

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30th April 2004

1. GENERAL

The Company is incorporated and registered as an exempted company with limited liability in the Cayman Islands under the Companies Law of the Cayman Islands. Its shares were listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

Pursuant to a group reorganisation (the "Group Reorganisation") to rationalise the structure of the group in preparation for the listing of the Company's shares on the Stock Exchange, on 26th November 2002, the Company issued shares in exchange for the entire issued share capital of Warderly Group Limited and thereby became the holding company of the companies now comprising the Group. Further details of the Group Reorganisation were set out in the prospectus of the Company dated 29th November 2002.

The group comprising the Company and its subsidiaries (the "Group") resulting from the Group Reorganisation is regarded as a continuing entity. Accordingly, the financial statements of the Group for the year ended 30th April 2003 have been prepared on the basis as if the Company had always been the holding company of the Group using the principles of merger accounting in accordance with the Statement of Standard Accounting Practice ("SSAP") 27 "Accounting for Group Reconstructions" issued by the Hong Kong Society of Accountants ("HKSA").

The Company is an investment holding company and provides corporate management services. The principal activities of its principal subsidiaries are set out in note 32.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has adopted, for the first time, the following Hong Kong Financial Reporting Standards ("HKFRS") issued by the HKSA, the term of HKFRS is inclusive of SSAPs and Interpretations approved by the HKSA.

SSAP 12 (Revised)	Income taxes
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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 amount 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. The adoption of SSAP 12 (Revised) had had no material effect on the results for the current or prior accounting periods. Accordingly, no prior period adjustment has been required.

NOTES TO THE FINANCIAL STATEMENTS*For the year ended 30th April 2004***3. SIGNIFICANT ACCOUNTING POLICIES**

The financial statements have been prepared under the historical cost convention and in accordance with accounting principles generally accepted in Hong Kong. The principal accounting policies adopted are set out below:

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 30th April each year.

Other than the Group Reorganisation described in note 1 above, 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.

Investment in subsidiaries

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

Revenue recognition

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

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

Dividend income from investments in recognised when the shareholders' rights to receive payment have been established.

Turnover

Turnover represents the amounts received and receivable for goods sold to outside customers less returns and allowances during the year.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30th April 2004

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment

Property, plant and equipment other than construction in progress are stated at cost less depreciation and amortisation and any accumulated impairment losses.

Depreciation is provided to write off the cost of items of property, plant and equipment other than construction in progress over their estimated useful lives after taking into account their estimated residual value, using the straight-line method, at the following rates per annum:

Leasehold land	Over the term of the lease
Buildings	2%
Leasehold improvement	25%
Moulds	33 $\frac{1}{3}$ %
Plant, machinery and equipment	10%
Furniture and fixtures	25%
Motor vehicles	20%

Construction in progress is carried at cost, less any identified impairment loss. Construction in progress are not depreciated until completion of construction when assets are ready for their intended use. Costs on completed construction work are transferred to the appropriate category of assets.

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

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

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average method.

Impairment

At each balance sheet date, the Group reviews the carrying amounts of its assets to determine whether there is any indication that these 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.

NOTES TO THE FINANCIAL STATEMENTS*For the year ended 30th April 2004***3. SIGNIFICANT ACCOUNTING POLICIES** *(continued)***Impairment** *(continued)*

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.

Investments in securities

Investment securities are recognised on a trade-date basis and are initially measured at cost. At subsequent reporting dates, debt securities that the Group has expressed intention and ability to hold to maturity are measured at amortised cost, less any impairment loss.

Leases

Leases are classified as finance leases when 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 lease 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 lease 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 period. Exchange differences arising, if any, are classified as equity and transferred to the Group's translation reserve. Such translation differences are recognised as income or as expenses in the period in which the operation is disposed of.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30th April 2004

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount 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 tax profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, 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 in 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.

Retirement benefit scheme

Payments to state-managed retirement benefit scheme and the Mandatory Provident Fund Scheme are charged as an expense as they fall due.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30th April 2004

4. SEGMENT INFORMATION

All of the Group's turnover, assets and liabilities were derived from the manufacturing and trading of electrical appliances. Accordingly, no analysis of financial information by business segment is presented.

An analysis of the Group's turnover and net profits for the year and segment assets and liabilities by geographical market is as follows:

By geographical market

	Europe HK\$'000	North America HK\$'000	South America HK\$'000	Asia (other than the PRC) HK\$'000	PRC HK\$'000	Australia and New Zealand HK\$'000	Elimination HK\$'000	Consolidated Total HK\$'000
<i>For the year ended 30th April 2004</i>								
TURNOVER								
External sales	175,728	25,448	1,884	21,855	53,920	12,384	-	291,219
Inter-segment sales	-	-	-	-	189,296	-	(189,296)	-
Total	<u>175,728</u>	<u>25,448</u>	<u>1,884</u>	<u>21,855</u>	<u>243,216</u>	<u>12,384</u>	<u>(189,296)</u>	<u>291,219</u>

Inter-segment sales are charged at prevailing market rates.

RESULT								
Segment results	<u>78,216</u>	<u>10,827</u>	<u>759</u>	<u>9,316</u>	<u>22,275</u>	<u>5,265</u>	<u>-</u>	126,658
Unallocated corporate expenses								(43,893)
Profit from operations								82,765
Finance costs								(3,646)
Profit before taxation								79,119
Taxation								(11,236)
Net profit for the year								<u>67,883</u>

*Assets and liabilities at
30th April 2004*

ASSETS								
Segment assets	13,615	1,911	-	4,273	47,091	2,205	-	69,095
Unallocated corporate assets								353,485
Consolidated total assets								<u>422,580</u>
LIABILITIES								
Segment liabilities	2,641	428	-	37,975	15,933	-	-	56,977
Unallocated corporate liabilities								85,290
Consolidated total liabilities								<u>142,267</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30th April 2004

4. SEGMENT INFORMATION (continued)

By geographical market (continued)

	Europe HK\$'000	North America HK\$'000	South America HK\$'000	Asia (other than the PRC) HK\$'000	PRC HK\$'000	Australia and New Zealand HK\$'000	Others HK\$'000	Elimination HK\$'000	Consolidated Total HK\$'000
<i>For the year ended 30th April 2003</i>									
TURNOVER									
External sales	108,154	18,656	2,557	30,052	64,661	10,675	1,180	-	235,935
Inter-segment sales	-	-	-	-	114,231	-	-	(114,231)	-
Total	<u>108,154</u>	<u>18,656</u>	<u>2,557</u>	<u>30,052</u>	<u>178,892</u>	<u>10,675</u>	<u>1,180</u>	<u>(114,231)</u>	<u>235,935</u>

Inter-segment sales are charged at prevailing market rates.

RESULT									
Segment results	<u>46,257</u>	<u>8,302</u>	<u>1,120</u>	<u>12,832</u>	<u>28,063</u>	<u>4,654</u>	<u>487</u>	<u>-</u>	101,715
Unallocated corporate expenses									<u>(34,341)</u>
Profit from operations									67,374
Finance costs									<u>(2,237)</u>
Profit before taxation									65,137
Taxation									<u>(8,740)</u>
Net profit for the year									<u>56,397</u>

*Assets and liabilities at
30th April 2003*

ASSETS									
Segment assets	11,156	2,679	190	7,891	51,080	-	-	-	72,996
Unallocated corporate assets									<u>217,291</u>
Consolidated total assets									<u>290,287</u>
LIABILITIES									
Segment liabilities	-	-	-	11,244	29,065	-	-	-	40,309
Unallocated corporate liabilities									<u>70,782</u>
Consolidated total liabilities									<u>111,091</u>

No analysis of carrying amount of segment assets nor additions to property, plant and equipment is prepared as substantially all the property, plant and equipment are located in the PRC, including Hong Kong.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30th April 2004

5. PROFIT FROM OPERATIONS

	2004 HK\$'000	2003 HK\$'000
Profit from operations has been arrived at after charging:		
Auditors' remuneration	860	855
Staff costs, including directors' emoluments	27,622	21,586
Retirement benefits scheme contributions, including directors	1,052	724
Depreciation and amortisation:		
– owned assets	27,700	18,913
– assets under finance leases	648	294
and after crediting:		
Interest income	270	16

6. FINANCE COSTS

	2004 HK\$'000	2003 HK\$'000
Interest on borrowings wholly repayable within five years:		
Bank borrowings and overdraft	3,025	1,629
Other borrowings	120	323
Finance leases	240	181
	3,385	2,133
Interest on bank borrowings not wholly repayable within five years	261	104
	3,646	2,237

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30th April 2004

7. DIRECTORS' EMOLUMENTS

	2004 HK\$'000	2003 HK\$'000
Fees:		
Executive directors	–	–
Independent non-executive directors	300	125
Other emoluments of executive directors:		
Salaries and other benefits	4,391	3,624
Retirement benefit scheme contributions	72	12
	4,763	3,761

During the year, the Group provided rent free accommodation to a director of the Company with the ratable value of this property amounting to HK\$342,000 (2003: HK\$127,000).

The emoluments of the directors (including the alternate director) were within the following bands:

	Number of directors	
	2004	2003
Nil to HK\$1,000,000	5	3
HK\$1,000,001 to HK\$2,000,000	2	2
	7	5

8. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, three (2003: three) were directors of the Company whose emoluments are included in the disclosures in note 7 above. The emoluments of the remaining two individuals were as follows:

	2004 HK\$'000	2003 HK\$'000
Salaries and other benefits	747	784
Retirement benefit scheme contribution	25	24
	772	808

During the year, no emoluments were paid by the Group to the five highest paid individuals, including directors, as an inducement to join or upon joining the Group or as compensation for loss of office. In addition, none of the directors waived any emoluments during the year.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30th April 2004

9. TAXATION

	2004 HK\$'000	2003 HK\$'000
The charge comprises:		
Hong Kong Profits Tax		
– Current year	5,878	3,258
– Underprovision in prior year	886	745
PRC enterprise income tax	4,026	3,236
	10,790	7,239
Deferred taxation (<i>note 20</i>)	446	1,501
	11,236	8,740

Hong Kong Profits Tax and PRC enterprise income tax were calculated at 17.5% (2003: 17.5%) and 27% (2003: 27%), respectively, on the respective estimated assessable profits for the year.

The tax charge for the year can be reconciled to the profit per the income statement as follows:

	2004		2003	
	HK\$'000	%	HK\$'000	%
Profit before taxation	79,119		65,137	
Tax at the domestic income tax rate	13,846	17.5	11,399	17.5
Tax effect of income not taxable for tax purpose	(943)	(1.2)	(1,643)	(2.5)
Increase of opening deferred tax liabilities resulting from an increases of tax rate	–	–	602	0.9
Tax effect of expenses not deductible for tax purpose	–	–	179	0.3
Tax effect of 50% relief from Hong Kong Profits Tax	(6,294)	(8.0)	(4,082)	(6.3)
Underprovision in prior year	886	1.1	745	1.1
Tax effect of tax losses not recognised	2,342	3.0	312	0.5
Effect of different tax rates of subsidiary operating in other jurisdictions	1,399	1.8	1,228	1.9
Tax expense and effective tax rate for the year	11,236	14.2	8,740	13.4

NOTES TO THE FINANCIAL STATEMENTS*For the year ended 30th April 2004***10. DIVIDENDS**

	2004 HK\$'000	2003 HK\$'000
Ordinary shares		
Interim, paid – 1.2 cents (2003: 1 cent) per share	5,064	3,750
Final, paid	11,250	10,000
	<hr/> 16,314 <hr/>	<hr/> 13,750 <hr/>

In 2003, a final dividend of HK\$10,000,000 was paid to the then shareholders of a subsidiary of the Company for the year ended 30th April 2002 prior to the Group Reorganisation.

The final dividend of HK4 cents (2003: HK3 cents) per share has been proposed by the directors and is subject to approval by the shareholders at the annual general meeting.

11. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the profit for the year of HK\$67,883,000 (2003: HK\$56,397,000) and on the weighted average number of 394,315,068 (2003: 336,395,548) shares in issue during the year.

No diluted earnings per share has been presented as there were no dilutive potential ordinary shares in issue in either 2004 and 2003.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30th April 2004

12. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings HK\$'000	Leasehold improvements HK\$'000	Moulds HK\$'000	Plant, machinery and equipment HK\$'000	Furniture and fixtures HK\$'000	Motor vehicles HK\$'000	Construction in progress HK\$'000	Total HK\$'000
THE GROUP								
AT COST								
At 1st May 2003	66,243	2,796	75,143	64,741	828	1,532	18,558	229,841
Additions	-	300	90	8,326	35	2,469	71,021	82,241
Reclassification	4,444	-	34,444	-	-	-	(38,888)	-
At 30th April 2004	70,687	3,096	109,677	73,067	863	4,001	50,691	312,082
DEPRECIATION AND AMORTISATION								
At 1st May 2003	6,587	1,133	46,597	36,090	819	1,393	-	92,619
Provided for the year	1,370	641	20,403	5,700	11	223	-	28,348
At 30th April 2004	7,957	1,774	67,000	41,790	830	1,616	-	120,967
NET BOOK VALUE								
At 30th April 2004	62,730	1,322	42,677	31,277	33	2,385	50,691	191,115
At 30th April 2003	59,656	1,663	28,546	28,651	9	139	18,558	137,222

The net book value of the leasehold land and buildings shown above comprises:

	THE GROUP	
	2004 HK\$'000	2003 HK\$'000
Held in Hong Kong under a medium-term lease	9,276	9,509
Held in the PRC under medium-term land use rights	53,454	50,147
	62,730	59,656

As at 30th April 2004, the net book value of plant, machinery and equipment includes an amount of HK\$7,737,000 (2003: HK\$5,755,000) in respect of assets held under finance leases.

As at 30th April 2004, the Group has pledged land and buildings having a net book value of HK\$43,227,000 (2003: HK\$9,509,000) to secure its general banking facilities. These securities have been released subsequent to 30th April 2004 after the repayment of the bank borrowings.

NOTES TO THE FINANCIAL STATEMENTS*For the year ended 30th April 2004***12. PROPERTY, PLANT AND EQUIPMENT** *(continued)*

The Group has also pledged plant, machinery and equipment having a net book value of HK\$4,780,000 (2003: HK\$6,834,000) to secure its bank borrowings amounting to HK\$6,000,000 (2003: HK\$10,000,000).

13. INVESTMENT IN A SUBSIDIARY AND AMOUNTS DUE FROM (TO) SUBSIDIARIES

The cost value of the unlisted shares is based on the book values of the underlying net assets of the subsidiary attributable to the Group as at the date on which the Company became the ultimate holding company of the Group under the Group Reorganisation.

Details of the Company's subsidiaries at 30th April 2004 are set out in note 32.

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

The amount due from (to) subsidiaries are unsecured, non-interest bearing and have no fixed repayment terms.

14. INVESTMENT IN SECURITIES

The amount represents an investment in Good Fortune Capital Guaranteed Fund of The Hongkong and Shanghai Banking Corporation Limited.

15. INVENTORIES

	THE GROUP	
	2004	2003
	HK\$'000	HK\$'000
Raw materials	35,438	22,361
Work in progress	8,184	11,291
Finished goods	8,568	10,855
	<hr/> 52,190 <hr/>	<hr/> 44,507 <hr/>

All the inventories were carried at cost for both years.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30th April 2004

16. TRADE AND OTHER RECEIVABLES

The Group allows its trade customers with credit period normally ranging from 30 days to 90 days.

The aged analysis of trade receivables at the balance sheet date is as follows:

	THE GROUP	
	2004	2003
	HK\$'000	HK\$'000
0 to 90 days	44,725	39,139
91 – 180 days	5,869	14,129
181 – 365 days	1,239	2,249
	<hr/>	<hr/>
	51,833	55,517
Allowances	(1,518)	(1,518)
	<hr/>	<hr/>
	50,315	53,999
Other receivables	16,143	18,967
	<hr/>	<hr/>
	66,458	72,966
	<hr/> <hr/>	<hr/> <hr/>

17. TRADE AND OTHER PAYABLES

The aged analysis of the Group's trade payables at the balance sheet date is as follows:

	THE GROUP	
	2004	2003
	HK\$'000	HK\$'000
0 to 90 days	15,936	16,785
91 to 180 days	2,040	10,641
Over 181 days	–	609
	<hr/>	<hr/>
	17,976	28,035
Other payables	13,516	7,776
	<hr/>	<hr/>
	31,492	35,811
	<hr/> <hr/>	<hr/> <hr/>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30th April 2004

18. OBLIGATIONS UNDER FINANCE LEASES

	THE GROUP			
	Minimum lease payments		Present value of minimum lease payments	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Amount payable under finance leases:				
Within one year	3,022	2,016	2,840	1,818
In the second to fifth year inclusive	2,347	2,972	2,247	2,861
	5,369	4,988	5,087	4,679
Less: future finance charges	282	309	N/A	N/A
	5,087	4,679	5,087	4,679
Less: Amount due for settlement within 12 months (shown under current liabilities)			(2,840)	(1,818)
Amount due for settlement after 12 months			2,247	2,861

The Group has leased certain of its plant, machinery and equipment under finance leases. The average lease term is three years. For the year ended 30th April 2004, the average effective borrowing rate was 4.9% (2003: 5.125%). Interest rates are 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 lessors' charge over the leased assets.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30th April 2004

19. BANK AND OTHER BORROWINGS

	THE GROUP	
	2004	2003
	HK\$'000	HK\$'000
The Group's bank and other borrowings comprises:		
Bank overdrafts	411	1,870
Bank borrowings	56,962	40,841
Trust receipt loans	1,762	5,331
Other borrowings	–	943
	59,135	48,985
Secured	22,622	46,125
Unsecured	36,513	2,860
	59,135	48,985
The maturity profile of the above bank and other borrowings is as follows:		
Within one year	42,931	37,556
More than one year, but not exceeding two years	8,233	4,359
More than two years, but not exceeding five years	3,731	2,535
More than five years	4,240	4,535
	59,135	48,985
Less: Amount due within one year shown under current liabilities	(42,931)	(37,556)
	16,204	11,429

During the year, the Group obtained new bank loans in the amount of HK\$40,232,000 (2003: HK\$51,316,000). The loans bear interest at market rates and are repayable by instalments over a period of five years. The proceeds were used to finance the acquisition of property, plant and equipment and as additional working capital for the Group.

NOTES TO THE FINANCIAL STATEMENTS*For the year ended 30th April 2004***20. DEFERRED TAXATION**

	THE GROUP Accelerated tax depreciation HK\$'000
At 1st May 2002	6,422
Charge to the income statement for the year	899
Attributable to a change in tax rate charge to the income statement	602
	<hr/>
At 30th April 2003	7,923
Charge to the income statement for the year (<i>note 9</i>)	446
	<hr/>
At 30th April 2004	<u>8,369</u>

At 30th April 2004, the Group has unused tax losses of HK\$5,660,000 (2003: HK\$1,782,000) available for offset against future profits. No deferred tax asset has been recognised in respect of such unused tax losses due to the unpredictability of future profit streams. Such losses may be carried forward indefinitely.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30th April 2004

21. SHARE CAPITAL

	Number of shares '000	Amounts HK\$'000
<i>Authorised:</i>		
On date of incorporation, ordinary share of HK\$0.10 each	3,500	350
Subdivided into 10 shares of HK\$0.01 each (<i>note a</i>)	31,500	–
Ordinary share of HK\$0.01 each	35,000	350
Increase during the period (<i>note b</i>)	7,965,000	79,650
As at 30th April 2003 and 2004	<u>8,000,000</u>	<u>80,000</u>
<i>Issued and fully paid:</i>		
Allotted and issued nil paid during the period	100	–
Subdivided into 10 shares of HK\$0.01 each (<i>note a</i>)	900	–
	1,000	–
Credited as fully paid from share premium account under the Group Reorganisation (<i>note c</i>)	–	10
Issue of shares by capitalisation of share premium account (<i>note d</i>)	311,375	3,114
Issue of shares for placing and public offer (<i>note e</i>)	62,625	626
As at 30th April 2003	375,000	3,750
Shares issued during the year (<i>note f</i>)	47,000	470
As at 30th April 2004	<u>422,000</u>	<u>4,220</u>

The Company was incorporated with an authorised share capital of HK\$350,000 divided into 3,500,000 shares of HK\$0.10 each.

At the first meeting of the provisional directors of the Company held on 18th April 2002, 100,000 shares of HK\$0.10 each were allotted and issued nil paid.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30th April 2004

21. SHARE CAPITAL *(continued)*

Notes:

At a special general meeting of the Company held on 26th November 2002:

- (a) each of the issued and unissued shares of HK\$0.10 each in the share capital of the Company was subdivided into 10 shares of HK\$0.01 each.
- (b) the authorised share capital of the Company was increased from HK\$350,000 to HK\$80,000,000 by the creation of an additional 7,965,000,000 shares of HK\$0.01 each which ranked pari passu with the existing shares in all respects.
- (c) the directors of the Company were authorised to credit the 1,000,000 nil paid shares as fully paid as consideration for the acquisition of the entire share capital of Warderly Group Limited pursuant to the Group Reorganisation.
- (d) the directors of the Company were authorised to allot and issue a total 311,375,000 shares credited as fully paid at par to the holders of shares on the register of members at the close of business on 26th November 2002 by way of capitalisation.
- (e) ordinary shares of 48,562,500 shares of HK\$0.01 each to the public and the placing of 14,062,500 shares of HK\$0.01 each, both at a price of HK\$0.80 per share, were approved and the directors of the Company were authorised to allot and issue the new shares in connection with the new issue and the placing.

The above resolutions became unconditional on 18th December 2002 when the Company's shares were listed on the Stock Exchange.

- (f) Pursuant to subscription agreements on 1st December 2003, Imperial Profit Enterprises Limited and Primer Capital Investments Limited, the existing substantial shareholders of the Company, subscribed for 32,000,000 and 15,000,000, respectively, new shares of HK\$0.01 each in the Company at a price of HK\$1.11 per share. The new shares were issued under the general mandate granted to the directors at the annual general meeting of the Company held on 29th September 2003 and ranked pari passu with other shares in issue in all respects.

The proceeds from the shares issued above were used for financing the Group's production facilities, development and promotion of the Group's new products and the provision of additional working capital.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30th April 2004

22. RESERVES

	Share premium account <i>HK\$'000</i>	Contributed surplus <i>HK\$'000</i>	Accumulated profits <i>HK\$'000</i>	Total <i>HK\$'000</i>
THE COMPANY				
Credited as fully paid from share premium account	(10)	–	–	(10)
Shares issued at premium	49,474	–	–	49,474
Share issue expenses	(10,560)	–	–	(10,560)
Capitalisation	(3,114)	–	–	(3,114)
Contributed surplus arising from				
Group Reorganisation	–	105,798	–	105,798
Profit for the period	–	–	15,391	15,391
Dividend paid (<i>note 10</i>)	–	–	(3,750)	(3,750)
	<hr/>	<hr/>	<hr/>	<hr/>
At 30th April 2003	35,790	105,798	11,641	153,229
Shares issued at premium	51,700	–	–	51,700
Share issue expenses	(2,622)	–	–	(2,622)
Profit for the year	–	–	15,493	15,493
Dividend paid (<i>note 10</i>)	–	–	(16,314)	(16,314)
	<hr/>	<hr/>	<hr/>	<hr/>
At 30th April 2004	84,868	105,798	10,820	201,486

The contributed surplus of the Company represents the difference between the consolidated shareholders' funds of the subsidiaries and the nominal value of the Company's shares issued for the acquisition at the time of a Group Reorganisation.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30th April 2004

23. SHARE OPTION SCHEME

The Company's share option scheme (the "Scheme"), was adopted pursuant to a resolution passed on 26th November 2002 for the primary purpose of providing incentives to directors and eligible employees, and will expire on 25th November 2012. Under the Scheme, the Board of Directors of the Company may grant options to eligible employees, including any full-time or part-time employee of the Company or any member of the Group, including any executive, non-executive directors and independent non-executive directors, advisor, consultants of the Company or any subsidiaries of the Company, to subscribe for shares in the Company.

The total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 10% of the shares of the Company in issue at the date of listing of shares of the Company, unless obtained prior approval from the Company's shareholders. The 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 must be taken up within 28 days of the date of grant, upon payment of HK\$1 per grant. Options may be exercised from the date of grant of the share option to the 10th anniversary of the date of grant. The exercise price is determined by the directors of the Company, and will not be less than the highest of the closing price of the Company's shares on the date of grant, the average closing price of the shares for the five business days immediately preceding the date of grant and the nominal value of the Company's share.

No option has been granted since the adoption of the Scheme.

24. OPERATING LEASE COMMITMENTS

	2004 HK\$'000	2003 HK\$'000
Minimum lease payments under operating leases in respect of rented premises during the year	<u>1,536</u>	<u>187</u>

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

	THE GROUP	
	2004 HK\$'000	2003 HK\$'000
Within one year	1,451	1,861
In the second to fifth year inclusive	<u>1,209</u>	<u>3,179</u>
	<u>2,660</u>	<u>5,040</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30th April 2004

24. OPERATING LEASE COMMITMENTS *(continued)*

Operating lease payments represent rental payable by the Group for certain of its office premises. Leases are negotiated for an average term of three years.

The Company had no operating lease commitment at the balance sheet date.

25. MAJOR NON CASH TRANSACTIONS

During the year, the Group entered into finance lease arrangements in respect of assets with a total capital value at the inception of the lease of HK\$2,705,000 (2003: HK\$5,686,000).

26. CAPITAL COMMITMENTS

At 30th April 2004, the Group had capital expenditure amounting to HK\$2,030,000 (2003: HK\$2,159,000) in respect of acquisition of property, plant and equipment contracted for but not provided in the financial statements.

The Company has no material capital commitment at the balance sheet date.

27. CONTINGENT LIABILITIES

At 30th April 2004, the Group had discounted bills with recourse of HK\$28,861,000 (2003: HK\$7,921,000).

At the balance sheet date, the Company had no material contingent liability.

28. PLEDGE OF ASSETS

At the balance sheet dates, the Group pledged the following assets to banks to secure general banking facilities granted to the Group.

	2004 HK\$'000	2003 HK\$'000
The carrying value of:		
– leasehold land and buildings <i>(note)</i>	43,227	9,509
– plant, machinery and equipment	4,780	6,834
Bank deposits	–	6,330
Investment in securities	–	1,190
	48,007	23,863

Note: These securities have been released subsequent to 30th April 2004 after the repayment of the bank borrowings.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30th April 2004

29. RETIREMENT BENEFIT SCHEMES

The Group operates Mandatory Provident Fund scheme for all qualifying employees of its Hong Kong subsidiaries. The assets of the scheme is held separately from those of the Group in funds under the control of trustees. The Group contributed 5% of the relevant payroll costs to the schemes, which contribution is matched by employees.

The employees of the Group's PRC subsidiary are members of a state-managed retirement benefit scheme operated by the PRC government. The subsidiary is required to contribute a specified percentage of its payroll costs to the retirement benefit scheme. The only obligation of the Group with respect to the retirement benefit scheme is to make the specified contributions.

The total cost charged to the income statement of HK\$1,052,000 (2003: HK\$724,000) represents contributions payable to these schemes by the Group at rates specified in the rules of the schemes.

At the balance sheet date, there was no significant forfeited contribution, which arose upon employees leaving the retirement benefits scheme and which was available to reduce the contribution payable in the future years.

30. RELATED PARTY TRANSACTION

As at 30th April 2003, banking facilities of the Group amounting to HK\$67,978,000 were guaranteed personally by Mr. Yeung Kui Wong and his wife. These securities have been released during the year ended 30th April 2004.

31. POST BALANCE SHEET EVENT

Pursuant to the syndicated loan agreement dated 29th July 2004, the Group was granted a syndicated bank loan amounting to HK\$130,000,000. The syndicated bank loan comprises a HK\$91,000,000 3-year term loan tranche and a HK\$39,000,000 3-year revolving credit tranche. The interest rates for both tranches are HIBOR plus 1.35% per annum.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30th April 2004

32. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Particulars of the principal subsidiaries of the Company as at 30th April 2004 are as follows:

Name of subsidiary	Place of incorporation/ establishment	Issued and fully paid ordinary share capital/ registered capital	Principal activities
Dongguan Kalee Electrical Co., Ltd. ("DGKL")*	The PRC	HK\$43,150,000 (paid up: HK\$26,000,000)	Manufacturing of household electrical appliances
Grand Eternity (Hong Kong) Limited	Hong Kong	HK\$11,000	Trading of small household electrical appliances and other electrical products
Homemax (Hong Kong) Limited	Hong Kong	HK\$2	Trading of kitchenware
Housely Industries Limited	Hong Kong	HK\$1,001,000	Investment holding and trading of household electrical appliances
Housely Technology Limited	Hong Kong	HK\$1	Trading of audio and video electrical products
Rockcastle Assets Limited	British Virgin Islands	US\$1	Holding of a trademark
Tacho Company Limited	Hong Kong	HK\$1,002	Investment holding and manufacturing and trading of household electrical appliances
Top Global Resources Limited	British Virgin Islands	US\$100	Licensee of the use of an invention known as air ventilator
Warderly Group Limited	British Virgin Islands	US\$10,000	Investment holding

* DGKL is a wholly foreign owned enterprise of the Group.

Warderly Group Limited is incorporated in the British Virgin Islands and is directly held by the Company. All other subsidiaries are indirectly held by the Company.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.