disposal of property, plant and equipment and investment properties	6,337,072	–
Gross rental income from investment properties	4,452,844	4,396,383
Less: Outgoings	(1,158,528)	(904,132)
	3,294,316	3,492,251
Write back of allowance for loans receivable	750,000	–

NOTES TO THE FINANCIAL STATEMENTS For the year ended 31st March, 2004

7. FINANCE COSTS

	2004 HK\$	2003 HK\$
Interest on:		
Bank borrowings wholly repayable within five years	856,011	546,223
Bank borrowings not wholly repayable within five years	252,266	157,207
	1,108,277	703,430

8. DIRECTORS' EMOLUMENTS AND HIGHEST PAID EMPLOYEES

Directors' emoluments

The directors' emoluments are analysed as follows:

	2004 HK\$	2003 HK\$
Fees:		
Executive	–	–
Independent non-executive	200,000	200,000
	200,000	200,000
Other emoluments paid to executive directors:		
Salaries and other benefits	3,764,000	3,891,500
Contributions to retirement benefits schemes	13,000	24,000
Rentals paid/rateable value in respect of quarters provided (<i>note</i>)	708,771	43,111
Total directors' emoluments	4,485,771	3,958,611

Note: The amount includes the estimated monetary value of premises provided rent free to a director as residence with rateable value of approximately HK\$660,000 (2003: Nil).

NOTES TO THE FINANCIAL STATEMENTS For the year ended 31st March, 2004

8. DIRECTORS' EMOLUMENTS AND HIGHEST PAID EMPLOYEES (Continued)

Directors' emoluments (Continued)

The emoluments were within the following bands:

	No. of directors	
	2004	2003
Nil to HK\$1,000,000	5	5
HK\$1,000,001 to HK\$1,500,000	2	2
	7	7

Highest paid employees

The five highest paid individuals of the Group included two (2003: two) executive directors, details of whose emoluments are set out above. The emoluments of the remaining three (2003: three) highest paid individuals, other than directors of the Company, are as follows:

	2004 HK\$	2003 HK\$
Salaries and other benefits	1,868,259	1,829,292
Contributions to retirement benefits schemes	24,000	24,000
Rentals paid/rateable value in respect of quarters provided (note)	469,080	537,200
	2,361,339	2,390,492

Note: The amount includes the estimated monetary value of premises provided rent free to a staff as residence with rateable value of approximately HK\$224,000 (2003: HK\$288,000).

The emoluments were within the following bands:

	No. of employees	
	2004	2003
Nil to HK\$1,000,000	3	2
HK\$1,000,001 to HK\$1,500,000	–	1
	3	3

NOTES TO THE FINANCIAL STATEMENTS For the year ended 31st March, 2004

9. INCOME TAXES

	2004 HK\$	2003 <i>HK\$</i>
The charge comprises:		
Hong Kong Profits Tax		
Current year	1,191,963	457,000
(Over)underprovision in prior years	(98,803)	10,025,940
Other jurisdictions	28,037	28,037
	1,121,197	10,510,977

Hong Kong Profits Tax is calculated at 17.5% (2003: 16%) of the estimated assessable profits for the year. Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

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

In 2003, the Group had made a provision for estimated additional tax arising out of the tax review by the Inland Revenue Department on the offshore income claims made by certain subsidiaries of the Group in prior years. The review was completed and additional tax was settled during the year.

The taxation for the year can be reconciled from taxation based on profit before taxation per the consolidated income statement as follows:

	2004 HK\$	2003 <i>HK\$</i>
Profit before taxation	20,372,430	21,494,851
Tax at the domestic income tax rate of 17.5% (2003: 16%)	3,565,175	3,439,176
Tax effect of expenses not deductible for tax purpose	877,756	537,226
Tax effect of income not taxable for tax purpose	(1,347,340)	(331,022)
Tax effect of offshore manufacturing profits on 50/50 apportionment basis	(1,095,975)	(1,722,787)
Tax effect of tax losses not recognised	651,737	351,964
Tax effect of utilisation of deductible temporary differences previously not recognised	(1,255,823)	(397,845)
Tax effect of utilisation of tax losses previously not recognised	–	(1,157,879)
Effect of tax exemption granted to a PRC subsidiary	(73,928)	(14,366)
(Over)underprovision in prior years	(98,803)	10,025,940
Others	(101,602)	(219,430)
Taxation for the year	1,121,197	10,510,977

NOTES TO THE FINANCIAL STATEMENTS For the year ended 31st March, 2004

9. INCOME TAXES *(Continued)*

At the balance sheet date, the Group has unused tax losses of approximately HK\$9,343,000 (2003: HK\$5,618,000) available for offset against future profits. No deferred tax asset has been recognised due to the unpredictability of future profit streams.

At the balance sheet date, the Group has deductible temporary differences of approximately HK\$4,868,000 (2003: HK\$12,043,000) in respect of accelerated accounting depreciation. No deferred tax asset has been recognised in relation to such deductible temporary difference as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

At the balance sheet date, the Company has unused tax losses of approximately HK\$1,999,000 (2003: HK\$999,000) available for offset against future profits. No deferred tax asset has been recognised due to the unpredictability of future profit streams.

10. DIVIDEND

On 5th September, 2002, a dividend of 1 cent per share amounting to HK\$4,240,001 was paid to shareholders as the final dividend in respect of 2002.

A final dividend of 1 cent per share amounting to HK\$4,240,001 in respect of 2004 has been proposed by the directors and is subject to approval by the shareholders in the forthcoming annual general meeting. The amount of the proposed final dividend is calculated on the basis of the proposed dividend rate and 424,000,100 ordinary shares in issue at the date of the report.

11. EARNINGS PER SHARE – BASIC

The calculation of basic earnings per share is based on the profit for the year of HK\$18,904,088 (2003: HK\$10,865,338) and on 424,000,100 shares in issue throughout the year.

No diluted earnings per share has been presented as there were no potential dilution ordinary shares in issue in either 2004 or 2003.

NOTES TO THE FINANCIAL STATEMENTS For the year ended 31st March, 2004

12. INVESTMENT PROPERTIES

	2004 <i>HK\$</i>	2003 <i>HK\$</i>
VALUATION		
At beginning of the year	53,735,000	53,810,000
Additions	–	455,650
Disposal	(27,650,000)	–
Effect on revaluation	1,045,000	(530,650)
At end of the year	27,130,000	53,735,000
DEPRECIATION AND AMORTISATION		
Provided for the year	991,000	875,000
Eliminated on revaluation	(991,000)	(875,000)
At end of the year	–	–
NET BOOK VALUES		
At end of the year	27,130,000	53,735,000
At beginning of the year	53,735,000	53,810,000

The net book values of the Group's investment properties at 31st March, 2004 are analysed as follows:

	2004 <i>HK\$</i>	2003 <i>HK\$</i>
Situated in Hong Kong held under long leases	12,530,000	12,145,000
Situated in Hong Kong held under medium-term leases	–	27,650,000
Situated in the PRC held under medium-term leases	14,600,000	13,940,000
	27,130,000	53,735,000

The investment properties were leased out for rental purposes under operating leases. The investment properties situated in Hong Kong and the PRC were revalued at 31st March, 2004 by Chung, Chan & Associates, Chartered Surveyors, on an open market value basis. The net surplus arising on revaluation of HK\$2,036,000 (2003: HK\$344,350) has been credited as income.

Details of the investment properties are set out on page 50.

NOTES TO THE FINANCIAL STATEMENTS For the year ended 31st March, 2004

13. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings <i>HK\$</i>	Leasehold improvements <i>HK\$</i>	Furniture, fixtures and equipment <i>HK\$</i>	Plant and machinery <i>HK\$</i>	Motor vehicles <i>HK\$</i>	Total <i>HK\$</i>
THE GROUP						
COST						
At 1st April, 2003	66,619,493	4,969,192	3,697,231	20,607,429	5,152,749	101,046,094
Additions	1,318,743	24,098	37,657	413,493	136,176	1,930,167
Disposals	–	(2,149,557)	(465,410)	(556,689)	–	(3,171,656)
At 31st March, 2004	67,938,236	2,843,733	3,269,478	20,464,233	5,288,925	99,804,605
DEPRECIATION AND AMORTISATION						
At 1st April, 2003	12,781,988	3,102,553	2,492,186	18,948,893	4,105,584	41,431,204
Provided for the year	1,676,730	671,504	328,254	488,554	363,367	3,528,409
Eliminated on disposals	–	(1,584,667)	(362,815)	(102,803)	–	(2,050,285)
At 31st March, 2004	14,458,718	2,189,390	2,457,625	19,334,644	4,468,951	42,909,328
NET BOOK VALUES						
At 31st March, 2004	53,479,518	654,343	811,853	1,129,589	819,974	56,895,277
At 31st March, 2003	53,837,505	1,866,639	1,205,045	1,658,536	1,047,165	59,614,890

The net book values of the Group's leasehold land and buildings at 31st March, 2004 are analysed as follows:

	2004 <i>HK\$</i>	2003 <i>HK\$</i>
Situated in Hong Kong held under long leases	12,094,499	13,271,768
Situated in Hong Kong held under medium-term leases	28,666,487	30,037,596
Situated in other regions in the PRC held under medium-term leases	12,718,532	10,528,141
	53,479,518	53,837,505

NOTES TO THE FINANCIAL STATEMENTS For the year ended 31st March, 2004

14. GOODWILL

	THE GROUP	
	2004 HK\$	2003 HK\$
GROSS AMOUNT		
At beginning of the year and at end of the year	10,833,870	10,833,870
AMORTISATION		
At beginning of the year	1,625,081	541,694
Amortised for the year	1,083,387	1,083,387
At end of the year	2,708,468	1,625,081
CARRYING AMOUNT		
At end of the year	8,125,402	9,208,789
At beginning of the year	9,208,789	10,292,176

Goodwill is amortised over its estimated useful life of 10 years.

15. DEPOSITS PAID

	THE GROUP	
	2004 HK\$	2003 HK\$
Deposit for acquisition of a property	18,000,000	–
Deposit for acquisition of an interest in a property development project (<i>note</i>)	6,000,000	6,000,000
	24,000,000	6,000,000
<i>Less:</i> amounts due within one year shown under other debtors and prepayments	(6,000,000)	(6,000,000)
	18,000,000	–

Note: Pursuant to an agreement (the "Agreement") signed between the Group and a company in the PRC (the "Vendor") on 1st December, 2000, the Group agreed to acquire 19% interest in a property development project of the Vendor for a consideration of HK\$6,000,000. Under the Agreement, the Vendor has the right to repurchase the 19% interest within 15 months from the date of the Agreement at HK\$6,000,000 plus interest at a rate of 10% per annum calculated from the date of payment of the deposit. Pursuant to a termination agreement signed between the Group and the Vendor, the Vendor agreed to repay the consideration of HK\$6,000,000 plus interest at a rate of 10% per annum. The amount is wholly repayable within one year.

NOTES TO THE FINANCIAL STATEMENTS For the year ended 31st March, 2004**16. INTERESTS IN SUBSIDIARIES**

	THE COMPANY	
	2004 <i>HK\$</i>	2003 <i>HK\$</i>
Unlisted shares, at cost	89,260,976	89,260,976
Less: impairment loss	(45,000,000)	(45,000,000)
	44,260,976	44,260,976
Amounts due from subsidiaries	110,185,870	110,185,870
	154,446,846	154,446,846

In the opinion of the directors, the amounts due from subsidiaries are not repayable in the next twelve months period and, accordingly, the amounts are classified as non-current.

Particulars of the subsidiaries at 31st March, 2004 are set out in note 32.

17. INVENTORIES

	THE GROUP	
	2004 <i>HK\$</i>	2003 <i>HK\$</i>
Raw materials	4,850,336	5,163,029
Work in progress	440,129	767,928
Finished goods	1,966,793	2,226,970
	7,257,258	8,157,927

Included above are raw materials and finished goods of HK\$3,006,854 (2003: HK\$322,886) and HK\$876,805 (2003: Nil) respectively which are carried at net realisable value.

NOTES TO THE FINANCIAL STATEMENTS For the year ended 31st March, 2004

18. TRADE DEBTORS

	THE GROUP	
	2004 HK\$	2003 HK\$
Aged analysis of trade debtors:		
Within 60 days	15,706,541	22,612,618
61 – 180 days	4,137,384	5,234,705
More than 180 days	832,545	2,234,350
	20,676,470	30,081,673

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

19. LOANS RECEIVABLE

	THE GROUP	
	2004 HK\$	2003 HK\$
Loans advanced for property development projects (<i>note a</i>)	46,710,000	32,960,000
Other loan (<i>note b</i>)	–	550,000
	46,710,000	33,510,000

Notes:

- a) During the year, loans were advanced for property development projects as follows:
- (i) Pursuant to various agreements signed between the Group and various companies in the PRC (the "Borrowers") on 15th June, 2002 (the date of first advance) and subsequent dates, the Group advanced totalling HK\$34,710,000 (2003: HK\$20,960,000) to the Borrowers for property development purpose. The loans are unsecured and are wholly repayable within one year. In respect of the loans of HK\$13,750,000 (2003: Nil), the Group is entitled to a return of 2% per month or properties equivalent to the amount, subject to the Group's decision, upon repayment of the advances. In respect of the loans of HK\$20,960,000 (2003: HK\$20,960,000), the Group is entitled to a return of HK\$8,000,000 or properties equivalent to the amount, subject to the Group's decision, upon the repayment of the advances.
 - (ii) Pursuant to an agreement signed between the Group and an individual in the PRC on 15th November, 2002, the Group advanced an amount of HK\$12,000,000 to the individual for project development purpose. The loan is unsecured and repayable within one year. The Group is entitled to a 40% equity interest of the property project under financing by the Group, or, a return of HK\$4,800,000 in cash, or properties equivalent to the amount, subject to the Group's decision, upon repayment of the advance.
- b) The other loan was secured by the borrower's land and buildings and was fully repaid during the year.

NOTES TO THE FINANCIAL STATEMENTS For the year ended 31st March, 2004**20. TRADE CREDITORS**

	THE GROUP	
	2004 <i>HK\$</i>	2003 <i>HK\$</i>
Aged analysis of trade creditors:		
Within 60 days	8,803,387	10,109,720
61 – 180 days	78,738	222,145
More than 180 days	154,276	4,491
	9,036,401	10,336,356

21. BANK BORROWINGS

	THE GROUP	
	2004 <i>HK\$</i>	2003 <i>HK\$</i>
Bank borrowings comprise the following:		
Bank overdrafts – unsecured	18,006	357,123
Bank loans – secured	46,102,571	32,559,681
	46,120,577	32,916,804
The bank borrowings are repayable as follows:		
Within one year	37,553,577	22,825,804
More than one year and not more than two years	1,524,000	1,524,000
More than two years and not more than five years	4,572,000	4,572,000
More than five years	2,471,000	3,995,000
	46,120,577	32,916,804
Amounts due within one year shown under current liabilities	(37,553,577)	(22,825,804)
Amounts due after one year	8,567,000	10,091,000

NOTES TO THE FINANCIAL STATEMENTS For the year ended 31st March, 2004

22. SHARE CAPITAL

	Number of shares		Amounts	
	2004	2003	2004 HK\$	2003 HK\$
Ordinary shares of HK\$0.10 each:				
Authorised:				
At beginning and end of the year	1,000,000,000	1,000,000,000	100,000,000	100,000,000
Issued and fully paid:				
At beginning and end of the year	424,000,100	424,000,100	42,400,010	42,400,010

23. SHARE OPTION SCHEME

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

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

No share option was granted or exercised during the two years ended 31st March, 2004 and there is no share options outstanding as at 31st March, 2004.

NOTES TO THE FINANCIAL STATEMENTS For the year ended 31st March, 2004**24. RESERVES**

	Share premium <i>HK\$</i>	Contributed surplus <i>HK\$</i>	Accumulated losses <i>HK\$</i>	Total <i>HK\$</i>
THE COMPANY				
At 1st April, 2002	66,672,487	80,680,974	(43,173,086)	104,180,375
Net profit for the year	–	–	2,550,426	2,550,426
Dividend paid	–	(4,240,001)	–	(4,240,001)
At 31st March, 2003	66,672,487	76,440,973	(40,622,660)	102,490,800
Net loss for the year	–	–	(1,109,565)	(1,109,565)
At 31st March, 2004	66,672,487	76,440,973	(41,732,225)	101,381,235

The contributed surplus of the Company represents the difference between the consolidated shareholders' funds of the Company's subsidiary at the date on which the group reorganisation became effective and the nominal amount of the share capital of the Company issued under the group reorganisation on 5th September, 1997.

In addition to the retained profits, under the Companies Act 1981 of Bermuda (as amended), contributed surplus is also available for distribution to shareholders. However, a company cannot declare or pay a dividend, or make a distribution out of contributed surplus if:

- (a) the company is, or would after the payment be, unable to pay its liabilities as they become due; or
- (b) 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 accounts.

In the opinion of the directors, at the balance sheet date, the Company's reserves available for distribution to the shareholders were as follows:

	2004 <i>HK\$</i>	2003 <i>HK\$</i>
Contributed surplus	76,440,973	76,440,973
Accumulated losses	(41,732,225)	(40,622,660)
	34,708,748	35,818,313

25. MAJOR NON-CASH TRANSACTION

The consideration in respect of the disposal of property, plant and equipment and investment properties of HK\$35,000,000 has not been settled as at 31st March, 2004.

NOTES TO THE FINANCIAL STATEMENTS For the year ended 31st March, 2004

26. RETIREMENT BENEFIT SCHEME

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

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

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

During the year, the Group made retirement benefits scheme contributions of HK\$670,809 (2003: HK\$560,434) after forfeited contributions utilised in the Defined Contribution Scheme of HK\$12,792 (2003: HK\$115,858).

As at 31st March, 2004 and 2003, there were no amount of forfeited contributions, which arose upon employees leaving the scheme and which are available to reduce the contributions payable by the Group in the future years.

27. OPERATING LEASE ARRANGEMENTS

THE GROUP

The Group as lessee:

At the balance sheet date, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases in respect of land and building which fall due as follows:

	THE GROUP	
	2004 HK\$	2003 HK\$
Within one year	1,134,006	1,223,213
In the second to fifth year inclusive	2,175,487	3,271,760
	3,309,493	4,494,973

Leases are negotiated for terms ranging from one to three years.

NOTES TO THE FINANCIAL STATEMENTS For the year ended 31st March, 2004**27. OPERATING LEASE ARRANGEMENTS** (Continued)**THE GROUP** (Continued)

The Group as lessor:

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

	THE GROUP	
	2004 HK\$	2003 HK\$
Within one year	2,359,822	3,658,684
In the second to fifth year inclusive	8,172,207	8,217,014
Over five years	4,342,479	6,343,776
	14,874,508	18,219,474

Leases are negotiated for terms ranging from one to eight years.

THE COMPANY

The Company did not have any operating lease commitments at the balance sheet date.

28. CONTINGENT LIABILITIES**THE GROUP**

At the balance sheet date, the Group had contingent liabilities of HK\$2,581,405 (2003: HK\$1,384,527) in respect of bills discounted with recourse.

THE COMPANY

At the balance sheet date, the Company provided corporate guarantees of approximately HK\$81,000,000 (2003: HK\$73,000,000) to banks to secure general banking facilities granted to subsidiaries. The total amount of facilities utilised by the subsidiaries at the balance sheet date amounted to approximately HK\$46,121,000 (2003: HK\$32,917,000).

NOTES TO THE FINANCIAL STATEMENTS For the year ended 31st March, 2004

29. RELATED PARTY TRANSACTIONS

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

(i) Transactions with directors' related companies:

Name of party	Directors' interest	Nature of transactions	2004 HK\$	2003 HK\$
Dawnvast Ltd.	Mr. Cheng Lok Hing Mr. Cheng Chun Kit	Rental expense	369,600	369,600
Techford Development Ltd.	Ms. Chan Oi Ling, Maria Olimpia	Rental expense	156,000	156,000
Wing Nin Trading Co. Ltd.	Family member of Ms. Chan Oi Ling, Maria Olimpia	Rental expense	240,000	240,000

(ii) Transactions with minority shareholders:

Name of party	Nature of transactions	2004 HK\$	2003 HK\$
東莞市橋光實業集團公司 Dongguan City Qiao Guang Industrial Group Company	Rental expenses	884,354	967,270
惠州市益發光學機電有限公司	Management fee expenses	5,101	57,233

Rental expenses represent amounts agreed with reference to the market rate between the respective management of the companies concerned.

Management fee expenses were carried out at terms mutually agreed by both parties.

NOTES TO THE FINANCIAL STATEMENTS For the year ended 31st March, 2004**30. PLEDGE OF ASSETS**

The Group had pledged its investment properties and leasehold land and buildings with carrying value of HK\$21,950,000 (2003: HK\$41,590,000) and HK\$34,714,076 (2003: HK\$35,943,995) respectively to banks to secure banking facilities granted to the Group.

31. LITIGATION

Pursuant to a factoring agreement made among Mee Lee Shing Plastic Factory Limited ("MLS") as vendor, Mr. Cheang ("Cheang") as purchaser and Mascotte Industrial Associates (Hong Kong) Limited ("MIA"), a wholly owned subsidiary of the Company, as trustee for Cheang dated 25th August, 1999 and an assignment of debt made between MLS as assignor and MIA (as trustee for Cheang) as assignee dated 25th August, 1999. MLS, in consideration of certain sum agreed to be paid by Cheang to MLS, assigned to MIA as trustee for Cheang debts in the total sum of approximately HK\$4,750,000, being the aggregate amount of the trade receivables due from Vtech Communications Limited ("Vtech") to MLS. Thereafter, MIA received on behalf of Cheang from Vtech two payments in aggregate amounting to approximately HK\$2,750,000 and MLS unilaterally terminated the said factoring agreement and claimed to be entitled to the sum of HK\$2,000,000 out of the assigned debts. Vtech took out interpleader proceedings in Court of First Instance of the High Court of Hong Kong in which both MLS and MIA were defendants. Vtech has since paid approximately HK\$2,000,000 into the court and the balance of the assigned debts to MIA (as trustee for Cheang) and been released from the interpleader proceedings. MLS and MIA (as trustee for Cheang) are in the process of proving their respective claims to the disputed sum of HK\$2,000,000 in the interpleader proceedings. In the opinion of the directors, the subsidiary, MIA has no likely liability in respect of the interpleader proceedings save in respect of certain legal costs. During the year and up to the date of approval of the Company's financial statements, there is no material progress on this litigation.

NOTES TO THE FINANCIAL STATEMENTS For the year ended 31st March, 2004

32. SUBSIDIARIES

Particulars of the subsidiaries at 31st March, 2004 are as follows:

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

NOTES TO THE FINANCIAL STATEMENTS For the year ended 31st March, 2004**32. SUBSIDIARIES** (Continued)

Name	Place of incorporation or registration/ operation	Issued and fully paid ordinary share capital/ registered and contributed capital	Attributable equity interest held by the Group	Principal activities
Mascotte Overseas Limited	British Virgin Islands/ Macau	US\$1,795,000	100%	Inactive
Mascotte Photographic Trading Limited	British Virgin Islands/ Macau	US\$1	100%	Inactive
Newland Kingdom Limited	Hong Kong	HK\$9,998 HK\$2*	100%	Property investment
Resourceful Enterprise Limited	Hong Kong	HK\$2	100%	Inactive
Tak Ya Leather Goods Manufactory Limited	British Virgin Islands/ PRC	US\$1	100%	Investment holding

* This represents non-voting deferred shares (note d).

Notes:

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