MIA **Mascotte Holdings Limited**

(Incorporated in Bermuda with limited liability)

(Stock Code: 136)

Annual Report 2006

CONTENTS

CORPORATE INFORMATION

DIRECTORS

Executive Directors
Chan Oi Ling, Maria Olimpia *(Chairperson)*
Lam Yu Ho, Daniel *(Managing Director)*
Cheng Lok Hing
Cheng Chun Kit
Ji Hong

Independent Non-Executive Directors
Wong Yui Leung, Larry
Lui Wan Shan, Wilson
Cheung Ngai Lam

COMPANY SECRETARY

Au Kin Fai, Alfred

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

1st Floor, Po Chai Industrial Building
28 Wong Chuk Hang Road
Aberdeen
Hong Kong

WEBSITE ADDRESS

www.mascotte.com

PRINCIPAL BANKERS

Standard Chartered Bank
Bank of China (Hong Kong) Limited
The Hongkong and Shanghai Banking
Corporation Limited
The Bank of East Asia Limited, Guang Zhou Branch
DBS Bank (Hong Kong) Limited

AUDITORS

Deloitte Touche Tohmatsu

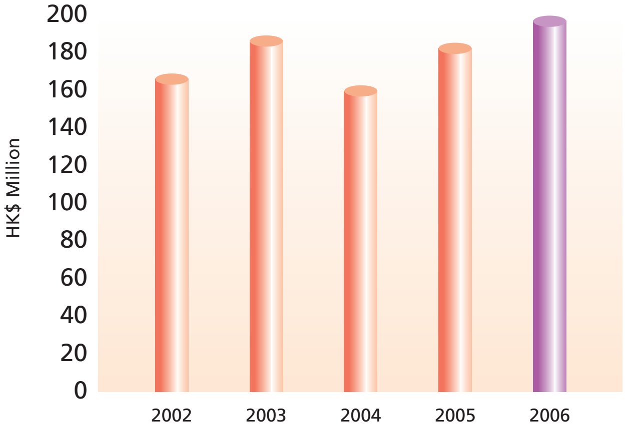
SHARE REGISTRARS

Bermuda
Butterfield Corporate Services Limited
Rosebank Centre
11 Bermudiana Road
Pembroke
Bermuda

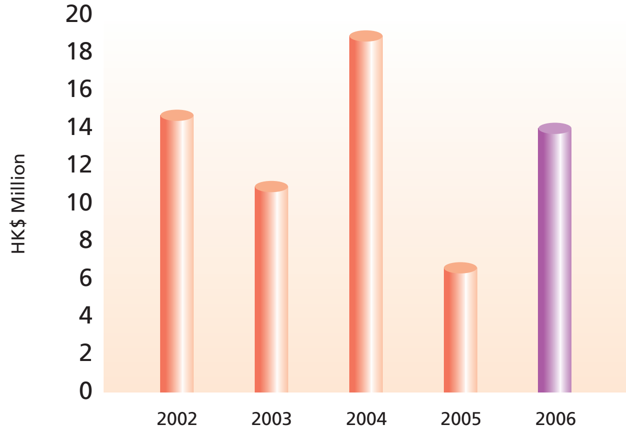
Hong Kong
Secretaries Limited
26th Floor, Tesbury Centre
28 Queen's Road East
Wanchai
Hong Kong

FINANCIAL HIGHLIGHTS

TURNOVER

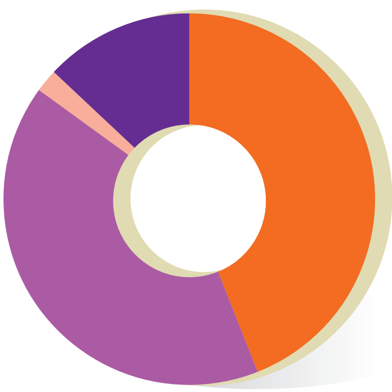


NET PROFIT



TURNOVER BY PRODUCT/ACTIVITY

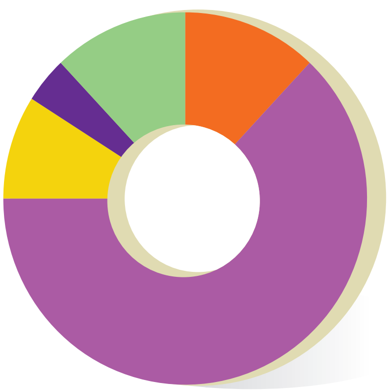
(Year ended 31st March, 2006)



Accessories for multimedia products	44%
Accessories for photographic products	41%
Accessories for electrical products	13%
Rental income from investment properties	2%

TURNOVER BY GEOGRAPHICAL AREAS

(Year ended 31st March, 2006)



United States of America	12%
Europe	63%
Hong Kong	9%
Elsewhere in the People's Republic of China	4%
Others	12%

CHAIRMAN'S STATEMENT

FINANCIAL RESULTS

For the year ended 31st March, 2006, the Group achieved a turnover of approximately HK$209.4 million, representing an increase of 14.6% when compared with previous corresponding year.

Profit before taxation and profit attributable to equity holders of the Company for the year ended 31st March, 2006 amounted to approximately HK$16.2 million and HK$12.5 million respectively (2005: HK$12.3 million and HK$6.6 million respectively). Such increases in profit were mainly attributable to an increase in turnover of the Group's manufacture and sale activity. Earnings per share for the year ended 31st March, 2006 was HK2.9 cents (2005: HK1.5 cents).

FINAL DIVIDEND

The Directors proposed the payment of a final dividend of HK1 cent per ordinary share (2005: HK1 cent) for the year ended 31st March, 2006. Subject to the approval of the shareholders at the annual general meeting to be held on 23rd August, 2006, the final dividend will be paid on or about 12th September, 2006.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 18th August, 2006 to 22nd August, 2006 (both days inclusive), during which period no transfer of shares will be effected. In order to qualify for the proposed final dividend, all transfers, accompanied by the relevant share certificates, will have to be lodged with the Company's registrar, Secretaries Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, not later than 4:00 p.m., 17th August, 2006.

BUSINESS REVIEW

During the financial year under review, fierce competition in the photographic and multimedia markets continued to exert downward pressure on the Group's profits margin. There were also higher raw materials, labor and other operating costs in PRC production factories. The management had been exercising continual efforts to cope with all these adverse impacts. These additional various measures included that to broaden our market, to implement tighter purchase control and to streamline our production flow with the aims to improve both operating and cost efficiencies.

OUTLOOK

The management continues to take a down-to-earth approach with a continued focus on new revenue channels in the Group's core business of accessories for photographic, multimedia and electrical products. The increased demand for digital SLR camera bags is helping to maintain a sustainable turnover in the photographic area albeit in a declining market, whereas extended relationships with multimedia brand manufacturers are allowing the Group to expand in the thriving audio market. Despite of the challenges ahead, the Group is confident to maintain its leading position in the photographic market; and at the same time to increase its market share in the multimedia market.

The Group is now manufacturing and delivering sensors and finished products incorporating sensors to Eleksen including a Bluetooth fabric keyboard, iPod® controllers and further devices employing the Eleksen technology are currently under development to come to market in the latter half of 2006. The management sees good growth potential in the Group's continued investment into convergence products (textile & electronic combinations), continued strategic relationships with technology partners such as NXT PLC (www.nxtplc.com), Eleksen, and some newly developed relationships, which offer patented and unique products for the multimedia and audio industry. The management believes that these various projects will continue to contribute positively to the Group's results in the coming years.

Following the acquisition completion of a PRC property located in Guangzhou, PRC as approved by the independent shareholders in the Special General Meeting held on 17th July, 2006, the property portfolio of the Group in the PRC is expected to accelerate the future growth in line with the promising economic growth of the PRC. The Directors consider that the acquisition will contribute positively to the operating results of the Group in future years. Details of the acquisition are noted in the circular dated 30th June, 2006 to the shareholders of the Company.

APPRECIATION

We wish to thank our shareholders, customers, suppliers and staffs for on-going support and for sharing the Company's confidence and commitment.

MANAGEMENT DISCUSSION AND ANALYSIS

MANUFACTURE AND SALE OF PHOTOGRAPHIC, ELECTRICAL AND MULTIMEDIA ACCESSORIES

During this financial year, the demand of the Group's products remained strong and healthy and the Group achieved growth in both turnover and profit approximately of HK$206.3 million and HK$17.9 million, representing an increase of 14.9% and 25.9% over the last corresponding year.

Europe continued to be the Group's largest market, accounting for approximately 62.9% of the total turnover of this financial year. Total export sales to Europe rose to HK$131.6 million, representing a growth of 22.2% as compared to that of the last corresponding year. The management has good knowledge and confidence in this market and will adhere to its established strategy to further penetrate into this very huge market.

In term of product category of photographic, electrical and multimedia accessories, the sale of multimedia accessories recorded encouraging growth this financial year. The Group's sale of multimedia accessories amounted to approximately 44% of the total turnover of this financial year (2005: approximately 35%). The growth was mainly attributable to the Group's strategy to extend relationships with major multimedia brand manufacturers and the positive market response of the Group's manufactured convergence products (textile and electronic combinations).

PROPERTY PORTFOLIO REFINEMENT

During this financial year, the Group was able to maintain a stable property letting income of approximately HK$3.1 million when compared with HK$3.2 million last corresponding year.

LIQUIDITY AND GEARING RATIO

As at 31st March, 2006, the Group recorded a total bank balances and cash of HK$44.7 million (as at 31st March, 2005 of HK$34.6 million). Moreover, the Group had current assets of HK$139.7 million (as at 31st March, 2005 of HK$128.3 million). The Equity attributable to equity holders of the Company was of HK$190.6 million (as at 31st March, 2005 of HK$181.2 million) and the total bank borrowings was of HK$24.5 million (as at 31st March, 2005 of HK$29.9 million); and accordingly, the gearing ratio was of 12.9% (as at 31st March, 2005 of 16.5%).

CURRENCY RISK MANAGEMENT

The Group's largest sale market is Europe, which alone accounts for around 60% of the Group's sale turnover. In safeguarding the volatile Euro Dollars currency risk, the management has chosen to adopt a more prudent sales policy by mainly accepting US Dollar quoted sale orders, which in turn the management can maintain a stable currency exchange condition for normal trading business development.

Certain bank loans of the Group are denominated in foreign currencies. The Group currently does not have a foreign currency hedging policy in respect of foreign currency debt. However, management monitors the related foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

NUMBER OF EMPLOYEES AND REMUNERATION POLICY

As at 31st March, 2006, the Group had more than 1,000 employees and with around 95% of them were employed in the PRC for the manufacturing business. The Group remunerates its employees based on their work performance and with reference to prevailing conditions of labor markets.

On Behalf of the Board
Chan Oi Ling, Maria Olimpia
Chairman

Hong Kong, 26th July, 2006

DIRECTORS AND SENIOR MANAGEMENT PROFILES

EXECUTIVE DIRECTORS

Ms. CHAN Oi Ling, Maria Olimpia, aged 62, is the Chairperson of the Company and the founder of the Group. She is responsible for the overall management, strategic planning and development and financial function of the Group. Ms. Chan has over 40 years' experience in the manufacture and sale of accessories for photographic products.

Mr. LAM Yu Ho, Daniel, aged 68, is the Managing Director of the Company and has been with the Group since early 1970s. He oversees the Group's operations and is responsible for product design and development. Mr. Lam has over 40 years' experience in the manufacture and sale of accessories for photographic products.

Mr. CHENG Lok Hing, aged 80, joined the Group in 1976. He is responsible for the production planning, merchandising and quality control operations of the Group. Mr. Cheng has over 30 years' experience in the manufacturing of accessories for photographic products. Mr. Cheng Lok Hing is the elder brother of Mr. Cheng Chun Kit.

Mr. CHENG Chun Kit, aged 71, joined the Group in 1976. He is responsible for monitoring the overall manufacturing operation and administration of the production facilities in Dongguan, the PRC. Mr. Cheng has over 30 years' experience in the manufacture of accessories for the photographic products. Mr. Cheng Chun Kit is the younger brother of Mr. Cheng Lok Hing.

Ms. JI Hong, aged 43, joined the Group in 2004. She is responsible for the PRC domestic sales exploration of the Group's products and the control and management of certain construction development projects in the PRC. Ms. Ji holds a bachelor degree in construction management from the Harbin Technical Institute (currently known as Harbin Technical University). She is a recognized construction engineer in the PRC.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. WONG Yui Leung, Larry, aged 37, is a Certified Public Accountant in the State of California, United States and a member of American Institute Certified Public Accountant. Mr. Wong has previously worked for an international CPA firm and has extensive experience in internal auditing and financial management.

Mr. LUI Wai Shan, Wilson, aged 41, has over 17 years of experience in the information technology sector. Mr. Lui holds a bachelor of science degree in applied mathematics from University of California, Los Angeles, and a master of science degree in computer science and a master degree in business administration, both from the University of Southern California.

Mr. CHEUNG Ngai Lam, aged 37, is now working as an Associate Director of Grant Thornton Corporate Finance Ltd., has over 15 years of experience in the financial services sector. He had worked for Daiwa Securities SMBC Hong Kong Limited and Japan Asia Securities Limited in Hong Kong for eight and three years respectively. Mr. Cheung obtained his Master of Science (Investment Management) and Bachelor of Social Sciences degrees from Hong Kong University of Science and Technology and University of Hong Kong respectively. Mr. Cheung is a member of Certified Public Accountants in Australia and American Institute of Certified Public Accountants.

DIRECTORS AND SENIOR MANAGEMENT PROFILES

SENIOR MANAGEMENT

Mr. GAO Zhi Qing, aged 70, joined the Group in April 1994. He is responsible for the sales and marketing operation in the PRC. He has over 40 years' experience in the manufacture of photographic products in the PRC.

Mr. DOERINGER, Tobias Christian, aged 33, joined the Group in March 1996. He is the Marketing vice president of the Group and is responsible for overall international sales and marketing activities of the Group. Mr. Doeringer studied at Lancester University Management School and the Otto Beisheim Graduate School of Management, holding a BBA in European Management/German. He has over 15 years of experience in the photo industry. His experience includes photo retail sales, marketing and management, photo finishing, photo franchise marketing and B-2-B sales in various companies throughout Europe before joining the Group. He is the Son-in-law of Ms. Chan Oi Ling, Maria Olimpia.

Ms. WONG, Dickie, aged 35, joined the Group in March 1996. She is the operation manager of the Group and is responsible for general administration and the management information system. She holds a bachelor's degree in Economics from the University of California and a master's degree in M.S. Engineering from Stanford University. Ms. Wong worked for two international investment banks in Hong Kong for three years prior to joining the Group. She is the daughter of Ms. Chan Oi Ling, Maria Olimpia.

Mr. AU Kin Fai, Alfred, aged 39, joined the Group in June 1999. He is the financial controller of the Group and is also the Secretary of the Company. Mr. Au worked for an international CPA firm prior to joining the Group. He holds a bachelor's degree in Commerce from Griffith University, Australia and is an associate member of the Hong Kong Institute of Certified Public Accountants.

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

The Board considers that good corporate governance practices of the Company are crucial to the smooth and effective operation of the Group and safeguarding the interests of the shareholders. The Company has compiled with the code provisions which set out in the Code on Corporate Governance Practices (the "Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") during the year ended 31st March, 2006, except for certain deviations as explained below.

BOARD OF DIRECTORS

The Board currently comprises five Executive Directors and three Independent Non-Executive Directors. The brief biographic details of the directors is set out in the Directors and Senior Management Profiles on pages 7 to 8 of this Annual Report. The Board has established two Board Committees, namely Audit Committee and Remuneration Committee. The Board meets regularly to discuss on overall strategy and review the financial and operating performance of the Group. Attendance of the Board Meetings and the meetings of the Board Committees for the year ended 31st March, 2006 is set out below:

	No. of meetings attended/held		
	Board Meeting	**Audit Committee**	**Remuneration Committee**
Executives Directors			
Chan Oi Ling, Maria Olimpia *(Chairperson)*	4/4	–	–
Lam Yu Ho, Daniel *(Managing Director)*	4/4	–	–
Cheng Lok Hing	4/4	–	–
Cheng Chun Kit	4/4	–	–
Ji Hong	4/4	–	–
Independent Non-Executive Directors ("INEDs")			
Wong Yui Leung, Larrry	2/4	2/2	1/1
Lui Wai Shan, Wilson	2/4	2/2	1/1
Cheung Ngai Lam	2/4	2/2	1/1

The Board determines the overall strategies, monitors and controls operating and financial performance, analyse and formulate strategies to manage risks in pursuit of the Group's strategic objectives. The Board also decides on matters such as annual and interim results, dividend policy, director appointments, significant changes in accounting policy, material contracts and major investments. The Board has delegated the authority and responsibility of overseeing the Group's day-to-day operations to management executives.

The Company confirmed it has received from each of its INEDs an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules, and the Company considers them to be independent.

CORPORATE GOVERNANCE REPORT

CHAIRPERSON AND CHIEF EXECUTIVE OFFICER

Code Provision A.2.1 provides that the roles of Chairperson and Chief Executive Officer ("CEO") should be separate and should not be performed by the same individual. The Company does not at present have any officer with the title of CEO, and it deviates from the Code. Ms. Chan Oi Ling, Maria Olimpia is the Chairperson and has also carried out the responsibilities of CEO. Ms. Chan possesses essential leadership skills and has extensive knowledge in the business of the Group. The Board considers the present structure is more suitable to the Company because it can promote the efficient formulation and implementation of the Company's strategies.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

The Board currently has three INEDs. Two of the INEDs hold appropriate professional qualifications, or accounting or related financial management expertise under Rule 3.10 of the Listing Rules.

Code Provision A.4.1 provides that non-executive directors should be appointed for specific term, subject to re-election. The INEDs of the Company are not appointed for specific terms but they are subject to retirement by rotation and re-election at the annual general meetings of the Company. Pursuant to Bye-law 87(1) of the current Bye-laws of the Company, each director shall be subject to retirement by rotation at least once every three years at the annual general meeting. This means that the terms of appointment of the directors, including INEDs, cannot exceed three years.

Code Provision A.4.2 provides that every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years. Under the Bye-laws of the Company then in effect prior to 25th August, 2005, the Chairperson of the Board and the Managing Director of the Company are not subject to retirement by rotation. To comply with code provision A.4.2, relevant amendment to Bye-law 87(1) of the Bye-laws of the Company was proposed and approved by the shareholders at the annual general meeting of the Company held on 25th August, 2005.

REMUNERATION COMMITTEE

The Remuneration Committee is principally responsible for formulating the Group's policy and structure for all remunerations of the directors and senior management and providing advice and recommendations to the Board of the Company. The Remuneration Committee comprises three INEDs, namely Mr. Wong Yui Leung, Larry (Chairman of Remuneration Committee), Mr. Lui Wai Shan, Wilson and Mr. Cheung Ngai Lam.

During the year ended 31st March, 2006, the Remuneration Committee held one meeting. The Remuneration Committee reviewed the remuneration policies and the salary packages of the Executive Directors. The Remuneration Committee ensures that no director is involved in deciding his/her own remuneration. The terms of reference of the Remuneration Committee are consistent with the terms set out in the relevant section of the Code.

AUDIT COMMITTEE

The Audit Committee is principally responsible for reviewing and supervising the Group's financial reporting process and internal control system and providing advice and recommendations to the Board of the Company. The Audit Committee comprises three INEDs, namely Mr. Wong Yui Leung, Larry (Chairman of Audit Committee), Mr. Lui Wai Shan, Wilson and Mr. Cheung Ngai Lam.

During the year ended 31st March, 2006, the Audit Committee held two meetings. The Audit Committee has, among other things, reviewed the financial statements of the Group for the year ended 31st March, 2005 and for the six months ended 30th September, 2005, and recommended such financial statements to the Board for approval. The terms of reference of the Audit Committee are consistent with the terms set out in the relevant section of the Code.

NOMINATION OF DIRECTORS

The Board has not set up a nomination committee for the appointment of directors.

In accordance with Company's Bye-laws, the Board is empowered at any time to appoint any person as a director either to fill a casual vacancy on the Board or as an addition to the existing Board. Any director so appointed shall retire and be eligible for re-election at the next following annual general meeting. The criteria for selecting a director are mainly based on the candidate's quality which includes, but not limited to, his/ her qualification, experience, professional knowledge, ethics and integrity. During the year ended 31st March, 2006, no new director was appointed either to fill a casual vacancy or as an addition to the Board.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding securities transactions by Directors on terms no less exacting than the required standard set out in Appendix 10 of the Listing Rules (the "Model Code"). On specific enquiries made, all Directors confirmed that they have complied with the required standard set out in the Model Code and the code of conduct regarding securities transactions by Directors adopted by the Company.

AUDITORS' REMUNERATION

For the year ended 31st March, 2006, the remuneration paid/payable to Deloitte Touche Tohmatsu for audit services and taxation services rendered to the Group amounted to approximately HK$950,000 and HK$65,000 respectively.

FINANCIAL REPORTING

The Board acknowledges that they are responsible for the preparation of the Company's accounts which give a true and fair view of the financial position of the Company as of 31st March, 2006 and of the results of its operations and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and for ensuring that appropriate accounting policies are selected and applied consistently.

The reporting responsibilities of the external auditors, Deloitte Touche Tohmastu, are set out in the Auditors' Report on page 16.

INTERNAL CONTROLS

The Board is responsible for maintaining an adequate system of internal control and for reviewing its effectiveness. During the year ended 31st March, 2006, the Board has reviewed the effectiveness of the existing system of internal control with a view to safeguard the investment of the Company's shareholders and the Group's assets.

DIRECTORS' REPORT

The directors have pleasure in presenting their annual report and the audited consolidated financial statements for the year ended 31st March, 2006.

PRINCIPAL ACTIVITIES

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

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31st March, 2006 are set out in the consolidated income statement on page 17.

The directors recommend the payment of a final dividend of HK1 cent per share to the shareholders of Company whose names appear on the register of members on 17th August, 2006. The remaining profit for the year of HK$8,232,176 will be retained.

SHARE CAPITAL

Details of the share capital of the Company are set out in note 26 to the consolidated financial statements. There was no movement during the year.

INVESTMENT PROPERTIES

All of the investment properties of the Group were fair valued as at 31st March, 2006. The net decrease in fair value of investment properties amounting to HK$21,177 has been charged directly to consolidated income statement during the year.

Details of these and other movements during the year in the investment properties of the Group are set out in note 14 to the consolidated financial statements.

Particulars of the Group's investment properties are set out on pages 61 to 62.

PROPERTY, PLANT AND EQUIPMENT

During the year, the Group acquired property, plant and equipment of approximately HK$1,317,000.

Details of these and other movements during the year in the property, plant and equipment of the Group are set out in note 15 to the consolidated financial statements.

DISTRIBUTABLE RESERVES OF THE COMPANY

The Company's reserve available for distribution to shareholders as at 31st March, 2006 were as follows:

	2006	2005
	HK$	*HK$*
Contributed surplus	**67,960,971**	72,200,972
Accumulated losses	**(43,669,408)**	(42,722,212)
	24,291,563	29,478,760

Under the Companies Act 1981 of Bermuda (as amended), contributed surplus is 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 would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

DIRECTORS AND SERVICE CONTRACTS

The directors of the Company who served during the year and up to the date of this report were:

Executive directors:

Ms. Chan Oi Ling, Maria Olimpia *(Chairman)*
Mr. Lam Yu Ho, Daniel *(Managing Director)*
Mr. Cheng Lok Hing
Mr. Cheng Chun Kit
Ms. Ji Hong

Independent non-executive directors:

Mr. Wong Yui Leung, Larry
Mr. Lui Wai Shan, Wilson
Mr. Cheung Ngai Lam

In accordance with Clauses 86(2) and 87 of the Company's Bye-laws, Ms. Chan Oi Ling, Maria Olimpia, Mr. Lam Yu Ho, Daniel, Mr. Cheng Chun Kit and Mr. Wong Yui Leung, Larry retire by rotation and, being eligible, offer themselves for re-election in the forthcoming annual general meeting.

None of the directors proposed for re-election at the forthcoming annual general meeting has a service contract which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

The term of office of each independent non-executive director is the period up to his retirement by rotation in accordance with the Company's Bye-laws.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Saved as disclosed in note 34 to the consolidated financial statements, no other contracts of significance to which the Company or any of its subsidiaries was a party and in which a director of the Company had a material interest, whether directly and indirectly, subsisted at the end of the year or at any time during the year.

DIRECTORS' INTERESTS IN SECURITIES

At 31st March, 2006, the interests of the directors and their associates in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 352 of the Securities and Futures Ordinance (the "SFO"), or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the listing rules, were as follows:

Long positions

Name of director	Number of issued ordinary shares held Personal interests	 Other interests *(Note)*	Percentage of issued share capital of the Company
Ms. Chan Oi Ling, Maria Olimpia	–	193,340,000	45.60%
Mr. Lam Yu Ho, Daniel	24,376,000	–	5.75%
Mr. Cheng Lok Hing	8,000,000	–	1.89%
Mr. Cheng Chun Kit	8,200,000	–	1.93%

Note: These shares are held by Honeyard Corporation. The entire issued share capital of Honeyard Corporation is held by The Honeyard Trust, a discretionary trust of which the family members of Ms. Chan Oi Ling, Maria Olimpia are discretionary beneficiaries.

In addition to the above, each of Ms. Chan Oi Ling, Maria Olimpia and Mr. Lam Yu Ho, Daniel holds 500,000 non-voting deferred shares in Mascotte Investments Limited, a subsidiary of the Company. Honeyard Corporation holds one non-voting deferred share in Newland Kingdom Limited, a subsidiary of the Company.

Other than certain nominee shares in subsidiaries held by Ms. Chan Oi Ling, Maria Olimpia, none of the directors, chief executive, nor their respective associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations within the meaning of Part XV of the SFO as at 31st March, 2006.

ARRANGEMENT TO PURCHASE SHARES OR DEBENTURES

At no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS

As at 31st March, 2006, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that, other than the interests of certain directors disclosed under the section headed "Directors' interests in securities" above, the Company has not been notified of any other relevant interests or short positions in the issued share capital of the Company.

DEALINGS IN THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31st March, 2006, aggregate amount of sales attributable to the Group's five largest customers accounted for approximately 36% of the Group's total turnover and the turnover attributable to the Group's largest customer accounted for approximately 12% of the Group's total turnover. The aggregate amount of purchases attributable to the Group's five largest suppliers accounted for approximately 47% of the Group's total purchases and the amount of purchases attributable to the Group's largest supplier was approximately 17% of the Group's total purchases.

None of the directors, their associates or any shareholders (which to the knowledge of the directors owns more than 5% of the Company's issued share capital) has any interest in any of the Group's five largest customers or suppliers.

APPOINTMENT OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received, from each of the independent non-executive directors, an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the independent non-executive directors are independent.

EMOLUMENT POLICY

The emolument policy of the employees of the Group is set up by the Remuneration Committee on the basis of the their merit, qualifications and competence.

The emoluments of the directors of the Company are decided by the Remuneration Committee, having regard to the Company's operating results, individual performance and comparable market statistics.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Bye-laws, or the laws of Bermuda, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the directors, the Company has maintained a sufficient public float throughout the year ended 31st March, 2006.

CHARITABLE DONATIONS

During the year, the Group made charitable donations amounting to HK$5,283.

POST BALANCE SHEET EVENT

Details of a significant event occurring after the balance sheet date are set out in note 33 to the consolidated financial statements.

CORPORATE GOVERNANCE

The Company has complied throughout the year ended 31st March, 2006 with all the provisions of the code on Corporate Governance practices as set out in Appendix 14 of the Listing Rules except that the roles of the chairman and chief executive officer of the Company were not separate and was performed by the same individual and the independent non-executive directors of the Company are not appointed for specific terms but they are subject to retirement by rotation and re-election at the annual general meetings of the Company.

AUDITORS

A resolution will be submitted to the annual general meeting to re-appoint Messrs. Deloitte Touche Tohmatsu as auditors of the Company.

On behalf of the Board
Chan Oi Ling, Maria Olimpia
Chairman

Hong Kong, 26th July, 2006

AUDITORS' REPORT

Deloitte.
德勤

TO THE MEMBERS OF MASCOTTE HOLDINGS LIMITED
(Incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Mascotte Holdings Limited (the "Company") and its subsidiaries (the "Group") on pages 17 to 59 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The Company's directors are responsible for the preparation of consolidated financial statements which give a true and fair view. In preparing consolidated financial statements which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently.

It is our responsibility to form an independent opinion, based on our audit, on those consolidated financial statements and to report our opinion solely to you, as a body, in accordance with section 90 of the Bermuda Companies Act, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

BASIS OF OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the consolidated financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the consolidated financial statements, and of whether the accounting policies are appropriate to the circumstances of the Group, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the consolidated financial statements are free from material misstatement. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the consolidated financial statements. We believe that our audit provides a reasonable basis for our opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31st March, 2006 and of its profit and cash flows for the year then ended and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong, 26th July, 2006

CONSOLIDATED INCOME STATEMENT

For the year ended 31st March, 2006

	Notes	2006 HK$	2005 HK$ (restated)
Turnover	6	**209,396,075**	182,660,980
Cost of sales		**(151,247,840)**	(130,554,844)
Gross profit		**58,148,235**	52,106,136
Other income	7	**1,729,243**	413,045
Selling and distribution costs		**(6,939,820)**	(9,297,546)
Administrative expenses		**(32,219,270)**	(31,214,045)
Impairment loss on goodwill		**(2,799,172)**	–
(Loss) gain on fair value changes on investment properties		**(21,177)**	1,431,257
Finance costs	8	**(1,703,769)**	(1,160,302)
Profit before taxation	9	**16,194,270**	12,278,545
Income tax expenses	11	**(3,452,580)**	(5,518,798)
Profit for the year		**12,741,690**	6,759,747
Attributable to:			
Equity holders of the Company		**12,472,177**	6,559,923
Minority interests		**269,513**	199,824
		12,741,690	6,759,747
Dividend paid	12	**4,240,001**	4,240,001
Earnings per share	13		
Basic		**HK2.9 cents**	HK1.5 cents

CONSOLIDATED BALANCE SHEET

At 31st March, 2006

	Notes	2006 HK$	2005 HK$ (restated)
Non-current assets			
Investment properties	14	**34,650,000**	29,880,000
Property, plant and equipment	15	**47,438,399**	48,394,573
Prepaid lease payments	16	**4,694,326**	4,985,224
Goodwill	17	**4,242,843**	7,042,015
Deposits paid	18	**18,000,000**	18,300,000
		109,025,568	108,601,812
Current assets			
Inventories	19	**8,666,837**	8,229,626
Prepaid lease payments	16	**434,703**	422,515
Trade and bills receivables	20	**27,098,051**	23,700,929
Loans receivable	21	**46,710,000**	46,710,000
Other receivables and prepayments	22	**12,050,688**	14,488,322
Income tax recoverable		**–**	149,048
Bank balances and cash	23	**44,735,963**	34,566,264
		139,696,242	128,266,704
Current liabilities			
Trade payables	24	**13,677,218**	9,125,652
Other payables and accrued charges	22	**9,795,582**	8,725,105
Dividend payable	22	**407,920**	404,760
Income tax payable		**6,538,779**	4,562,477
Bank borrowings	25	**16,414,673**	22,908,424
		46,834,172	45,726,418
Net Current Assets		**92,862,070**	82,540,286
		201,887,638	191,142,098
Capital and Reserves			
Share capital	26	**42,400,010**	42,400,010
Reserves		**148,173,719**	138,845,843
Equity attributable to equity holders of the Company		**190,573,729**	181,245,853
Minority interests		**3,204,909**	2,853,245
Total Equity		**193,778,638**	184,099,098
Non-current liability			
Bank borrowings	25	**8,109,000**	7,043,000
		201,887,638	191,142,098

The consolidated financial statements on pages 17 to 59 were approved and authorised for issue by the Board of Directors on 26th July, 2006 and are signed on its behalf by:

Chan Oi Ling, Maria Olimpia
DIRECTOR

Lam Yu Ho, Daniel
DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31st March, 2006

	Attributable to equity holders of the Company											
	Share capital HK$	Share premium HK$	Special reserve HK$	Goodwill reserve HK$	Negative goodwill reserve HK$	Translation reserve HK$	Reserve fund HK$	Enterprise expansion reserve HK$	Retained profits HK$	Total HK$	Minority interests HK$	Total HK$
At 1st April, 2004	42,400,010	66,672,487	14,900,773	(10,638,038)	2,079,850	(1,150,305)	1,083,258	1,083,258	62,463,937	178,895,230	2,653,421	181,548,651
Realised on winding up of subsidiaries	–	–	–	–	–	30,701	–	–	–	30,701	–	30,701
Profit for the year	–	–	–	–	–	–	–	–	6,559,923	6,559,923	199,824	6,759,747
Total recognised income for the year	–	–	–	–	–	30,701	–	–	6,559,923	6,590,624	199,824	6,790,448
Divided paid	–	–	–	–	–	–	–	–	(4,240,001)	(4,240,001)	–	(4,240,001)
At 31st March, 2005	42,400,010	66,672,487	14,900,773	(10,638,038)	2,079,850	(1,119,604)	1,083,258	1,083,258	64,783,859	181,245,853	2,853,245	184,099,098
Effect of changes in accounting policies (note 2)	–	–	–	10,638,038	(2,079,850)	–	–	–	(8,558,188)	–	–	–
At 1st April, 2005 – As restated	42,400,010	66,672,487	14,900,773	–	–	(1,119,604)	1,083,258	1,083,258	56,225,671	181,245,853	2,853,245	184,099,098
Exchange movement during the year recognised directly in equity	–	–	–	–	–	1,095,700	–	–	–	1,095,700	82,151	1,177,851
Profit for the year	–	–	–	–	–	–	–	–	12,472,177	12,472,177	269,513	12,741,690
Total recognised income for the year	–	–	–	–	–	1,095,700	–	–	12,472,177	13,567,877	351,664	13,919,541
Divided paid	–	–	–	–	–	–	–	–	(4,240,001)	(4,240,001)	–	(4,240,001)
At 31st March, 2006	42,400,010	66,672,487	14,900,773	–	–	(23,904)	1,083,258	1,083,258	64,457,847	190,573,729	3,204,909	193,778,638

The special reserve represents the difference between the nominal amount of the share capital issued by the Company in exchange for the aggregate nominal value of the share capital of the subsidiaries acquired pursuant to the group reorganisation on 5th September, 1997.

Reserve fund and enterprise expansion reserve are reserves required by the relevant laws in the People's Republic of China ("PRC") applicable to a subsidiary of the Company in the PRC for enterprise development purposes.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31st March, 2006

	2006 HK$	2005 HK$ (restated)
OPERATING ACTIVITIES		
Profit before taxation	**16,194,270**	12,278,545
Adjustments for:		
Finance costs	**1,703,769**	1,160,302
Impairment loss on receivables	**1,332,671**	1,603,127
Allowance for inventories	**3,915**	732,710
Amortisation of goodwill	**–**	1,083,387
Amortisation of prepaid lease payments	**434,703**	415,980
Depreciation of property, plant and equipment	**2,359,997**	2,476,672
Loss on winding up of subsidiaries	**–**	30,701
Loss (gain) on disposal of property, plant and equipment	**29,732**	(55,234)
Loss on disposal of investment property	**47,758**	–
Interest income	**(1,075,957)**	(41,328)
Impairment loss on goodwill	**2,799,172**	–
Loss (gain) on fair value changes on investment properties	**21,177**	(1,431,257)
Operating cash flows before movements in working capital	**23,851,207**	18,253,605
Increase in inventories	**(239,981)**	(1,705,078)
Increase in trade and bills receivables	**(3,829,793)**	(3,024,459)
Decrease in other receivables and prepayments	**2,733,107**	1,153,717
Increase in trade payables	**4,540,135**	89,251
Increase (decrease) in other payables and accrued charges	**1,451,039**	(1,025,630)
Cash generated from operations	**28,505,714**	13,741,406
Hong Kong Profits Tax paid	**(1,404,944)**	(4,319,544)
Hong Kong Profits Tax refunded	**144,268**	516,147
Taxation outside Hong Kong paid	**(80,118)**	(32,710)
NET CASH FROM OPERATING ACTIVITIES	**27,164,920**	9,905,299
INVESTING ACTIVITIES		
Purchase of investment properties	**(5,535,600)**	–
Purchase of property, plant and equipment	**(1,316,623)**	(1,295,066)
Deposit paid for acquisition of properties	**–**	(300,000)
Proceeds from disposal of investment properties	**1,432,242**	35,000,000
Proceeds from disposal of property, plant and equipment	**16,258**	231,870
Interest received	**175,957**	41,328
NET CASH (USED IN) FROM INVESTING ACTIVITIES	**(5,227,766)**	33,678,132

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31st March, 2006

	2006 *HK$*	2005 *HK$* (restated)
FINANCING ACTIVITIES		
New bank loans raised	**12,505,999**	16,803,738
Repayment of bank loans	**(17,563,295)**	(33,915,665)
Dividend paid	**(4,236,841)**	(3,835,241)
Interest paid	**(1,703,769)**	(1,160,302)
NET CASH USED IN FINANCING ACTIVITIES	**(10,997,906)**	(22,107,470)
NET INCREASE IN CASH AND CASH EQUIVALENTS	**10,939,248**	21,475,961
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	**33,605,484**	12,129,523
Effect of foreign exchange rate changes	**74,666**	–
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	**44,619,398**	33,605,484
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS		
Bank balances and cash	**44,735,963**	34,566,264
Bank overdrafts	**(116,565)**	(960,780)
	44,619,398	33,605,484

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2006

1. GENERAL

The Company is a public listed company incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The address of the registered office and principal place of business of the Company are disclosed in the directory of the annual report.

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

The consolidated financial statements are presented in Hong Kong dollars, which is the same as the functional currency of the Company.

2. APPLICATION OF NEW/REVISED HONG KONG FINANCIAL REPORTING STANDARDS/ CHANGES IN ACCOUNTING POLICIES

In the current year, the Group has applied, for the first time, a number of new Hong Kong Financial Reporting Standards (HKFRSs), Hong Kong Accounting Standards (HKASs) and Interpretations (hereinafter collectively referred to as "new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants that are effective for accounting periods beginning on or after 1st January, 2005. The application of the new HKFRSs has resulted in a change in the presentation of the consolidated income statement, consolidated balance sheet and consolidated statement of changes in equity. In particular, the presentation of minority interests have been changed. The changes in presentation have been applied retrospectively. The adoption of the new HKFRSs has resulted in changes to the Group's accounting policies in the following areas that have an effect on how the results for the current and/or prior accounting years are prepared and presented.

Business Combinations

In the current year, the Group has applied HKFRS 3 "Business Combinations" which is effective for business combinations for which the agreement date is on or after 1st January, 2005 and for goodwill and negative goodwill existed on 1st April, 2005. The principal effects of the application of the transitional provisions of HKFRS 3 to the Group are summarised below:

Goodwill

In previous years, goodwill arising on acquisitions prior to 1st April, 2001 was held in reserves, and goodwill arising on acquisitions after 1st April, 2001 was capitalised and amortised over its estimated useful life. The Group has applied the relevant transitional provisions in HKFRS 3. Goodwill previously recognised in reserves of HK$10,638,038 has been transferred to the Group's retained profits on 1st April, 2005. With respect to goodwill previously capitalised on the balance sheet, the Group on 1st April, 2005 eliminated the carrying amount of the related accumulated amortisation of HK$3,791,854 (see note 17) to the cost of goodwill. The Group has discontinued amortising such goodwill from 1st April, 2005 and goodwill will be tested for impairment at least annually and in the financial year in which the acquisition takes place. Goodwill arising on acquisitions after 1st January, 2005 is measured at cost less accumulated impairment losses (if any) after initial recognition. As a result of this change in accounting policy, no amortisation of goodwill has been charged in the current year. Comparative figures for 2005 have not been restated (see note below for the financial impact).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2006

2. APPLICATION OF NEW/REVISED HONG KONG FINANCIAL REPORTING STANDARDS/ CHANGES IN ACCOUNTING POLICIES *(Continued)*

Business Combinations *(Continued)*

Excess of the Group's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost (previously known as "negative goodwill")

In accordance with HKFRS 3, any excess of the Group's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over the cost of acquisition ("discount on acquisition") is recognised immediately in profit or loss in the period in which the acquisition takes place. In previous years, negative goodwill arising prior to 1st April, 2001 was held in reserve. In accordance with the relevant transitional provision in HKFRS 3, negative goodwill previous recognised in reserve of HK$2,079,850 on 1st April, 2005 has been transferred to retained profits (see note below for financial impact).

Financial Instruments

In the current year, the Group has applied HKAS 32 "Financial Instruments: Disclosure and Presentation" and HKAS 39 "Financial Instruments: Recognition and Measurement". HKAS 32 requires retrospective application. The application of HKAS 32 did not have material effect on the consolidated financial statements. HKAS 39, which is effective for accounting periods beginning on or after 1st January, 2005, generally does not permit to recognise, derecognise or measure financial assets and liabilities on a retrospective basis. The principal effects resulting from the implementation of HKAS 39 are summarised below:

Derecognition

HKAS 39 provides more rigorous criteria for the derecognition of financial assets than the criteria applied in previous periods. Under HKAS 39, a financial asset is derecognised, when and only when, either the contractual rights to the asset's cash flows expire, or the asset is transferred and the transfer qualifies for derecognition in accordance with HKAS 39. The decision as to whether a transfer qualifies for derecognition is made by applying a combination of risks and rewards and control tests. The Group has applied the relevant transitional provisions and applied the revised accounting policy prospectively to transfers of financial assets from 1st April, 2005 onwards. As a result, the Group's bills receivables of HK$2,347,737 discounted with full recourse which were derecognised prior to 1st April, 2005 have not been restated. As at 31st March, 2006, the Group's bills receivables discounted with full recourse have not been derecognised. Instead, the related borrowings of HK$1,160,396 have been recognised on the balance sheet date. This change in accounting policy has had no material effect on results for the current year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2006

2. APPLICATION OF NEW/REVISED HONG KONG FINANCIAL REPORTING STANDARDS/ CHANGES IN ACCOUNTING POLICIES *(Continued)*

Leases

Owner-occupied leasehold interest in land

In previous years, owner-occupied leasehold land and buildings were included in property, plant and equipment and measured using the cost model. In the current year, the Group has applied HKAS 17 "Leases". Under HKAS 17, the land and buildings elements of a lease of land and buildings are considered separately for the purposes of lease classification, unless the lease payments cannot be allocated reliably between the land and buildings elements, in which case, the entire lease is generally treated as a finance lease. To the extent that the allocation of the lease payments between the land and buildings elements can be made reliably, the leasehold interests in land are treated as operating leases and reclassified to "prepaid lease payments", which are carried at cost and amortised over the lease term on a straight-line basis. This change in accounting policy has been applied retrospectively (see note below for the financial impact). Alternatively, where the allocation between the land and buildings elements cannot be made reliably, the leasehold interests in land continue to be accounted for as property, plant and equipment.

Investment Properties

In the current year, the Group has applied HKAS 40 "Investment Property". The Group has elected to use the fair value model to account for its investment properties which requires gains or losses arising from changes in the fair value of investment properties to be recognised directly in the consolidated income statement for the period in which they arise. In previous years, investment properties under Statement of Standard Accounting Practice ("SSAP") 13 were measured at open market values, with revaluation surplus or deficit credited or charged to investment property revaluation reserve unless the balance on this reserve was insufficient to cover a revaluation decrease, in which case the excess of the revaluation decrease over the balance on the investment property revaluation reserve was charged to the consolidated income statement. Where a decrease had previously been charged to the consolidated income statement and revaluation increase subsequently arose, that increase was credited to the consolidated income statement to the extent of the decrease previously charged. In previous years, under SSAP 13 depreciation is provided where the unexpired term of the relevant lease or the term of the joint venture to which the investment properties are held is twenty years or less. On adoption of HKAS 40, no depreciation is required to be provided under fair value model. This change in accounting policy has been applied retrospectively. Comparative figures for 2005 have been restated (see note below for the financial impact).

Deferred taxes related to investment properties

In previous years, deferred tax consequences in respect of revalued investment properties were assessed on the basis of the tax consequence that would follow from recovery of the carrying amount of the properties through sale in accordance with the predecessor interpretation. In the current year, the Group has applied HKAS – Int 21 "Income Taxes – Recovery of Revalued Non-Depreciable Assets" which removes the presumption that the carrying amount of investment properties is to be recovered through sale. Therefore, the deferred tax consequences of the investment properties are now assessed on the basis that reflect the tax consequences that will follow from the manner in which the Group expects to recover the property at each balance sheet date. In the absence of any specific transitional provisions in HKAS – Int 21, this change in accounting policy has been applied retrospectively. This change has had no material effect on the results to the current or prior years.

2. APPLICATION OF NEW/REVISED HONG KONG FINANCIAL REPORTING STANDARDS/ CHANGES IN ACCOUNTING POLICIES *(Continued)*

The Group has not early applied the following new standards, amendments and interpretations that have been issued but are not yet effective. The directors of the Group are in the process of assessing the potential impact of these new HKFRSs and so far conclude that the application of these new standards, amendments and interpretations will have no material impact on the results and financial positions of the Group.

HKAS 1 (Amendment)	Capital disclosures[1]
HKAS 19 (Amendment)	Actuarial gains and losses, group plans and disclosures[2]
HKAS 21 (Amendment)	Net investment in a foreign operation[2]
HKAS 39 (Amendment)	Cash flow hedge accounting of forecast intragroup transactions[2]
HKAS 39 (Amendment)	The fair value option[2]
HKAS 39 & HKFRS 4 (Amendments)	Financial guarantee contracts[2]
HKFRS 6	Exploration for and evaluation of mineral resources[2]
HKFRS 7	Financial instruments: Disclosures[1]
HK(IFRIC) – INT 4	Determining whether an arrangement contains a lease[2]
HK(IFRIC) – INT 5	Rights to interests arising from decommissioning, restoration and environmental rehabilitation funds[2]
HK(IFRIC) – INT 6	Liabilities arising from participating in a specific market – waste electrical and electronic equipment[3]
HK(IFRIC) – INT 7	Applying the restatement approach under HKAS 29 Financial Reporting in Hyperinflationary Economies[4]
HK(IFRIC) – INT 8	Scope of HKFRS 2[5]
HK(IFRIC) – INT 9	Reassessment of embedded derivatives[6]

1 Effective for annual periods beginning on or after 1st January, 2007.
2 Effective for annual periods beginning on or after 1st January, 2006.
3 Effective for annual periods beginning on or after 1st December, 2005.
4 Effective for annual periods beginning on or after 1st March, 2006.
5 Effective for annual periods beginning on or after 1st May, 2006.
6 Effective for annual periods beginning on or after 1st June, 2006.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2006

2. APPLICATION OF NEW/REVISED HONG KONG FINANCIAL REPORTING STANDARDS/ CHANGES IN ACCOUNTING POLICIES *(Continued)*

Summary of the effects of the changes in accounting policies

The effects of the adoption of new HKFRSs on the results for the year are as follows:

	2006	2005
	HK$	*HK$*
HKFRS 3		
Decrease in amortisation of goodwill (included in administrative expenses)	**1,083,387**	–
HKAS 40		
Decrease in depreciation of investment properties (included in administrative expenses)	**1,195,045**	1,042,857
(Increase) decrease in (loss) gain on fair value changes on investment properties	**(1,195,045)**	(1,042,857)
Increase in profit for the year attributable to equity holders of the Company	**1,083,387**	–

The cumulative effects of the adoption of the new HKFRSs as at 31st March, 2005 and 1st April, 2005 are summarised below:

	As at 31st March, 2005 (originally stated)	Retrospective adjustments HKAS 17	As at 31st March, 2005 (restated)	Adjustments on 1st April, 2005 HKFRS 3	As at 1st April, 2005 (restated)
	HK$	*HK$*	*HK$*	*HK$*	*HK$*
Balance sheet items					
Property, plant and equipment	53,802,312	(5,407,739)	48,394,573	–	48,394,573
Prepaid lease payments	–	5,407,739	5,407,739	–	5,407,739
Retained profits	64,783,859	–	64,783,859	(8,558,188)	56,225,671
Goodwill reserve	(10,638,038)	–	(10,638,038)	10,638,038	–
Negative goodwill reserve	2,079,850	–	2,079,850	(2,079,850)	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2006

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared under the historical cost basis except for investment properties, which are measured at fair values as explained in the accounting policies set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries.

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

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Minority interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity therein. Minority interests consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

Goodwill

Capitalised goodwill arising on acquisitions prior to 1st January, 2005

As mentioned in note 2, goodwill arising on acquisition of a subsidiary for which agreement date is before 1st January, 2005 represents the excess of the cost of the acquisition over the Group's interest in the fair value of the identifiable assets, liabilities for previously capitalised goodwill arising on acquisitions after 1st January, 2001, the Group has discontinued amortisation from 1st April, 2005 onwards, and such goodwill is tested for impairment annually.

As explained in Note 2 above, all goodwill arising on acquisitions prior to 1st January, 2005 previously recognised in goodwill reserve has been transferred to the Group's retained profits as at 1st April, 2005.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2006

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Goodwill *(Continued)*

Impairment testing on capitalised goodwill

For the purpose of impairment testing, goodwill is allocated to each of the Group's relevant 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 subsequent disposal, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts and sales related taxes.

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

Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Investment properties

Investment property including land under operating lease arrangement, which is property held to earn rentals and/or for capital appreciation, is stated at its fair value at the balance sheet date. Gains or losses arising from changes in the fair value of investment property are included in profit or loss for the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated income statement in the year in which the item is derecognised.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment

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

Depreciation is provided to write off items of the cost of property, plant and equipment, over their estimated useful lives and after taking into account their estimated residual value, using the straight-line method.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the consolidated income statement in the year in which the item is derecognised.

Impairment losses (other than goodwill (see the accounting policy in respect of goodwill))

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

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

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated balance sheet when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value.

Financial assets

Loan and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each balance sheet date subsequent to initial recognition, loans and receivables (including trade and bills receivables, loans receivable and other receivables) are carried at amortised cost using the effective interest method, less any identified impairment loss. An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2006

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial assets *(Continued)*

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits which carried at amortised cost using effective interest method.

Financial liabilities and equity

Financial liabilities and equity instruments issued by the Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

Borrowings

Bank borrowings are subsequently measured at amortised cost, using the effective interest method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings.

Other financial liabilities

Other financial liabilities (including trade payables, other payables and dividend payable) are subsequently measured at amortised cost, using the effective interest method.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and the cumulative gain or loss that had been recognised directly in equity is recognised in profit or loss.

For financial liabilities, they are removed from the Group's balance sheet (i.e. when the obligation specified in the relevant contract is discharged, cancelled or expires). The difference between the carrying amount of the financial liability derecognised and the consideration paid or payable is recognised in profit or loss.

Inventories

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessee

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight-line basis.

Rental income, including rental invoiced in advance from properties let under operating leases, is recognised on a straight-line basis over the terms of the relevant leases. Initial direct costs incurred in negotiating and arranging an operating leases are added to the carrying amount of the leased asset and recognised as an expense on a straight-line basis over the lease term.

Borrowing costs

All borrowings cost are recognised as and included in finance costs in the consolidated income statement in the period in with they are incurred.

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 year. Taxable profit differs from profit as reported in the consolidated income statement because it excludes items of income or expense that are taxable or deductible in other years, and it further excludes income statement items that are never taxable or deductible. 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 consolidated 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.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2006

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation *(Continued)*

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax is charged or credited in the consolidated 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.

Foreign currencies

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in profit or loss for the period. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity. For such non-monetary items, any exchange component of that gain or loss is also recognised directly in equity.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are expressed in Hong Kong dollars using exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are classified as equity and transferred to the Group's translation reserve. Such translation differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

Retirement benefit costs

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

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the process of applying the entity's accounting policies, which are described in note 3, management has made the following estimation that have the most significant effect on the amounts recognised in the consolidated financial statements.

Estimated impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31st March, 2006, the carrying amount of goodwill is HK$4,242,843 (net of accumulated impairment loss of HK$2,799,172). Details of the recoverable amount calculation are disclosed in note 17.

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's major financial instruments include trade and bills receivables, loans and other receivables, bank balances and cash, bank borrowings, trade and other payables and dividend payable. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial statements and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Credit risk

The Group's maximum exposure to credit risk in the event of the counterparties failure to perform their obligations at the balance sheet date in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated balance sheet. In order to minimize the credit risk, the management of the Group has monitoring procedures to ensure that follow-up action is taken to recover overdue debts and loans receivable. In addition, the Group reviews the recoverable amount of each individual debt at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The credit risk on liquid funds is limited because the counterparties are licensed banks which high credit ranking.

The Group has no significant concentration of credit risk, with exposure spread over a number of counterparties and customers.

Market risk

Cash flow interest rate risk

The Group has exposures to cash flow interest rate risk as its bank balances and borrowings are subject to floating interest rates. Currently, interest rate risk is not hedged. However, from time to time, if interest rate fluctuates significantly, interest rate swaps may be used to convert some of the floating interest rates borrowings to fixed rates, to manage interest rate exposure.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2006

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Market risk *(Continued)*

Currency risk

Certain bank borrowings of the Group are denominated in foreign currencies. The Group currently does not have a foreign currency hedging policy in respect of foreign currency debt. However, management monitors the related foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

6. SEGMENTS INFORMATION

Business segments

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

Segment information about these businesses is presented below:

2006

	Manufacture and sales of goods *HK$*	Property investment *HK$*	Consolidated *HK$*
TURNOVER			
To external customers	**206,297,433**	**3,098,642**	**209,396,075**
RESULT			
Segment results	**17,874,736**	**1,567,146**	**19,441,882**
Unallocated other income			**1,075,957**
Unallocated corporate expenses			**(2,619,800)**
Finance costs			**(1,703,769)**
Profit before taxation			**16,194,270**
Income tax expenses			**(3,452,580)**
Profit for the year			**12,741,690**

6. SEGMENTS INFORMATION *(Continued)*

Business segments *(Continued)*

2006

BALANCE SHEET

	Manufacture and sales of goods *HK$*	Property investment *HK$*	Consolidated *HK$*
ASSETS			
Segment assets	**64,795,459**	**54,946,588**	**119,742,047**
Unallocated corporate assets			**128,979,763**
Consolidated total assets			**248,721,810**
LIABILITIES			
Segment liabilities	**22,922,852**	**300,428**	**23,223,280**
Unallocated corporate liabilities			**31,719,892**
Consolidated total liabilities			**54,943,172**

OTHER INFORMATION

	Manufacture and sales of goods *HK$*	Property investment *HK$*	Unallocated *HK$*	Consolidated *HK$*
Impairment loss on receivables	**432,671**	**–**	**900,000**	**1,332,671**
Allowance for inventories	**3,915**	**–**	**–**	**3,915**
Impairment loss on goodwill	**2,799,172**	**–**	**–**	**2,799,172**
Capital expenditure	**1,248,425**	**5,903,798**	**–**	**7,152,223**
Amortisation of prepaid lease payments	**434,703**	**–**	**–**	**434,703**
Depreciation of property, plant and equipment	**1,565,394**	**53,078**	**741,525**	**2,359,997**
Loss on disposal of property, plant and equipment	**29,732**	**–**	**–**	**29,732**
Loss on disposal of investment property	**–**	**47,758**	**–**	**47,758**
Loss on fair value changes on investment properties	**–**	**21,177**	**–**	**21,177**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2006

6. SEGMENTS INFORMATION *(Continued)*

Business segments *(Continued)*

2005 (restated)

	Manufacture and sales of goods *HK$*	Property investment *HK$*	Consolidated *HK$*
TURNOVER			
To external customers	179,503,673	3,157,307	182,660,980
RESULT			
Segment results	14,191,397	1,753,623	15,945,020
Unallocated other income			41,328
Unallocated corporate expenses			(2,547,501)
Finance costs			(1,160,302)
Profit before taxation			12,278,545
Income tax expenses			(5,518,798)
Profit for the year			6,759,747

BALANCE SHEET

	Manufacture and sales of goods *HK$*	Property investment *HK$*	Consolidated *HK$*
ASSETS			
Segment assets	66,729,657	50,442,356	117,172,013
Unallocated corporate assets			119,696,503
Consolidated total assets			236,868,516
LIABILITIES			
Segment liabilities	16,490,564	472,837	16,963,401
Unallocated corporate liabilities			35,806,017
Consolidated total liabilities			52,769,418

6. SEGMENTS INFORMATION *(Continued)*

Business segments *(Continued)*

2005

OTHER INFORMATION

	Manufacture and sales of goods *HK$*	Property investment *HK$*	Unallocated *HK$*	Consolidated *HK$*
Impairment loss on receivables	–	1,430,000	173,127	1,603,127
Allowance for inventories	732,710	–	–	732,710
Amortisation of goodwill	1,083,387	–	–	1,083,387
Capital expenditure	1,034,456	260,610	–	1,295,066
Amortisation of prepaid lease payments	415,980	–	–	415,980
Depreciation of property, plant and equipment (restated)	1,689,576	45,773	741,323	2,476,672
Gain on disposal of property, plant and equipment	55,234	–	–	55,234
Gain on fair value changes on investment properties (restated)	–	1,431,257	–	1,431,257

Geographical segments

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

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

	2006 ***HK$***	2005 *HK$*
Europe	**131,600,913**	107,650,143
United States of America	**24,330,261**	23,761,877
Hong Kong	**18,518,005**	19,251,752
Other regions in the PRC	**8,114,328**	6,060,306
Others	**26,832,568**	25,936,902
	209,396,075	182,660,980

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2006

6. SEGMENTS INFORMATION *(Continued)*

Geographical segments *(Continued)*

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

	Carrying amount of segment assets		Additions to property, plant and equipment		Additions to investment properties	
	2006	2005	**2006**	2005	**2006**	2005
	HK$	*HK$*	***HK$***	*HK$*	***HK$***	*HK$*
Hong Kong	**212,065,710**	201,945,213	**983,349**	809,713	**5,835,600**	–
Other regions in the PRC	**36,656,100**	34,923,303	**333,274**	485,353	**–**	–
	248,721,810	236,868,516	**1,316,623**	1,295,066	**5,835,600**	–

7. OTHER INCOME

	2006	2005
	HK$	*HK$*
Bank interest income	**175,957**	22,101
Other interest income	**900,000**	19,227
Gain on disposal of property, plant and equipment	**–**	55,234
Sundry income	**489,114**	316,483
Exchange gain, net	**164,172**	–
	1,729,243	413,045

8. FINANCE COSTS

	2006	2005
	HK$	*HK$*
Interest on:		
Bank borrowings wholly repayable within five years	**1,142,036**	971,765
Bank borrowings not wholly repayable within five years	**561,733**	188,537
	1,703,769	1,160,302

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2006

9. PROFIT BEFORE TAXATION

	2006 *HK$*	2005 *HK$* (restated)
Profit before taxation has been arrived at after charging:		
Impairment loss on receivables	**1,332,671**	1,603,127
Allowance for inventories	**3,915**	732,710
Amortisation of goodwill included in administrative expenses	**–**	1,083,387
Auditors' remuneration		
– Current year	**950,000**	750,000
– Underprovision in prior years	**–**	10,000
Amortisation of prepaid lease payments	**434,703**	415,980
Depreciation of property, plant and equipment	**2,359,997**	2,476,672
Minimum lease payments for operating leases in respect of rented premises	**1,497,342**	2,105,643
Staff costs including directors' emoluments and contributions to retirement benefits schemes	**32,245,326**	30,527,143
Cost of inventories recognised as expenses	**150,606,614**	129,109,686
Loss on disposal of property, plant and equipment	**29,732**	–
Loss on disposal of investment property	**47,758**	–
Exchange loss	**–**	72,299
and after crediting:		
Gross rental income from investment properties	**3,098,642**	3,157,307
Less: direct operating expenses that generated rental income	**(637,311)**	(712,448)
	2,461,331	2,444,859

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2006

10. DIRECTORS' EMOLUMENTS AND HIGHEST PAID EMPLOYEES

Directors' emoluments

The emoluments paid or payable to each of the directors are as follows:

	Chan Oi Ling, Maria Olimpia	Lam Yu Ho, Daniel	Cheng Lok Hing	Cheng Chun Kit	Ji Hong	Liu Ji Hong	Wong Yui Leung, Larry	Lui Wai Shan, Wilson	Cheung Ngai Lam	Tsang Heman	Total
	HK$	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*
2006											
Fees	–	–	–	–	–	–	**80,000**	**50,000**	**50,000**	–	**180,000**
Other emoluments											
Salaries and other benefits	**3,600,000**	**1,700,000**	**390,000**	**390,000**	**56,075**	–	–	–	–	–	**6,136,075**
Retirement benefits scheme contribution	**12,000**	–	–	–	–	–	–	–	–	–	**12,000**
Rental paid/rateable value in respect of quarters provided (note)	**769,200**	–	–	–	**47,020**	–	–	–	–	–	**816,220**
Total emolument	**4,381,200**	**1,700,000**	**390,000**	**390,000**	**103,095**	–	**80,000**	**50,000**	**50,000**	–	**7,144,295**
2005											
Fees	–	–	–	–	–	–	90,000	25,000	–	100,000	215,000
Other emoluments											
Salaries and other benefits	3,150,000	1,560,000	390,000	390,000	42,256	226,890	–	–	–	–	5,759,146
Retirement benefits scheme contribution	12,000	–	–	–	–	–	–	–	–	–	12,000
Rental paid/rateable value in respect of quarters provided (note)	666,000	–	–	–	29,700	3,564	–	–	–	–	699,264
Total emolument	3,828,000	1,560,000	390,000	390,000	71,956	230,454	90,000	25,000	–	100,000	6,685,410

Note: The amount includes the estimated monetary value of premises provided rent free to a director as residence with rateable value of approximately HK$769,000 (2005: HK$660,000).

10. DIRECTORS' EMOLUMENTS AND HIGHEST PAID EMPLOYEES *(Continued)*

Highest paid employees

The five highest paid individuals of the Group included two (2005: two) executive directors, details of whose emoluments are set out above. The emoluments of the remaining three (2005: three) highest paid individuals, other than directors of the Company, are as follows:

	2006	2005
	HK$	*HK$*
Salaries and other benefits	**2,452,423**	2,225,788
Retirement benefits scheme contributions	**24,000**	24,000
Rentals paid/rateable value in respect of quarters provided *(note)*	**316,200**	293,280
	2,792,623	2,543,068

Note: The amount includes the estimated monetary value of premises provided rent free to a staff as residence with rateable value of approximately HK$215,000 (2005: HK$192,000).

The emoluments were within the following bands:

	No. of employees	
	2006	2005
Nil to HK$1,000,000	**2**	2
HK$1,000,001 to HK$1,500,000	**1**	1
	3	3

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2006

11. INCOME TAX EXPENSES

	2006	2005
	HK$	*HK$*
The charge comprises:		
Current year		
Hong Kong	**3,048,270**	2,405,600
Other regions in the PRC	**353,190**	315,990
	3,401,460	2,721,590
(Over) underprovision in prior years		
Hong Kong	**(808)**	2,610,292
Other regions in the PRC	**51,928**	186,916
	51,120	2,797,208
	3,452,580	5,518,798

Hong Kong Profits Tax is calculated at 17.5% (2005: 17.5%) of the estimated assessable profits for the year.

Taxation arising in other regions in the PRC is calculated at the rates prevailing in the relevant jurisdictions.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2006

11. INCOME TAX EXPENSES *(Continued)*

The income tax expenses for the year can be reconciled based on profit per the consolidated income statement as follows:

	2006	2005
	HK$	*HK$*
Profit before taxation	**16,194,270**	12,278,545
Tax at the domestic income tax rate of 17.5% (2005: 17.5%)	**2,833,997**	2,148,745
Tax effect of expenses not deductible for tax purpose	**835,800**	969,157
Tax effect of income not taxable for tax purpose	**(25,822)**	(216,535)
Tax effect of offshore manufacturing profits on 50/50 apportionment basis	**(72,088)**	(2,640)
Underprovision in prior years	**51,120**	2,797,208
Tax effect of tax losses not recognised	**122,701**	78,605
Tax effect of utilisation of deductible temporary differences previously not recognised	**(217,954)**	(307,107)
Effect of tax exemption granted to a PRC subsidiary	**(241,582)**	(75,835)
Effect of different tax rates of subsidiaries operating in other jurisdictions	**142,542**	111,146
Others	**23,866**	16,054
Income tax expenses for the year	**3,452,580**	5,518,798

At 31st March, 2006, the Group has unused tax losses of HK$10,496,377 (2005: HK$9,795,231) available for offset against future profits. No deferred tax asset has been recognised due to the unpredictability of future profit streams. All losses may be carried forward indefinitely.

At 31st March, 2006, the Group has deductible temporary differences of HK$1,867,743 (2005: HK$3,113,195) in respect of accelerated accounting depreciation. No deferred tax asset has been recognised in relation to such deductible temporary difference as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised. All deductible temporary difference may be carried forward indefinitely.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2006

12. DIVIDEND

On 9th September, 2005, a dividend of HK1 cent per share amounting to HK$4,240,001 was paid to shareholders as the final dividend in respect of 2005.

A final dividend of HK1 cent per share amounting to HK$4,240,001 in respect of 2006 has been proposed by the directors and is subject to approval by the shareholders in annual general meeting. The amount of the proposed final dividend is calculated on the basis of the proposed dividend rate and 424,000,100 ordinary shares in issue at the date of the report.

13. EARNINGS PER SHARE – BASIC

The calculation of basic earnings per share is based on the profit attributable to equity holders of the Company for the year of HK$12,472,177 (2005: HK$6,559,923) and on 424,000,100 shares in issue throughout the year.

No diluted earnings per share has been presented as there were no dilutive ordinary shares in issue in 2006 or 2005.

Impact of changes in accounting policies

Changes in Group's accounting policies during the year are described in details in note 2. To the extent that changes have had an impact on results reported for 2006 and 2005, they have had an impact on the amounts reported for earnings per share. The following table summarises that impact on basic earnings per share:

	2006	2005
	HK cents	*HK cents*
Figures before changes in accounting policies	**2.7**	1.5
Effect on changes in accounting policies	**0.2**	-
Figures after changes in accounting polices	**2.9**	1.5

14. INVESTMENT PROPERTIES

	2006	2005
	HK$	*HK$*
AT FAIR VALUE		
At beginning of the year	**29,880,000**	27,130,000
Exchange adjustments	**435,577**	–
Additions	**5,835,600**	–
Transferred from property, plant and equipment *(note 15)*	**–**	1,318,743
Disposal	**(1,480,000)**	–
(Loss) gain on fair value changes	**(21,177)**	1,431,257
At end of the year	**34,650,000**	29,880,000

The carrying values of the Group's investment properties at 31st March, 2006 are analysed as follows:

	2006	2005
	HK$	*HK$*
Situated in Hong Kong held under long leases	**17,300,000**	13,380,000
Situated in the PRC held under medium-term leases	**17,350,000**	16,500,000
	34,650,000	29,880,000

All of the Group's property interests in land held under operating leases to earn rentals or for capital appreciation purpose are measured using the fair value model and are classified and accounted for as investment properties.

All of the Group's investment properties have been fair valued as at 31st March, 2006 on the basis carried out at that date by Chung, Chan & Associates, Chartered Surveyors, an independent qualified professional valuer not connected with the Group. Chung, Chan & Associates, Chartered Surveyors is a member of Hong Kong Institute of Surveyors and has appropriate qualifications and recent experiences in the valuation of properties in the relevant locations. The valuation, which conforms to Hong Kong Institute of Surveyors Valuation Standards, was arrived at by reference to market evidence of transaction prices for similar properties.

All the Group's investment properties are rented out under operating leases.

Details of the investment properties are set out on pages 61 to 62.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2006

15. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings HK$	Leasehold improvements HK$	Furniture, fixtures and equipment HK$	Plant and machinery HK$	Motor vehicles HK$	Total HK$
COST						
At 1st April, 2004						
Originally stated	67,938,236	2,843,733	3,269,478	20,464,233	5,288,925	99,804,605
Effect of changes in accounting policies *(note 2)*	(10,562,866)	–	–	–	–	(10,562,866)
As restated	57,375,370	2,843,733	3,269,478	20,464,233	5,288,925	89,241,739
Additions	–	260,610	130,608	296,403	607,445	1,295,066
Transferred to investment properties *(note 14)*	(1,318,743)	–	–	–	–	(1,318,743)
Disposals	–	–	–	–	(672,383)	(672,383)
At 31st March, 2005	56,056,627	3,104,343	3,400,086	20,760,636	5,223,987	88,545,679
Exchange adjustments	167,760	8,496	2,525	432,605	35,404	646,790
Additions	–	–	274,759	356,739	685,125	1,316,623
Disposals	–	(23,559)	–	–	(93,214)	(116,773)
At 31st March, 2006	56,224,387	3,089,280	3,677,370	21,549,980	5,851,302	90,392,319
DEPRECIATION						
At 1st April, 2004						
Originally stated	14,458,718	2,189,390	2,457,625	19,334,644	4,468,951	42,909,328
Effect of changes in accounting policies *(note 2)*	(4,739,147)	–	–	–	–	(4,739,147)
As restated	9,719,571	2,189,390	2,457,625	19,334,644	4,468,951	38,170,181
Provided for the year	1,280,702	217,064	228,397	376,116	374,393	2,476,672
Eliminated on disposals	–	–	–	–	(495,747)	(495,747)
At 31st March, 2005	11,000,273	2,406,454	2,686,022	19,710,760	4,347,597	40,151,106
Exchange adjustments	60,864	7,768	2,485	415,518	26,965	513,600
Provided for the year	1,267,287	173,258	220,508	399,016	299,928	2,359,997
Eliminated on disposals	–	(13,301)	–	–	(57,482)	(70,783)
At 31st March, 2006	12,328,424	2,574,179	2,909,015	20,525,294	4,617,008	42,953,920
CARRYING VALUES						
At 31st March, 2006	43,895,963	515,101	768,355	1,024,686	1,234,294	47,438,399
At 31st March, 2005	45,056,354	697,889	714,064	1,049,876	876,390	48,394,573

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2006

15. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

The above item of property, plant and equipment are depreciated on straight-line basis at the following rates per annum:

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

The carrying values of the Group's leasehold land and buildings at 31st March, 2006 are analysed as follows:

	2006 ***HK$***	2005 *HK$* (restated)
Situated in Hong Kong held under long leases	**11,631,284**	11,862,890
Situated in Hong Kong held under medium-term leases	**27,234,986**	27,950,738
Situated in other regions in the PRC held under medium-term leases	**5,029,693**	5,242,726
	43,895,963	45,056,354

16. PREPAID LEASE PAYMENTS

	2006 ***HK$***	2005 *HK$*
Leasehold interests in land in the PRC under medium-term lease	**5,129,029**	5,407,739
Analysed for reporting purposes as:		
Current	**434,703**	422,515
Non-current	**4,694,326**	4,985,224
	5,129,029	5,407,739

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2006

17. GOODWILL

	HK$
COST	
At 1st April, 2004 and 31st March, 2005	10,833,869
Elimination of accumulated amortisation upon adoption of HKFRS 3	(3,791,854)
At 1st April, 2005 and 31st March, 2006	7,042,015
AMORTISATION	
At 1st April, 2004	2,708,467
Amortisation for the year	1,083,387
At 31st March, 2005	3,791,854
Elimination of accumulated amortisation upon adoption of HKFRS 3	(3,791,854)
At 1st April, 2005 and 31st March, 2006	–
IMPAIRMENT	
Impairment loss recognised in the year ended 31st March, 2006	2,799,172
CARRYING AMOUNT	
At 31st March, 2006	4,242,843
At 31st March, 2005	7,042,015

Until 31st March, 2005, goodwill is amortised on a straight-line basis over the estimated useful life of 10 years.

For the purpose of impairment testing, goodwill is allocated to an individual cash generating unit (CGU) which is engaged in manufacture and sales of goods and is expected to benefit from that business combination.

During the year ended 31st March, 2006, the Group recognised an impairment loss of HK$2,799,172 (2005: Nil) due to increase in competition.

The basis of the recoverable amounts of the CGU and its major underlying assumption is summarised below:

The recoverable amount of this unit has been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a 5-year period, and discount rate of 10%. The discount rate represented the expected return of the CGU with reference to the market. This unit's cash flows beyond the 5-year period are extrapolated using a steady growth rate of 1%. Another key assumption for the value in use calculation is the budgeted gross margin, which is determined based on the unit's past performance and management's expectations for the market development.

18. DEPOSITS PAID

	2006	2005
	HK$	*HK$*
Deposit for acquisition of a property in the PRC	**18,000,000**	18,000,000
Deposit for acquisition of a property in Hong Kong	**–**	300,000
Deposit for acquisition of an interest in a property development project *(note)*	**6,000,000**	6,000,000
	24,000,000	24,300,000
Less: amounts due within one year shown under other receivables and prepayments	**(6,000,000)**	(6,000,000)
	18,000,000	18,300,000

Note: The amount was fully settled subsequent to the balance sheet date pursuant to a settlement agreement signed between the Group and the Vendor on 28th January, 2005.

19. INVENTORIES

	2006	2005
	HK$	*HK$*
Raw materials	**5,667,890**	5,399,890
Work in progress	**748,715**	620,136
Finished goods	**2,250,232**	2,209,600
	8,666,837	8,229,626

20. TRADE AND BILLS RECEIVABLES

	2006	2005
	HK$	*HK$*
Aged analysis of trade receivables:		
Within 60 days	**23,504,215**	21,491,728
61 – 180 days	**2,389,250**	1,425,176
More than 180 days	**44,190**	784,025
	25,937,655	23,700,929
Discounted bills receivables aged within 60 days	**1,160,396**	–
	27,098,051	23,700,929

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

The directors consider that the fair value of trade and bills receivables at 31st March, 2006 approximates to the corresponding carrying amount.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2006

21. LOANS RECEIVABLE

	2006	2005
	HK$	HK$
Loans advanced for property development projects *(notes)*	**46,710,000**	46,710,000

Notes:

(i) Pursuant to various agreements signed between the Group and various companies in the PRC (the "Borrowers") on 15th June, 2002 (the date of first advance) and subsequent dates, the Group advanced totalling HK$34,710,000 (2005: HK$34,710,000) to the Borrowers for property development purpose.

(ii) Pursuant to an agreement signed between the Group and an individual in the PRC (the "Individual") on 15th November, 2002, the Group advanced an amount of HK$12,000,000 (2005: HK$12,000,000) to the Individual for property development purpose.

The loans were unsecured, carried a return of 10% and were fully settled subsequent to the balance sheet date. Therefore, the loans are classified as current assets on the balance sheet date.

The directors consider that the fair value of loans receivable at 31st March, 2006 approximates to the corresponding carrying amount.

22. OTHER RECEIVABLES/OTHER PAYABLES/DIVIDEND PAYABLE

The directors consider that the fair values of amounts at 31st March, 2006 and 2005 approximate to the corresponding carrying amounts.

23. BANK BALANCES AND CASH

Bank balances and cash comprise cash held by the Group and short-term bank deposits which carry interest rate ranging from 0.25% to 2.5% (2005: 0.01% to 0.55%) with an original maturity of three months or less. The fair value of bank balances and cash at 31st March, 2006 and 2005 approximates to the corresponding carrying amount.

24. TRADE PAYABLES

	2006	2005
	HK$	HK$
Aged analysis of trade payables:		
Within 60 days	**13,645,033**	8,526,073
61 – 180 days	**31,685**	446,824
More than 180 days	**500**	152,755
	13,677,218	9,125,652

The directors consider that the fair value of trade payables at 31st March, 2006 and 2005 approximates to the corresponding carrying amount.

25. BANK BORROWINGS

	2006	2005
	HK$	*HK$*
Bank borrowings comprise the following:		
Bank overdrafts – secured	**13,327**	–
– unsecured	**103,238**	960,780
	116,565	960,780
Bank loans – secured	**17,437,000**	17,514,008
– unsecured	**6,970,108**	11,476,636
	24,407,108	28,990,644
	24,523,673	29,951,424
The bank borrowings are repayable as follows:		
Within one year	**16,414,673**	22,908,424
More than one year and not more than two years	**2,328,000**	1,524,000
More than two years and not more than three years	**2,328,000**	1,524,000
More than three years and not more than four years	**2,328,000**	1,524,000
More than four years and not more than five years	**1,125,000**	1,524,000
More than five years	**–**	947,000
	24,523,673	29,951,424
Less: Amounts due within one year shown under current liabilities	**(16,414,673)**	(22,908,424)
Amounts due after one year	**8,109,000**	7,043,000

The directors believe that the current interest rates represent prevailing market rates and therefore, the fair values of the bank borrowings at 31st March, 2006 estimated by discounting their future cash flows at the prevailing market borrowing rates approximate to the corresponding carrying amounts.

The average effective interest rates of the borrowings are ranging from 3.56% to 6.47% (2005: 1.16% to 4.96%).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2006

25. BANK BORROWINGS *(Continued)*

The carrying amounts of the Group's borrowings are analysed as follows:

Denominated in	**2006**	2005	**Interest rate**
	HK$	*HK$*	
Hong Kong dollars	**19,713,961**	22,527,780	Hong Kong Inter-bank Offered Rate plus 1.5% to 2.25%
Renminbi	**4,809,712**	7,423,644	5% markdown from People's Bank of China lending rate
	24,523,673	29,951,424	

At 31st March, 2006, there was bank borrowing amounting to HK$7,000,000 (2005: HK$9,000,000) denominated in Hong Kong dollars which was not the functional currency of a subsidiary.

26. SHARE CAPITAL

	Number of shares		**Nominal value**	
	2006	2005	**2006**	2005
			HK$	*HK$*
Ordinary shares of HK$0.10 each:				
Authorised:				
At beginning and end of the year	**1,000,000,000**	1,000,000,000	**100,000,000**	100,000,000
Issued and fully paid:				
At beginning and end of the year	**424,000,100**	424,000,100	**42,400,010**	42,400,010

27. CAPITAL COMMITMENT

At 31st March, 2006, the Group had the following capital commitment in respect of acquisition of property, plant and equipment:

	2006	2005
	HK$	*HK$*
Contracted but not provided for in the financial statements	**4,043,000**	4,000,000

28. OPERATING LEASE ARRANGEMENTS

The Group as lessee:

At 31st March, 2006, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of rented premises which fall due as follows:

	2006	2005
	HK$	*HK$*
Within one year	**946,168**	1,277,566
In the second to fifth year inclusive	**1,275,286**	1,275,286
	2,221,454	2,552,852

Leases are negotiated for terms ranging from one to three years (2005: one to three years) with fixed monthly rentals over the lease terms.

The Group as lessor:

At 31st March, 2006, the Group had contracted with tenants for the following future minimum lease payments under non-cancellable operating leases in respect of rented premises which fall due as follows:

	2006	2005
	HK$	*HK$*
Within one year	**2,663,300**	2,611,449
In the second to fifth year inclusive	**7,309,828**	8,211,077
Over five years	**1,360,000**	2,306,340
	11,333,128	13,128,866

Leases are negotiated for terms ranging from one to eight years (2005: one to eight years) with fixed monthly rentals over the lease terms.

29. CONTINGENT LIABILITIES

	2006	2005
	HK$	*HK$*
Bills discounted with recourse	**–**	2,347,737

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2006

30. PLEDGE OF ASSETS

At 31st March, 2006, the Group had the following pledges over its assets to secure banking facilities granted to the Group.

(a) Investment properties with an aggregate carrying value of HK$29,030,000 (2005: HK$22,700,000).

(b) Leasehold land and buildings with an aggregate carrying value of HK$22,150,254 (2005: HK$22,777,641).

(c) Prepaid lease payments with an aggregate carrying value of HK$5,129,029 (2005: HK$5,407,739).

In addition, there have bills receivable discounted with recourse of HK$1,160,396 (2005: Nil) as disclosed in note 20.

31. SHARE OPTION SCHEME

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

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

No share option was granted or exercised during the two years ended 31st March, 2006 and there are no share options outstanding as at 31st March, 2006.

32. RETIREMENT BENEFIT SCHEME

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

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

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

Employees located in PRC are covered by the retirement and pension schemes defined by local practice and regulations and which are essentially defined contributed schemes.

During the year, the Group made retirement benefits scheme contributions of HK$698,216 (2005: HK$720,130).

As at 31st March, 2006 and 2005, there were no forfeited contributions, which arose upon employees leaving the scheme and which are available to reduce the contributions payable by the Group in the future years.

33. POST BALANCE SHEET EVENT

On 6th June, 2006, the Group entered into an agreement with Ms. Chan Oi Ling Maria Olimpia, the Chairman and executive director of the Group, to acquire 100% of the issued share capital of Jet Star Industrial Limited ("Jet Star"), a private limited liability company incorporated in Hong Kong, for a total consideration of HK$92,000,000. The principal asset of Jet Star is its interest in a PRC property, being a 20-storey commercial office building located in Liwan District, in Guangzhou City of Guangzhou Province, PRC. Jet Star is principally engaged in leasing and provision of property management services. The acquisition was completed upon the fulfilment of the conditions contemplated under the sale and purchase agreement subsequent to the balance sheet date.

The acquisition of Jet Star has been completed on 24th July, 2006, the management is in the process of preparing the financial information of Jet Star as at the completion date, in the opinion of the directors of the Company, at the current moment, it is impracticable to disclose the relevant financial information as required under HKFRS 3.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2006

34. RELATED PARTY TRANSACTIONS

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

(i) Transactions with directors' related companies:

Name of party	**Directors who have interest**	**Nature of transactions**	**2006**	2005
			HK$	*HK$*
Dawnvast Ltd.	Mr. Cheng Lok Hing Mr. Cheng Chun Kit	Rental expense	**369,000**	369,600
Techford Development Ltd.	Ms. Chan Oi Ling, Maria Olimpia	Rental expense	**156,000**	156,000
Wing Nin Trading Co. Ltd.	Family member of Ms. Chan Oi Ling, Maria Olimpia	Rental expense	**192,000**	196,000

(ii) Transactions with minority shareholders:

Name of party	**Nature of transactions**	**2006**	2005
		HK$	*HK$*
東莞市橋光實業集團公司 Dongguan City Qiao Guang Industrial Group Company	Rental expenses	**891,168**	890,459

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2006

35. BALANCE SHEET INFORMATION OF THE COMPANY

	2006	2005
	HK$	*HK$*
Non-current Asset		
Unlisted investment in subsidiaries	**44,260,976**	44,260,976
Current Assets		
Amount due from a subsidiary	**110,185,870**	110,185,870
Other receivables and prepayments	**65,000**	65,260
Bank balances and cash	**68,674**	465,642
	110,319,544	110,716,772
Current Liabilities		
Other payables and accrued charges	**154,452**	147,378
Dividend payable	**407,920**	404,760
Amount due to a subsidiary	**20,654,088**	15,874,353
	21,216,460	16,426,491
Net Current Assets	**89,103,084**	94,290,281
	133,364,060	138,551,257
Capital and Reserves		
Share capital	**42,400,010**	42,400,010
Reserves	**90,964,050**	96,151,247
	133,364,060	138,551,257

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2006

36. SUBSIDIARIES

Particulars of the subsidiaries at 31st March, 2006 are as follows:

Name	Place of incorporation or registration/ operation	Issued and fully paid ordinary share capital/ registered and contributed capital	Attributable equity interest held by the Group	Principal activities
東莞德雅皮具製品廠有限公司 Dongguan Tak Ya Leather Goods Manufactory Limited *(note b)*	PRC	HK$8,000,000	70% *(note c)*	Manufacture of accessories for photographic, electrical and multimedia products
Mana Industrial Limited	Hong Kong	HK$10,000	100%	Inactive
March Professional Bags Company Limited	Hong Kong/PRC	HK$50,000	100%	Manufacturing and trading of accessories for photographic, electrical and multimedia products
Mascotte Industrial Associates (Hong Kong) Limited	Hong Kong	HK$2	100%	Trading of accessories for photographic, electrical and multimedia products
Mascotte Investments Limited	Hong Kong	HK$1,000 HK$1,000,000*	100%	Property holding
Mascotte Group Limited	British Virgin Islands/ Hong Kong	US$100	100%	Investment holding
馬斯葛志豪照相器材(惠州)有限公司 Mascotte Zhi Hao Photographic Equipment (Hui Zhou) Co. Ltd. *(note b)*	PRC	US$3,180,000	90%	Property holding and manufacture of accessories for photographic, electrical and multimedia products
Mascotte Hui Zhou Limited	British Virgin Islands/PRC	US$1	100%	Investment holding
Mascotte Overseas Limited	British Virgin Islands/Macau	US$1,795,000	100%	Inactive
Mascotte Photographic Trading Limited	British Virgin Islands/Macau	US$1	100%	Inactive
Newland Kingdom Limited	Hong Kong	HK$9,998 HK$2*	100%	Property investment
Tak Ya Leather Goods Manufactory Limited	British Virgin Islands/PRC	US$1	100%	Investment holding

* These represent non-voting deferred shares (note d).

36. SUBSIDIARIES *(Continued)*

Notes:

a. Except for Mascotte Group Limited, all the companies above are indirectly held by the Company.

b. These companies are equity joint ventures.

c. Dongguan Tak Ya Leather Goods Manufactory Limited was established by the Group with an independent party in the PRC. Under various agreements entered into with the PRC party, the Group is entitled to all of the profits derived from its operations up to 31st December, 2006.

d. These deferred shares, which are not held by the Group, practically carry no right to dividends and no rights to receive notice of or to attend or vote at any general meeting of the respective companies. On winding up, the holders of the deferred shares are entitled to distribution out of the remaining assets of the respective companies only after the distribution of substantial amounts as specified in the Articles of Associations to holders of ordinary shares of the respective companies.

FINANCIAL SUMMARY

RESULTS

	Year ended 31st March,				
	2002	2003	2004	2005	**2006**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	***HK$'000***
Turnover	166,339	186,707	159,832	182,661	**209,396**
Profit before taxation	14,968	21,495	20,372	12,279	**16,194**
Income tax expenses	(339)	(10,511)	(1,121)	(5,519)	**(3,452)**
Profit for the year	14,629	10,984	19,251	6,760	**12,742**
Attributable to:					
Equity holders of the Company	13,444	10,865	18,904	6,560	**12,472**
Minority interests	1,185	119	347	200	**270**
	14,629	10,984	19,251	6,760	**12,742**

ASSETS AND LIABILITIES

	At 31st March,				
	2002	2003	2004	2005	**2006**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	***HK$'000***
Total assets	190,358	235,443	249,868	236,869	**248,722**
Total liabilities	(34,804)	(73,146)	(68,320)	(52,769)	**(54,943)**
	155,554	162,297	181,548	184,100	**193,779**
Equity attributable to equity holders of the Company	153,366	159,991	178,895	181,246	**190,574**
Minority interests	2,188	2,306	2,653	2,854	**3,205**
	155,554	162,297	181,548	184,100	**193,779**

PARTICULARS OF INVESTMENT PROPERTIES

Property interests held for investment purposes by the Group are set out below:

Location	Lease term	Group's interest	Type
HONG KONG			
Unit A, Ground Floor, Po Chai Industrial Building, 28 Wong Chuk Hang Road, Aberdeen	Long lease	100%	Commercial
Workshop No.7, 18th Floor, Harbour Industrial Centre, 10 Lee Hing Street, Ap Lei Chau	Long lease	100%	Commercial
No. 2, Hau Wo Street, Western District	Long Lease	100%	Commercial
Shop Space No. S97, 2nd Floor, Red Mall of Malahon Apartments No. 509 Jaffe Road	Long lease	100%	Commercial
Shop Space No. S18, 2nd Floor, Red Mall of Malahon Apartments, No. 509 Jaffe Road	Long lease	100%	Commercial

PARTICULARS OF INVESTMENT PROPERTIES

Location	Lease term	Group's interest	Type
PEOPLE'S REPUBLIC OF CHINA			
A portion of the factory complex situated at Lot No.14-03-129, Hui Shan Expressway, Pingtan Town, Huiyang County, Huizhou, Guangdong Province.	Medium-term lease	90%	Commercial
Units 1502 and 1503 on level 15, Pacific Trade Building, Jia Bin Road, Shenzhen, Guangdong Province	Medium-term lease	100%	Commercial