1 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

The company was incorporated in Bermuda on 17 August 1992 as an exempt company under the Bermuda Companies Act 1981.

Although not required to do so under the Bye-laws of the company, these financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (which includes all applicable Statements of Standard Accounting Practice and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). A summary of the significant accounting policies adopted by the group is set out below.

(b) Recently issued accounting standards

The HKICPA has issued a number of new and revised Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards ("new HKFRSs") which are effective for accounting periods beginning on or after 1 January 2005.

The group has not early adopted these new HKFRSs in the financial statements for the year ended 31 March 2005. The group has carried out an assessment of the impact of these new HKFRSs and concluded that the adoption of these new HKFRSs would not have a significant impact on its results of operations and financial position.

(c) Basis of preparation of the financial statements

The measurement basis used in the preparation of the financial statements is historical cost modified by the revaluation of investment properties and the marking to market of certain investments in securities, as explained in the accounting policies set out in 1(f) and 1(j) respectively.

(d) Subsidiaries

A subsidiary is an enterprise controlled by the company. Control exists when the company has the power, directly or indirectly, to govern the financial and operating policies of an enterprise, so as to obtain benefits from its activities.

An investment in a subsidiary is consolidated into the consolidated financial statements, unless the subsidiary is acquired and held exclusively with a view to subsequent disposal in the near future or operates under severe long-term restrictions which significantly impair its ability to transfer funds to the group, in which case, it is stated in the consolidated balance sheet at fair value with changes in fair value recognised in the consolidated income statement as they arise.

1 SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(d) Subsidiaries (CONTINUED)

Intra-group balances and transactions, and any unrealised profits arising from intra-group transactions, are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Minority interests at the balance sheet date, being the portion of the net assets of subsidiaries attributable to equity interests that are not owned by the company, whether directly or indirectly through subsidiaries, are presented in the consolidated balance sheet separately from liabilities and the shareholders' equity. Minority interests in the results of the group for the year are also separately presented in the consolidated income statement.

Where losses attributable to the minority exceed the minority interest in the net assets of a subsidiary, the excess, and any further losses attributable to the minority, are charged against the group's interest except to the extent that the minority has a binding obligation to, and is able to, make good the losses. All subsequent profits of the subsidiary are allocated to the group until the minority's share of losses previously absorbed by the group has been recovered.

In the company's balance sheet, an investment in a subsidiary is stated at cost less any impairment losses (see note 1(i)), unless it is acquired and held exclusively with a view to subsequent disposal in the near future or operates under severe long-term restrictions which significantly impair its ability to transfer funds to the company, in which case, it is stated at fair value with changes in fair value recognised in the income statement as they arise.

(e) Jointly controlled entities

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

An investment in jointly controlled entity is accounted for in the consolidated financial statements under the equity method and is initially recorded at cost and adjusted thereafter for the post-acquisition change in the group's share of the jointly controlled entity's net assets, unless it is acquired and held exclusively with a view to subsequent disposal in the near future or operates under severe long-term restrictions that significantly impair its ability to transfer funds to the investor or venturer, in which case it is stated at fair value with changes in fair value recognised in the consolidated income statement as they arise. The consolidated income statement reflects the group's share of the post-acquisition results of the jointly controlled entities for the year.

Unrealised profits and losses resulting from transactions between the group and jointly controlled entities are eliminated to the extent of the group's interest in the jointly controlled entities, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in the consolidated income statement.

1 SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(f) Fixed assets

(i) Fixed assets are carried in the balance sheet on the following bases:

– investment properties with an unexpired lease term of more than 20 years are stated in the balance sheet at their open market value which is assessed annually by external qualified valuers;

– land and buildings held for own use are stated in the balance sheet at cost or valuation less accumulated depreciation (see note 1(h)) and impairment losses (see note 1(i)). In preparing these financial statements, advantage has been taken of the transitional provisions set out in paragraph 80(a) of Statement of Standard Accounting Practice 17 "Property, plant and equipment" issued by the HKICPA, with the effect that land and buildings held for own use have not been revalued to fair value at the balance sheet date; and

– plant, machinery and other fixed assets are stated in the balance sheet at cost less accumulated depreciation (see note 1(h)) and impairment losses (see note 1(i)).

(ii) Changes arising on the revaluation of investment properties are generally dealt with in reserves. The only exceptions are as follows:

– when a deficit arises on revaluation, it will be charged to the income statement, if and to the extent that it exceeds the amount held in the reserve in respect of the portfolio of investment properties immediately prior to the revaluation; and

– when a surplus arises on revaluation, it will be credited to the income statement, if and to the extent that a deficit on revaluation in respect of the portfolio of investment properties had previously been charged to the income statement.

(iii) Subsequent expenditure relating to a fixed asset that has already been recognised is added to the carrying amount of the asset when it is probable that future economic benefits, in excess of the originally assessed standard of performance of the existing asset, will flow to the enterprise. All other subsequent expenditure is recognised as an expense in the period in which it is incurred.

(iv) Gains or losses arising from the retirement or disposal of a fixed asset are determined as the difference between the estimated net disposal proceeds and the carrying amount of the asset and are recognised in the income statement on the date of retirement or disposal. On disposal of an investment property, the related portion of surpluses or deficits previously taken to the investment properties revaluation reserve is also transferred to the income statement for the year.

1 SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(g) Leased assets

Leases of assets under which the lessor has not transferred all the risks and benefits of ownership are classified as operating leases.

(i) Assets held for use in operating leases

Where the group leases out assets under operating leases, the assets are included in the balance sheet according to their nature and, where applicable, are depreciated in accordance with the group's depreciation policies, as set out in note 1(h). Impairment losses are accounted for in accordance with the accounting policy as set out in note 1(i). Revenue arising from operating leases is recognised in accordance with the group's revenue recognition policies, as set out in note 1(o)(iv).

(ii) Operating lease charges

Where the group has the use of assets under operating leases, payments made under the leases are charged to the income statement in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in the income statement as an integral part of the aggregate net lease payments made.

(h) Depreciation

(i) No depreciation is provided on investment properties with an unexpired lease term of over 20 years or on freehold land.

(ii) Depreciation is calculated to write off the cost or valuation of other fixed assets on a straight-line basis over their estimated useful lives at the following annual rates:

Leasehold land	Over the remaining terms of the leases
Buildings	4 – 5%
Plant, machinery, furniture, fixtures and office equipment	9 – 20%
Moulds	20 – 50%
Motor vehicles	10 – 25%

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Impairment of assets

Internal and external sources of information are reviewed at each balance sheet date to identify indications that the following assets may be impaired or an impairment loss previously recognised no longer exists or may have decreased:

– fixed assets (other than investment properties carried at revalued amounts); and

– investments in subsidiaries.

If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised in the income statement whenever the carrying amount of such an asset exceeds its recoverable amount.

(i) Calculation of recoverable amount

The recoverable amount of an asset is the greater of its net selling price and value in use. 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 time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

(ii) Reversals of impairment losses

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. A reversal of impairment losses is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to the income statement in the year in which the reversals are recognised.

(j) Other investments in securities

The group's policies for investments in securities other than investments in subsidiaries and jointly controlled entities are as follows:

(i) Dated debt securities that the group has the ability and intention to hold to maturity are classified as held-to-maturity securities. Held-to-maturity securities are stated in the balance sheet at amortised cost less any provisions for diminution in value. Provisions are made when carrying amounts are not expected to be fully recovered and are recognised as an expense in the income statement, such provisions being determined for each investment individually.

1 SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(j) Other investments in securities *(CONTINUED)*

(ii) Investments held on a continuing basis for an identified long-term purpose are classified as investment securities. Investment securities are stated in the balance sheet at cost less any provisions for diminution in value. Provisions are made when the fair values have declined below the carrying amounts, unless there is evidence that the decline is temporary, and are recognised as an expense in the income statement, such provisions being determined for each investment individually.

(iii) Provisions against the carrying value of held-to-maturity securities and investment securities are written back when the circumstances and events that led to the write-down or write-off cease to exist and there is persuasive evidence that the new circumstances and events will persist for the foreseeable future.

(iv) All other securities are stated in the balance sheet at fair value. Changes in fair values are recognised in the income statement as they arise.

(v) Profits or losses on disposal of investments in securities are determined as the difference between the estimated net disposal proceeds and the carrying amount of the investments and are accounted for in the income statement as they arise.

(k) Inventories

Inventories are carried at the lower of cost and net realisable value.

Cost is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

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

1 SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(l) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

(m) Income tax

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

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

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

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

1 SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(m) Income tax *(CONTINUED)*

(iii) *(CONTINUED)*

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

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

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

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

- in the case of current tax assets and liabilities, the group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or
- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:
  - the same taxable entity; or
  - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

1 SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(n) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(o) Revenue recognition

Provided it is probable that the economic benefits will flow to the group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in the income statement as follows:

(i) Sale of goods

Revenue is recognised when goods are delivered at the customers' premises which is taken to be the point in time when the customer has accepted the goods and the related risks and rewards of ownership. Revenue excludes value added or other sales taxes and is after deduction of any trade discounts.

(ii) Interest income

Interest income from bank deposits is accrued on a time-apportioned basis by reference to the principal outstanding and the rate applicable.

(iii) Dividends

- Dividend income from unlisted investments is recognised when the shareholder's right to receive payment is established.
- Dividend income from listed investments is recognised when the share price of the investment goes ex-dividend.

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Revenue recognition (CONTINUED)

(iv) Rental income from operating leases

Rental income receivable under operating leases is recognised in the income statement in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives granted are recognised in the income statement as an integral part of the aggregate net lease payments receivable.

(p) Employee benefits

(i) Salaries, annual bonuses, paid annual leave, leave passage and the cost to the group of non-monetary benefits are accrued in the year in which the associated services are rendered by employees of the group. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present value.

(ii) The regular cost of providing benefits in respect of the group's defined contribution retirement schemes, and contributions to the mandatory provident funds as required under the Hong Kong Mandatory Provident Fund Schemes Ordinance, are charged to the income statement at the rates as specified in the respective scheme when incurred, except to the extent that they are included in the cost of inventories not yet recognised as an expense.

(iii) When employees of the group are granted options to acquire shares of the company at a nominal consideration, no employee benefit cost or obligation is recognised at the date of grant. When the options are exercised, equity is increased by the amount of the proceeds received.

(q) Translation of foreign currencies

Foreign currency transactions during the year are translated into Hong Kong dollars at the exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated into Hong Kong dollars at the exchange rates ruling at the balance sheet date. Exchange gains and losses are dealt with in the income statement.

The results of enterprises outside Hong Kong are translated into Hong Kong dollars at the average exchange rates for the year; balance sheet items are translated into Hong Kong dollars at the rates of exchange ruling at the balance sheet date. The resulting exchange differences are dealt with as a movement in reserves.

On disposal of an enterprise outside Hong Kong, the cumulative amount of the exchange differences which relate to that enterprise is included in the calculation of the profit and loss on disposal.

1 SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(r) Borrowing costs

Borrowing costs are expensed in the income statement in the period in which they are incurred.

(s) Related parties

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

(t) Segment reporting

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

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

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

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

Unallocated items mainly comprise corporate and financial assets, and corporate and financing expenses.

2 TURNOVER

The principal activity of the company is investment holding. The principal activities of the group are the manufacture, sale and distribution of toy and gift products, computer heads, housewares, clocks, watches and electronic products. The principal activities of the major subsidiaries are set out on pages 61 to 62.

Turnover represents the sales value of goods supplied to customers less returns.

3 OTHER REVENUE AND OTHER NET INCOME

	2005	2004
	HK$'000	HK$'000
Other revenue		
Interest income	**1,686**	956
Rental income	**3,021**	2,718
Dividend income from listed investments	**49**	31
Others	**1,093**	956
	5,849	4,661
Other net income		
Loss on disposal of fixed assets		
– other property, plant and equipment	**(167)**	(33)
– investment properties	**(80)**	–
Net exchange gain	**158**	589
Net realised and unrealised (losses)/gains on other securities	**(121)**	2,488
Write back of provision for bad debts	**1,480**	789
Cash distribution from investment previously written off	**–**	116
Others	**1,295**	837
	2,565	4,786

4 PROFIT FROM ORDINARY ACTIVITIES BEFORE TAXATION

Profit from ordinary activities before taxation is arrived at after charging/(crediting):

	2005 HK$'000	2004 HK$'000
(a) Finance costs:		
Interest on bank advances and other borrowings repayable within five years	**275**	151
(b) Staff costs#:		
Contributions to defined contribution plans	**15,114**	12,688
Decrease in provision for long service payments	**(349)**	(675)
Retirement costs	**14,765**	12,013
Salaries, wages and other benefits	**215,628**	165,348
	230,393	177,361
(c) Other items:		
Cost of inventories#	**1,080,829**	825,018
Depreciation#		
– assets held for use under operating leases	**320**	147
– other assets	**27,121**	26,434
Auditors' remuneration	**2,622**	2,270
Operating lease charges#		
– land and buildings	**6,800**	5,389
– other assets	**1,875**	2,347
Rentals receivable from investment properties less direct outgoings of HK$131,000 (2004: HK$93,000)	**(1,424)**	(1,649)

\# Cost of inventories included HK$123,991,000 (2004: HK$94,828,000) relating to staff costs, depreciation expenses and operating lease charges, which amounts are also included in the respective total amounts disclosed separately above or in note 4(b) for each of these types of expenses.

5 INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT

(a) Taxation in the consolidated income statement represents:

	2005	2004
	HK$'000	HK$'000
Current tax – Provision for Hong Kong Profits Tax		
Tax for the year	**10,471**	1,520
Under/(over) provision in respect of prior years	**193**	(1,070)
	10,664	450
Current tax – Outside Hong Kong		
Tax for the year	**8,947**	6,971
Deferred tax		
Origination and reversal of temporary differences	**(3,131)**	4,261
Share of jointly controlled entity's taxation	**98**	135
	16,578	11,817

Provision for Hong Kong Profits Tax is calculated at 17.5% (2004: 17.5%) of the estimated assessable profits for the year. Taxation for subsidiaries outside Hong Kong is charged at the appropriate current rates of taxation ruling in the relevant countries.

5 INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT *(CONTINUED)*

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

	2005	2004
	HK$'000	HK$'000
Profit before tax	**115,750**	75,586
Notional tax on profit before tax, calculated at the rates applicable to profits in the countries concerned	**22,451**	15,833
Tax effect of non-deductible expenses	**1,319**	1,183
Tax effect of non-taxable revenue	**(2,339)**	(3,450)
Tax effect of prior years' tax losses utilised this year	**(3,946)**	(1,632)
Tax effect of unused tax losses not recognised	**–**	73
Under/(over) provision in respect of prior years	**193**	(1,070)
Others	**(1,100)**	880
Actual tax expense	**16,578**	11,817

6 DIRECTORS' AND EMPLOYEES' EMOLUMENTS

(a) Directors' remuneration

Directors' remuneration disclosed pursuant to section 161 of the Hong Kong Companies Ordinance is as follows:

	2005	2004
	HK$'000	HK$'000
Executive directors		
Salaries and other emoluments	**16,739**	16,744
Discretionary bonuses	**3,853**	1,284
Retirement scheme contributions	**1,411**	1,411
	22,003	19,439
Independent non-executive directors		
Fees	**421**	360
	22,424	19,799

6 DIRECTORS' AND EMPLOYEES' EMOLUMENTS (CONTINUED)

(a) *Directors' remuneration* (CONTINUED)

The remuneration of the directors is within the following bands:

	Number of directors	
	2005	2004
Nil – HK$1,000,000	**3**	2
HK$3,000,001 – HK$3,500,000	**–**	1
HK$3,500,001 – HK$4,000,000	**1**	2
HK$4,000,001 – HK$4,500,000	**2**	2
HK$4,500,001 – HK$5,000,000	**2**	–

(b) *Individuals with highest emoluments*

During the year ended 31 March 2005, the five highest paid individuals included four (2004: four) directors of the company whose emoluments are disclosed in note 6(a). The aggregate of the emoluments in respect of the five highest paid individuals (including the directors) is as follows:

	2005	2004
	HK$'000	HK$'000
Salaries and other emoluments	**17,978**	16,821
Discretionary bonuses	**7,699**	3,302
Retirement scheme contributions	**1,510**	1,529
	27,187	21,652

The emoluments of the five individuals with the highest emoluments are within the following bands:

	Number of individuals	
	2005	2004
HK$3,500,001 – HK$4,000,000	**–**	2
HK$4,000,001 – HK$4,500,000	**2**	2
HK$4,500,001 – HK$5,000,000	**2**	–
HK$5,000,001 – HK$5,500,000	**–**	1
HK$8,500,001 – HK$9,000,000	**1**	–

7 PROFIT ATTRIBUTABLE TO SHAREHOLDERS

The consolidated profit attributable to shareholders includes a profit of HK$34,095,000 (2004: HK$26,970,000) which has been dealt with in the financial statements of the company.

Reconciliation of the above amount to the company's profit for the year:

	2005	2004
	HK$'000	HK$'000
Amount of consolidated profit attributable to shareholders dealt with in the company's financial statements	**34,095**	26,970
Dividends from subsidiaries attributable to the profits of previous years approved during the year	**–**	33,000
Company's profit for the year (note 24(b))	**34,095**	59,970

8 DIVIDENDS

(a) Dividends attributable to the year

	2005	2004
	HK$'000	HK$'000
Interim dividend declared and paid of HK2 cents (2004: HK1.5 cents) per share	**12,279**	9,228
Final dividend proposed after the balance sheet date of HK4.5 cents (2004: HK3 cents) per share	**27,627**	18,418
	39,906	27,646

The interim dividend has been charged to the contributed surplus (note 24).

The final dividend proposed after the balance sheet date has not been recognised as a liability at the balance sheet date.

8 DIVIDENDS *(CONTINUED)*

(b) Dividend attributable to the previous financial year, approved and paid during the year

	2005	2004
	HK$'000	HK$'000
Final dividend in respect of the previous financial year, approved and paid during the year, of HK3 cents (2004: HK2 cents) per share	**18,418**	12,305

The final dividend has been charged to the contributed surplus (note 24).

9 EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to shareholders of HK$96,117,000 (2004: HK$61,940,000) and the weighted average number of shares of 613,926,000 (2004: 615,045,000) in issue during the year.

There were no dilutive potential shares in existence during the years ended 31 March 2004 and 2005, therefore diluted earnings per share is not presented.

10 SEGMENT REPORTING

Segment information is presented in respect of the group's business and geographical segments. Business segment information is chosen as the primary reporting format because this is more relevant to the group's internal financial reporting.

Business segments

The group comprises the following main business segments:

Toy and gift products	:	The manufacture, sale and distribution of toy and gift products.
Computer heads	:	The manufacture and sale of computer heads.
Housewares	:	The manufacture, sale and distribution of housewares.
Timepieces	:	The manufacture, sale and distribution of clocks, watches and electronic products.
Others	:	The leasing of properties to generate rental income and other distribution activities.

10 SEGMENT REPORTING *(CONTINUED)*

Business segments *(CONTINUED)*

	2005						
	Toy and gift products HK$'000	Computer heads HK$'000	Housewares HK$'000	Timepieces HK$'000	Others HK$'000	Inter-segment elimination HK$'000	Consolidated HK$'000
Revenue from external customers	645,162	154,908	242,185	370,219	30,524	–	1,442,998
Other revenue from external customers	2,034	98	470	184	1,328	–	4,114
Inter-segment revenue	–	–	–	–	3,129	(3,129)	–
Total	647,196	155,006	242,655	370,403	34,981	(3,129)	1,447,112
Segment result	27,703	16,304	12,409	50,434	8,903		115,753
Unallocated operating income and expenses							(7)
Profit from operations							115,746
Finance costs							(275)
Share of profit of jointly controlled entity	–	–	279	–	–		279
Income tax							(16,578)
Minority interests							(3,055)
Profit attributable to shareholders							96,117
Depreciation for the year	13,857	5,725	2,759	3,564	1,536		27,441
Impairment loss for the year	–	–	–	–	–		–
Segment assets	346,843	104,749	134,529	101,074	36,835	(19,084)	704,946
Interest in jointly controlled entity	–	–	1,804	–	–		1,804
Unallocated assets							52,610
Total assets							759,360
Segment liabilities	76,667	22,036	44,271	30,452	2,632	(19,084)	156,974
Unallocated liabilities							13,424
Total liabilities							170,398
Capital expenditure incurred during the year	11,284	3,258	1,568	5,547	1,534		23,191

10 SEGMENT REPORTING *(CONTINUED)*

Business segments *(CONTINUED)*

	2004						
	Toy and gift products HK$'000	Computer heads HK$'000	Housewares HK$'000	Timepieces HK$'000	Others HK$'000	Inter-segment elimination HK$'000	Consolidated HK$'000
Revenue from external customers	497,565	141,459	179,094	284,219	1,482	–	1,103,819
Other revenue from external customers	950	137	672	318	1,597	–	3,674
Inter-segment revenue	–	–	–	–	3,215	(3,215)	–
Total	498,515	141,596	179,766	284,537	6,294	(3,215)	1,107,493
Segment result	10,184	13,536	14,524	28,472	4,083		70,799
Unallocated operating income and expenses							4,103
Profit from operations							74,902
Finance costs							(151)
Share of profit of jointly controlled entity	–	–	835	–	–		835
Income tax							(11,817)
Minority interests							(1,829)
Profit attributable to shareholders							61,940
Depreciation for the year	12,377	7,099	3,087	2,947	1,071		26,581
Impairment loss for the year	600	–	–	427	826		1,853
Segment assets	286,620	93,114	120,708	112,683	29,329	(19,000)	623,454
Interest in jointly controlled entity	–	–	1,984	–	–		1,984
Unallocated assets							22,516
Total assets							647,954
Segment liabilities	55,301	9,152	32,195	41,000	340	(19,000)	118,988
Unallocated liabilities							7,960
Total liabilities							126,948
Capital expenditure incurred during the year	12,783	304	1,107	6,343	76		20,613

10 SEGMENT REPORTING *(CONTINUED)*

Geographical segments

The group's business is managed on a worldwide basis, but participates mainly in three principal economic environments. North America is a major market for the toy and gift division, the computer head division and the houseware division. Europe is a major market for the timepiece division and the houseware division and to a lesser extent the toy and gift division and the computer head division. In Asia, the group's manufacturing activities are carried out in the People's Republic of China (the "PRC").

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers. Segment assets and capital expenditure are based on the geographical location of the assets.

	2005						
	Asia			**Europe**		**North America**	**Others**
	Hong Kong	**The PRC**	**Others**	**United Kingdom**	**Others**		
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**	**HK$'000**	**HK$'000**	**HK$'000**
Revenue from external customers	**77,432**	**9,402**	**29,339**	**684,032**	**101,744**	**524,834**	**16,215**
Segment assets	**338,686**	**222,037**	**–**	**162,590**	**–**	**717**	**–**
Capital expenditure incurred during the year	**6,184**	**11,942**	**–**	**5,065**	**–**	**–**	**–**

	2004						
	Asia			Europe		North America	Others
	Hong Kong	The PRC	Others	United Kingdom	Others		
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue from external customers	38,013	8,846	16,479	473,741	68,481	486,847	11,412
Segment assets	276,950	208,239	–	156,807	–	458	–
Capital expenditure incurred during the year	3,112	12,217	–	5,279	–	5	–

11 FIXED ASSETS

(a) The group

	Land and buildings held for own use	Plant, machinery, furniture, fixtures and office equipment	Moulds	Motor vehicles	Sub-total	Investment properties	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Cost or valuation:							
At 1 April 2004	206,080	259,848	21,816	17,044	504,788	15,718	520,506
Exchange adjustments	225	381	–	54	660	–	660
Additions	2,673	18,104	429	1,985	23,191	–	23,191
Disposals	(244)	(1,637)	(696)	(435)	(3,012)	(600)	(3,612)
Surplus on revaluation	–	–	–	–	–	1,172	1,172
At 31 March 2005	**208,734**	**276,696**	**21,549**	**18,648**	**525,627**	**16,290**	**541,917**
Representing:							
Cost	197,272	276,696	21,549	18,648	514,165	–	514,165
Valuation – 1987	11,462	–	–	–	11,462	–	11,462
– 2005	–	–	–	–	–	16,290	16,290
	208,734	276,696	21,549	18,648	525,627	16,290	541,917
Accumulated depreciation and impairment losses:							
At 1 April 2004	104,443	204,231	20,486	13,208	342,368	–	342,368
Exchange adjustments	39	229	–	18	286	–	286
Depreciation charge for the year	6,250	18,926	850	1,415	27,441	–	27,441
Written back on disposal	(29)	(1,281)	(687)	(392)	(2,389)	–	(2,389)
At 31 March 2005	**110,703**	**222,105**	**20,649**	**14,249**	**367,706**	**–**	**367,706**
Net book value:							
At 31 March 2005	**98,031**	**54,591**	**900**	**4,399**	**157,921**	**16,290**	**174,211**
At 31 March 2004	101,637	55,617	1,330	3,836	162,420	15,718	178,138

11 FIXED ASSETS *(CONTINUED)*

(b) The analysis of the net book value of properties of the group is as follows:

	Investment properties		**Land and buildings held for own use**	
	2005	2004	**2005**	2004
	HK$'000	HK$'000	**HK$'000**	HK$'000
Freehold outside Hong Kong	**–**	–	**6,895**	6,796
Medium-term leases				
– in Hong Kong	**15,340**	14,518	**27,028**	27,486
– outside Hong Kong	**950**	1,200	**63,764**	66,995
Short-term leases outside Hong Kong	**–**	–	**344**	360
	16,290	15,718	**98,031**	101,637

(c) Investment properties of the group located in Hong Kong and the PRC were revalued at 31 March 2005 by an independent firm of surveyors, LCH (Asia-Pacific) Surveyors Limited who have among their staff Fellows of the Hong Kong Institute of Surveyors, on an investment approach by taking into account current rent passing receivable from the existing tenancy agreements and the reversionary potential of the property interests.

Revaluation surplus of HK$1,172,000 (2004: HK$517,000) has been recognised in the consolidated income statement.

(d) During the year ended 31 March 2004, the directors carried out an assessment of the recoverable amount of the group's fixed assets. Based on their assessment, the carrying amount of the fixed assets was written down by HK$1,853,000. The estimated recoverable amount was based on the value in use of the fixed assets, determined using a discount rate of 5%.

(e) The group leases out certain fixed assets under operating leases. The leases typically run for an initial period of one to two years, with an option to renew the lease after that date at which time all terms are renegotiated. None of the leases includes contingent rentals.

The gross carrying amounts of investment properties of the group held for use in operating leases were HK$16,290,000 (2004: HK$15,718,000). The gross carrying amounts of other fixed assets of the group held for use in operating leases were HK$7,749,000 (2004: HK$3,959,000) and the related accumulated depreciation and impairment losses were HK$5,873,000 (2004: HK$3,021,000).

11 FIXED ASSETS (CONTINUED)

(f) The group's total future minimum lease payments under non-cancellable operating leases are receivable as follows:

	2005	2004
	HK$'000	HK$'000
Within 1 year	1,919	1,518
After 1 year but within 5 years	3,062	919
	4,981	2,437

12 INVESTMENTS IN SUBSIDIARIES

	The company	
	2005	2004
	HK$'000	HK$'000
Unlisted shares, at cost, net of dividend received from subsidiary from pre-acquisition profits	327,365	327,365

Details of the company's principal subsidiaries at 31 March 2005 are set out on pages 61 to 62.

All of these are controlled subsidiaries as defined under note 1(d) and have been consolidated into the group financial statements.

13 INTEREST IN JOINTLY CONTROLLED ENTITY

	The group	
	2005	2004
	HK$'000	HK$'000
Share of net assets	1,885	2,080
Amount due to jointly controlled entity	(81)	(96)
	1,804	1,984

13 INTEREST IN JOINTLY CONTROLLED ENTITY *(CONTINUED)*

Details of the group's interest in jointly controlled entity are as follows:

Name of joint venture	Form of business structure	Place of establishment and operation	Particulars of registered capital	Percentage of equity held by the subsidiary	Principal activity
Ningbo Herald Metal Products Company Limited	Incorporated	PRC	Registered capital of US$280,000	40%	Manufacture of housewares

14 OTHER NON-CURRENT FINANCIAL ASSETS

	The group	
	2005	2004
	HK$'000	HK$'000
Held-to-maturity debt securities		
Unlisted debt securities	**2,000**	–
Investment securities		
Unlisted debt securities	**2,120**	2,120
Less: Provision for diminution in value	**(520)**	–
	1,600	2,120
Other securities		
Listed equity securities, at fair value		
– in Hong Kong	**92**	103
– outside Hong Kong	**6,932**	7,042
	7,024	7,145
	10,624	9,265

During the year, the directors carried out a review of the carrying amount of the investments in securities. Based on their review, the directors consider that the fair value of certain investment securities has declined below the carrying amount and a provision for diminution in value of HK$520,000 has been made and recognised in the income statement.

15 INVENTORIES

	The group	
	2005	2004
	HK$'000	HK$'000
Raw materials	**58,332**	42,496
Work in progress	**38,519**	33,111
Finished goods	**70,943**	66,898
	167,794	142,505

The above inventories are stated net of general provisions of HK$34,093,000 (2004: HK$35,782,000), made in order to state these inventories at the lower of their cost and estimated net realisable value.

16 TRADE AND OTHER RECEIVABLES

	The group		The company	
	2005	2004	**2005**	2004
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade debtors and bills receivable	**144,164**	97,335	**–**	–
Deposits, prepayments and other receivables	**30,257**	41,913	**131**	134
	174,421	139,248	**131**	134

All of the trade and other receivables are expected to be recovered within one year.

Included in trade and other receivables are trade debtors and bills receivable (net of specific provisions for bad and doubtful debts) with the following ageing analysis:

	The group	
	2005	2004
	HK$'000	HK$'000
By date of invoice		
Within 1 month	**116,347**	69,862
After 1 month but within 3 months	**23,995**	24,722
Over 3 months	**3,822**	2,751
	144,164	97,335

16 TRADE AND OTHER RECEIVABLES *(CONTINUED)*

The credit terms given to the customers vary and are generally based on the financial strengths of individual customers. In order to effectively manage the credit risks associated with trade receivables, credit evaluations of customers are performed periodically.

17 AMOUNTS DUE FROM/TO SUBSIDIARIES

Amounts due from/to subsidiaries are unsecured, interest-free and have no fixed terms of repayment.

18 CASH AND CASH EQUIVALENTS

	The group	
	2005	2004
	HK$'000	HK$'000
Deposits with banks	**54,768**	16,340
Cash at bank and in hand	**168,796**	155,990
	223,564	172,330

19 TRADE AND OTHER PAYABLES

	The group		The company	
	2005	2004	**2005**	2004
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade creditors and bills payable	**58,997**	57,807	**–**	–
Accruals and other payables	**97,483**	60,260	**953**	926
	156,480	118,067	**953**	926

All of the trade and other payables are expected to be settled within one year.

19 TRADE AND OTHER PAYABLES *(CONTINUED)*

Included in trade and other payables are trade creditors and bills payable with the following ageing analysis:

	The group	
	2005	2004
	HK$'000	HK$'000
By date of invoice		
Within 1 month	**45,987**	42,579
After 1 month but within 3 months	**12,227**	14,254
Over 3 months	**783**	974
	58,997	57,807

20 INCOME TAX IN THE BALANCE SHEET

(a) Current taxation in the balance sheets represents:

	The group		The company	
	2005	2004	**2005**	2004
	HK$'000	HK$'000	**HK$'000**	HK$'000
Provision for Hong Kong Profits Tax for the year	**10,471**	1,520	**33**	1
Provisional Profits Tax paid	**(4,305)**	(933)	**(5)**	(10)
	6,166	587	**28**	(9)
Taxation outside Hong Kong	**2,877**	2,169	**–**	–
	9,043	2,756	**28**	(9)
Representing:				
Current tax recoverable	**(824)**	–	**–**	(9)
Current tax payable	**9,867**	2,756	**28**	–
	9,043	2,756	**28**	(9)

20 INCOME TAX IN THE BALANCE SHEET (CONTINUED)

(b) *Deferred tax assets and liabilities recognised*

(i) The group

The components of deferred tax (assets)/liabilities of the group recognised in the consolidated balance sheet and the movements during the year are as follows:

Deferred tax arising from:	Depreciation allowances in excess of related depreciation	Tax losses	Provisions	Others	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 April 2003	2,354	(5,200)	(2,324)	(1,117)	(6,287)
Exchange adjustments	(8)	–	–	–	(8)
Charged/(credited) to the consolidated income statement	274	4,994	(344)	(663)	4,261
At 31 March 2004	2,620	(206)	(2,668)	(1,780)	(2,034)
At 1 April 2004	2,620	(206)	(2,668)	(1,780)	(2,034)
Exchange adjustments	26	–	–	–	26
(Credited)/charged to the consolidated income statement	(925)	(138)	(2,089)	21	(3,131)
At 31 March 2005	**1,721**	**(344)**	**(4,757)**	**(1,759)**	**(5,139)**

	2005	2004
	HK$'000	HK$'000
Net deferred tax assets recognised on the consolidated balance sheet	**(6,118)**	(4,484)
Net deferred tax liabilities recognised on the consolidated balance sheet	**979**	2,450
	(5,139)	(2,034)

20 INCOME TAX IN THE BALANCE SHEET *(CONTINUED)*

(b) Deferred tax assets and liabilities recognised *(CONTINUED)*

(ii) The company

No provision for deferred tax assets/liabilities has been made as the company does not have any significant temporary differences at 31 March 2004 and 2005.

(c) Deferred tax assets not recognised

The group has not recognised deferred tax assets totalling HK$2,447,000 (2004: HK$5,284,000) in respect of tax losses of HK$12,420,000 (2004: tax losses of HK$30,425,000 and other temporary differences of HK$1,753,000).

Included in unrecognised tax losses, an amount of HK$4,214,000 (2004: HK$2,067,000) will expire in five years while the remaining balance of HK$8,206,000 (2004: HK$28,358,000) do not expire under current tax legislation.

21 PROVISION FOR LONG SERVICE PAYMENTS

	The group
	HK$'000
At 1 April 2004	3,675
Payments made during the year	(254)
Provision written back during the year	(349)
At 31 March 2005	**3,072**

According to Part VB of the Hong Kong Employment Ordinance (the "Ordinance"), the group is liable to make long service payments to employees who are employed under the jurisdiction of the Ordinance and have completed the required number of years of service on termination of their employment, where the termination of employment meets the required circumstances as specified in the Ordinance.

A provision has been made by the group based on the best estimate of the long service payments that are required to be made to these employees in respect of their service to date, less any amounts that would be expected to be met out of the group's contributions to its defined contribution retirement schemes and mandatory provident funds.

22 EMPLOYEE BENEFITS

(a) Employee retirement benefits

(i) The principal subsidiaries of the company in Hong Kong have defined contribution retirement schemes for their qualifying employees. The assets of the schemes are held separately under provident funds managed by independent fund managers or insurance companies. Pursuant to the rules of the schemes, employers are required to make contributions to the schemes calculated at 5% to 10% of the employees' basic salaries on a monthly basis. The employees are entitled to 100% of the employers' contributions and the accrued income after completion of 10 years' service, and at an increasing scale rate between 50% and 90% after completion of five to nine years' service.

The subsidiaries in Hong Kong also participate in Mandatory Provident Fund Schemes (the "MPF schemes") under the Hong Kong Mandatory Provident Fund Schemes Ordinance commencing 1 December 2000 for employees employed under the jurisdiction of the Hong Kong Employment Ordinance and not previously covered by the defined contribution retirement schemes. The MPF schemes are defined contribution retirement schemes administered by independent trustees. Under the MPF schemes, employers and employees are each required to make contributions to the schemes at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK$20,000. Contributions to the MPF schemes vest immediately.

Where there are employees who leave the schemes, other than the MPF schemes, prior to vesting fully in the contributions, in accordance with the rules of the schemes, the forfeited employers' contributions shall be used to reduce the future contributions of the employers. At 31 March 2005, there was no forfeited contribution which is available to reduce the contributions payable in future years (2004: Nil).

(ii) The employees in certain subsidiaries in the PRC participate in state-sponsored retirement benefit schemes organised by the PRC government. The subsidiaries are required to contribute, based on a certain percentage of the employees' basic salaries, to the retirement benefit schemes to fund the benefits. The only obligation of the subsidiaries with respect to the retirement benefit schemes is to make the required contributions under these schemes.

(b) Equity compensation benefits

At the special general meeting of the company held on 18 September 2003, the shareholders of the company approved the adoption of a share option scheme. Under the terms of the scheme, the directors of the company may at their discretion to grant options to employees (including executive or independent non-executive directors) of the company or its subsidiaries and other eligible participants to subscribe for the shares of US$0.01 each in the company. Upon acceptance of an option, each eligible participant under the scheme is required to pay the company HK$1 within 21 days from the date of offer. The share option scheme remains valid for a period of 10 years commencing 18 September 2003.

22 EMPLOYEE BENEFITS *(CONTINUED)*

(b) Equity compensation benefits (CONTINUED)

Unless otherwise determined by the directors, there is no requirement of a minimum period for which an option must be held before it can be exercised. An option is exercisable at any time during such period to be notified by the directors to each grantee, but in any event not later than 10 years from the date of grant of the option.

The exercise price of the options is at least the highest of (a) the closing price of the shares as stated in the daily quotations sheet of the Stock Exchange on the date of grant, which must be a business day; (b) the average of the closing price of the shares as stated in the daily quotations sheets of the Stock Exchange for the five business days immediately preceding the date of grant; and (c) the nominal value of the shares. Each option gives the holder the right to subscribe for one share.

No options have been granted by the company under the share option scheme since its adoption.

23 SHARE CAPITAL

	2005		2004	
	Number of shares '000	**Amount HK$'000**	Number of shares '000	Amount HK$'000
Authorised:				
Shares of US$0.01 each	**1,000,000**	**78,000**	1,000,000	78,000
Issued and fully paid:				
At 1 April	**613,926**	**47,886**	616,671	48,100
Shares repurchased and cancelled	**–**	**–**	(2,745)	(214)
At 31 March	**613,926**	**47,886**	613,926	47,886

During the year ended 31 March 2004, the company repurchased a total of 2,745,000 of its shares on the Stock Exchange, all of which were then cancelled. The premium of HK$851,000 paid on the repurchase was charged against the share premium account (note 24) in accordance with the Bermuda Companies Act 1981.

24 RESERVES

(a) The group

	Share premium HK$'000	Contributed surplus HK$'000	Exchange fluctuation reserve HK$'000	PRC statutory reserves HK$'000	Retained profits HK$'000	Total HK$'000
At 1 April 2003	26,571	259,267	(7,549)	–	120,931	399,220
Dividend approved in respect of the previous year (note 8(b))	–	(12,305)	–	–	–	(12,305)
Exchange differences on translation of financial statements of subsidiaries outside Hong Kong	–	–	6,812	–	–	6,812
Premium paid on repurchase of shares (note 23)	(851)	–	–	–	–	(851)
Profit for the year	–	–	–	–	61,940	61,940
Dividend declared in respect of the current year (note 8(a))	–	(9,228)	–	–	–	(9,228)
At 31 March 2004	25,720	237,734	(737)	–	182,871	445,588
At 1 April 2004	25,720	237,734	(737)	–	182,871	445,588
Dividend approved in respect of the previous year (note 8(b))	–	(18,418)	–	–	–	(18,418)
Transfer between reserves	–	–	–	5,280	(5,280)	–
Exchange differences on translation of financial statements of subsidiaries outside Hong Kong	–	–	2,044	–	–	2,044
Profit for the year	–	–	–	–	96,117	96,117
Dividend declared in respect of the current year (note 8(a))	–	(12,279)	–	–	–	(12,279)
At 31 March 2005	**25,720**	**207,037**	**1,307**	**5,280**	**273,708**	**513,052**

Notes:

(i) Under the Bye-laws of the company, share premium is not distributable but may be applied in paying up unissued shares of the company to be issued to the shareholders of the company as fully paid bonus shares or in providing for the premiums payable on repurchase of shares.

24 RESERVES *(CONTINUED)*

(a) The group *(CONTINUED)*

(ii) Contributed surplus represents the excess value of the consolidated net tangible assets represented by the shares of the former holding of the group, Herald (Hong Kong) Limited, acquired by the company over the nominal value of the shares issued by the company in exchange pursuant to a Scheme of Arrangement in 1992, less dividends. Under the Bermuda Companies Act 1981, the contributed surplus is available for distribution to shareholders.

(iii) Exchange fluctuation reserve has been set up and will be dealt with in accordance with the accounting policy adopted for translation of the financial statements of subsidiaries outside Hong Kong (note 1(q)).

(iv) PRC statutory reserves include general reserve and enterprise expansion fund which are made in accordance with the articles of association of the group's PRC subsidiaries. These reserves are non-distributable but, as appropriate, can be used to make good losses and to convert into paid-up capital.

(v) Included in the figure for the group's retained profits is an amount of HK$2,881,000 (2004: HK$2,700,000), being the retained profits attributable to the jointly controlled entity.

(b) The company

	Share premium	**Contributed surplus**	**Retained profits**	**Total**
	HK$'000	HK$'000	HK$'000	HK$'000
At 1 April 2003	26,571	205,580	19,902	252,053
Dividend approved in respect of the previous year (note 8(b))	–	(12,305)	–	(12,305)
Premium paid on repurchase of shares (note 23)	(851)	–	–	(851)
Profit for the year	–	–	59,970	59,970
Dividend declared in respect of the current year (note 8(a))	–	(9,228)	–	(9,228)
At 31 March 2004	25,720	184,047	79,872	289,639
At 1 April 2004	25,720	184,047	79,872	289,639
Dividend approved in respect of the previous year (note 8(b))	–	(18,418)	–	(18,418)
Profit for the year	–	–	34,095	34,095
Dividend declared in respect of the current year (note 8(a))	–	(12,279)	–	(12,279)
At 31 March 2005	**25,720**	**153,350**	**113,967**	**293,037**

At 31 March 2005, the aggregate amount of reserves available for distribution to shareholders of the company was HK$267,317,000 (2004: HK$263,919,000). Subsequent to the balance sheet date, the directors proposed a final dividend of HK4.5 cents (2004: HK3 cents) per share. The dividend has not been recognised as a liability at the balance sheet date.

25 CONTINGENT LIABILITIES

The company has given undertakings to certain wholly-owned subsidiaries to provide them with such financial assistance as is necessary to enable them to continue as a going concern.

26 COMMITMENTS

(a) At 31 March 2005, the total future minimum lease payments of the group under non-cancellable operating leases are payable as follows:

	2005		2004	
	Land and buildings HK$'000	**Others HK$'000**	Land and buildings HK$'000	Others HK$'000
Within 1 year	**6,203**	**1,821**	6,860	1,422
After 1 year but within 5 years	**13,687**	**1,806**	14,364	1,950
After 5 years	**14,248**	**–**	17,146	–
	34,138	**3,627**	38,370	3,372

The group leases a number of properties under operating leases. The leases typically run for a period of one to eleven years, with an option to renew the leases when all terms are renegotiated. None of the leases includes contingent rentals.

(b) At 31 March 2005, the group had commitment in respect of forward foreign exchange contracts entered into for hedging purposes of HK$51,952,000 (2004: HK$91,735,000).

27 POST BALANCE SHEET EVENT

Subsequent to the balance sheet date, the directors proposed a final dividend, further details are disclosed in note 8.