## 1. GENERAL

The Company is an exempted company with limited liability incorporated in Bermuda and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company is an investment holding company. Its subsidiaries are principally engaged in the manufacture and trading of cables and wires, copper rods, connectors and terminals, life-like plants and production, distribution and licensing of television programmes. Its associates are principally engaged in the manufacture of optical fibre cable.

During the period, the Directors resolved to change the financial year end date of the Company and its subsidiaries (the "Group") from 31 March to 30 June, except for Hua Yi Copper Holdings Limited (formerly known as FT Holdings International Limited) and its subsidiaries which were acquired by the Company and changed its financial year end date from 31 December to 30 June, in order to allow the Group to prepare and update its financial results on semi-annual basis as most members of the Group are in the People's Republic of China (the "PRC") having year end date of 31 December. As a result, the consolidated financial statements of the Group for the current period covered the 15 months period ended 30 June 2005 and the comparative period covered the 12 months period ended 31 March 2004, and therefore may be not comparable. No further changes to reporting dates are anticipated.



## 2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS/CHANGES IN ACCOUNTING POLICIES

Hong Kong Institute of Certified Public Accountants issued a number of new or revised Hong Kong Accounting Standards ("HKASs") and Hong Kong Financial Reporting Standards ("HKFRSs") (herein collectively referred to as "new HKFRSs") which are effective for accounting periods beginning on or after 1 January 2005 except for HKFRS 3 "Business Combinations" which is effective for business combinations whose agreement date is on or after 1 January 2005. The Directors resolved to early adopt the following new HKFRSs from 1 April 2004 onwards.

| | |
|---|---|
| HKFRS 3 | Business Combinations |
| HKAS 36 | Impairment of Assets |
| HKAS 38 | Intangible Assets |

In previous years, under Statement of Standard Accounting Practice ("SSAP") 30 "Business Combinations", goodwill was capitalised and amortised on a straight-line basis over its useful economic life and was assessed for impairment whenever there is an indicator for impairment. Negative goodwill was recognised as income on a straight-line basis over the remaining average useful life of the identifiable acquired depreciable assets.

HKFRS 3 prohibits the amortisation of goodwill and requires goodwill to be tested for impairment at least annually and the excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost of acquisition, after reassessment, to be recognised immediately in the income statement. HKFRS 3 prohibits the recognition of negative goodwill.

## 2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS/CHANGES IN ACCOUNTING POLICIES (continued)

HKFRS 3 has been applied to account for the acquisition of FT Holdings International Limited ("FT Holdings", subsequently the name was changed to Hua Yi Copper Holdings Limited ("Hua Yi Copper") pursuant to a special resolution passed on 17 September 2004) as detailed in note 28. The Group had applied the relevant transitional provisions in HKFRS 3. Goodwill previously recognised in reserves continues to be held in reserves and will be transferred to the retained earnings of the Group at the time when the business to which the goodwill relates is disposed of or when a cash-generating unit to which the goodwill relates becomes impaired. The adoption of HKAS 36 and HKAS 38 had no material effect on the results for the current accounting periods.

The Group has commenced considering the potential impact of the new HKFRSs and has so far concluded that the adoption of HKAS 16 "Property, Plant and Equipment", HKAS 17 "Leases", HKAS 31 "Interests in Joint Ventures", HKAS 32 "Financial Instruments: Disclosure and Presentation", HKAS 39 "Financial Instruments: Recognition and Measurement" and HKFRS 2 "Share-based Payment" will have the following effects:



**Property, plant and equipment**

Property, plant and equipment will be stated at cost less accumulated depreciation and impairment, if any. The underlying leasehold land will be stated at cost and amortised over the lease term.

**Interests in jointly controlled entities**

HKAS 31 "Interests in Joint Ventures" permits entities to use either the equity method of accounting or proportionate consolidation to account for its interests in jointly controlled entities.

**Financial instruments**

The Group will classify and measure its financial assets and financial liabilities (which were previously outside the scope of SSAP 24 "Accounting for Investments in Securities") in accordance with the requirements of HKAS 32 and HKAS 39. All derivatives that are within the scope of HKAS 39 are required to be carried at fair value at each balance sheet date regardless of whether they are deemed as held for trading or designated as effective hedging instruments. Under HKAS 39, derivatives are deemed as held-for-trading financial assets or financial liabilities, unless they qualify and are designated as effective hedging instruments.

The Group has entered into certain financial derivatives during the period and will apply the relevant transitional provisions in HKAS 39 with respect to classification and measurement of financial assets and financial liabilities that are within the scope of HKAS 39. For derivatives that are not for hedging purposes, the Group will recognise the corresponding adjustments on changes in fair values in profit or loss for the period in which they arise.

## 2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS/CHANGES IN ACCOUNTING POLICIES (continued)

### Share-based payments

Equity-settled share-based payments in relation to share options granted to employees are measured at fair value at the date of grant.

In accordance with the transitional provisions of HKFRS 2, this standard does not apply to share options granted on or before 7 November 2002. However, for share options granted after 7 November 2002 and vested on or after 1 January 2005, such share options would be accounted for retrospectively in accordance with HKFRS 2.

The Group is in the process of making an assessment of the potential impact of the other new HKFRSs but is not yet in a position to determine the impact of these new HKFRSs on the results of operations and financial position of the Group. These new HKFRSs may result in changes in the future as to how the results and financial position of the Group are prepared and presented.

## 3. SIGNIFICANT ACCOUNTING POLICIES

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



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

### Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to the balance sheet date.

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

### Business combinations

In previous periods, goodwill arising on acquisitions was held in reserves, and will be charged to the income statement at the time of disposal of the relevant subsidiary, associate or jointly controlled entity, or at such time as the goodwill is determined to be impaired.

After 1 January 2005, the acquisition of subsidiaries is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under HKFRS 3 are recognised at their fair values at the acquisition date, except for non-current assets (or disposal groups) that are classified as held for sale in, accordance with HKFRS 5 "Non-Current Assets Held for Sale and Discontinued Operations", which are recognised and measured at fair value less costs to sell.

**3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Business combinations (continued)**

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit or loss.

The interest of minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

**Goodwill**

In previous periods, goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary, associate or jointly controlled entity at the date of acquisition.

After 1 January 2005, goodwill arising on the acquisition of a subsidiary, associate or a jointly controlled entity represents the excess of the cost of acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary, associate or jointly controlled entity recognised at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal of a subsidiary the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

**Revenue recognition**

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

Income from the licensing and sub-licensing of television programme is recognised, upon the delivery of master tapes to customers.

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

Dividend income from investments is recognised when the Group's right to receive payment has been established.

**3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Property, plant and equipment**

Property, plant and equipment, other than leasehold land and buildings, are stated at cost less depreciation, amortisation and accumulated impairment losses.

Leasehold land and buildings are stated in the balance sheet at their revalued amount, being the fair value on the basis of their existing use at the date of revaluation less any subsequent accumulated depreciation and amortisation. Revaluations are performed with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair values at the balance sheet date.

Any revaluation increase arising on revaluation of leasehold land and buildings is credited to the asset revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised as an expense, in which case the revaluation increase is credited to the income statement to the extent of the revaluation decrease previously charged. A decrease in net carrying amount arising on revaluation of an asset is dealt with as an expense to the extent that it exceeds the balance, if any, on the revaluation reserve relating to a previous revaluation of that asset. On the subsequent sale or retirement of a revalued asset, the attributable revaluation surplus is transferred to retained profits.

Properties in the course of construction for production, rental or administrative purposes, or for purposes not yet determined, are carried at cost, less any recognised impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Leasehold land is depreciated on a straight line basis over the term of the relevant lease and buildings are depreciated over the shorter of the term of the lease or fifty years using the straight line method.

Depreciation is provided to write off the cost of other property, plant and equipment over their estimated useful lives, using the reducing balance method, at the following rates per annum:

| | |
|---|---|
| Leasehold improvements | 10% |
| Equipment, furniture and fixtures | 20% |
| Plant and machinery | 6.67% – 20% |
| Motor vehicles | 20% – 30% |

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

The gain or loss arising from disposal or retirement of an asset is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in the income statement.

### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Investments in subsidiaries

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

#### Interests in associates

The consolidated income statement includes the Group's share of the post-acquisition results of its associates for the period. In the consolidated balance sheet, interests in associates are stated at the Group's share of the net assets of the associates, less any identified impairment loss.

#### Impairment of tangible and intangible assets excluding goodwill

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.



Recoverable amount is the higher of fair value less costs to sell 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 the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

#### Interests in jointly controlled entities

Joint venture arrangements which involve the establishment of a separate entity in which each venturer has an unilateral interest are referred to as jointly controlled entities.

The Group's interests in jointly controlled entities are included in the consolidated balance sheet at the Group's share of the net assets of the jointly controlled entities less any identified impairment loss. The Group's share of the post-acquisition results of its jointly controlled entities is included in the consolidated income statement.

**3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Inventories**

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

**Television programmes and sub-licensing rights**

*Television programmes ("TV programmes")*

TV programmes produced by the Group are stated at the lower cost and net realisable value. Costs represent the carrying amount transferred from TV programmes in progress upon completion.

*Sub-licensing rights*

Licence fees paid to acquire the rights for the sub-licensing of TV programmes produced by third parties in specified geographical areas and time periods are accounted for as sub-licensing rights. Upon the lease of these purchased TV programmes, the relevant portion of the licence fees are charged to the income statement on a systematic basis, with reference to the projected revenue and the underlying licence periods.

**Taxation**

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the period. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

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

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in jointly controlled entities, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

**3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Taxation (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 asset to be recovered.

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

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

**Research and development expenditure**

Expenditure on research activities is recognised as an expense in the period in which it is incurred.



An internally-generated intangible asset arising from development expenditure is recognised only if it is anticipated that the development costs incurred on a clearly-defined project will be recovered through future commercial activity. The resultant asset is amortised on a straight-line basis over its useful life.

Where no internally-generated intangible asset can be recognised, development expenditure is recognised as an expense in the period in which it is incurred.

**Leased assets**

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership of the assets concerned to the Group. Assets held under finance leases are capitalised at their fair values at the date of acquisition. The corresponding liability to the lessor, net of interest charges, is included in the balance sheet as a finance lease obligation. Finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are charged to the income statement over the period of the relevant leases so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

All other leases are classified as operating leases and the annual rentals are charged to the income statement on a straight line basis over the relevant lease term.

**Foreign currencies**

Transactions in foreign currencies are initially recorded at the rates of exchange prevailing on the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are re-translated at the rates prevailing on the balance sheet date. Profits and losses arising on exchange are included in net profit or loss for the period.

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Foreign currencies (continued)

On consolidation, the assets and liabilities of the Group's foreign operations are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising, if any, are classified as equity and transferred to the Group's exchange reserve. Such exchange differences are recognised as income or as expenses in the period in which the operation is disposed of.

### Retirement benefits schemes

Payments to defined contribution retirement benefit plans and the Mandatory Provident Fund Scheme are charged as an expense as they fall due.

## 4. TURNOVER

Turnover represents the amounts received and receivable for goods sold to outside customers, net of returns and discounts, during the period.

## 5. SEGMENTAL INFORMATION

### Business segments

For management purposes, the Group is currently organised into four principal operating divisions - manufacture and trading of cables and wires, copper rods, connectors and terminals and life-like plants. The life-like plant is a new principal division following the acquisition of FT Holdings in the current period. These divisions are the bases on which the Group reports its primary segment information.

Segment information about these businesses is presented below.

**For the period 1 April 2004 to 30 June 2005**

| | Cables and wires HK$'000 | Copper rods HK$'000 | Connectors and terminals HK$'000 | Life-like plants HK$'000 | Others HK$'000 | Elimination HK$'000 | Unallocated HK$'000 | Consolidated HK$'000 |
|---|---|---|---|---|---|---|---|---|
| TURNOVER | | | | | | | | |
| External sales | 807,486 | 1,041,881 | 147,708 | 40,710 | 18,503 | – | – | 2,056,288 |
| Inter-segment sales | 11,765 | 191,329 | 679 | – | – | (203,773) | – | – |
| Total sales | 819,251 | 1,233,210 | 148,387 | 40,710 | 18,503 | (203,773) | – | 2,056,288 |
| Inter-segment sales are charged at cost | | | | | | | | |
| RESULT | | | | | | | | |
| Segment result | (30,197) | 40,348 | 13,608 | 2,303 | (20,931) | | | 5,131 |
| Unallocated corporate income | | | | | | | 5,901 | 5,901 |
| Unallocated corporate expenses | | | | | | | (8,338) | (8,338) |
| Profit from operations | | | | | | | | 2,694 |
| Finance costs | | (20,167) | | (146) | (3,312) | | (8,509) | (32,134) |
| Impairment loss recognised in respect of goodwill | | | | (16,212) | | | | (16,212) |
| Share of results of associates | | | | | | | | 289 |
| Loss on disposal of subsidiaries | | | | (7,502) | | | | (7,502) |
| Gain on deemed disposal of a subsidiary | | 1,845 | | | | | | 1,845 |
| Loss before taxation | | | | | | | | (51,020) |
| Taxation | | | | | | | | (10,504) |
| Loss before minority interests | | | | | | | | (61,524) |
| Minority interests | | | | | | | | 389 |
| Loss for the period | | | | | | | | (61,135) |

## 5. SEGMENTAL INFORMATION (continued)

### Business segments (continued)

**At 30 June 2005**

| | Cables and wires *HK$'000* | Copper rods *HK$'000* | Connectors and terminals *HK$'000* | Life like plants *HK$'000* | Others *HK$'000* | Consolidated *HK$'000* |
|---|---|---|---|---|---|---|
| BALANCE SHEET | | | | | | |
| Assets | | | | | | |
| Segment assets | 645,466 | 484,081 | 107,805 | 68,738 | 52,149 | 1,358,239 |
| Interests in associates | | | | | | 9,885 |
| Unallocated corporate assets | | | | | | 87,696 |
| Consolidated total assets | | | | | | 1,455,820 |
| Liabilities | | | | | | |
| Segment liabilities | 81,937 | 304,720 | 16,112 | 20,405 | 24,711 | 447,885 |
| Unallocated corporate liabilities | | | | | | 118,458 |
| Consolidated total liabilities | | | | | | 566,343 |

| | Cables and wires *HK$'000* | Copper rods *HK$'000* | Connectors and terminals *HK$'000* | Life like plants *HK$'000* | Others *HK$'000* | Unallocated *HK$'000* | Consolidated *HK$'000* |
|---|---|---|---|---|---|---|---|
| OTHER INFORMATION | | | | | | | |
| Capital additions | 15,329 | 7,151 | 2,791 | 1,222 | 1,731 | 100 | 28,324 |
| Depreciation and amortisation | 23,160 | 11,257 | 2,849 | 3,183 | 5,136 | 8 | 45,593 |
| Allowance for (reversal of) doubtful debts | 23,716 | (3,825) | – | 14 | 3,586 | – | 23,491 |
| Allowance for inventories | 2,993 | – | – | – | – | – | 2,993 |
| Impairment loss recognised in respect of property, plant and equipment | – | – | – | – | 14,000 | – | 14,000 |

## 5. SEGMENTAL INFORMATION (continued)

### Business segments (continued)

Year ended 31 March 2004

| | Cables and wires *HK$'000* | Copper rods *HK$'000* | Connectors and terminals *HK$'000* | Others *HK$'000* | Elimination *HK$'000* | Consolidated *HK$'000* |
|---|---|---|---|---|---|---|
| TURNOVER | | | | | | |
| External sales | 613,637 | 472,054 | 102,323 | 9,086 | – | 1,197,100 |
| Inter-segment sales | 8,152 | 151,691 | 438 | – | (160,281) | – |
| Total sales | 621,789 | 623,745 | 102,761 | 9,086 | (160,281) | 1,197,100 |
| Inter-segment sales are charged at cost. | | | | | | |
| RESULT | | | | | | |
| Segment result | 1,657 | 28,197 | 9,816 | (4,866) | | 34,804 |
| Unallocated corporate income | | | | | | 3,772 |
| Unallocated corporate expenses | | | | | | (33,039) |
| Profit from operations | | | | | | 5,537 |
| Finance costs | | | | | | (14,798) |
| Share of results of associates | | | | | | (5,726) |
| Impairment loss recognised in respect of goodwill | | | | | | (63,653) |
| Loss before taxation | | | | | | (78,640) |
| Taxation | | | | | | (8,990) |
| Loss before minority interests | | | | | | (87,630) |
| Minority interests | | | | | | 2,445 |
| Loss for the year | | | | | | (85,185) |

### 5. SEGMENTAL INFORMATION (continued)

**Business segments (continued)**

At 31 March 2004

| | Cables and wires HK$'000 | Copper rods HK$'000 | Connectors and terminals HK$'000 | Others HK$'000 | Consolidated HK$'000 |
|---|---|---|---|---|---|
| BALANCE SHEET | | | | | |
| Assets | | | | | |
| Segment assets | 644,403 | 391,100 | 61,537 | 65,545 | 1,162,585 |
| Interests in associates | | | | | 9,596 |
| Unallocated corporate assets | | | | | 97,025 |
| Consolidated total assets | | | | | 1,269,206 |
| Liabilities | | | | | |
| Segment liabilities | 85,580 | 26,937 | 18,660 | 1,222 | 132,399 |
| Unallocated corporate liabilities | | | | | 319,403 |
| Consolidated total liabilities | | | | | 451,802 |

| | Cables and wires HK$'000 | Copper rods HK$'000 | Connectors and terminals HK$'000 | Others HK$'000 | Unallocated HK$'000 | Consolidated HK$'000 |
|---|---|---|---|---|---|---|
| OTHER INFORMATION | | | | | | |
| Capital additions | 10,881 | 7,292 | 2,551 | 47,733 | – | 68,457 |
| Depreciation and amortisation | 23,083 | 8,984 | 1,781 | 4,022 | – | 37,870 |
| Allowance for inventories | 9,601 | – | – | – | – | 9,601 |
| Allowance for doubtful debts | 1,305 | 4,050 | – | – | 27,188 | 32,543 |

## 5. SEGMENTAL INFORMATION (continued)

### Geographical segments

The Group's operations are located in Hong Kong, the PRC, North America, Europe and other Asian regions.

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

| | Turnover by geographical market | |
|---|---|---|
| | **1.4.2004 to 30.6.2005** | 1.4.2003 to 31.3.2004 |
| | ***HK$'000*** | *HK$'000* |
| PRC | **1,501,303** | 773,106 |
| North America | **222,807** | 201,051 |
| Europe | **41,023** | 39,172 |
| Hong Kong | **94,375** | 40,633 |
| Other Asian regions | **196,780** | 143,138 |
| | **2,056,288** | 1,197,100 |



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

| | Carrying amount of segment assets | | Additions to property plant and equipment | |
|---|---|---|---|---|
| | | | **1.4.2004 to** | 1.4.2003 to |
| | **30.6.2005** | 31.3.2004 | **30.6.2005** | 31.3.2004 |
| | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* |
| PRC | **806,900** | 686,032 | **23,623** | 59,097 |
| Hong Kong | **547,161** | 479,311 | **1,849** | 6,783 |
| North America | **35,268** | 42,327 | **61** | 2,551 |
| Other Asian regions | **66,491** | 61,536 | **2,791** | 26 |
| | **1,455,820** | 1,269,206 | **28,324** | 68,457 |

## 6. PROFIT FROM OPERATIONS

| | 1.4.2004 to 30.6.2005 HK$'000 | 1.4.2003 to 31.3.2004 HK$'000 |
|---|---|---|
| Profit from operations has been arrived at after charging: | | |
| Auditors' remuneration | | |
| Current year | **2,158** | 1,496 |
| Underprovision in prior years | **–** | 44 |
| | **2,158** | 1,540 |
| Depreciation and amortisation | | |
| Owned assets | **44,887** | 36,707 |
| Assets held under finance leases | **706** | 1,163 |
| | **45,593** | 37,870 |
| Operating lease rentals in respect of rented premises | **5,725** | 4,392 |
| Staff costs including directors' emoluments | **114,605** | 82,207 |
| Research and development expenditure | **3,579** | 2,435 |
| Exchange loss, net | **250** | 821 |
| Loss on disposal of property, plant and equipment | **108** | – |
| Allowance for inventories | **2,993** | 9,601 |
| Impairment on club membership included in general and administrative expenses | **–** | 600 |
| Impairment on deposit paid for acquisition of investment included in general and administrative expenses | **–** | 3,831 |
| Impairment on property, plant and equipment | **14,000** | – |
| and after crediting: | | |
| Gain on disposal of property, plant and equipment | **–** | 10 |
| Interest on bank deposits | **4,221** | 715 |
| Interest on notes receivables | **4,200** | 3,309 |

## 7. EMOLUMENTS OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

Particulars of the emoluments of the directors and the five highest paid individuals for the period/year were as follows:

| | **1.4.2004 to 30.6.2005** | 1.4.2003 to 31.3.2004 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Directors' fees: | | |
| Executive directors | **–** | – |
| Independent non-executive directors | **298** | 178 |
| Other emoluments to executive directors: | | |
| Salaries and other benefits | **8,256** | 4,958 |
| Performance related incentive payments | **–** | 631 |
| Contributions to retirement benefits schemes | **30** | 24 |
| | **8,584** | 5,791 |



Emoluments of the directors were within the following bands:

| | **Number of directors** | |
|---|---|---|
| | **1.4.2004 to 30.6.2005** | 1.4.2003 to 31.3.2004 |
| Nil - HK$1,000,000 | **4** | 6 |
| HK$1,000,001 - HK$1,500,000 | **–** | 1 |
| HK$1,500,001 - HK$2,000,000 | **1** | – |
| HK$2,000,001 - HK$2,500,000 | **1** | – |
| HK$3,500,001 - HK$4,000,000 | **1** | 1 |

## 7. EMOLUMENTS OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS (continued)

The five highest paid individuals of the Group include three (Year ended 31 March 2004: two) executive directors of the Company, details of whose emoluments are included above. The emoluments of the remaining two (Year ended 31 March 2004: three) individuals for the period from 1 April 2004 to 30 June 2005 were as follows:

| | **1.4.2004 to 30.6.2005** | 1.4.2003 to 31.3.2004 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Salaries and other benefits | **1,795** | 2,314 |
| Performance related incentive payments | **76** | – |
| Contributions to retirement benefits schemes | **125** | 153 |
| | **1,996** | 2,467 |

Emoluments of these individuals were within the following bands:

| | **Number of employees** | |
|---|---|---|
| | **1.4.2004 to 30.6.2005** | 1.4.2003 to 31.3.2004 |
| Nil - HK$1,000,000 | **1** | 2 |
| HK$1,000,001 - HK$1,500,000 | **1** | 1 |

## 8. FINANCE COSTS

| | **1.4.2004 to 30.6.2005** | 1.4.2003 to 31.3.2004 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Interest on bank and other borrowings wholly repayable within five years | **31,749** | 14,097 |
| Interest on finance leases | **385** | 701 |
| | **32,134** | 14,798 |

## 9. TAXATION

| | 1.4.2004 to 30.6.2005 HK$'000 | 1.4.2003 to 31.3.2004 HK$'000 |
|---|---|---|
| Hong Kong Profits Tax | | |
| Current year | – | 400 |
| (Over)underprovision in respect of prior years | **(307)** | 98 |
| Taxation in other jurisdictions | | |
| Current year | **9,152** | 7,773 |
| Overprovision in respect of prior years | **(1,044)** | (32) |
| | **7,801** | 8,239 |
| Deferred taxation *(Note 25)* | | |
| Current year | **2,703** | 51 |
| Attributable to a change in tax rate | – | 700 |
| | **10,504** | 8,990 |

Hong Kong Profits Tax is calculated at 17.5% (Year ended 31 March 2004: 17.5%) of the estimated assessable profit for the period/year.

Pursuant to the approvals obtained from the relevant PRC tax authorities, certain of the Company's PRC subsidiaries are entitled to exemptions from PRC enterprise income tax. Shanghai Chau's Electrical Co., Ltd. ("Shanghai Chau's") and Dongguan Hua Yi Brass Products Co., Ltd. ("Dongguan Hua Yi") are entitled to exemption from enterprise income tax for two years from their first profitable year of operations, followed by a 50% reduction for the next three years. The 50% tax relief expired on 31 December 2003 for both Shanghai Chau's and Dongguan Hua Yi and both companies are subject to PRC enterprise income tax rate of 27% commencing from 1 January 2004.

Taxation in other jurisdictions is calculated at the rates applicable in the respective jurisdictions.

**9. TAXATION (continued)**

The tax charge for the period/year can be reconciled to the loss before taxation per the income statement as follows:

| | 1.4.2004 to 30.6.2005 *HK$'000* | 1.4.2003 to 31.3.2004 *HK$'000* |
|---|---|---|
| Loss before taxation | **(51,020)** | (78,640) |
| Tax at the domestic income tax rate of 27% (31.3.2004: 27%) | **(13,775)** | (21,233) |
| Tax effect of expenses not deductible for tax purpose | **24,389** | 29,383 |
| Tax effect of income not taxable for tax purpose | **(2,651)** | (2,109) |
| Tax effect of tax losses not recognised | **1,815** | 1,051 |
| Utilisation of tax losses previously not recognised | **(3,702)** | – |
| Income tax on concessionary rate | **4,375** | (1,271) |
| (Over)underprovision in respect of prior years | **(1,351)** | 66 |
| Others | **(587)** | 1,146 |
| Effect of different tax rates of subsidiaries operating in other jurisdictions | **2,069** | 1,257 |
| Effect on change in tax rate on opening deferred tax liabilities | **–** | 700 |
| Share of tax effect of associate | **(78)** | – |
| Tax charge for the period/year | **10,504** | 8,990 |

The domestic tax rate of principal subsidiaries in the PRC is used as it is where the operation of the Group is substantially based.

## 10. LOSS PER SHARE

The calculation of the basic loss per share is based on the following data:

| | **1.4.2004 to 30.6.2005** | 1.4.2003 to 31.3.2004 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Results for the period/year and results for the purpose of basic loss per share | **(61,135)** | (85,185) |

| | **Number of shares** | |
|---|---|---|
| | **30.6.2005** | 31.3.2004 |
| Weighted average number of ordinary shares for the purpose of basic loss per share | **320,138,287** | 224,816,029 |

As the exercise of potential ordinary shares in respect of share options would result in a reduction in the loss per share, diluted loss per share for both periods are not presented.

## 11. PROPERTY, PLANT AND EQUIPMENT

| | Construction in progress HK$'000 | Leasehold land and buildings HK$'000 | Leasehold improve-ments HK$'000 | Equipment, furniture and fixtures HK$'000 | Plant and machinery HK$'000 | Motor vehicles HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|---|---|
| THE GROUP | | | | | | | |
| COST OR VALUATION | | | | | | | |
| At 1 April 2004 | – | 230,662 | 17,266 | 62,456 | 331,459 | 16,030 | 657,873 |
| Currency realignment | – | – | (2) | (15) | (25) | – | (42) |
| Additions | 14,944 | 2,284 | 1,066 | 2,838 | 5,363 | 1,829 | 28,324 |
| Acquired on acquisition of subsidiaries | – | 64,340 | – | 2,023 | 8,088 | 172 | 74,623 |
| Disposals | – | – | (4) | (47) | – | (934) | (985) |
| Disposed on disposal of subsidiaries | – | (18,618) | – | (300) | – | – | (18,918) |
| Adjustment on valuation | – | 3,545 | – | – | – | – | 3,545 |
| **At 30 June 2005** | **14,944** | **282,213** | **18,326** | **66,955** | **344,885** | **17,097** | **744,420** |
| Comprising: | | | | | | | |
| At cost | 14,944 | – | 18,326 | 66,955 | 344,885 | 17,097 | 462,207 |
| At valuation – 2005 | – | 282,213 | – | – | – | – | 282,213 |
| | 14,944 | 282,213 | 18,326 | 66,955 | 344,885 | 17,097 | 744,420 |
| DEPRECIATION, AMORTISATION AND IMPAIRMENT | | | | | | | |
| At 1 April 2004 | – | – | 6,267 | 39,768 | 143,984 | 9,139 | 199,158 |
| Currency realignment | – | – | (2) | (10) | (11) | – | (23) |
| Provided for the period | – | 11,845 | 1,728 | 6,798 | 23,204 | 2,018 | 45,593 |
| Impairment loss recognised | – | – | – | – | 14,000 | – | 14,000 |
| Eliminated on disposals | – | – | (3) | (44) | – | (730) | (777) |
| Eliminated on disposal of subsidiaries | – | (322) | – | (146) | – | – | (468) |
| Adjustment on valuation | – | (11,523) | – | – | – | – | (11,523) |
| **At 30 June 2005** | **–** | **–** | **7,990** | **46,366** | **181,177** | **10,427** | **245,960** |
| NET BOOK VALUES | | | | | | | |
| **At 30 June 2005** | **14,944** | **282,213** | **10,336** | **20,589** | **163,708** | **6,670** | **498,460** |
| At 31 March 2004 | – | 230,662 | 10,999 | 22,688 | 187,475 | 6,891 | 458,715 |

**11. PROPERTY, PLANT AND EQUIPMENT (continued)**

The land and buildings of the Group were revalued on 30 June 2005 at their open market value on an existing use basis by LCH (Asia-Pacific) Surveyors Limited and Chung, Chan & Associates, both being independent firms of professional property valuers, as follows:

| | **30.6.2005** | 31.3.2004 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Properties situated in the PRC | | |
| – held under medium term leases | **257,953** | 210,322 |
| – held under long term leases | **13,060** | 12,200 |
| Properties situated in Hong Kong held under medium term leases | **11,200** | 8,140 |
| | **282,213** | 230,662 |



The net surplus arising on revaluation of HK$15,068,000 (31.3.2004: HK$7,708,000) has been credited to the asset revaluation reserve.

If leasehold land and buildings had not been revalued, they would have been included on a historical cost basis at the following amounts:

| | **30.6.2005** | 31.3.2004 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Cost | **247,175** | 244,891 |
| Accumulated depreciation | **(36,556)** | (31,082) |
| Net book value | **210,619** | 213,809 |

At 30 June 2005, the net book value of property, plant and equipment of the Group includes plant and machinery of HK$4,590,000 (31.3.2004: HK$4,609,000) and motor vehicles of HK$226,000 (31.3.2004: HK$1,433,000) in respect of assets held under finance leases.

During the period, continuing operating losses were recorded at a subsidiary which is engaged in the manufacture and trading of chemical products in the PRC. The Directors have estimated the recoverable amount of the relevant plant and machinery employed in the manufacture of chemical products by reference to value-in-use. Based on the discounted future cash flows, the recoverable amount is less than their carrying amount. Accordingly, an impairment loss of HK$14,000,000 has been recognised in the income statement.

## 12. GOODWILL

| | THE GROUP<br>30.6.2005<br>*HK$'000* |
|---|---|
| COST | |
| Arising on acquisition of subsidiaries and at 30 June 2005 | **16,212** |
| IMPAIRMENT | |
| Impairment loss recognised and at 30 June 2005 | **16,212** |
| CARRYING AMOUNT | |
| At 30 June 2005 | – |
| At 31 March 2004 | – |

Goodwill acquired in the business combination as detailed in note 2 is allocated, at acquisition, to the operation of manufacture and trading of life-like plants by the Directors that are expected to benefit from that business combination.

The recoverable amount of the operation are determined from value in use calculations. The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and expected changes to selling prices and direct costs during the period. Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the operation. The growth rates are based on industry growth forecasts. Changes in selling prices and direct costs are based on past practices and expectations of future changes in the market.

The Group prepares cash flow forecasts derived from the most recent financial budgets for the next financial year approved by management and further extrapolated for the next four years based on an estimated steady growth rate of 3%. This rate does not exceed the average long-term growth rate for the relevant markets. The rate used to discount the forecast cash flows is 5%.

However, the estimated cash flow forecasts of the operation prepared by the management indicated that the attributable goodwill amounted to HK$16,212,000 has been fully impaired in the income statement.

## 13. INTERESTS IN SUBSIDIARIES

| | THE COMPANY | |
|---|---|---|
| | **30.6.2005** | 31.3.2004 |
| | ***HK$'000*** | *HK$'000* |
| Unlisted shares, at cost | **151,667** | 151,667 |
| Amounts due from subsidiaries | **1,234,725** | 1,209,808 |
| *Less:* Impairment losses recognised | **(583,009)** | (583,009) |
| | **803,383** | 778,466 |

The amounts due from subsidiaries are unsecured and interest free. In the opinion of the Directors, no repayment will be demanded within the next twelve months. Accordingly, the amounts are classified as non-current assets.



The following list contains only the particulars of the subsidiaries at 30 June 2005 which principally affect the results, assets or liabilities of the Group as the Directors are of the opinion that a full list of all the subsidiaries would be of excessive length.

| **Name of company** | **Place of incorporation or registration/ operation** | **Issued and fully paid share capital or registered capital** | **Proportion of nominal value of issued capital or registered capital held by the Group** | **Principal activities** |
|---|---|---|---|---|
| Brightpower Assets Management Limited | British Virgin Islands | US$1 | 100% | Investment holding |
| Chau's Electrical (BVI) Company Limited | British Virgin Islands/PRC | US$1 | 100% | Property holding |
| Chau's Electrical Company Limited | Hong Kong | HK$1,000 ordinary | 100% | Manufacture and trading of cable and wire products |
| | | HK$500,000 non-voting deferred *(Note 1)* | – | |

## 13. INTERESTS IN SUBSIDIARIES (continued)

| Name of company | Place of incorporation or registration/ operation | Issued and fully paid share capital or registered capital | Proportion of nominal value of issued capital or registered capital held by the Group | Principal activities |
|---|---|---|---|---|
| Chau's Electrical International, Inc. | United States of America | US$20,000 | 100% | Trading |
| Chau's Industrial Investments Limited | British Virgin Islands | US$1,000 | 100% | Investment holding |
| Citigain Industrial Limited | Hong Kong | HK$1,000 | 100% | Investment holding |
| Crown Earth Investments Limited | Hong Kong/ PRC | HK$100 | 100% | Property holding |
| 東莞華藝銅業有限公司 Dongguan Hua Yi Brass Products Co., Ltd. # | PRC | US$9,850,000 *(Note 2)* | 100% | Manufacture and trading of copper products |
| 東莞橋梓周氏電業有限公司 Dongguan Qiaozi Chau's Electrical Co., Ltd. * | PRC | HK$5,000,000 *(Note 3)* | 100% | Manufacture and trading of cable and wire products |
| 東莞聯藝塑膠製品有限公司 Dongguan United Art Plastic Products Limited * | PRC | HK$49,000,000 *(Note 4)* | 100% | Manufacture of life-like Christmas trees |
| 東莞新寶精化有限公司 Dongguan Xin Bao Precision Chemical Co., Ltd. * | PRC | HK$45,000,000 | 85% | Manufacture and trading of chemical products |
| FT China Limited | Hong Kong | HK$2 | 100% | Manufacture of life-like decorative plants |
| FT Far East Limited | Hong Kong | HK$2 | 100% | Trading of life-like decorative plants |

## 13. INTERESTS IN SUBSIDIARIES (continued)

| Name of company | Place of incorporation or registration/ operation | Issued and fully paid share capital or registered capital | Proportion of nominal value of issued capital or registered capital held by the Group | Principal activities |
|---|---|---|---|---|
| FT Multi-Media Limited | British Virgin Islands/PRC | US$10,000 | 60% | Production, acquisition and distribution of television programmes and provision of related multi-media services |
| Gosberton Assets Limited | British Virgin Islands | US$1 | 100% | Holding of trademarks |
| Hua Yi Copper Holdings Limited | Bermuda | HK$111,094,900 | 71.5% | Investment holding |
| Hua Yi Copper Products Company Limited | Hong Kong | HK$5,000,000 | 100% | Manufacture and trading of copper products |
| 昆山周氏電業有限公司 Kunshan Chaus' Electrical Company Limited # | PRC | US$1,170,500 | 100% | Manufacture and trading of cable and wire products |
| 昆山華藝銅業有限公司 Kunshan Hua Yi Copper Products Company Limited # | PRC | US$1,650,000 | 100% | Manufacture and trading of copper products |
| 上海周氏電業有限公司 Shanghai Chau's Electrical Co., Ltd. * | PRC | US$2,500,000 | 65% | Manufacture and trading of cable and wire products |
| Solartech Investments Limited | British Virgin Islands | US$1 | 100% | Investment holding |
| Stocko Electronics Asia Pacific Pte Ltd | Singapore | S$100,000 | 90.5% | Trading in wire harness and connectors |

## 13. INTERESTS IN SUBSIDIARIES (continued)

| Name of company | Place of incorporation or registration/ operation | Issued and fully paid share capital or registered capital | Proportion of nominal value of issued capital or registered capital held by the Group | Principal activities |
|---|---|---|---|---|
| TEM Electronics (M) Sdn. Bhd. | Malaysia | RM500,000 | 100% | Manufacture of wire harness and connectors |
| Wah Yeung Capital Resources Limited | British Virgin Islands | US$1 | 100% | Investment holding |
| Yellowstone Assets Limited | British Virgin Islands | US$1 | 100% | Investment holding |

* *Equity joint venture*
\# *Wholly foreign owned enterprise*

## 13. INTERESTS IN SUBSIDIARIES (continued)

*Notes:*

1. The deferred shares, which are not held by the Group, practically carry no rights to dividends or to receive notice of or to attend or vote at any general meeting of the company or to participate in any distribution on winding up.

2. Prior to January 2004, Dongguan Hua Yi was an equity joint venture with a registered capital of US$9,850,000. The Group has solely contributed all the registered capital of Dongguan Hua Yi. No contribution was made by the PRC joint venture partner and accordingly the Group was entitled to the entire profit or loss of Dongguan Hua Yi. Pursuant to a supplemental agreement dated 5 August 2003, the PRC joint venture partner agreed to surrender its ownership in Dongguan Hua Yi to the Group at no consideration. The transfer has been approved by the PRC relevant authority and Dongguan Hua Yi became a wholly foreign owned enterprise since January 2004.

3. Dongguan Qiaozi Chau's Electrical Co., Ltd. ("Qiaozi Chau's") was established by the Group with an independent Chinese party in the PRC. Under the management agreement with the Chinese party, the Group is responsible for all of the assets and liabilities of the joint venture and is entitled to the net profit derived from its operations after the payment of a fixed amount as management fee to the Chinese party each year.

4. Pursuant to a joint venture agreement dated 8 September 1993 (the "Joint Venture Agreement") entered into between FT China Limited and a party in PRC, FT China Limited held a 75% equity interest in Dongguan United Art Plastic Products Limited ("DUAP").

   On 28 March 1996, the relevant PRC authorities approved the increase of the equity interest held by FT China Limited in DUAP from 75% to 90%, pursuant to an agreement signed between FT China Limited and the PRC joint venture partner on 22 March 1996. Following the approval of this agreement, the PRC joint venture partner is entitled to a 10% share of the assets and liabilities of DUAP.

   Pursuant to the Joint Venture Agreement, the PRC joint venture partner agreed to waive its entitlement to share in the profits and losses of DUAP in return for an annual management fee of HK$55,556. Pursuant to a supplemental agreement to the Joint Venture Agreement, all of the assets of DUAP will be assigned to FT China Limited upon the expiry of the Joint Venture Agreement. Accordingly, all assets, liabilities and the operating results of DUAP are consolidated into these financial statements as if it is a wholly-owned subsidiary of the Group.

5. Except for Chau's Industrial Investments Limited, all the subsidiaries are indirectly held by the Company.

None of the subsidiaries had issued any debt securities at the end of the period.

## 14. INTERESTS IN ASSOCIATES

| | THE GROUP | |
|---|---|---|
| | **30.6.2005** | 31.3.2004 |
| | ***HK$'000*** | *HK$'000* |
| Share of net assets | **9,885** | 9,596 |
| Amount due from an associate | **5,000** | 5,000 |
| *Less:* Impairment losses recognised | **(5,000)** | (5,000) |
| | **9,885** | 9,596 |

The amount due from an associate is unsecured and interest free. In the opinion of the Directors, no repayment will be demanded within the next twelve months. Accordingly, the amount is classified as non-current asset.

The following list contains only the particulars of the associate at 30 June 2005 which principally affects the results of the period or form a substantial portion of the net assets or liabilities of the Group, as the Directors are of the opinion that a full list of all the associates would be of excessive length.

| Name of company | Place of incorporation | Proportion of nominal value of issued capital indirectly held by the Company | Principal activities |
|---|---|---|---|
| 侯馬普天榮盛光纜有限公司 | PRC | 20% | Manufacture and trading of optical fibre cable and related products |

## 15. INTERESTS IN JOINTLY CONTROLLED ENTITIES

| | THE GROUP | |
|---|---|---|
| | **30.6.2005** | 31.3.2004 |
| | ***HK$'000*** | *HK$'000* |
| Share of net assets | **368** | 368 |
| *Less:* Impairment losses recognised | **(368)** | (368) |
| | **–** | – |

Particulars of the Group's jointly controlled entity as at 30 June 2005 is as follows:

| Name of company | Place of incorporation | Proportion of registered capital indirectly held by the Company | Principal activities |
|---|---|---|---|
| 常州柏濤樓宇智能有限公司 Changzhou Bo Tao Lou Yu Zhi Neng Co., Ltd. | PRC | 40% | Manufacture and distribution of computer network parts and components |



## 16. NOTES RECEIVABLE

Pursuant to a sale and purchase agreement entered into between a Company's subsidiary and an independent third party in 2003, the Group had disposed of certain subsidiaries at a total consideration of HK$60,000,000 of which HK$5,000,000 was settled in cash and HK$55,000,000 will be settled by promissory notes. The notes are secured by assets owned by the notes issuer, carry interest at commercial rates and are wholly repayable in 2007.

## 17. INVENTORIES

| | THE GROUP | |
|---|---|---|
| | **30.6.2005** | 31.3.2004 |
| | ***HK$'000*** | *HK$'000* |
| Raw materials | **111,131** | 113,700 |
| Work in progress | **23,250** | 15,020 |
| Finished goods | **170,261** | 100,554 |
| | **304,642** | 229,274 |

All inventories are stated at cost.

## 18. TELEVISION PROGRAMMES AND SUB-LICENSING RIGHTS

| | THE GROUP | |
|---|---|---|
| | **30.6.2005** | 31.3.2004 |
| | ***HK$'000*** | *HK$'000* |
| Television programmes | **386** | – |
| Sub-licensing rights | **577** | – |
| | **963** | – |

## 19. DEBTORS, DEPOSITS AND PREPAYMENTS

Included in the Group's debtors, deposits and prepayments were trade debtors of HK$282,918,000 (31.3.2004: HK$269,426,000). The Group allows an average credit period of 45 days to its trade customers.

The aging analysis of trade debtors is as follows:



| | THE GROUP | |
|---|---|---|
| | **30.6.2005** | 31.3.2004 |
| | ***HK$'000*** | *HK$'000* |
| Within 30 days | **164,035** | 134,510 |
| 31 – 60 days | **63,875** | 69,655 |
| 61 – 90 days | **32,444** | 27,706 |
| Over 90 days | **22,564** | 37,555 |
| | **282,918** | 269,426 |

## 20. BILLS RECEIVABLE

The aging analysis of bills receivable as at 30 June 2005 and 31 March 2004 is within 90 days.

## 21. CREDITORS AND ACCRUED CHARGES

Included in the Group's creditors and accrued charges were trade creditors of HK$95,752,000 (31.3.2004: HK$81,445,000).

The aging analysis of trade creditors is as follows:

| | THE GROUP | |
|---|---|---|
| | **30.6.2005** | 31.3.2004 |
| | ***HK$'000*** | *HK$'000* |
| Within 30 days | **51,338** | 45,146 |
| 31 - 60 days | **27,522** | 26,713 |
| 61 - 90 days | **14,665** | 7,801 |
| Over 90 days | **2,227** | 1,785 |
| | **95,752** | 81,445 |

## 22. BILLS PAYABLE

The aging analysis of bills payable at 30 June 2005 and 31 March 2004 in within 90 days.

## 23. OBLIGATIONS UNDER FINANCE LEASES

| | THE GROUP | | | |
|---|---|---|---|---|
| | Minimum lease payments | | Present value of minimum lease payments | |
| | **30.6.2005** | 31.3.2004 | **30.6.2005** | 31.3.2004 |
| | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* |
| Amounts payable under finance leases | | | | |
| Within one year | **2,386** | 3,249 | **2,144** | 1,786 |
| In the second to fifth year inclusive | **2,274** | 1,036 | **2,060** | 2,087 |
| | **4,660** | 4,285 | | |
| *Less:* Future finance charges | **(456)** | (412) | | |
| Present value of lease obligations | **4,204** | 3,873 | **4,204** | 3,873 |
| *Less:* Amount due within one year | | | **(2,144)** | (1,786) |
| Amount due after one year | | | **2,060** | 2,087 |

It is the Group's policy to lease certain of its plant and machinery and motor vehicles under finance leases. The average lease term is 4 years. For the period from 1 April 2004 to 30 June 2005, the average effective borrowing rate was 6.1% (Year ended 31 March 2004: 5.4%) per annum. Interest rates were fixed at the contract date. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

The Group's obligations under finance leases are secured by the lessor's charge over the leased assets.

## 24. BORROWINGS

| | THE GROUP | |
|---|---|---|
| | **30.6.2005** | 31.3.2004 |
| | ***HK$'000*** | *HK$'000* |
| Borrowings are analysed as follows: | | |
| Bank overdrafts | **1,315** | 175 |
| Bank loans | **81,168** | 101,118 |
| Trust receipt loans | **234,500** | 135,074 |
| Invoice financing loans | **36,083** | 55,201 |
| Other loans *(Note)* | **14,279** | – |
| | **367,345** | 291,568 |
| Secured | **227,920** | 175,542 |
| Unsecured | **139,425** | 116,026 |
| | **367,345** | 291,568 |

*Note:* Other loans bear interest at commercial rates.

All the above borrowings are repayable on demand or within one year.

## 25. DEFERRED TAXATION

The followings are the major deferred tax (assets) liabilities recognised by the Group and movements thereon during the current and prior reporting periods:

| | Accelerated tax depreciation HK$'000 | Tax losses HK$'000 | Allowance for doubtful debts HK$'000 | Allowance for inventories HK$'000 | Others HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|---|
| THE GROUP | | | | | | |
| At 1 April 2003 | 9,542 | (1) | (1,418) | – | – | 8,123 |
| Exchange difference | (1) | – | – | – | – | (1) |
| Charge (credit) to income statement for the year | 2,382 | (522) | 827 | (2,636) | – | 51 |
| Charge to equity for the year | 1,557 | – | – | – | – | 1,557 |
| Effect of change in tax rate | | | | | | |
| – charge (credit) to income statement | 709 | – | (9) | – | – | 700 |
| – charge to equity | 13 | – | – | – | – | 13 |
| At 31 March 2004 | 14,202 | (523) | (600) | (2,636) | – | 10,443 |
| Exchange difference | (1) | – | – | – | – | (1) |
| Charge (credit) to income statement for the period | 6,163 | (4,380) | 426 | 780 | (286) | 2,703 |
| Charge to equity for the period | 1,702 | – | – | – | – | 1,702 |
| **At 30 June 2005** | **22,066** | **(4,903)** | **(174)** | **(1,856)** | **(286)** | **14,847** |

For the purpose of balance sheet presentation, the above deferred tax assets and liabilities have been offset in accordance with the conditions set out in SSAP 12 (Revised).

| | THE GROUP 30.6.2005 HK$'000 | THE GROUP 31.3.2004 HK$'000 |
|---|---|---|
| Deferred tax liabilities | **14,867** | 11,809 |
| Deferred tax assets | **(20)** | (1,366) |
| | **14,847** | 10,443 |

**25. DEFERRED TAXATION (continued)**

At 30 June 2005, the Group has unused tax losses of HK$72,742,000 (31.3.2004: HK$9,500,000) available for offset against future profits. A deferred tax asset has been recognised in respect of HK$28,844,000 (31.3.2004: HK$2,988,000) of such tax losses. No deferred tax asset has been recognised in respect of the remaining tax losses due to the unpredictability of future profit streams. The tax losses of HK$62,878,000 may be carried forward indefinitely and the remaining of HK$9,864,000 can be carried forward for a maximum of five years.

The Company has unused tax losses of HK$1,000,000 (31.3.2004: HK$1,000,000) at 30 June 2005. No deferred tax asset has been recognised due to the unpredictability of future profit streams.

**26. SHARE CAPITAL**

| | Number of shares | | Share capital | |
|---|---|---|---|---|
| | **30.6.2005** | 31.3.2004 | **30.6.2005** | 31.3.2004 |
| | ***'000*** | *'000* | ***HK$'000*** | *HK$'000* |
| Ordinary shares of HK$0.01 each | | | | |
| Authorised | **30,000,000** | 30,000,000 | **300,000** | 300,000 |
| Issued and fully paid | | | | |
| At beginning of the period/year | **272,974** | 189,584 | **2,730** | 1,896 |
| Placements of new shares | **119,390** | 83,390 | **1,194** | 834 |
| At end of the period/year | **392,364** | 272,974 | **3,924** | 2,730 |

During the period, pursuant to two subscription agreements entered into between the Company and Chau's Family 1996 Limited, 54,000,000 ordinary shares of HK$0.01 each and 65,390,000 ordinary shares of HK$0.01 each in the Company were issued at a price of HK$0.27 per share and HK$0.28 per share respectively. All the new shares issued rank pari passu in all respects with the then existing shares. Details of these transactions were set out in the Company's announcements dated 17 June 2004 and 24 May 2005 respectively.

## 27. RESERVES

| | Share premium HK$'000 | Contributed surplus HK$'000 | Accumulated losses HK$'000 | Total HK$'000 |
|---|---|---|---|---|
| THE COMPANY | | | | |
| At 1 April 2003 | – | 738,558 | (4,425) | 734,133 |
| Placement of new shares | 43,136 | – | – | 43,136 |
| Expenses incurred in relation to the placement of new shares | (965) | – | – | (965) |
| Loss for the year | – | – | (878) | (878) |
| At 31 March 2004 | 42,171 | 738,558 | (5,303) | 775,426 |
| Placement of new shares *(Note 26)* | 31,695 | – | – | 31,695 |
| Expenses incurred in relation to the placement of new shares | (2,613) | – | – | (2,613) |
| Loss for the period | – | – | (5,085) | (5,085) |
| **At 30 June 2005** | **71,253** | **738,558** | **(10,388)** | **799,423** |



The contributed surplus of the Company represents:

(i) the difference between the consolidated shareholders' funds of subsidiaries at the date on which the group reorganisation became effective and the nominal amount of the share capital of the Company issued under the group reorganisation in 1996; and

(ii) the net balance after setting off accumulated losses of the Company as at 1 April 2002 from reduced share capital and cancelled share premium of the Company in accordance with the Company's capital reorganisation in September 2002.

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

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

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

In the opinion of the Directors, the Company's reserves available for distribution to shareholders as at 30 June 2005 amounted to HK$728,170,000 (31.3.2004: HK$733,255,000).

## 28. ACQUISITION OF SUBSIDIARIES

In August 2004, the Company subscribed for 8,000,000,000 ordinary shares of HK$0.01 each of FT Holdings. The consideration was satisfied by injection for the Group's interest in certain companies (the "Copper Group") and plant and machinery and land and buildings engaging in manufacture and trading of copper rods and related products. Immediately after the completion of the transaction, the Group's interest in FT Holdings was 75.5%. In order to maintain the sufficiency of public float of FT Holdings, the Company disposed of 57,562,500 shares of FT Holdings to third parties at a consideration of HK$2,307,000, resulting in a gain on disposal of HK$797,000 which has been included in other operating income.

The effect of acquisition of FT Holdings and its subsidiaries is summarised as follows:

| | **Acquiree's carrying amount before combination** | **Fair value adjustments** | **Fair value** |
|---|---|---|---|
| | *HK$'000* | *HK$'000* | *HK$'000* |
| NET ASSETS ACQUIRED | | | |
| Property, plant and equipment | 74,623 | – | 74,623 |
| Television programmes and sub-licensing rights | 3,509 | – | 3,509 |
| Inventories | 18,363 | (200) | 18,163 |
| Debtors, deposits and prepayments | 8,328 | – | 8,328 |
| Pledged deposits | 5,000 | – | 5,000 |
| Bank balances and cash | 41,546 | – | 41,546 |
| Creditors and accrued charges | (19,780) | – | (19,780) |
| Bills payable | (7,769) | – | (7,769) |
| Taxation | (460) | – | (460) |
| Obligations under finance leases | (309) | – | (309) |
| Borrowings | (14,472) | – | (14,472) |
| | 108,579 | (200) | 108,379 |
| Goodwill | | | 16,212 |
| Minority interests | | | (26,553) |
| Total consideration | | | 98,038 |
| Satisfied by: | | | |
| Disposal of 24.5% interests in the Copper Group | | | 47,900 |
| Cash paid for expenses related to acquisition | | | 36,904 |
| Expenses payable related to acquisition | | | 13,234 |
| Total consideration | | | 98,038 |
| Net cash inflow arising on acquisition: | | | |
| Cash paid for expenses related to acquisition | | | (36,904) |
| Bank balances and cash acquired | | | 41,546 |
| Net inflow of cash and cash equivalents in respect of the acquisition | | | 4,642 |

**28. ACQUISITION OF SUBSIDIARIES (continued)**

The goodwill arising on acquisition is attributable to the anticipated profitability of the distribution of the Group's life-like plants in the new markets.

The subsidiaries acquired during the period contributed HK$42,964,000 to the Group's turnover and HK$26,000 to the Group's profit from operation after the acquisition.

If the acquisition had been completed on 1 April 2004, the Group's turnover for the period and loss for the period would have been HK$2,079,000,000 and HK$79,763,000 respectively. The financial information is for illustrative purposes only and is not necessarily an indicative revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 April 2004, nor is it intended to be a projection of future results.

**29. DISPOSAL OF SUBSIDIARIES**

In April 2005, the Group disposed of its entire equity interests in FT Holdings Limited and FT Properties Limited. The net assets of these subsidiaries at the date of disposal were as follows:



| | *HK$'000* |
|---|---|
| NET ASSETS DISPOSED OF | |
| Property, plant and equipment | 18,450 |
| Debtors, deposits and prepayments | 70 |
| Bank balances and cash | 15 |
| Accrued charges | (10) |
| Taxation | (23) |
| | 18,502 |
| Loss on disposal | (7,502) |
| Total consideration | 11,000 |
| SATISFIED BY | |
| Cash consideration | 11,000 |
| Net cash inflow arising on disposal: | |
| Cash consideration | 11,000 |
| Bank balances and cash disposed of | (15) |
| Net inflow of cash and cash equivalents in respect of the disposal of subsidiaries | 10,985 |

The subsidiaries disposed of in the current period did not have any significant impact on the Group's cash flows or operating results.

## 30. DEEMED DISPOSAL OF A SUBSIDIARY

During the period, a subsidiary of the Company, Skywalk entered into agreements to place and subscribe for new shares in Hua Yi Copper. Pursuant to the agreements, Skywalk has agreed to place 25,912,000 ordinary shares of HK$0.2 each in Hua Yi Copper at a price of HK$0.93 per share and to subscribe for 25,912,000 new ordinary shares of Hua Yi Copper at a price of HK$0.93 per share. Accordingly, the Group's interest in Hua Yi Copper has been diluted from 74.99% to 71.49%, resulting in a gain on deemed disposal of HK$1,845,000.

## 31. MAJOR NON-CASH TRANSACTIONS

During the period, the Group entered into finance leases in respect of assets with a total capital value at the inception of the leases amounted to HK$2,882,000 (Year ended 31 March 2004: HK$2,439,000).

## 32. CAPITAL COMMITMENTS

| | THE GROUP | |
|---|---|---|
| | **30.6.2005** | 31.3.2004 |
| | ***HK$'000*** | *HK$'000* |
| Capital expenditure contracted for but not provided in the financial statements in respect of acquisition of: | | |
| Land use right | **–** | 10,287 |
| Leasehold improvements | **18,561** | 224 |
| Equipment, furniture and fixtures | **–** | – |
| Plant and machinery | **9,266** | 619 |
| | **27,827** | 11,130 |

At 30 June 2005, a subsidiary of the Company was committed to invest HK$60,676,000 (31.3.2004: HK$70,110,000) for the injection of registered capital of two subsidiaries within two years.

The Company did not have any capital commitment as at 30 June 2005 and 31 March 2004.

## 33. LEASE COMMITMENTS

### The Group as lessee

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

| | THE GROUP | |
|---|---|---|
| | **30.6.2005** | 31.3.2004 |
| | ***HK$'000*** | *HK$'000* |
| Within one year | **5,098** | 3,841 |
| In the second to fifth year inclusive | **3,467** | 5,756 |
| | **8,565** | 9,597 |

Leases are negotiated for an average term of three years and rentals are fixed for an average of three years.



The Company did not have any operating lease commitment as at 30 June 2005 and 31 March 2004.

## 34. CONTINGENT LIABILITIES

At 30 June 2005, the Company has given guarantees to the extent of HK$329,945,000 (31.3.2004: HK$389,718,000) to bankers to secure general banking facilities granted to certain subsidiaries, of which, HK$207,030,000 (31.3.2004: HK$229,890,000) was utilised. In addition, the Company has given guarantees to a financial institution amounting to HK$38,950,000 (31.3.2004: Nil) in respect of commodity trading of copper by certain subsidiaries. A subsidiary of the Company has also given guarantees to banks in respect of bills of exchange discounted with recourse amounted to HK$9,066,000 (31.3.2004: HK$2,295,000).

## 35. PLEDGE OF ASSETS

At 30 June 2005, the Group has pledged certain of its assets with a net book value of HK$212,263,000 (31.3.2004: HK$181,991,000) to secure general banking facilities granted to the Group. The net book value of these assets are analysed as follows:

| | THE GROUP | |
|---|---|---|
| | **30.6.2005** | 31.3.2004 |
| | ***HK$'000*** | *HK$'000* |
| Property, plant and equipment | **150,754** | 142,410 |
| Fixed bank deposits | **48,331** | 23,107 |
| Trade debtors | **13,178** | 16,474 |
| | **212,263** | 181,991 |



## 36. SHARE OPTION SCHEMES

### The Company

The Company's old share option scheme adopted in 1996 (the "Old Share Option Scheme") was terminated in September 2002 and no further options will be granted thereunder but in all other respects, the provisions of the scheme should remain in force and all outstanding share options granted prior to such termination continue to be valid and exercisable in accordance therewith.

The Company's new share option scheme was adopted pursuant to a resolution passed on 16 September 2002 (the "New Share Option Scheme") for the primary purpose of providing incentives to directors and eligible employees, and will expire on 15 September 2012. Under the New Share Option Scheme, the Board of Directors of the Company may grant options to eligible employees, including directors, of the Company and any of its subsidiaries, associates and jointly controlled entities to subscribe for shares in the Company. Additionally, the Company may, from time to time, grant share options to outside third parties with a view to maintain business relationship with such persons.

The total number of shares in respect of which options may be granted under the New Share Option Scheme is not permitted to exceed 10% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. The total number of shares in respect of which options may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. Options granted to substantial shareholders or independent non-executive directors in excess of 0.1% of the Company's share capital or with a value in excess of HK$5,000,000 must be approved in advance by the Company's shareholders.

## 36. SHARE OPTION SCHEMES (continued)

Options granted must be taken up within 28 days of the date of grant together with a payment of HK$1 as consideration of grant. Options may be exercised at any time from the date of grant to the tenth anniversary of the date of the grant. The exercise price is determined by the directors of the Company, will not be less than the higher of the closing price of the Company's shares on the date of grant, the average closing price of the shares for the five trading days immediately preceding the date of grant, and the nominal value of a share.

The following table discloses movements in the Company's New Share Option Scheme during the period:

| | | | | Number of share options | | |
|---|---|---|---|---|---|---|
| Capacity | Date of grant | Exercisable period | Exercise price | Outstanding at 1.4.2004 | Granted during the period | Outstanding at 30.6.2005 |
| | | | *HK$* | | | |
| Others | 6 May 2005 | 26 May 2005 to 25 May 2008 | 0.32 | – | 18,950,000 | 18,950,000 |

No options were granted under the New Share Option Scheme in the prior year. Total consideration received during the period for taking up the options granted amounted to HK$2 (Year ended 31 March 2004: Nil).

**36. SHARE OPTION SCHEMES (continued)**

The following table discloses movements in the Company's Old Share Option Scheme during the prior year:

| Capacity | Date of grant | Vesting period | Exercisable period | Exercise price HK$ | Number of share options: Outstanding at 1.4.2003 | Lapsed during the year | Outstanding at 31.3.2004 |
|---|---|---|---|---|---|---|---|
| Directors | 5 October 2000 | 6 months | 5 April 2001 to 4 April 2003 | 1.50 | 2,850,000 | (2,850,000) | – |
| Employees | 5 October 2000 | 6 months | 5 April 2001 to 4 April 2003 | 1.50 | 1,680,000 | (1,680,000) | – |
| Employees | 13 August 2001 | 6 months | 13 February 2002 to 12 February 2004 | 1.00 | 2,850,000 | (2,850,000) | – |
| | | | | | 4,530,000 | (4,530,000) | – |
| Total | | | | | 7,380,000 | (7,380,000) | – |

The financial impact of share options granted 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 recognised in the income statement in respect of the value of options granted. Upon the exercise of the 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 lapse or are cancelled prior to their exercise date are deleted from the register of outstanding options.

**36. SHARE OPTION SCHEMES (continued)**

**Hua Yi Copper**

On 4 December 2003, Hua Yi Copper adopted a new share option scheme (the "Hua Yi New Share Option Scheme") which replaced its old share option scheme adopted in 1996 (the "Hua Yi Old Share Option Scheme"). The Hua Yi Old Share Option Scheme will remain in force until it expires on 2 January 2007.

Under the Hua Yi New Share Option Scheme, the directors may, at their discretion, grant to full-time employees and executive directors of Hua Yi Copper and its subsidiaries, the right to take up options to subscribe for shares of Hua Yi Copper. Additionally, Hua Yi Copper may, from time to time, grant share options to outside third parties for services provided to Hua Yi Copper. The Hua Yi New Share Option Scheme, unless otherwise cancelled or amended, will expire on 3 December 2013. The subscription price of options is subject to a minimum which is the higher of the nominal value of a share, the closing price of the shares on the Stock Exchange on the date of grant and the average of the closing prices of the shares on the Stock Exchange on the five trading days immediately preceding the grant date of the options.



The maximum number of unexercised share options permitted to be granted under the Hua Yi New Share Option Scheme must not exceed 10% of the shares of Hua Yi Copper in issue at any time. No option may be granted to any person which, if exercised in full, would result in the total number of shares already issued and issuable to him under the Hua Yi New Share Option Scheme exceeding 30% of the aggregate number of shares subject to the Hua Yi New Share Option Scheme, at the time it is proposed to grant the relevant option to such person.

The acceptance of an option, if accepted, must be made within 21 days from the date of the offer of the grant with a non-refundable payment of HK$1 from the grantee to Hua Yi Copper.

The total number of shares issued and to be issued upon exercise of options granted to each participant (including exercised, cancelled and outstanding options) in 12-month period must not exceed 1% of the shares in issue from time to time unless the same is approved by the shareholders.

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

## 36. SHARE OPTION SCHEMES (continued)

The following table discloses movements in Hua Yi New Share Option Scheme during the period:

| Capacity | Date of grant | Exercisable period | Exercise price HK$ | Number of share options: Outstanding at 1.4.2004 | Number of share options: Granted during the period | Number of share options: Outstanding at 30.6.2005 | Number of share options exercisable for the period: 1.4.2005 to 31.3.2006 | Number of share options exercisable for the period: 1.4.2006 to 31.3.2007 | Number of share options exercisable for the period: 1.4.2007 to 31.3.2008 |
|---|---|---|---|---|---|---|---|---|---|
| Employees | 1 April 2005 | 1 April 2005 to 31 March 2008 | 0.87 | – | 1,600,000 | 1,600,000 | 1,200,000 | 1,400,000 | 1,600,000 |
| Employees | 1 April 2005 | 1 April 2005 to 31 March 2007 | 0.87 | – | 1,500,000 | 1,500,000 | 750,000 | 1,500,000 | 1,500,000 |
| Others | 1 April 2005 | 1 April 2005 to 31 March 2008 | 0.87 | – | 9,856,000 | 9,856,000 | 9,856,000 | 9,856,000 | 9,856,000 |
| Total | | | | – | 12,956,000 | 12,956,000 | 11,806,000 | 12,756,000 | 12,956,000 |

No options were granted under the Hua Yi New Share Option Scheme in the prior year. Total consideration received during the period for taking up the options granted amounted to HK$10 (Year ended 31 March 2004: Nil).

## 36. SHARE OPTION SCHEMES (continued)

The following table discloses movements in the Hua Yi Old Share Option Scheme during the current period and prior year:

**For the period 1 April 2004 to 30 June 2005**

| Capacity | Date of grant | Exercisable period | Exercise price HK$ | Number of share options: Outstanding at 1.4.2004 | Lapsed during the period | Adjustment during the period (Note) | Outstanding at 30.6.2005 |
|---|---|---|---|---|---|---|---|
| Employees | 7 March 1997 | 7 March 1997 to 6 March 2007 | 0.7056 | 9,500,000 | (5,500,000) | (4,000,000) | – |
| | | | 14.1120 | – | – | 200,000 | 200,000 |
| Total | | | | 9,500,000 | (5,500,000) | (3,800,000) | 200,000 |



For the year ended 31 December 2003

| Capacity | Date of grant | Exercisable period | Exercise price HK$ | Number of share options: Outstanding at 1.4.2003 | Lapsed during the year | Reclassified during the year | Outstanding at 31.12.2003 |
|---|---|---|---|---|---|---|---|
| Directors | 7 March 1997 | 7 March 1997 to 6 March 2007 | 0.7056 | 8,000,000 | (4,000,000) | (4,000,000) | – |
| Employees | 7 March 1997 | 7 March 1997 to 6 March 2007 | 0.7056 | 6,000,000 | (500,000) | 4,000,000 | 9,500,000 |
| Total | | | | 14,000,000 | (4,500,000) | – | 9,500,000 |

*Note:* Hua Yi Copper undertook a share consolidation on 30 December 2004. The then outstanding number of share options and their subscription prices had been adjusted accordingly.

## 37. RETIREMENT BENEFITS SCHEME

The Group operates a Mandatory Provident Fund Scheme ("MPF Scheme") for all qualifying employees in Hong Kong. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of trustees.

Pursuant to the PRC Government regulations, the Group is required to contribute to a central pension scheme in respect of certain of the Group's employees in the PRC based on 10% to 24.5% of the salaries of those employees and there is no forfeited contributions under the central pension scheme.

The retirement benefits cost charged to income statement represents contributions payable to the schemes by the Group at rates specified in the rules of the schemes.

During the period, the Group made retirement benefits schemes contributions of HK$4,380,000 (Year ended 31 March 2004: HK$2,942,000).

## 38. RELATED PARTY TRANSACTION

A director of the Group has provided personal guarantee to the extent of HK$16,000,000 (31.3.2004: HK$16,000,000) to banks for credit facilities granted to certain subsidiaries of the Company.

## 39. POST BALANCE SHEET EVENTS

(i) On 4 July 2005, Skywalk entered into agreements to place and subscribe for new shares in Hua Yi Copper. Pursuant to the agreements, Skywalk has agreed to place 111,000,000 ordinary shares of HK$0.2 each in Hua Yi Copper to independent investors at a price of HK$0.88 per share and to subscribe for 111,000,000 new ordinary shares of HK$0.2 each in Hua Yi Copper at a price of HK$0.88 per share. The net proceeds from the placement of shares amounted to approximately HK$92.7 million and the Group's interest in Hua Yi Copper has been diluted from 71.5% to 59.6%.

(ii) On 8 September 2005, the Group entered into an agreement with Fujian Zijin Investment Co., Ltd. and Minxi Xinghang State-owned Assets Investment Co., Ltd. under which the parties have agreed to jointly establish a limited liability joint venture company ("JV") in Fujian Province, the PRC to mainly engage in copper pipes production and sales in Shanghang, Fujian. Pursuant to the agreement, the proposed registered capital of the JV is RMB40.5 million, of which RMB18.2 million, representing a 45% equity interest in the JV, will be contributed by the Group in cash.