

1. GENERAL

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

The Company is an investment holding company. Its subsidiaries are principally engaged in the manufacture and trading of cables and wires, copper rods and connectors and terminals. Its associates and jointly controlled entities are principally engaged in the manufacture of optical fibre cable.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has adopted, for the first time, the Hong Kong Financial Reporting Standards ("HKFRS") – Statement of Standard Accounting Practice ("SSAP") 12 Revised – "Income taxes" issued by the Hong Kong Society of Accountants ("HKSA"), the term of HKFRS is inclusive of SSAPs and Interpretations approved by the HKSA.

The principal effect of the implementation of SSAP 12 (Revised) is in relation to deferred tax. In previous years, partial provision was made for deferred tax using the income statement liability method, i.e. a liability was recognised in respect of timing differences arising, except where those timing differences were not expected to reverse in the foreseeable future. SSAP 12 (Revised) requires the adoption of a balance sheet liability method, whereby deferred tax is recognised in respect of all temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, with limited exceptions. In the absence of any specific transitional requirements in SSAP 12 (Revised), the new accounting policy has been applied retrospectively. Comparative amounts for 2003 have been restated accordingly. As a result of this change in policy, the retained earnings at 1 April 2003 has been decreased by HK\$2,185,000 (1 April 2002: HK\$651,000). The balance of the Group's asset revaluation reserve at 1 April 2003 has been decreased by HK\$142,000 (1 April 2002: HK\$349,000). The loss for the year has been increased by HK\$751,000 (2003: decrease in profit by HK\$1,534,000). The Group's asset revaluation reserve has been decreased by HK\$1,570,000 (2003: increased by HK\$207,000) for the year.

3. SIGNIFICANT ACCOUNTING POLICIES

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

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

Basis of consolidation

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Goodwill

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

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

Goodwill arising on acquisitions after 1 April 2001 is capitalised and amortised on a straight-line basis over its useful economic life. Goodwill arising on the acquisition of an associate or a jointly controlled entity is included within the carrying amount of the associate or jointly controlled entity. Goodwill arising on the acquisition of subsidiaries is presented as a separate intangible asset.

On disposal of a subsidiary, associate or jointly controlled entity, the attributable amount of unamortised goodwill or goodwill previously eliminated against reserves is included in the determination of the profit or loss on disposal.

Negative goodwill

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

Negative goodwill arising on acquisitions prior to 1 April 2001 continues to be held in reserves and will be credited to income at the time of disposal of the relevant subsidiary, associate or jointly controlled entity.

Negative goodwill arising on acquisitions after 1 April 2001 is presented as deduction from assets and will be released to income based on an analysis of the circumstances from which the balance resulted. Negative goodwill arising on the acquisition of an associate or a jointly controlled entity is deducted from the carrying value of that associate or jointly controlled entity. Negative goodwill arising on the acquisition of subsidiaries is presented as a deduction from intangible assets.

Revenue recognition

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)**Property, plant and equipment**

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

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

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

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

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

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

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

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

Investments in subsidiaries

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Interests in associates

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

Interests in jointly controlled entities

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

The Group's interests in jointly controlled entities are included in the consolidated balance sheet at the Group's share of the net assets of the jointly controlled entities plus the goodwill paid on acquisition in so far as it has not already been amortised less any identified impairment loss. The Group's share of the post-acquisition results of its jointly controlled entities is included in the consolidated income statement.

Impairment

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment losses are recognised as an expense immediately, unless the relevant asset is carried at a revalued amount under another SSAP, in which case the impairment loss is treated as a revaluation decrease under that SSAP.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, such 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, unless the relevant asset is carried at a revalued amount under another SSAP, in which case the reversal of the impairment loss is treated as a revaluation increase under that SSAP.

Inventories

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation (continued)

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

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

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

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

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

Turnover

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

Research and development expenditure

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

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

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

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

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

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

Foreign currencies

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

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

Retirement benefits schemes

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

4. SEGMENTAL INFORMATION

Business segments

For management purposes, the Group is currently organised into three principal operating divisions – manufacture and trading of cables and wires, copper rods, and connectors and terminals. These divisions are the basis on which the Group reports its primary segment information.

Segment information about these businesses is presented below.

2004

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

4. SEGMENTAL INFORMATION (continued)

Business segments (continued)

	Cables and wires HK\$'000	Copper rods HK\$'000	Connectors and terminals HK\$'000	Other HK\$'000	Consolidated HK\$'000	
BALANCE SHEET						
Assets						
Segment assets	644,403	391,100	61,537	65,545	1,162,585	
Interests in associates					9,596	
Unallocated corporate assets					97,025	
Consolidated total assets					1,269,206	
Liabilities						
Segment liabilities	85,580	26,937	18,660	1,222	132,399	
Unallocated corporate liabilities					319,403	
Consolidated total liabilities					451,802	
	Cables and wires HK\$'000	Copper rods HK\$'000	Connectors and terminals HK\$'000	Other HK\$'000	Unallocated HK\$'000	Consolidated HK\$'000
OTHER INFORMATION						
Capital additions	10,881	7,292	2,551	47,733	–	68,457
Depreciation and amortisation	23,083	8,984	1,781	4,022	–	37,870
Allowance for inventories	9,601	–	–	–	–	9,601
Allowance for doubtful debts	1,305	4,050	–	–	27,188	32,543

4. SEGMENTAL INFORMATION (continued)

Business segments (continued)

2003

	Cables and wires <i>HK\$'000</i>	Copper rods <i>HK\$'000</i>	Connectors and terminals <i>HK\$'000</i>	Elimination <i>HK\$'000</i>	Consolidated <i>HK\$'000</i> (Restated)
TURNOVER					
External sales	596,955	267,380	81,887	–	946,222
Inter-segment sales	7,926	124,173	789	(132,888)	–
Total sales	604,881	391,553	82,676	(132,888)	946,222
Inter-segment sales are charged at cost.					
RESULT					
Segment result	32,791	12,783	7,851		53,425
Unallocated corporate income					3,400
Unallocated corporate expenses					(8,092)
Profit from operations					48,733
Finance costs					(14,264)
Share of result of an associate					1,588
Share of result of a jointly controlled entity					(18,065)
Gain on disposal of subsidiaries					5,805
Loss on partial disposal of an associate					(6,800)
Profit before taxation					16,997
Taxation					(8,613)
Profit before minority interests					8,384
Minority interests					(119)
Profit for the year					8,265

4. SEGMENTAL INFORMATION (continued)

Business segments (continued)

	Cables and wires <i>HK\$'000</i>	Copper rods <i>HK\$'000</i>	Connectors and terminals <i>HK\$'000</i>	Consolidated <i>HK\$'000</i> (Restated)
BALANCE SHEET				
Assets				
Segment assets	635,697	312,604	39,852	988,153
Interests in associates				4,108
Interests in jointly controlled entities				62,611
Unallocated corporate assets				76,289
Consolidated total assets				<u>1,131,161</u>
Liabilities				
Segment liabilities	79,119	20,418	6,004	105,541
Unallocated corporate liabilities				236,586
Consolidated total liabilities				<u>342,127</u>
	Cables and wires <i>HK\$'000</i>	Copper rods <i>HK\$'000</i>	Connectors and terminals <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
OTHER INFORMATION				
Capital additions	8,549	930	2,077	11,556
Depreciation and amortisation	24,301	10,921	1,272	36,494
Allowance for inventories	2,000	–	–	2,000

4. SEGMENTAL INFORMATION (continued)

Geographical segments

The Group's operations are located in Hong Kong, the People's Republic of China, other than Hong Kong (the "PRC"), North America, Europe and other Asian regions.

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

	Turnover by geographical market	
	2004 HK\$'000	2003 HK\$'000
PRC	773,106	527,175
North America	201,051	214,748
Europe	39,172	54,061
Hong Kong	40,633	28,356
Other Asian regions	143,138	121,882
	1,197,100	946,222

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

	Carrying amount of segment assets		Additions to property plant and equipment	
	2004 HK\$'000	2003 HK\$'000 (Restated)	2004 HK\$'000	2003 HK\$'000
PRC	676,436	621,168	59,097	8,956
Hong Kong	479,311	363,569	6,783	515
North America	42,327	39,854	2,551	8
Other Asian regions	61,536	39,851	26	2,077
	1,259,610	1,064,442	68,457	11,556

5. PROFIT FROM OPERATIONS

	2004 HK\$'000	2003 HK\$'000
Profit from operations has been arrived at after charging:		
Auditors' remuneration		
Current year	1,496	1,420
Underprovision in prior years	44	39
	1,540	1,459
Depreciation and amortisation		
Owned assets	36,707	33,524
Assets held under finance leases	1,163	2,233
Deferred expenditure included in general and administrative expenses	–	737
	37,870	36,494
Operating lease rentals in respect of rented premises	4,392	4,192
Staff costs including directors' emoluments	82,207	90,907
Research and development expenditure	2,435	2,891
Exchange loss, net	821	1,026
Loss on disposal of property, plant and equipment	–	259
Allowance for inventories	9,601	2,000
Impairment on club membership included in general and administrative expenses	600	–
Impairment on deposit paid for acquisition of investment included in general and administrative expenses	3,831	–
and after crediting:		
Dividend income from listed securities	–	200
Gain on disposal of property, plant and equipment	10	–
Interest on bank deposits	715	5,719
Interest on notes receivables	3,309	2,511

6. EMOLUMENTS OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

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

	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Directors' fees:		
Executive directors	–	–
Independent non-executive directors	178	352
Other emoluments to executive directors:		
Salaries and other benefits	4,958	6,834
Performance related incentive payments	631	824
Contributions to retirement benefits schemes	24	28
	5,791	8,038

Emoluments of the directors were within the following bands:

	Number of directors	
	2004	2003
Nil – HK\$1,000,000	6	7
HK\$1,000,001 – HK\$1,500,000	1	2
HK\$3,500,001 – HK\$4,000,000	1	–
HK\$4,000,001 – HK\$4,500,000	–	1

The five highest paid individuals of the Group include two (2003: three) executive directors of the Company, details of whose emoluments are included above. The emoluments of the remaining three (2003: two) individuals for the year ended 31 March 2004 were as follows:

	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Salaries and other benefits	2,314	1,584
Contributions to retirement benefits schemes	153	123
	2,467	1,707

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

Emoluments of these individuals were within the following bands:

	Number of employees	
	2004	2003
Nil – HK\$1,000,000	2	1
HK\$1,000,001 – HK\$1,500,000	1	1

7. FINANCE COSTS

	2004 HK\$'000	2003 HK\$'000
Interest on bank borrowings and other loans wholly repayable within five years	14,097	12,824
Interest on finance leases	701	545
Interest on convertible bonds	–	895
	14,798	14,264

8. TAXATION

	2004 HK\$'000	2003 HK\$'000 (Restated)
Hong Kong Profits Tax		
Current year	400	1,700
Underprovision in respect of prior years	98	–
Taxation in other jurisdictions		
Current year	7,773	5,536
Overprovision in respect of prior years	(32)	(303)
Deferred taxation (Note 21)		
Current year	51	1,680
Attributable to a change in tax rate	700	–
	8,990	8,613

Hong Kong Profits Tax is calculated at 17.5% (2003: 16%) of the estimated assessable profit for the year.

8. TAXATION (continued)

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

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

The charge for the year can be reconciled to the loss (profit) before taxation per the income statement as follows:

	2004 HK\$'000	2003 HK\$'000
(Loss) profit before taxation	(78,640)	16,997
Tax at the domestic income tax rate of 27% (2003: 27%)	(21,233)	4,589
Tax effect of expenses not deductible for tax purpose	29,383	10,658
Tax effect of income not taxable for tax purpose	(2,109)	(2,663)
Tax effect of tax losses not recognised	1,051	730
Income tax on concessionary rate	(1,271)	(2,536)
Under(over)provision in respect of prior years	66	(303)
Others	1,146	(4,335)
Effect of different tax rates of subsidiaries operating in other jurisdictions	1,257	2,473
Effect on change in tax rate on opening deferred tax liabilities	700	–
Tax charge for the year	8,990	8,613

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

9. (LOSS) EARNINGS PER SHARE

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

	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i> (Restated)
Results for the year and results for the purpose of basic (loss) earnings per share	(85,185)	8,265
	Number of shares	
	2004	2003
Weighted average number of ordinary shares for the purpose of basic earnings per share	224,816,029	189,584,362

As the exercise of potential dilutive ordinary shares in respect of convertible bonds and share options would result in a reduction in the loss per share from ordinary activities (2003: an increase in the earnings per share), there was no dilution for each of the two years ended 31 March 2004 and 2003.

The adjustment to comparative basic earnings per share, arising from the changes in accounting policy shown in note 2 above, is as follows:

	Basic <i>HK cents</i>
Reconciliation of 2003 earnings per share:	
Reported figure before adjustment	5.17
Adjustment arising from the adoption of SSAP 12 (Revised)	(0.81)
Restated	4.36

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2004

10. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings <i>HK\$'000</i>	Leasehold improve- ments <i>HK\$'000</i>	Equipment, furniture and fixtures <i>HK\$'000</i>	Plant and machinery <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Total <i>HK\$'000</i>
THE GROUP						
COST OR VALUATION						
At 1 April 2003	217,190	15,310	54,954	287,378	15,050	589,882
Currency realignment	–	3	13	(7)	1	10
Additions	460	2,092	6,422	15,040	982	24,996
Acquired on acquisition of a subsidiary	13,232	–	1,067	29,048	114	43,461
Disposals	–	(139)	–	–	(117)	(256)
Adjustment on valuation	(220)	–	–	–	–	(220)
At 31 March 2004	230,662	17,266	62,456	331,459	16,030	657,873
Comprising:						
At cost	–	17,266	62,456	331,459	16,030	427,211
At valuation – 2004	230,662	–	–	–	–	230,662
	230,662	17,266	62,456	331,459	16,030	657,873
DEPRECIATION AND AMORTISATION						
At 1 April 2003	–	5,078	34,452	122,160	7,764	169,454
Currency realignment	–	1	12	(2)	1	12
Provided for the year	7,928	1,327	5,304	21,826	1,485	37,870
Eliminated on disposals	–	(139)	–	–	(111)	(250)
Adjustment on valuation	(7,928)	–	–	–	–	(7,928)
At 31 March 2004	–	6,267	39,768	143,984	9,139	199,158
NET BOOK VALUES						
At 31 March 2004	230,662	10,999	22,688	187,475	6,891	458,715
At 31 March 2003	217,190	10,232	20,502	165,218	7,286	420,428

10. PROPERTY, PLANT AND EQUIPMENT (continued)

The land and buildings of the Group were revalued on 31 March 2004 at their open market value on an existing use basis by LCH (Asia-Pacific) Surveyors Limited, an independent firm of professional property valuers, as follows:

	2004 HK\$'000	2003 <i>HK\$'000</i>
Properties situated in the PRC		
– held under medium term leases	210,322	199,850
– held under long leases	12,200	11,000
Properties situated in Hong Kong held under medium term leases	8,140	6,340
	230,662	217,190

The net surplus arising on revaluation of HK\$7,708,000 (2003: HK\$541,000) has been credited to the asset revaluation reserve.

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

	2004 HK\$'000	2003 <i>HK\$'000</i>
Cost	244,891	244,431
Accumulated depreciation	(31,082)	(26,189)
Net book value at 31 March	213,809	218,242

At 31 March 2004, the net book value of property, plant and equipment of the Group includes plant and machinery of HK\$4,609,000 (2003: HK\$16,316,000) and motor vehicles of HK\$1,433,000 (2003: HK\$1,747,000) in respect of assets held under finance leases.

11. INTERESTS IN SUBSIDIARIES

	THE COMPANY	
	2004	2003
	HK\$'000	HK\$'000
Unlisted shares, at cost	151,667	151,667
Amounts due from subsidiaries	1,209,808	1,167,954
Less: Impairment losses recognised	(583,009)	(583,009)
	778,466	736,612

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

The following list contains only the particulars of the subsidiaries at 31 March 2004 which principally affect the results, assets or liabilities of the Group as the directors are of the opinion that a full list of all the subsidiaries would be of excessive length.

Name of company	Place of incorporation or registration/operation	Issued and fully paid share capital or registered capital	Proportion of nominal value of issued capital or registered capital held by the Company	Principal activities
Chau's Electrical (BVI) Company Limited	British Virgin Islands/PRC	US\$1	100%	Property holding
Chau's Electrical Company Limited	Hong Kong	HK\$1,000 ordinary HK\$500,000 non-voting deferred (Note 1)	100% –	Manufacture and trading of cable and wire products
Chau's Electrical International, Inc.	United States of America	US\$20,000	100%	Trading

11. INTERESTS IN SUBSIDIARIES (continued)

Name of company	Place of incorporation or registration/ operation	Issued and fully paid share capital or registered capital	Proportion of nominal value of issued capital or registered capital held by the Company	Principal activities
Chau's Industrial Investments Limited	British Virgin Islands	US\$1,000	100%	Investment holding
Citigain Industrial Limited	Hong Kong	HK\$1,000	100%	Investment holding
Crown Earth Investments Limited	Hong Kong/ PRC	HK\$100	100%	Property holding
東莞華藝銅業有限公司 Dongguan Hua Yi Brass Products Co., Ltd.	PRC	US\$9,850,000 (Note 2)	100%	Manufacture and trading of copper products
東莞橋梓周氏電業有限公司 Dongguan Qiaozi Chau's Electrical Co., Ltd.*	PRC	HK\$5,000,000 (Note 3)	75%	Manufacture and trading of cable and wire products
東莞新寶精化有限公司 Dongguan Xin Bao Precision Chemical Co., Ltd.* ("Dongguan Xin Bao")	PRC	HK\$45,000,000	85%	Manufacture and trading of chemical products
Gosberton Assets Limited	British Virgin Islands	US\$1	100%	Holding of trademarks
Hua Yi Copper Products Company Limited	Hong Kong	HK\$100,000	100%	Manufacture and trading of copper products
上海周氏電業有限公司 Shanghai Chau's Electrical Co., Ltd. *	PRC	US\$2,500,000	65%	Manufacture and trading of cable and wire products

11. INTERESTS IN SUBSIDIARIES (continued)

Name of company	Place of incorporation or registration/ operation	Issued and fully paid share capital or registered capital	Proportion of nominal value of issued capital or registered capital held by the Company	Principal activities
Solartech Investments Limited	British Virgin Islands	US\$1	100%	Investment holding
Stocko Electronics Asia Pacific Pte Ltd	Singapore	S\$100,000	90.5%	Trading in wire harness and connectors
Todaiji Electronics (M) Sdn. Bhd.	Malaysia	RM500,000	100%	Manufacture of wire harness and connectors
Wah Yeung Capital Resources Limited	British Virgin Islands	US\$1	100%	Investment holding
Yellowstone Assets Limited	British Virgin Islands	US\$1	100%	Investment holding

* *Equity joint venture*

Notes:

- The deferred shares, which are not held by the Group, practically carry no rights to dividends or to receive notice of or to attend or vote at any general meeting of the company or to participate in any distribution on winding up.
- Prior to January 2004, Dongguan Hua Yi was an equity joint venture with a registered capital of US\$9,850,000. The Group has solely contributed all the registered capital of Dongguan Hua Yi. No contribution was made by the PRC joint venture partner and accordingly the Group was entitled to the entire profit or loss of Dongguan Hua Yi. Pursuant to a supplemental agreement dated 5 August 2003, the PRC joint venture partner agreed to surrender its ownership in Dongguan Hua Yi to the Group at no consideration. The transfer has been approved by the PRC relevant authority and Dongguan Hua Yi became a wholly foreign owned enterprise since January 2004.
- Dongguan Qiaozhi Chau's Electrical Co., Ltd. ("Qiaozhi Chau's") was established by the Group with an independent Chinese party in the PRC. Under the management agreement with the Chinese party, the Group is responsible for all of the assets and liabilities of the joint venture and is entitled to the net profit derived from its operations after the payment of a fixed amount as management fee to the Chinese party each year.
- Except for Chau's Industrial Investments Limited, all the subsidiaries are indirectly held by the Company.

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

12. INTERESTS IN ASSOCIATES

	THE GROUP	
	2004 HK\$'000	2003 HK\$'000
Share of net assets	9,596	4,108
Amount due from an associate	5,000	5,000
Less: Impairment losses recognised	(5,000)	(5,000)
	<u>9,596</u>	<u>4,108</u>

During the year, the Group has reviewed the business of an associate which is engaged in manufacture and trading of optical fibre cables and related products. Based on expected cashflow, the directors considered that the related goodwill of HK\$63,653,000 has been fully impaired and written off in the income statement.

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

The following list contains only the particulars of the associates at 31 March 2004 which principally affect the results of the year or form a substantial portion of the net assets or liabilities of the Group, as the directors are of the opinion that a full list of all the associates would be of excessive length.

Name of company	Place of incorporation	Proportion of nominal value of issued capital indirectly held by the Company	Principal activities
Tonfu (Hong Kong) Holdings Limited	Hong Kong	42.75%	Manufacture and trading of optical fibre cable and related products
侯馬普天榮盛光纜有限公司	PRC	20%	Manufacture and trading of optical fibre cable and related products

13. INTERESTS IN JOINTLY CONTROLLED ENTITIES

	THE GROUP	
	2004 HK\$'000	2003 HK\$'000
Share of net assets	368	2,302
Goodwill on acquisition (Note)	48,784	48,784
Amounts due from jointly controlled entities	–	60,677
	49,152	111,763
Less: Impairment losses recognised	(49,152)	(49,152)
	–	62,611

Note: In prior years, the directors had reviewed the business of a jointly controlled entity and considered that the premium arising from acquisition had been fully impaired.

During the year, a jointly controlled entity has been reclassified as the Group's subsidiary. Details of the transaction are set out in note 24.

The amounts due from jointly controlled entities are unsecured and interest free. In the opinion of the directors, no repayment will be demanded within the next twelve months. Accordingly, the amount is classified as non-current asset.

Particulars of the Group's jointly controlled entity as at 31 March 2004 is as follows:

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

14. NOTES RECEIVABLE

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

15. OTHER ASSETS

	THE GROUP	
	2004 HK\$'000	2003 HK\$'000
Deposits paid for acquisition of investments (<i>Note 1</i>)	–	16,014
Club membership, at cost (<i>Note 2</i>)	–	600
	<u>–</u>	<u>16,614</u>

Notes:

- In prior years, deposits of HK\$16,014,000 has been paid for the acquisition of investments. During the year, HK\$11,214,000 has been transferred to interests in associates, HK\$969,000 has been refunded to the Group and the remaining HK\$3,831,000 has been considered irrecoverable by the directors and written off in the income statement.
- In the opinion of the directors, the club membership has been fully impaired and written-off during the year.

16. INVENTORIES

	THE GROUP	
	2004 HK\$'000	2003 HK\$'000
Raw materials	113,700	94,589
Work in progress	15,020	11,214
Finished goods	100,554	77,094
	<u>229,274</u>	<u>182,897</u>

All inventories are stated at cost.

17. DEBTORS, DEPOSITS AND PREPAYMENTS

Included in the Group's debtors, deposits and prepayments were trade debtors of HK\$269,426,000 (2003: HK\$188,131,000). The Group allows an average credit period of 45 days to its trade customers.

The aging analysis of trade debtors is as follows:

	THE GROUP	
	2004 HK\$'000	2003 HK\$'000
Within 30 days	134,510	94,548
31 – 60 days	69,655	44,700
61 – 90 days	27,706	25,895
Over 90 days	37,555	22,988
	269,426	188,131

18. CREDITORS AND ACCRUED CHARGES

Included in the Group's creditors and accrued charges were trade creditors of HK\$81,445,000 (2003: HK\$63,284,000).

The aging analysis of trade creditors is as follows:

	THE GROUP	
	2004 HK\$'000	2003 HK\$'000
Within 30 days	45,146	25,487
31 – 60 days	26,713	21,983
61 – 90 days	7,801	11,287
Over 90 days	1,785	4,527
	81,445	63,284

19. OBLIGATIONS UNDER FINANCE LEASES

	THE GROUP			
	Minimum lease payments		Present value of minimum lease payments	
	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Amounts payable under finance leases				
Within one year	3,249	3,610	1,786	3,257
In the second to fifth year inclusive	1,036	2,437	2,087	1,906
	4,285	6,047		
Less: Future finance charges	(412)	(884)		
Present value of lease obligations	3,873	5,163	3,873	5,163
Less: Amount due within one year			(1,786)	(3,257)
Amount due after one year			2,087	1,906

It is the Group's policy to lease certain of its plant and machinery and motor vehicles under finance leases. The average lease term is 4 years. For the year ended 31 March 2004, the average effective borrowing rate was 5.4% (2003: 4.8%) per annum. Interest rates were fixed at the contract date. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

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

20. BORROWINGS

	THE GROUP	
	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Borrowings are analysed as follows:		
Bank overdrafts	175	1,452
Bank loans	101,118	86,632
Trust receipt loans	135,074	75,192
Invoice financing loans	55,201	47,579
	291,568	210,855
Secured	175,542	84,282
Unsecured	116,026	126,573
	291,568	210,855

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

21. DEFERRED TAXATION

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

	Accelerated tax depreciation <i>HK\$'000</i>	Tax losses <i>HK\$'000</i>	Allowance for debtors <i>HK\$'000</i>	Allowance for inventories <i>HK\$'000</i>	Total <i>HK\$'000</i>
THE GROUP					
At 1 April 2002					
– as previously reported	5,650	–	–	–	5,650
– adjustment on adoption of SSAP 12 (Revised)	4,906	(341)	(3,565)	–	1,000
– as restated	10,556	(341)	(3,565)	–	6,650
(Credit) charge to income statement for year	(807)	340	2,147	–	1,680
Credit to equity for the year	(207)	–	–	–	(207)
At 31 March 2003	9,542	(1)	(1,418)	–	8,123
Exchange difference	(1)	–	–	–	(1)
Charge (credit) to income statement for the year	2,382	(522)	827	(2,636)	51
Charge to equity for the year	1,557	–	–	–	1,557
Effect of change in tax rate					
– charge (credit) to income statement	709	–	(9)	–	700
– charge to equity	13	–	–	–	13
At 31 March 2004	14,202	(523)	(600)	(2,636)	10,443

21. DEFERRED TAXATION (continued)

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

	THE GROUP	
	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Deferred tax liabilities	11,809	9,442
Deferred tax assets	(1,366)	(1,319)
	10,443	8,123

At 31 March 2004, the Group has unused tax losses of HK\$9,500,000 (2003: HK\$4,300,000) available for offset against future profits. A deferred tax asset has been recognised in respect of HK\$2,988,000 (2003: Nil) of such tax losses. No deferred tax asset has been recognised in respect of the remaining tax losses due to the unpredictability of future profit streams. The tax losses of HK\$4,000,000 may be carried forward indefinitely and the remaining of HK\$5,500,000 can be carried forward for a maximum of five years.

The Company has unused tax losses of HK\$1,000,000 (2003: HK\$1,000,000) at 31 March 2004. No deferred tax asset has been recognised due to the unpredictability of future profit streams.

22. SHARE CAPITAL

	Number of shares		Share capital	
	2004 <i>'000</i>	2003 <i>'000</i>	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Ordinary shares of HK\$0.01 each				
Authorised	30,000,000	30,000,000	300,000	300,000
Issued and fully paid				
At beginning of the year	189,584	18,958,400	1,896	189,584
Placements of new shares	83,390	–	834	–
Capital reorganisation	–	(18,768,816)	–	(187,688)
At end of the year	272,974	189,584	2,730	1,896

22. SHARE CAPITAL (continued)

During the year, pursuant to two subscription agreements entered into between the Company and Chau's Family 1996 Limited, 37,900,000 ordinary shares of HK\$0.01 each and 45,490,000 ordinary shares of HK\$0.01 each in the Company were issued at a price of HK\$0.5 per share and HK\$0.55 per share respectively. All the new shares issued rank pari passu in all respects with the then existing shares.

In prior year, the Group undertook a capital reorganisation resulting in reduction of capital, consolidation of shares and cancellation of share premium:

- (a) the nominal value of all issued shares of HK\$0.01 each of the Company was reduced by HK\$0.0099 per share by cancelling an equal amount of paid-up capital so that the nominal value of each such share ("Reduced Share") was reduced from HK\$0.01 to HK\$0.0001. Accordingly, the issued share capital of the Company of HK\$189,584,000 was reduced by HK\$187,688,000 to HK\$1,896,000 and the credit arising from such reduction was credited to the contributed surplus account of the Company which was then applied to set off against accumulated losses of the Company;
- (b) every 100 issued Reduced Shares of HK\$0.0001 each were consolidated into one share of HK\$0.01 each ("Consolidated Share"). Accordingly, 189,584,362 Consolidated Shares of HK\$0.01 each were in issue after the consolidation; and
- (c) the share premium account of the Company was cancelled and the credit arising was credited to the contributed surplus account of the Company which was then applied to set off the accumulated losses of the Company.

23. RESERVES

	Share premium <i>HK\$'000</i>	Contributed surplus <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>	Total <i>HK\$'000</i>
THE COMPANY				
At 1 April 2002	1,001,470	151,546	(601,676)	551,340
Capital reorganisation (<i>Note 22</i>)	(1,001,470)	587,482	601,676	187,688
Expenses incurred in relation to the capital reorganisation	–	(470)	–	(470)
Loss for the year	–	–	(4,425)	(4,425)
At 31 March 2003	–	738,558	(4,425)	734,133
Placement of new shares (<i>Note 22</i>)	43,136	–	–	43,136
Expenses incurred in relation to the placement of new shares	(965)	–	–	(965)
Loss for the year	–	–	(878)	(878)
At 31 March 2004	42,171	738,558	(5,303)	775,426

The contributed surplus of the Company represents:

- (i) the difference between the consolidated shareholders' funds of subsidiaries at the date on which the group reorganisation became effective and the nominal amount of the share capital of the Company issued under the group reorganisation in 1996; and
- (ii) the net balance of after setting off accumulated losses of the Company as at 1 April 2002 from reduced share capital and cancelled share premium of the Company in accordance with the Company's capital reorganisation in 2002.

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

- (a) the Company is, or would after the payment be, unable to pay its liabilities as they become due; or
- (b) the realisable value of the Company's assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

In the opinion of the directors, the Company's reserves available for distribution to shareholders as at 31 March 2004 amounted to HK\$733,255,000 (2003: HK\$734,133,000).

24. ACQUISITION OF A SUBSIDIARY

During the year ended 31 March 2004, the Group has made additional contribution equivalent to 30% of the registered capital of Dongguan Xin Bao, which was previously classified as a jointly controlled entity, and accordingly the equity interests attributable to the Group has become 85%. During the year, the Group has obtained the control over Dongguan Xin Bao and is therefore reclassified as a subsidiary.

	2004
	HK\$'000
NET ASSETS ACQUIRED	
Property, plant and equipment	43,461
Inventories	841
Debtors, deposits and prepayments	21,089
Bank balances and cash	17,864
Creditors and accrued charges	(649)
Minority interests	(2,761)
	79,845
Satisfied by:	
Cash consideration	17,234
Transferred from interests in jointly controlled entities	62,611
	79,845
Net cash inflow arising on acquisition:	
Cash consideration	17,234
Bank balances and cash acquired	(17,864)
Net inflow of cash and cash equivalents in respect of the acquisition of a subsidiary	(630)

The subsidiary acquired during the year contributed HK\$9,086,000 to the Group's turnover and had a loss from operation of HK\$4,866,000 after its acquisition.

25. DISPOSAL OF SUBSIDIARIES

In prior year, the Group disposed of certain subsidiaries. The net assets of these subsidiaries at the date of disposal were as follows:

	2003 HK\$'000
NET ASSETS DISPOSED OF	
Goodwill	54,243
Property, plant and equipment	84
Debtors, deposits and prepayments	2,860
Bank balances and cash	10
Creditors and accrued charges	(3,002)
	<u>54,195</u>
Gain on disposal	5,805
	<u>60,000</u>
SATISFIED BY	
Cash consideration (Note)	5,000
Deferred consideration (Note)	55,000
	<u>60,000</u>
Net cash inflow arising on disposal:	
Cash consideration (Note)	5,000
Bank balances and cash disposed of	(10)
	<u>4,990</u>

Note: The total consideration amounted to HK\$60,000,000 of which HK\$5,000,000 was settled in cash and HK\$55,000,000 in promissory notes due in 2007.

The subsidiaries disposed of in 2003 did not have any significant impact on the Group's cash flows or operating results.

26. MAJOR NON-CASH TRANSACTIONS

During the year, the Group entered into finance leases in respect of assets with a total capital value at the inception of the leases amounted to HK\$2,439,000 (2003: HK\$400,000).

27. CAPITAL COMMITMENTS

	THE GROUP	
	2004 HK\$'000	2003 HK\$'000
Capital expenditure contracted for but not provided in the financial statements in respect of:		
Land use right	10,287	–
Leasehold improvements	224	79
Equipment, furniture and fixtures	–	2,471
Plant and machinery	619	–
	<u>11,130</u>	<u>2,550</u>
Capital expenditure for the next three years authorised but not contracted for in respect of plant and machinery	–	60,000

In addition, a subsidiary of the Company was committed to invest HK\$70,110,000 (2003: HK\$28,597,000) for the injection of registered capital of two subsidiaries within three years.

The Company did not have any capital commitment as at 31 March 2004 and 2003.

28. LEASE COMMITMENTS

The Group as lessee

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

	THE GROUP	
	2004	2003
	HK\$'000	<i>HK\$'000</i>
Within one year	3,841	3,123
In the second to fifth year inclusive	5,756	1,770
	9,597	4,893

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

The Company did not have any operating lease commitment as at 31 March 2004 and 2003.

29. CONTINGENT LIABILITIES

At 31 March 2004, the Company has given guarantees to the extent of HK\$389,718,000 (2003: HK\$249,537,000) to bankers to secure general banking facilities granted to certain subsidiaries, of which, HK\$229,890,000 (2003: HK\$153,775,000) was utilised. In addition, a subsidiary has given guarantees to banks in respect of bills of exchange discounted with recourse amounted to HK\$2,295,000 (2003: Nil).

30. PLEDGE OF ASSETS

At 31 March 2004, the Group has pledged certain of its assets with a net book value of HK\$181,991,000 (2003: HK\$166,100,000) to secure general banking facilities granted to the Group. The net book value of these assets are analysed as follows:

	THE GROUP	
	2004	2003
	HK\$'000	<i>HK\$'000</i>
Property, plant and equipment	142,410	151,690
Fixed bank deposits	23,107	10,241
Trade debtors	16,474	4,169
	181,991	166,100

31. SHARE OPTION SCHEMES

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

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

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

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

No option was granted under the New Share Option Scheme since its adoption.

31. SHARE OPTION SCHEMES (continued)

2004

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

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

31. SHARE OPTION SCHEMES (continued)
2003

Capacity	Date of grant	Vesting period	Exercisable period	Exercise price HK\$	Number of share options					
					Outstanding at 1.4.2002	Cancelled from		Adjusted on 17.9.2002 (Note)	Cancelled from 18.9.2002 to 31.3.2003	Outstanding at 31.3.2003
						1.4.2002	to 16.9.2002			
Directors	5 October 2000	6 months	5 April 2001 to 4 April 2003	1.50	385,000,000	-	(385,000,000)	-	-	
					-	-	3,850,000	(1,000,000)	2,850,000	
					385,000,000	-	(381,150,000)	(1,000,000)	2,850,000	
Employees	5 October 2000	6 months	5 April 2001 to 4 April 2003	1.50	178,000,000	(10,000,000)	(168,000,000)	-	-	
					-	-	1,680,000	-	1,680,000	
					-	-	-	-	-	
Employees	13 August 2001	6 months	13 February 2002 to 12 February 2004	1.00	285,000,000	-	(285,000,000)	-	-	
					-	-	2,850,000	-	2,850,000	
					463,000,000	(10,000,000)	(448,470,000)	-	4,530,000	
Total					848,000,000	(10,000,000)	(829,620,000)	(1,000,000)	7,380,000	

Note: The Company undertook a capital reorganisation in September 2002. The then outstanding number of share options and their subscription prices had been adjusted accordingly.

The financial impact of share options granted is not recorded in the Company's or the Group's balance sheet until such time as the options are exercised, and no charge is recognised in the income statement in respect of the value of options granted. Upon the exercise of the share options, the resulting shares issued are recorded by the Company as additional share capital at the nominal value of the shares, and the excess of the exercise price per share over the nominal value of the shares is recorded by the Company in the share premium account. Options which lapse or are cancelled prior to their exercise date are deleted from the register of outstanding options.

32. RETIREMENT BENEFITS SCHEME

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

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

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

During the year, the Group made retirement benefits schemes contributions of HK\$2,942,000 (2003: HK\$2,311,000).

33. RELATED PARTY TRANSACTION

A director of the Group has provided personal guarantee to the extent of HK\$16,000,000 (2003: HK\$16,000,000) to banks for credit facilities granted to certain subsidiaries of the Company.

34. POST BALANCE SHEET EVENTS

- (i) On 25 March 2004, the Company entered into a conditional acquisition agreement with FT Holdings International Limited ("FT Holdings"), a listed company in Hong Kong. Pursuant to the agreement, the Company will dispose of the business of manufacture and trading of copper rods and related products to FT Holdings at an agreed value of HK\$320 million. Details of the transaction are set out in the Company's circular to the shareholders dated 14 June 2004.
- (ii) On 17 June 2004, Chau's Family 1996 Limited entered into agreements to place and subscribe for new shares in the Company. Pursuant to the agreements, Chau's Family 1996 Limited has agreed to place 54,000,000 ordinary shares of HK\$0.01 each in the Company to independent investors at a price of HK\$0.27 per share and to subscribe for 54,000,000 new ordinary shares of HK\$0.01 each in the Company at a price of HK\$0.27 per share.