

1. CORPORATE INFORMATION

The principal activity of the Company is investment holding. The Group was principally involved in the design, manufacture and sale of toys, motors, electrical household appliances and material primarily for use in cathode ray tube and liquid crystal display. There were no significant changes in the principal activities of the Group during the year.

The Company is a subsidiary of Resplendent Global Limited, a company incorporated in the British Virgin Islands. The directors consider Padora Global Inc., a company also incorporated in the British Virgin Islands, to be the Company's ultimate holding company.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (which also include Statements of Standard Accounting Practice and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for the remeasurement of certain fixed assets and short term investments as further explained below.

Basis of consolidation

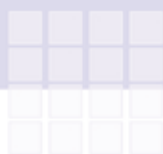
The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 March 2005. The results of subsidiaries acquired or disposed of during the year are consolidated from or to their effective dates of acquisition or disposal, respectively. All significant intercompany transactions and balances within the Group are eliminated on consolidation.

Minority interests represent the interests of outside shareholders in the results and net assets of the Company's subsidiaries.

Subsidiaries

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

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



2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Joint venture companies

A joint venture company is a company set up by contractual arrangement, whereby the Group and other parties undertake an economic activity. The joint venture company operates as a separate entity in which the Group and the other parties have an interest.

The joint venture agreement between the venturers stipulates the capital contributions of the joint venture parties, the duration of the joint venture and the basis on which the assets are to be realised upon its dissolution. The profits and losses from the joint venture company's operations and any distributions of surplus assets are shared by the venturers, either in proportion to their respective capital contributions, or in accordance with the terms of the joint venture agreement.

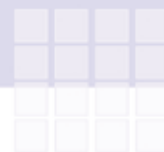
A joint venture company is treated as:

- (a) a subsidiary, if the Group has unilateral control, directly or indirectly, over the joint venture company;
- (b) a jointly-controlled entity, if the Group does not have unilateral control, but has joint control, directly or indirectly, over the joint venture company;
- (c) an associate, if the Group does not have unilateral or joint control, but holds, directly or indirectly, generally not less than 20% of the joint venture company's registered capital and is in a position to exercise significant influence over the joint venture company; and
- (d) a long term investment, if the Group holds, directly or indirectly, less than 20% of the joint venture company's registered capital and has neither joint control of, nor is in a position to exercise significant influence over, the joint venture company.

Associates

An associate is a company, not being a subsidiary or a jointly-controlled entity, in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence.

The Group's share of the post-acquisition results and reserves of associates is included in the consolidated profit and loss account and consolidated reserves, respectively. The Group's interests in associates are stated in the consolidated balance sheet at the Group's share of the net assets under the equity method of accounting, less any impairment losses. Goodwill or negative goodwill arising from the acquisition of associates, which was not previously eliminated or recognised in the consolidated reserves, is included as part of the Group's interests in associates.



2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Goodwill

Goodwill arising on acquisition of subsidiaries and associates represents the excess of the cost of the acquisition over the Group's share of the fair values of the identifiable assets and liabilities acquired as at the date of acquisition.

Goodwill arising on acquisition is recognised in the consolidated balance sheet as an asset and amortised on the straight-line basis over its estimated useful life of 5 years. In the case of associates, any unamortised goodwill is included in the carrying amount thereof, rather than as a separately identified asset on the consolidated balance sheet.

On disposal of subsidiaries or associates, the gain or loss on disposal is calculated by reference to the net assets at the date of disposal, including the attributable amount of goodwill which remains unamortised and any relevant reserves, as appropriate. Any attributable goodwill previously eliminated against consolidated reserves at the time of acquisition is written back and included in the calculation of the gain or loss on disposal.

Negative goodwill

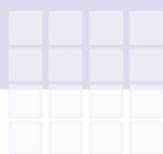
Negative goodwill arising on acquisition of subsidiaries and associates represents the excess of the Group's share of the fair values of the identifiable assets and liabilities acquired as at the date of acquisition, over the cost of the acquisition.

To the extent that negative goodwill relates to expectations of future losses and expenses that are identified in the acquisition plan and that can be measured reliably, but which do not represent identifiable liabilities as at the date of acquisition, that portion of negative goodwill is recognised as income in the consolidated profit and loss account when the future losses and expenses are recognised.

To the extent that negative goodwill does not relate to identifiable expected future losses and expenses as at the date of acquisition, negative goodwill is recognised in the consolidated profit and loss account on a systematic basis over the remaining average useful life of the acquired depreciable/amortisable assets. The amount of any negative goodwill in excess of the fair values of the acquired non-monetary assets is recognised as income immediately.

In the case of associates, any negative goodwill not yet recognised in the consolidated profit and loss account is included in the carrying amount thereof, rather than as a separately identified item on the consolidated balance sheet.

On disposal of subsidiaries or associates, the gain or loss on disposal is calculated by reference to the net assets at the date of disposal, including the attributable amount of negative goodwill which has not been recognised in the consolidated profit and loss account and any relevant reserves as appropriate. Any attributable negative goodwill previously credited to the capital reserve at the time of acquisition is written back and included in the calculation of the gain or loss on disposal.



2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of assets

An assessment is made at each balance sheet date of whether there is any indication of impairment of any asset, or whether there is any indication that an impairment loss previously recognised for an asset in prior years may no longer exist or may have decreased. If any such indication exists, the asset's recoverable amount is estimated. An asset's recoverable amount is calculated as the higher of the asset's value in use or its net selling price.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. An impairment loss is charged to the profit and loss account in the period in which it arises, unless the asset is carried at a revalued amount, when the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount of an asset, however not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is credited to the profit and loss account in the period in which it arises, unless the asset is carried at a revalued amount, when the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

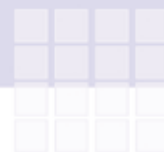
Fixed assets and depreciation

Fixed assets, other than construction in progress, are stated at cost or valuation less accumulated depreciation and any impairment losses. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after fixed assets have been put into operation, such as repairs and maintenance, is normally charged to the profit and loss account in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the asset, the expenditure is capitalised as an additional cost of that asset.

Depreciation is calculated on the straight-line basis to write off the cost or valuation of each asset over its estimated useful life. The principal annual rates used for this purpose are as follows:

Medium term leasehold land in Hong Kong	Over the remaining lease terms
Medium term leasehold buildings in Hong Kong	4%
Medium term leasehold land and buildings outside Hong Kong	Over the remaining lease terms
Moulds, tools, and plant and machinery	10% to 20%
Furniture, equipment and motor vehicles	10% to 25%

Construction in progress represents the costs incurred in connection with the construction of fixed assets less any impairment losses. No provision for depreciation is made on construction in progress until such time as the relevant assets are completed and put into use.



2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fixed assets and depreciation (continued)

Changes in the values of fixed assets resulting from revaluations are dealt with as movements in the asset revaluation reserve. If the total of this reserve is insufficient to cover a deficit, on an individual asset basis, the excess of the deficit is charged to the profit and loss account. A subsequent revaluation increase is recognised as income to the extent that it reverses a revaluation deficit of the same asset previously charged to the profit and loss account.

The gain or loss on disposal or retirement of a fixed asset recognised in the profit and loss account is the difference between the net sales proceeds and the carrying amount of the relevant asset. On disposal or retirement of a fixed asset that has previously been revalued, the attributable revaluation surplus not previously dealt with in retained profits is transferred directly to retained profits.

Research and development costs

All research costs are charged to the profit and loss account as incurred.

Expenditure incurred on projects to develop new products is capitalised and deferred only when the projects are clearly defined; the expenditure is separately identifiable and can be measured reliably; there is reasonable certainty that the projects are technically feasible; and the products have commercial value. Product development expenditure which does not meet these criteria is expensed when incurred.

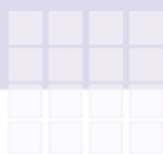
Deferred development costs are stated at cost less any impairment losses and are amortised using the straight-line basis over the commercial lives of the underlying products not exceeding five years, commencing from the date when the products are put into commercial production.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the first-in, first-out basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less further costs expected to be incurred to completion and disposal.

Short term investments

Investments in listed equity securities are stated at their fair values on the basis of their quoted market prices at the balance sheet date, on an individual investment basis. The gains or losses arising from changes in the fair value of a security are credited or charged to the profit and loss account for the period in which they arise.



2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Operating leases

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

Income tax

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

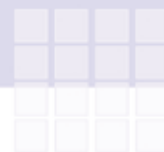
Deferred tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax base of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences:

- except where the deferred tax liability arises from the initial recognition of an asset or liability and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries and associates, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

- except where the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries and associates, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.



2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax (continued)

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

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

Foreign currencies

Foreign currency transactions are recorded at the applicable exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the applicable exchange rates ruling at that date. Exchange differences are dealt with in the profit and loss account.

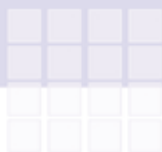
On consolidation, the financial statements of overseas subsidiaries and associates are translated into Hong Kong dollars using the net investment method. The profit and loss accounts of overseas subsidiaries and associates are translated into Hong Kong dollars at the weighted average exchange rates for the year, and their balance sheets are translated into Hong Kong dollars at the exchange rates ruling at the balance sheet date. The resulting translation differences are included in the exchange fluctuation reserve.

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

Employee benefits

Paid leave carried forward

The Group provides paid annual leave to its employees under their employment contracts on a calendar year basis. Under certain circumstances, such leave which remains untaken as at the balance sheet date is permitted to be carried forward and utilised by the respective employees in the following year. An accrual is made at the balance sheet date for the expected future cost of such paid leave earned during the year by the employees and carried forward.



2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Employee benefits (continued)

Employment Ordinance long service payments

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

A provision is recognised in respect of probable future long services payments expected to be made. The provision is based on the best estimate of the probable future payments which have been earned by the employees from their service to the Group to the balance sheet date.

Retirement benefits scheme

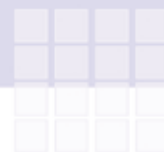
The Group continues to operate a defined contribution scheme (the "Scheme") for its employees, the assets of which are held separately from those of the Group in an independently administered fund. Contributions are made based on a percentage of the eligible employees' salaries and are charged to the profit and loss account as they become payable in accordance with the rules of the Scheme. When an employee leaves the Scheme before his/her interest in the employer contributions vests fully, the ongoing contributions payable by the Group may be reduced by the relevant amount of forfeited contributions.

Apart from the Scheme, the Group also joined the Mandatory Provident Fund (the "MPF"). Contributions to the MPF are made based on rates applicable to the respective employees' relevant income from the Group and are charged to the profit and loss account as they become payable in accordance with government regulations. The Group's mandatory contributions are fully and immediately vested in favour of the employees.

Certain employees of the Group's subsidiaries in the People's Republic of China (the "PRC") are members of the state-sponsored retirement scheme (the "Retirement Scheme") operated by the government of the PRC. The subsidiaries are required to contribute certain percentages of their payroll costs to the Retirement Scheme. The contributions are charged to the profit and loss account as they become payable in accordance with the rules of the Retirement Scheme.

Share option scheme

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. The financial impact of share options granted under the share option scheme is not recorded in the Company's or the Group's balance sheet until such time as the options are exercised, and no charge is recorded in the profit and loss account or balance sheet for their cost. Upon the exercise of share options, the resulting shares issued are recorded by the Company as additional share capital at the nominal value of the shares, and the excess of the exercise price per share over the nominal value of the shares is recorded by the Company in the share premium account. Options which are cancelled prior to their exercise date, or which lapse, are deleted from the register of outstanding options.



2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition

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

- (a) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;
- (b) interest income, on a time proportion basis taking into account the principal outstanding and the effective interest rate applicable;
- (c) from the sale of property, when the legally binding sales contract is signed;
- (d) rental income, on an accrual basis; and
- (e) dividend income, when the shareholders' right to receive payment has been established.

Dividends

Final dividends proposed by the directors are classified as a separate allocation of retained profits within the capital and reserves section of the balance sheet, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

Interim dividends are simultaneously proposed and declared, because the Company's bye-laws grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

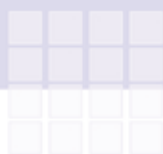
Related parties

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party, or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities.

Cash and cash equivalents

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

For the purpose of the balance sheet, cash and bank balances and time deposits represent assets which are not restricted as to use.



3. SEGMENT INFORMATION

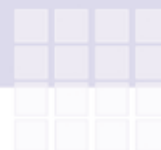
Segment information is presented by way of two segment formats: (i) on a primary segment reporting basis, by business segment; and (ii) on a secondary segment reporting basis, by geographical segment.

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

- (a) the toys and related products segment consisted of manufacture and sale of toys and related products;
- (b) the motors segment consisted of manufacture and sale of motors;
- (c) the electrical household appliances segment consisted of manufacture and sale of electrical household appliances; and
- (d) the material development segment consisted of manufacture and sales of material primarily for use in cathode ray tube and liquid crystal display.

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

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

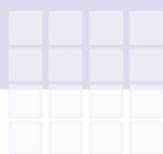


3. SEGMENT INFORMATION (continued)

(a) Business segments

The following tables present revenue, result and certain asset, liability and expenditure information for the Group's business segments.

Group	Toys and related products		Motors		Electrical household appliances		Material development		Eliminations		Consolidated	
	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
(Note)												
Segment revenue:												
Sales to external customers	467,039	379,196	170,802	179,446	71,997	56,619	27,177	9,404	-	-	737,015	624,665
Inter-segment sales	-	-	6,730	10,478	-	-	-	-	(6,730)	(10,478)	-	-
Other revenue and gain	4,963	3,509	2,721	2,050	71	171	213	72	-	-	7,968	5,802
Total	472,002	382,705	180,253	191,974	72,068	56,790	27,390	9,476	(6,730)	(10,478)	744,983	630,467
Segment results	4,871	(14,547)	36,145	43,946	690	255	2,807	1,818	-	-	44,513	31,472
Interest, dividend income and unallocated gains											19,324	2,361
Unallocated expenses											(7,832)	(7,473)
Profit from operating activities											56,005	26,360
Finance costs											(838)	(276)
Profit after finance costs											55,167	26,084
Share of profits less losses of associates											(16,736)	6,772
Profit before tax											38,431	32,856
Tax											(4,705)	(3,517)
Profit before minority interests											33,726	29,339
Minority interests											(2,960)	(4,507)
Net profit from ordinary activities attributable to shareholders											30,766	24,832



NOTES TO FINANCIAL STATEMENTS

31 MARCH 2005

3. SEGMENT INFORMATION (continued)

(a) Business segments (continued)

Group	Toys and related products		Motors		Electrical household appliances		Material development		Eliminations		Consolidated	
	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Note)											
Segment assets	382,146	379,135	166,984	144,202	52,685	75,616	31,685	20,875	(55,652)	(65,132)	577,848	554,696
Unallocated assets											109,005	102,264
Total assets											686,853	656,960
Segment liabilities	79,300	57,490	25,644	40,879	18,556	39,885	22,278	19,161	(55,652)	(65,132)	90,126	92,283
Unallocated liabilities											61,744	53,960
Total liabilities											151,870	146,243
Other segment information:												
Depreciation and amortisation	37,926	33,429	10,405	8,189	1,629	1,684	686	187	-	-	50,646	43,489
Amortisation of goodwill	-	-	2,326	2,326	-	-	-	-	-	-	2,326	2,326
Unallocated amounts											1,246	864
											54,218	46,679
Capital expenditure	37,383	58,376	19,527	25,998	1,323	2,174	6,313	7,816	-	-	64,546	94,364
Deficit/(surplus) on revaluation of leasehold land and buildings	-	(5,412)	542	1,097	-	-	-	-	-	-	542	(4,315)
Unallocated amounts											(1,078)	(78)
											(536)	(4,393)
Deficit/(surplus) on revaluation recognised directly in equity	(4,075)	10,342	-	279	(232)	832	1,000	-	-	-	(3,307)	11,453

Note:

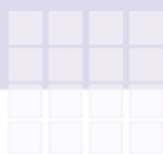
Due to the increasing significance of the material development segment to the Group, separate disclosure of this business segment has been made in the current year. Accordingly, certain comparative amounts have been reclassified to conform with the current year's presentation.

(b) Geographical segments

[illegible][illegible]

4. TURNOVER

	2005	2004
	HK\$'000	HK\$'000
Manufacture and sale of:		
Toys and related products	467,039	379,196
Motors	170,802	179,446
Electrical household appliances	71,997	56,619
Materials	27,177	9,404
	<u>737,015</u>	<u>624,665</u>



NOTES TO FINANCIAL STATEMENTS

31 MARCH 2005

5. PROFIT FROM OPERATING ACTIVITIES

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

	2005 HK\$'000	2004 HK\$'000
Auditors' remuneration	818	760
Depreciation	42,578	36,337
Amortisation of deferred development costs*	9,314	8,016
Amortisation of goodwill**	2,326	2,326
Negative goodwill recognised as income during the year***	(673)	(1,011)
Minimum lease payments under operating leases in respect of land and buildings	2,036	3,080
Gain on disposal of fixed assets, net****	(16,452)	(253)
Staff costs (including directors' remuneration – note 6):		
Wages and salaries	107,872	103,890
Pension contributions	1,458	1,519
	<u>109,330</u>	<u>105,409</u>
Surplus on revaluation of leasehold land and buildings, net****	(536)	(4,393)
Gain on disposal of short term investments	–	(816)
Exchange losses, net	1,453	1,289
Rental income	(3,405)	(2,939)
Interest income	<u>(145)</u>	<u>(396)</u>

At the balance sheet date, the Group did not have any material forfeited contributions to reduce its contributions to the pension scheme in future years.

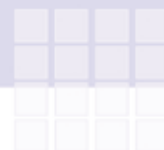
* The amortisation of deferred development costs for both the current and the prior year is included in "Cost of sales" on the face of the consolidated profit and loss account.

** The amortisation of goodwill for both the current and the prior year is included in "Administrative expenses" on the face of the consolidated profit and loss account.

*** The movements in negative goodwill recognised in the profit and loss account for both the current and the prior year are included in "Administrative expenses" on the face of the consolidated profit and loss account.

**** The surplus on revaluation of leasehold land and buildings for both the current and the prior year is included in "Administrative expenses" on the face of the consolidated profit and loss account.

***** Gain on disposal of fixed assets, net, for both the current and the prior year is included in "Other revenue" on the face of the consolidated profit and loss account.



6. DIRECTORS' REMUNERATION AND HIGHEST PAID INDIVIDUALS

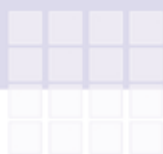
Directors' remuneration for the year, disclosed pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and Section 161 of the Hong Kong Companies Ordinance, is as follows:

	Group	
	2005	2004
	HK\$'000	HK\$'000
Executive directors:		
Fees	–	–
Salaries, allowances and benefits in kind	4,663	4,991
Pension contributions	237	233
	4,900	5,224
Non-executive directors:		
Fees	263	200
	5,163	5,424

The remuneration of directors fell within the following bands:

	Number of directors	
	2005	2004
Nil – HK\$1,000,000	8	5
HK\$1,000,001 – HK\$1,500,000	2	1
HK\$1,500,001 – HK\$2,000,000	–	1
	10	7

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2004: Nil).



NOTES TO FINANCIAL STATEMENTS

31 MARCH 2005

6. DIRECTORS' REMUNERATION AND HIGHEST PAID INDIVIDUALS (continued)

The six highest paid individuals during the year included three (2004: three) directors, details of whose remuneration are set out above. Details of the emoluments of the remaining three (2004: three) non-director, highest paid employees are set out below:

	Group	
	2005	2004
	HK\$'000	HK\$'000
Salaries, allowances and benefits in kind	3,799	4,229
Pension contributions	33	36
	3,832	4,265

The emoluments of each of the three (2004: three) non-director, highest paid employees fell within the following bands:

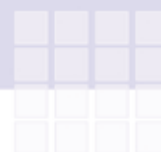
	Number of employees	
	2005	2004
HK\$1,000,001 – HK\$1,500,000	3	2
HK\$1,500,001 – HK\$2,000,000	–	1
	3	3

7. FINANCE COSTS

	Group	
	2005	2004
	HK\$'000	HK\$'000
Interest on bank loans and overdrafts wholly repayable within five years	838	276

NOTES TO FINANCIAL STATEMENTS

31 MARCH 2005



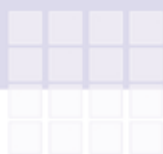
8. TAX

Hong Kong profits tax has been provided at the rate of 17.5% (2004: 17.5%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable elsewhere have been calculated at the applicable rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

	Group	
	2005	2004
	HK\$'000	HK\$'000
Group:		
Current – Hong Kong		
Charge for the year	2,641	2,837
Under/(over) provision in prior years	(17)	15
Current – Elsewhere	563	604
Deferred tax (<i>note 21</i>)	1,000	–
	4,187	3,456
Share of tax attributable to associates	518	61
Total tax charge for the year	4,705	3,517

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

	2005	2004
	HK\$'000	HK\$'000
Group:		
Profit before tax	38,431	32,856
Tax at the statutory tax rate	8,790	5,750
Higher tax rate for specific provinces or local authority	903	624
Adjustments in respect of current tax of previous periods	(17)	15
Income not subject to tax	(5,528)	(8,345)
Expenses not deductible for tax	738	5,606
Tax losses utilised from previous period	(181)	(133)
Tax charge at the Group's effective rate	4,705	3,517



NOTES TO FINANCIAL STATEMENTS

31 MARCH 2005

9. NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS

The net profit from ordinary activities attributable to shareholders dealt with in the financial statements of the Company is HK\$9,685,000 (2004: HK\$9,542,000).

10. DIVIDENDS

	2005 HK\$'000	2004 HK\$'000
Interim – HK0.5 cent (2004: HK2 cents) per ordinary share	2,024	8,096
Proposed final – HK2.5 cents (2004: HK1 cent) per ordinary share	10,120	4,048
	<u>12,144</u>	<u>12,144</u>

The directors recommend the payment of a final dividend of HK2.5 cents per share in respect of the year ended 31 March 2005 to shareholders whose names appear on the register of members on 23 August 2005. The proposed final dividend for the year is based on the number of shares in issue as at the reporting date, and is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

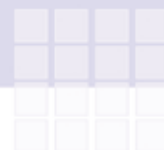
11. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the net profit from ordinary activities attributable to shareholders for the year of HK\$30,766,000 (2004: HK\$24,832,000) and the weighted average of 404,820,000 (2004: 404,820,000) ordinary shares in issue during the year.

The calculation of diluted earnings per share is based on the net profit from ordinary activities attributable to shareholders for the year of HK\$30,766,000 (2004: HK\$24,832,000) and 405,927,239 (2004: 406,219,438) ordinary shares, being the weighted average number of shares outstanding during the year, adjusted for the effects of the dilutive potential ordinary shares outstanding during the year.

A reconciliation of the weighted average number of shares used in calculating basic and diluted earnings per share is as follows:

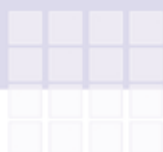
	2005	2004
Weighted average number of ordinary shares used in calculating basic earnings per share	404,820,000	404,820,000
Weighted average number of ordinary shares assumed to have been issued at no consideration on deemed exercise of all options outstanding during the year	<u>1,107,239</u>	<u>1,399,438</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>405,927,239</u>	<u>406,219,438</u>



12. FIXED ASSETS

Group

	Medium term leasehold land and buildings <i>HK\$'000</i>	Construction in progress <i>HK\$'000</i>	Moulds, tools, and plant and machinery <i>HK\$'000</i>	Furniture, equipment and motor vehicles <i>HK\$'000</i>	Total <i>HK\$'000</i>
Cost or valuation:					
At beginning of year	147,330	17,647	268,223	86,269	519,469
Additions	3,863	6,452	40,217	5,395	55,927
Disposals	(21,000)	–	(4,345)	(2,598)	(27,943)
Deficit on revaluation	(8,465)	–	–	–	(8,465)
Transfers	8,272	(12,246)	1,263	2,711	–
At 31 March 2005	130,000	11,853	305,358	91,777	538,988
Accumulated depreciation:					
At beginning of year	–	–	128,993	45,462	174,455
Provided during the year	6,271	–	28,078	8,229	42,578
Disposals	(577)	–	(4,066)	(2,261)	(6,904)
Write-back on revaluation	(5,694)	–	–	–	(5,694)
At 31 March 2005	–	–	153,005	51,430	204,435
Net book value:					
At 31 March 2005	130,000	11,853	152,353	40,347	334,553
At 31 March 2004	147,330	17,647	139,230	40,807	345,014
An analysis of cost or valuation:					
At cost	–	11,853	305,358	91,777	408,988
At 2005 valuation	130,000	–	–	–	130,000
	130,000	11,853	305,358	91,777	538,988



NOTES TO FINANCIAL STATEMENTS

31 MARCH 2005

12. FIXED ASSETS (continued)

An analysis of the valuation of the leasehold land and buildings of the Group at the balance sheet date is as follows:

	2005 HK\$'000	2004 HK\$'000
Hong Kong	6,920	25,680
Outside Hong Kong	123,080	121,650
	<hr/>	<hr/>
Total valuation	130,000	147,330
	<hr/>	<hr/>

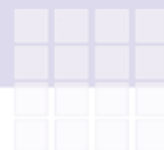
As at 31 March 2005, the Group's leasehold land and buildings were revalued at an open market value, based on an existing use basis by RHL Appraisal Ltd., an independent firm of professionally qualified valuers, at HK\$130,000,000. Revaluation deficits of HK\$5,631,000 and HK\$542,000 resulting from the above valuation have been debited to the asset revaluation reserve and charged to the profit and loss account, respectively. Revaluation surplus of HK\$2,324,000 and HK\$1,078,000, resulting from the above valuation, have been credited to the asset revaluation reserve and credited to the profit and loss account, respectively. As a result of the above valuation, revaluation deficit of HK\$3,307,000 and revaluation surplus of HK\$536,000 were reflected in the asset revaluation reserve and in the profit and loss account, respectively. The effect of net revaluation deficit of HK\$2,771,000 was reflected in write down of valuation of fixed assets of HK\$8,465,000 and write-back of accumulated depreciation of HK\$5,694,000.

Had the Group's leasehold land and buildings stated at valuation been carried at cost less accumulated depreciation, they would have been included in the financial statements at approximately HK\$112,444,000 (2004: HK\$127,161,000).

13. GOODWILL

The amount of goodwill capitalised as an asset in the consolidated balance sheet, arising from the acquisition of an additional interest in a subsidiary in the prior year, is as follows:

	Group HK\$'000
Cost:	
At beginning of year and at 31 March 2005	11,628
	<hr/>
Accumulated amortisation:	
At beginning of year	4,652
Provided during the year	2,326
	<hr/>
At 31 March 2005	6,978
	<hr/>
Net book value:	
At 31 March 2005	4,650
	<hr/>
At 31 March 2004	6,976
	<hr/>



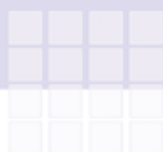
14. INTERESTS IN SUBSIDIARIES

	Company	
	2005	2004
	HK\$'000	HK\$'000
Unlisted shares, at cost	104,950	104,950
Due from subsidiaries	222,384	211,771
Due to a subsidiary	(62,017)	(55,253)
	265,317	261,468

The balances with the subsidiaries are unsecured, interest-free and not repayable within the next twelve months from the balance sheet date.

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

Name	Place of incorporation/ registration and operations	Paid-up share/ registered capital	Equity interest attributable to the Company	Principal activities
Directly held				
Kin Yat Industrial Holdings Limited	British Virgin Islands	Ordinary US\$3,000	100%	Investment holding
Indirectly held				
Kin Yat (HK) Holdings Limited	Hong Kong	Ordinary HK\$1,000 Non-voting deferred HK\$6,000,000	100%	Investment holding and property holding
Evertop (Oversea) Industrial Company Limited	British Virgin Islands/ PRC	Ordinary US\$100	100%	Manufacture of toys
Kin Yat Industrial Company Limited	Hong Kong	Ordinary HK\$3,200,000	100%	Trading of toys and moulds, and sourcing of materials
Unicon Investments Limited	Hong Kong	Ordinary HK\$10,000	100%	Property holding

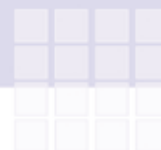


NOTES TO FINANCIAL STATEMENTS

31 MARCH 2005

14. INTERESTS IN SUBSIDIARIES (continued)

Name	Place of incorporation/ registration and operations	Paid-up share/ registered capital	Equity interest attributable to the Company	Principal activities
Indirectly held (continued)				
Newway Electrical Industries Limited ("Newway")	Hong Kong	Ordinary HK\$3,000,000	100%	Trading of electrical household appliances
Shenzhen Newway Electrical Industries Co., Ltd. ("Shenzhen Newway") *	PRC	HK\$10,000,000	100%	Property holding
Penta Blesses Enterprises Limited	Hong Kong	Ordinary HK\$1,000,000	100%	Investment holding, and manufacture and trading of toys and electrical household appliances
Kin Chak Science & Technology (Shenzhen) Co., Ltd.#	PRC	HK\$50,000,000	100%	Property holding
World Talent Enterprise Limited	Hong Kong	Ordinary HK\$1,000,000	100%	Trading of toys
Shixing Talent Woods Ltd.#	PRC	RMB2,500,000	100%	Manufacture and trading of toys
Shixing Newway Industry Co., Ltd.#	PRC	US\$4,000,000	100%	Property holding
Standard Motor Co., Ltd. ("Standard Motor")	Hong Kong	Ordinary HK\$40,000,000	90%	Manufacture and trading of motors



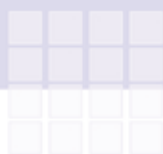
14. INTERESTS IN SUBSIDIARIES (continued)

Name	Place of incorporation/ registration and operations	Paid-up share/ registered capital	Equity interest attributable to the Company	Principal activities
Indirectly held (continued)				
Shixing Standard Motor Co., Ltd.#	PRC	US\$5,000,000	90%	Property holding
Sigma Technology Holding Limited ^	Hong Kong	HK\$2	100%	Investment holding
Shaoguan Sigma Technology Company Limited ("Shaoguan Sigma")^	PRC	RMB20,000,000	91%	Development and distribution of materials
Turbo Tec Company Limited	Hong Kong	Ordinary HK\$10,000	100%	Trading of toys

They are registered as wholly foreign owned enterprises under the PRC law.

* Shenzhen Newway is registered as a Sino-foreign owned joint venture enterprise under the PRC law.

^ Shaoguan Sigma is registered as a Sino-foreign owned joint venture enterprise under the PRC law. Pursuant to the joint venture agreement, the profit/(loss) from Shaoguan Sigma within five years after the date of establishment of Shaoguan Sigma will not be distributed to the PRC investor until the PRC investor further acquire a 3% equity interest in Shaoguan Sigma.



NOTES TO FINANCIAL STATEMENTS

31 MARCH 2005

15. INTERESTS IN ASSOCIATES

	Group	
	2005	2004
	HK\$'000	HK\$'000
Share of net assets/(deficits)	(12,596)	4,658
Negative goodwill on acquisition (<i>Note</i>)	–	(673)
	(12,596)	3,985
Loan to an associate	18,223	18,228
Due from associates	–	191
Due to associates	(658)	–
	4,969	22,404

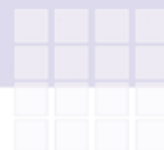
Note:

The amounts of the negative goodwill recognised in the consolidated balance sheet, arising from the acquisition of associates, are as follows:

	Group HK\$'000
Cost:	
At beginning of year and at 31 March 2005	(3,033)
Recognition as income:	
At beginning of year	(2,360)
Recognised as income during the year	(673)
At 31 March 2005	(3,033)
Net book value:	
At 31 March 2005	–
At 31 March 2004	(673)

The loan to an associate, which was granted in proportion to the Group's shareholding in this associate, is unsecured, interest-free and has no fixed terms of repayment. The amounts due from/(to) associates are unsecured, interest-free and are repayable in accordance with normal trading terms.

The table below lists the associates of the Group which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other associates would, in the opinion of the directors, result in particulars of excessive length.



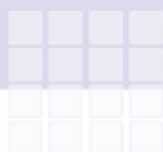
15. INTERESTS IN ASSOCIATES (continued)

Particulars of the Group's principal associates are as follows:

Name	Business structure	Place of incorporation/ registration and operations	Paid-up share/ registered capital	Equity interest attributable to the Group	Principal activities
Success Mode Industries Limited ("Success Mode")	Corporate	Hong Kong/ PRC	Ordinary HK\$1,000,000	49%	Manufacture and trading of metallic parts
Full Summit Development Limited ("Full Summit")	Corporate	Hong Kong	HK\$10,000	50%	Investment holding
Concord Modern International Technology Limited ("CMIT")	Corporate	Hong Kong	Ordinary HK\$10,000	50%	Distribution of recordable compact disc
Shixing Concord Modern Technology Limited	Corporate	PRC	RMB50,000,000	50%	Manufacture and distribution of recordable compact disc

16. DEFERRED DEVELOPMENT COSTS

	Group	
	2005 HK\$'000	2004 HK\$'000
Cost:		
At beginning of year	24,048	20,871
Additions	8,619	8,864
Retirements	(6,752)	(5,687)
At balance sheet date	25,915	24,048
Accumulated amortisation:		
At beginning of year	15,328	12,999
Provided during the year	9,314	8,016
Retirements	(6,752)	(5,687)
At balance sheet date	17,890	15,328
Net book value:		
At balance sheet date	8,025	8,720
At beginning of year	8,720	7,872



NOTES TO FINANCIAL STATEMENTS

31 MARCH 2005

17. INVENTORIES

	Group	
	2005	2004
	HK\$'000	HK\$'000
Raw materials	117,471	101,045
Work in progress	25,384	17,232
Finished goods	20,595	19,037
	<u>163,450</u>	<u>137,314</u>

18. ACCOUNTS RECEIVABLE

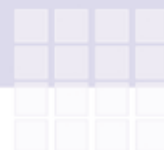
The ageing of the Group's accounts receivable is analysed as follows:

	2005	2004
	HK\$'000	HK\$'000
0 – 30 days	50,738	33,472
31 – 60 days	5,864	12,749
61 – 90 days	8,038	2,742
Over 90 days	4,211	4,634
	<u>68,851</u>	<u>53,597</u>

Trading terms with customers are largely on credit, except for new customers where cash on sale or payment in advance is normally required. Invoices are normally payable within 60 days of issuance, except for certain well-established customers, for whom the credit terms are extended to 90 days.

19. ACCOUNTS AND BILLS PAYABLE, ACCRUED LIABILITIES AND OTHER PAYABLES

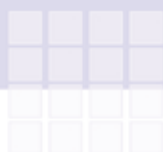
	Group	
	2005	2004
	HK\$'000	HK\$'000
0 – 30 days	29,664	32,562
31 – 60 days	14,593	17,012
61 – 90 days	15,630	4,937
Over 90 days	5,097	10,088
Accounts and bills payable	<u>64,984</u>	<u>64,599</u>
Accrued liabilities and other payables	<u>26,306</u>	<u>28,488</u>
	<u>91,290</u>	<u>93,087</u>



20. INTEREST-BEARING BANK BORROWINGS

	Group	
	2005	2004
	HK\$'000	HK\$'000
Unsecured:		
Bank overdrafts	–	6,704
Bank loans	38,600	25,000
	<hr/>	<hr/>
Total bank borrowings	38,600	31,704
	<hr/>	<hr/>
Bank borrowings repayable:		
Within one year or on demand	22,767	18,371
In the second year	13,333	6,667
In the third to fifth years, inclusive	2,500	6,666
	<hr/>	<hr/>
	38,600	31,704
	<hr/>	<hr/>
Portion classified as current liabilities	(22,767)	(18,371)
	<hr/>	<hr/>
Non-current portion	15,833	13,333
	<hr/>	<hr/>

The Group's banking facilities are supported by corporate guarantees given by the Company and certain subsidiaries of the Company.



NOTES TO FINANCIAL STATEMENTS

31 MARCH 2005

21. DEFERRED TAX

The movements in deferred tax liabilities and assets during the year are as follows:

Deferred tax liabilities

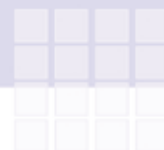
Group

	Accelerated tax depreciation <i>HK\$'000</i>	Revaluation of properties <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 April 2004	16,367	6,104	22,471
Deferred tax credited to equity during the year	–	(1,529)	(1,529)
Deferred tax debited to the profit and loss account during the year (<i>note 8</i>)	1,000	–	1,000
Gross deferred tax liabilities at 31 March 2005	17,367	4,575	21,942

Deferred tax assets

Group

	Losses available for offset against future taxable profit <i>HK\$'000</i>
At 1 April 2004 and gross deferred tax assets at 31 March 2005	(8,630)
Net deferred tax liabilities at 31 March 2005	13,312



21. DEFERRED TAX (continued)

The movements in deferred tax liabilities and assets during the year ended 31 March 2004 are as follows:

Deferred tax liabilities

Group

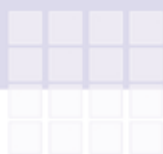
	Accelerated tax depreciation <i>HK\$'000</i>	Revaluation of properties <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 April 2003	14,270	8,987	23,257
Deferred tax credited to equity during the year	–	(2,883)	(2,883)
Deferred tax debited to the profit and loss account during the year (<i>note 8</i>)	2,097	–	2,097
Gross deferred tax liabilities at 31 March 2004	16,367	6,104	22,471

Deferred tax assets

Group

	Losses available for offset against future taxable profit <i>HK\$'000</i>
At 1 April 2003	(6,533)
Deferred tax credited to the profit and loss account during the year (<i>note 8</i>)	(2,097)
Gross deferred tax assets at 31 March 2004	(8,630)
Net deferred tax liabilities at 31 March 2004	13,841

The Group has tax losses arising in Hong Kong of HK\$16,495,000 (2004: HK\$15,919,000) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time.



NOTES TO FINANCIAL STATEMENTS

31 MARCH 2005

21. DEFERRED TAX (continued)

At 31 March 2005, there was no significant unrecognised deferred tax liability (2004: Nil) for taxes that would be payable on the unremitted earnings of certain of the Group's subsidiaries, associates or joint ventures as the Group has no liability to additional tax should such amounts be remitted.

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

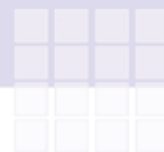
22. SHARE CAPITAL

	2005 HK\$'000	2004 HK\$'000
<i>Authorised:</i>		
1,000,000,000 ordinary shares of HK\$0.10 each	<u>100,000</u>	<u>100,000</u>
<i>Issued and fully paid:</i>		
404,820,000 (2004: 404,820,000) ordinary shares of HK\$0.10 each	<u>40,482</u>	<u>40,482</u>

23. SHARE OPTION SCHEME

On 20 August 2002, the share option scheme of the Company adopted on 8 April 1997 ceased to operate and a new share option scheme (the "New Scheme") was adopted on the same date to comply with the new requirements of Chapter 17 of the Listing Rules regarding share option schemes of a company. The options granted under the old scheme will remain in force and effect for the periods set out below (the "Old Scheme").

The Company operates the New Scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the New Scheme include the Company's directors, including independent non-executive directors, other employees of the Group, suppliers of goods or services to the Group, customers of the Group, any person or entity that provides research, development or other technological support to the Group, the Company's shareholders and any minority shareholder in the Company's subsidiaries. The New Scheme became effective on 20 August 2002 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.



23. SHARE OPTION SCHEME (continued)

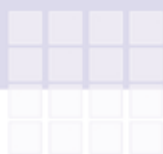
The maximum number of unexercised share options currently permitted to be granted under the New Scheme is an amount equivalent, upon their exercise, to 10% of the shares of the Company in issue at any time. The maximum number of shares issuable under share options to each eligible participant in the Scheme within any 12-month period, is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the price of the Company's shares at the date of grant) in excess of HK\$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

The offer of a grant of share options may be accepted within 28 days from the date of the offer, upon payment of a nominal consideration of HK\$1 in total by the grantee. The exercise period of the share options granted is determinable by the directors, and commences after a certain vesting period and ends on a date which is not later than 10 years from the date of the offer of the share options.

The exercise price of the share options is determinable by the directors, but may not be less than the higher of (i) The Stock Exchange of Hong Kong Limited (the "Stock Exchange") closing price of the Company's shares on the date of the offer of the share options; (ii) the average Stock Exchange closing price of the Company's shares for the five trading days immediately preceding the date of the offer; and (iii) the nominal value of the Company's shares.

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



NOTES TO FINANCIAL STATEMENTS

31 MARCH 2005

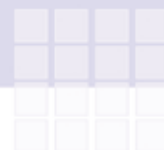
23. SHARE OPTION SCHEME (continued)

The following share options were outstanding under the New Scheme and the Old Scheme during the year:

		Number of share options						
							Exercise price per share HK\$	Price of Company's shares at grant date of options* HK\$
	Date of share options granted	At 1 April 2004	Exercised during the year	Lapsed during the year	At 31 March 2005	Exercise period		
The New Scheme								
Directors								
Cheng Chor Kit	14/11/2003	2,000,000	–	–	2,000,000	14/11/2006-13/11/2013	1.592	1.60
Chui Pak Shing	14/11/2003	422,000	–	–	422,000	14/11/2006-13/11/2013	1.592	1.60
Fan Sau Leung	14/11/2003	392,000	–	–	392,000	14/11/2006-13/11/2013	1.592	1.60
Wong Kin Chung	14/11/2003	312,000	–	–	312,000	14/11/2006-13/11/2013	1.592	1.60
Chan Tak Yin	14/11/2003	726,000	–	(726,000)	–	14/11/2006-13/11/2013	1.592	1.60
Other employees								
In aggregate	14/11/2003	1,200,000	–	(74,000)	1,126,000	14/11/2006-13/11/2013	1.592	1.60
		<u>5,052,000</u>	<u>–</u>	<u>(800,000)</u>	<u>4,252,000</u>			
The Old Scheme								
Other employees								
In aggregate	6/11/1998	<u>1,760,000</u>	<u>–</u>	<u>–</u>	<u>1,760,000</u>	6/11/1998-5/11/2008	0.3032	0.44

* The price of the Company's shares disclosed as at the date of the grant of the share options is the Stock Exchange closing price on the trading day immediately prior to the date of the grant of the options.

At the balance sheet date, the Company had 4,252,000 and 1,760,000 share options outstanding under the New Scheme and the Old Scheme, respectively. The exercise in full of these share options would, under the present capital structure of the Company, result in the issue of 6,012,000 additional ordinary shares of the Company and additional share capital of HK\$601,200 and share premium of HK\$6,702,000 (before issue expenses).



24. RESERVES

(a) Group

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

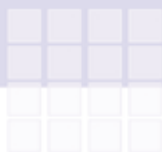
The contributed surplus of the Group represents the difference between the nominal value of the shares of the aggregate share capital of the subsidiaries acquired pursuant to the Group reorganisation on 7 April 1998, over the nominal value of the Company's shares issued in exchange therefor.

(b) Company

	Share premium account <i>HK\$'000</i>	Contributed surplus <i>HK\$'000</i>	Retained profits <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 April 2003	104,441	104,750	19,972	229,163
Net profit for the year	–	–	9,542	9,542
Interim dividend	–	–	(8,096)	(8,096)
Proposed final dividend	–	–	(4,048)	(4,048)
At 31 March 2004				
and at beginning of year	104,441	104,750	17,370	226,561
Net profit for the year	–	–	9,685	9,685
Interim dividend	–	–	(2,024)	(2,024)
Proposed final dividend	–	–	(10,120)	(10,120)
At 31 March 2005	104,441	104,750	14,911	224,102

The contributed surplus of the Company represents the excess of the then combined net assets of the subsidiaries acquired pursuant to the same reorganisation, over the nominal value of the Company's shares issued in exchange therefor.

Under the Companies Act 1981 of Bermuda, the Company's contributed surplus is available for cash distribution and/or distribution in specie under certain circumstances prescribed by Section 54 thereof.



25. MAJOR NON-CASH TRANSACTION

On 16 March 2005, the Group entered into a sales and purchase agreement with an independent third party to dispose certain of its leasehold land and buildings at a consideration of HK\$37,779,000. An amount of HK\$3,778,000, has been received and the remaining balance of HK\$34,001,000 remained unsettled and classified as other receivable as at 31 March 2005. Such amount was subsequently settled in June 2005.

26. RELATED PARTY AND CONNECTED TRANSACTIONS

In addition to the transactions and balances detailed elsewhere in these financial statements, the Group had the following material transactions with related and connected parties during the year:

- (a) At the balance sheet date, a corporate guarantee of HK\$41,000,000 (2004: HK\$35,000,000) was given by the Group in respect of banking facilities granted to Full Summit and CMIT, two associates of the Group, in proportion to its shareholding.
- (b) As detailed in note 15, the Group granted a loan of HK\$18,223,000 (2004: HK\$18,228,000) to an associate in proportion to its shareholding in this associate. This loan is unsecured, interest-free and has no fixed terms of repayment.
- (c) During the year, the Group sold motors of HK\$1,558,000 (2004: HK\$5,095,000) to Gimelli Laboratories Company Limited, of which Chung Chi Ping, Roy, an independent non-executive director of the Company, is a director.

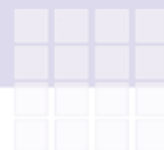
The directors consider that these sales of motors were made according to prices and conditions similar to those offered to other non-related customers of the Group.

- (d) During the year, the Group purchased raw materials of HK\$1,004,000 (2004: HK\$3,594,000) from Success Mode, an associate of the Group.

The directors consider that the purchases of raw materials from Success Mode were made according to prices and conditions similar to those offered by non-related suppliers of the Group.

- (e) During the year, the Group purchased paper cartons of HK\$5,632,000 (2004: HK\$3,563,000) from Lung Sing Paper Products Company Limited, of which Cheng Chor Kit, a director and major shareholder of the Company, has a 50% beneficial interest.

The directors consider that these purchases of paper cartons were made according to prices and conditions similar to those offered by other non-related suppliers of the Group.



27. OPERATING LEASE ARRANGEMENTS

(a) As lessor

At 31 March 2005, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	2005 HK\$'000	2004 HK\$'000
Within one year	1,337	1,292
In the second to fifth years, inclusive	6,089	5,035
After five years	2,922	5,050
	<u>10,348</u>	<u>11,377</u>

(b) As lessee

At 31 March 2005, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2005 HK\$'000	2004 HK\$'000
Within one year	582	263
In the second to fifth years, inclusive	712	742
After five years	444	110
	<u>1,738</u>	<u>1,115</u>

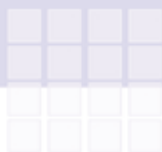
The Company did not have any operating lease arrangements at the balance sheet date (2004: Nil).

28. COMMITMENTS

- (i) At the balance sheet date, the Group had contracted capital commitments in respect of its wholly-owned investments in the PRC amounting to HK\$23,400,000 (2004: HK\$4,717,000).
- (ii) At the balance sheet date, the Group had contracted for capital commitments in respect of acquisition of property, plant and equipment of HK\$8,130,000 (2004: HK\$5,749,000).

The Group did not have any significant authorised, but not contracted for, capital commitments as at the balance sheet date (2004: Nil).

The Company did not have any other significant commitments at the balance sheet date (2004: Nil).



NOTES TO FINANCIAL STATEMENTS

31 MARCH 2005

29. CONTINGENT LIABILITIES

At the balance sheet date, the Company had provided guarantees of HK\$185,585,000 (2004: HK\$147,000,000) and HK\$41,000,000 (2004: HK\$35,000,000) in respect of banking facilities granted to certain of its subsidiaries and associates, of which HK\$38,601,000 (2004: HK\$31,704,000) and HK\$36,697,000 (2004: nil) had been utilised as at the balance sheet date, respectively.

30. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 22 July 2005.