

## Notes to the Financial Statements

For the year ended 31st March, 2005

### 1. General

The Company was incorporated in Bermuda as an exempted company with limited liability with its shares 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 manufacturing and trading of voltage converters, coils and components for electrical/electronic/mechanical products and rechargeable battery products.

### 2. Potential Impact Arising from the Recently Issued Accounting Standards

In 2004, the Hong Kong Institute of Certified Public Accountants issued a number of new or revised Hong Kong Accounting Standards and Hong Kong Financial Reporting Standards ("HKFRSs") (hereinafter collectively referred to as "new HKFRSs") which are effective for accounting periods beginning on or after 1st January, 2005 except for HKFRS 3 Business Combinations. The Group has not early adopted these new HKFRSs in the financial statements for the year ended 31st March, 2005.

HKFRS 3 is applicable to business combinations for which the agreement date is on or after 1st January, 2005. The Group has not entered into any business combination for which the agreement date is on or after 1st January, 2005. Therefore, HKFRS 3 did not have any impact on the Group for the year ended 31st March, 2005.

The Group has commenced considering the potential impact of other new HKFRSs but is not yet in a position to determine whether these new HKFRSs would have a significant impact on how its results of operations and financial position are prepared and presented. These new HKFRSs may result in changes in the future as to how the results and financial position are prepared and presented.

### 3. Significant Accounting Policies

The financial statements have been prepared under the historical cost convention, as modified for the revaluation of investment properties and investments in securities.

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 31st March each year.

The results of subsidiaries acquired and disposed of during the year are included in the consolidated income statement from and up to their effective dates of acquisition and disposal respectively.

All significant inter-company transactions and balances within the Group have been eliminated on consolidation.

## Notes to the Financial Statements

For the year ended 31st March, 2005

### 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 subsidiaries and associates at date of acquisition.

Goodwill arising on acquisition prior to 1st 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 or associate, or at such time as the goodwill is determined to be impaired.

Goodwill arising on acquisition after 1st April, 2001 but before 1st January, 2005 is recognised as an asset and amortised on a straight line basis over its economic useful life. Goodwill arising on the acquisition of subsidiary is presented separately in the balance sheet.

On disposal of a business, the attributable amount of goodwill capitalised or held in 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 or an associate at the date of acquisition over the cost of acquisition.

Negative goodwill arising on acquisitions after 1st April, 2001 but before 1st January, 2005 continues to be held in reserves and will be credited at the time of disposal of the relevant subsidiary or associate.

Negative goodwill arising on acquisition after 1st April, 2001 but before 1st January, 2005 is represented as a deduction from assets and will be released to income based on an analysis of the circumstances from which the balance resulted. To the extent that the negative goodwill is attributable to losses or expenses anticipated at the date of acquisition, it is released to income in the period in which those losses or expenses arise. The remaining negative goodwill is recognised as income on a straight line basis over the remaining average useful life of the identifiable acquired depreciable assets. To the extent that such negative goodwill exceeds the aggregate fair value of the acquired identifiable non-monetary assets, it is recognised as income immediately. Negative goodwill arising on the acquisition of subsidiary is presented separately in the balance sheet as a deduction from assets.

On disposal, the attributable amount of negative goodwill capitalised or held in reserves is included in the determination of the profit or loss on disposal.

#### Turnover

Turnover represents the net amount received and receivable for goods sold to outside customers, less returns and allowances.

## Notes to the Financial Statements

For the year ended 31st March, 2005

### 3. Significant Accounting Policies *(Continued)*

#### Revenue recognition

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

Rental income, including rentals invoiced in advance from properties let under operating leases, is recognised on a straight line basis over the term of the leases.

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

#### Investment properties

Investment properties are completed properties which are held for their investment potential, any rental income being negotiated at arm's length.

Investment properties are stated at their open market value based on professional valuation at the balance sheet date. Any surplus or deficit arising on revaluation of investment properties is credited or charged to the investment property revaluation reserve unless the balance of this reserve is insufficient to cover a deficit on a portfolio basis in which case the excess of the deficit over the balance of the investment property revaluation reserve is charged to the income statement. Where a decrease has previously been charged to the income statement and a revaluation increase subsequently arises, this increase is credited to the income statement to the extent of the decrease previously charged.

On disposal of an investment property, the balance on the investment property revaluation reserve attributable to that property is transferred to the income statement.

No depreciation is provided in respect of investment properties except where the unexpired terms is twenty years or less.

#### Property, plant and equipment

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

Construction in progress is not depreciated until completion of construction.

Depreciation and amortisation is provided to write off the cost of property, plant and equipment other than construction in progress over their estimated useful lives, using the straight line method, at the following rates per annum:

Leasehold land	Over the remaining unexpired terms of the leases
Leasehold buildings	Over the remaining unexpired terms of the leases or fifty years, whichever is the shorter
Furniture, fixtures and equipment	10% - 25%
Motor vehicles	20% - 25%
Plant and machinery	10% - 33 1/3%

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

## Notes to the Financial Statements

For the year ended 31st March, 2005

### 3. Significant Accounting Policies *(Continued)*

#### Subsidiaries

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

#### Investments in securities

Investments in securities are recognised on a trade-date basis and are initially measured at cost.

Investments other than held-to-maturity debt securities are classified as investment securities and other investments.

Investment securities, which are securities held for an identified long term strategic purpose, are measured at subsequent reporting dates at cost, as reduced by any impairment loss that is other than temporary.

Other investments are measured at fair value, with unrealised gains and losses included in the net profit or loss for the period.

#### Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the first-in, first-out method. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

#### Impairment

At each balance sheet date, the Group reviews the carrying amounts of its 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. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, 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.

#### Taxation

Taxation represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the period. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other periods and it further excludes income statement items that are never taxable or deductible.

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 taxable profit nor the accounting profit.

## Notes to the Financial Statements

For the year ended 31st March, 2005

### 3. Significant Accounting Policies *(Continued)*

#### Taxation *(Continued)*

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, except where the Company 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 is 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.

#### Foreign currencies

Transactions in foreign currencies are translated into Hong Kong dollars at the approximate rates ruling on the dates of the transactions or at the contracted settlement rate. Monetary assets and liabilities denominated in other currencies are re-translated into Hong Kong dollars at the rates ruling on the balance sheet date. Gains and losses arising on exchange are dealt with in the income statement.

On consolidation, the results, assets and liabilities of operations outside Hong Kong are translated at the rates ruling at the balance sheet date. Income and expense items are translated at the average exchange rate for the year. All exchange differences arising on translation are dealt with in the translation reserve. Such translation differences are recognised as income or as expenses in the period in which the operations are disposed of.

#### 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 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 commitments and the outstanding principal amount at the inception of the finance leases, are charged to the income statement using actuarial method over the period of the respective leases.

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

#### Retirement benefits costs

Payments to the defined contribution retirement plan are charged as expenses as they fall due.

## Notes to the Financial Statements

For the year ended 31st March, 2005

### 4. Segment Information

#### Business Segments

The Group's principal activities are manufacturing and trading of voltage converters, coils and components for electrical/electronic/mechanical products and rechargeable battery products. These two business segments are the basis on which the Group reports its primary segment information. Segment information about these businesses is presented as below:

	<b>Voltage converters, coils and components for electrical/ electronic/ mechanical products</b> HK\$	<b>Rechargeable battery products</b> HK\$	<b>Elimination</b> HK\$	<b>Consolidated</b> HK\$
For the year ended 31st March, 2005				
<b>Turnover</b>				
External sales	345,492,937	46,643,454	—	392,136,391
Inter-segment sales	33,573,626	—	(33,573,626)	—
	<u>379,066,563</u>	<u>46,643,454</u>	<u>(33,573,626)</u>	<u>392,136,391</u>
Inter-segment sales are charged at prevailing market rates.				
<b>Result</b>				
Segment result	14,385,216	2,153,367		16,538,583
Reversal of impairment loss recognised in respect of property, plant and equipment	1,400,000	—		1,400,000
Unallocated corporate expenses				(1,106,042)
Interest income				281,012
Profit from operations				17,113,553
Finance costs				(1,611,297)
Profit before taxation				15,502,256
Taxation				(2,520,508)
Net profit for the year				<u>12,981,748</u>
<b>Other information</b>				
Additions of property, plant and equipment	8,461,171	33,141		8,494,312
Amortisation of goodwill	—	188,679		188,679
Depreciation and amortisation of property, plant and equipment	12,031,168	1,434		12,032,602
Loss on disposal of property, plant and equipment	591,726	—		591,726

## Notes to the Financial Statements

For the year ended 31st March, 2005

### 4. Segment Information *(Continued)*

#### Business Segments *(Continued)*

	Voltage converters, coils and components for electrical/ electronic/ mechanical products HK\$	Rechargeable battery products HK\$	Elimination HK\$	Consolidated HK\$
As at 31st March, 2005				
<b>Balance sheet</b>				
Assets				
Segment assets	207,980,239	10,864,818		218,845,057
Unallocated corporate assets				35,443,283
Consolidated total assets				254,288,340
Liabilities				
Segment liabilities	64,366,389	654,780		65,021,169
Unallocated corporate liabilities				32,569,791
Consolidated total liabilities				97,590,960

## Notes to the Financial Statements

For the year ended 31st March, 2005

### 4. Segment Information *(Continued)*

#### Business Segments *(Continued)*

	<b>Voltage converters, coils and components for electrical/ electronic/ mechanical products</b> HK\$	<b>Rechargeable battery products</b> HK\$	<b>Elimination</b> HK\$	<b>Consolidated</b> HK\$
For the year ended 31st March, 2004				
<b>Turnover</b>				
External sales	303,454,368	34,931,710	—	338,386,078
Inter-segment sales	9,270,813	—	(9,270,813)	—
	<u>312,725,181</u>	<u>34,931,710</u>	<u>(9,270,813)</u>	<u>338,386,078</u>
Inter-segment sales are carried out at cost.				
<b>Result</b>				
Segment result	8,634,772	10,944,346		19,579,118
Impairment loss recognised in respect of property, plant and equipment	(8,329,005)	—		(8,329,005)
Unallocated corporate expenses				(4,156,687)
Interest income				232,960
Profit from operations				7,326,386
Finance costs				(702,693)
Profit before taxation				6,623,693
Taxation				(20,350,699)
Net loss for the year				<u>(13,727,006)</u>
<b>Other information</b>				
Additions of property, plant and equipment	4,717,608	—		4,717,608
Addition of goodwill on acquisition of additional interest in a subsidiary	—	943,396		943,396
Amortisation of goodwill	—	125,786		125,786
Depreciation and amortisation of property, plant and equipment	11,626,669	—		11,626,669
Loss (gain) on disposal of property, plant and equipment	571,097	(1,469,190)		<u>(898,093)</u>



## Notes to the Financial Statements

For the year ended 31st March, 2005

### 4. Segment Information *(Continued)*

#### Business Segments *(Continued)*

	Voltage converters, coils and components for electrical/ electronic/ mechanical products HK\$	Rechargeable battery products HK\$	Elimination HK\$	Consolidated HK\$
As at 31st March, 2004				
<b>Balance sheet</b>				
Assets				
Segment assets	180,103,549	6,517,576		186,621,125
Unallocated corporate assets				46,119,613
Consolidated total assets				232,740,738
Liabilities				
Segment liabilities	41,862,778	485,481		42,348,259
Unallocated corporate liabilities				35,535,679
Consolidated total liabilities				77,883,938

## Notes to the Financial Statements

For the year ended 31st March, 2005

### 4. Segment Information *(Continued)*

#### Geographical Segments

The Group's operations are located in Mainland China and Hong Kong of the People's Republic of China (the "PRC"). The following table provides an analysis of the Group's turnover by geographical market, irrespective of the origin of the goods:

	Turnover by geographical market	
	Year ended 31st March,	
	2005 HK\$	2004 HK\$
The PRC		
Mainland China	56,710,594	36,057,454
Hong Kong	55,478,458	79,333,401
	<u>112,189,052</u>	<u>115,390,855</u>
United States of America, South America and Canada	155,043,733	116,137,547
Europe	96,291,925	79,141,503
Malaysia	10,223,745	10,822,733
Asia (excluding the PRC and Malaysia)	18,387,936	16,893,440
	<u>392,136,391</u>	<u>338,386,078</u>

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

	As at 31st March,	
	2005 HK\$	2004 HK\$
	<b>Carrying amount of consolidated total assets</b>	
Hong Kong	143,990,515	134,091,780
Mainland China	110,297,825	98,648,958
	<u>254,288,340</u>	<u>232,740,738</u>
<b>Additions to property, plant and equipment and intangible assets</b>		
Mainland China	6,137,297	5,190,921
Hong Kong	2,357,015	470,083
	<u>8,494,312</u>	<u>5,661,004</u>

## Notes to the Financial Statements

For the year ended 31st March, 2005

### 5. Other Operating Income

	2005 HK\$	2004 HK\$
The other operating income comprises:		
Exchange gain	133,630	—
Interest earned on bank deposits and balances	281,012	232,960
Property rental income net of nil outgoings	889,057	721,058
Surplus on revaluation of investment properties	950,000	—
Negative goodwill arising on acquisition of additional interests in a subsidiary released	—	112,662
Gain on disposal of property, plant and equipment	—	898,093
Refund of deposits paid for acquisition of a property written-off in the prior years	—	2,777,292
Bad debts recovery	—	2,674,348
Sundry income	728,710	2,566,080
	<u>2,982,409</u>	<u>9,982,493</u>

### 6. Profit from Operations

	2005 HK\$	2004 HK\$
Profit from operations has been arrived at after charging:		
Directors' remuneration (Note)	4,038,465	12,137,254
Staff salaries, allowance and welfare	29,907,297	29,850,365
Provident fund contributions	699,418	98,292
Mandatory provident fund contributions	264,478	330,159
Direct labour costs	19,236,476	18,587,924
Total staff costs	<u>54,146,134</u>	<u>61,003,994</u>
Amortisation of goodwill included in administrative expenses	188,679	125,786
Auditors' remuneration	865,000	917,250
Depreciation and amortisation of property, plant and equipment		
Owned assets	11,973,300	11,537,716
Assets held under finance lease	59,302	88,953
	<u>12,032,602</u>	<u>11,626,669</u>
Loss on disposal of property, plant and equipment	591,726	—
Allowance for bad and doubtful debts	1,666,195	—
Minimum lease payments in respect of rented premises	3,279,220	3,749,456
Cost of inventories recognised as expenses	<u>281,598,658</u>	<u>205,957,549</u>

## Notes to the Financial Statements

For the year ended 31st March, 2005

### 6. Profit from Operations (Continued)

Note:

Information regarding directors' and employees' emoluments

	2005 HK\$	2004 HK\$
<b>Directors' fees</b>		
Executive directors	50,685	—
Non-executive directors	50,000	—
Independent non-executive directors	411,233	360,000
	<u>511,918</u>	<u>360,000</u>
Other emoluments to executive directors:		
Salaries and other benefits*	3,503,547	5,699,254
Compensations to directors for loss of offices	—	6,048,000
Mandatory provident fund contributions	23,000	30,000
	<u>3,526,547</u>	<u>11,777,254</u>
	<u>4,038,465</u>	<u>12,137,254</u>

\* The amount includes a consultancy fee of HK\$934,800 (2004: HK\$755,554) paid to Mr. Brian C Beazer by the Company.

Emoluments of the directors were within the following bands:

	Number of director(s)	
	2005	2004
Nil - HK\$1,000,000	12	9
HK\$1,000,001 - HK\$1,500,000	1	1
HK\$2,000,001 - HK\$2,500,000	—	1
HK\$3,000,001 - HK\$3,500,000	—	2
	<u>13</u>	<u>13</u>

#### Employees

The five highest paid individuals of the Group included two (2004: five) directors, details of whose emoluments are set out above. The emoluments of the three highest paid employees for the year ended 31st March, 2005, other than directors of the Company, were as follows:

	2005 HK\$	2004 HK\$
Salaries and other benefits	2,601,750	—
Mandatory provident fund contribution	36,000	—
	<u>2,637,750</u>	<u>—</u>

Emoluments of these employees were within the following bands:

	Number of employee(s)	
	2005	2004
Nil - HK\$1,000,000	3	—
	<u>3</u>	<u>—</u>

## Notes to the Financial Statements

For the year ended 31st March, 2005

### 7. Finance Costs

	2005 HK\$	2004 HK\$
Interest on:		
Bank borrowings wholly repayable within five years	1,598,338	682,548
Obligations under finance lease	12,959	20,145
Total finance costs	<u>1,611,297</u>	<u>702,693</u>

### 8. Taxation

	2005 HK\$	2004 HK\$
The charge comprises:		
Current taxation		
Hong Kong Profits Tax		
- current year	1,979,090	2,000,000
- overprovision in prior years	(17,090)	(173,692)
- additional assessments for the years of assessment from 1997/98 to 2001/02	—	11,524,391
- tax penalty	—	7,000,000
	<u>1,962,000</u>	<u>20,350,699</u>
Deferred taxation (Note 21)	558,508	—
	<u>2,520,508</u>	<u>20,350,699</u>

Hong Kong Profits Tax is calculated at 17.5% (2004: 17.5%) of the estimated assessable profit for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

In May 2003, a tax audit was commenced by the Hong Kong Inland Revenue Department (the "IRD") on certain subsidiaries of the Company in respect of the years of assessment from 1997/98 to 2001/02. During 2003/04, the Company and the IRD reached a mutual settlement agreement in respect of the additional tax liabilities of the Group, without the directors admitting liability. On 19th November, 2003, additional assessments of HK\$11,524,391 for the years of assessment from 1997/98 to 2001/02 together with a compound tax penalty of HK\$7,000,000 were issued by the IRD to the Group. The additional taxation charge and the tax penalty was settled, after deducting the provisional tax already paid amounting to HK\$6,822,738, in twelve monthly instalments starting from 31st December, 2003.

## Notes to the Financial Statements

For the year ended 31st March, 2005

### 8. Taxation (Continued)

A statement of reconciliation of taxation is as follows:

	2005 HK\$	2004 HK\$
Profit before taxation	<u>15,502,256</u>	<u>6,623,693</u>
Tax at the Hong Kong Profits Tax rate of 17.5% (2004: 17.5%)	2,712,895	1,159,146
Tax effect of expenses not deductible for tax purposes	35,427	3,826,011
Tax effect of income not taxable for tax purposes	(512,946)	(1,621,740)
Tax effect on utilisation of tax losses previously not recognised	—	(1,363,417)
Tax effect of tax loss not recognised	302,222	—
Overprovision in the prior years	(17,090)	(173,692)
Additional assessments for the year of assessment from 1997/98 to 2001/02	—	11,524,391
Tax penalty	—	7,000,000
Taxation charge for the year	<u>2,520,508</u>	<u>20,350,699</u>

### 9. Dividend

	2005 HK\$	2004 HK\$
Final dividend, proposed – nil (2004: 2 cents) per share	<u>—</u>	<u>11,141,168</u>

The directors of the Company do not recommend the payment of a dividend for the year ended 31st March, 2005.

### 10. Earnings (Loss) Per Share

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

	2005 HK\$	2004 HK\$
Net profit (loss) for the year and earnings (loss) for the purposes of basic earnings (loss) per share and diluted earnings per share	<u>12,981,748</u>	<u>(13,727,006)</u>
Number of ordinary shares for the purpose of basic earnings (loss) per share	557,058,400	557,058,400
Effect of dilutive potential ordinary shares in respect of share options	<u>54,529</u>	N/A
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u>557,112,929</u>	N/A

No diluted loss per share has been presented in prior year as the exercise of the Company's outstanding share options would reduce the loss per share for that year.

## Notes to the Financial Statements

For the year ended 31st March, 2005

### 11. Goodwill

	<b>The Group HK\$</b>
<b>Cost</b>	
At 1st April, 2004 and 31st March, 2005	943,396
<b>Amortisation</b>	
At 1st April, 2004	125,786
Provided for the year	188,679
At 31st March, 2005	314,465
<b>Net book value</b>	
At 31st March, 2005	628,931
At 31st March, 2004	817,610

Goodwill is amortised over its estimated useful life. The foreseeable lives of goodwill arising from the acquisition are expected to be five years.

### 12. Investment Properties

	<b>THE GROUP HK\$</b>
<b>AT VALUATION</b>	
At 1st April, 2003 and 1st April, 2004	5,550,000
Surplus on revaluation of investment properties credited to consolidated income statement	950,000
At 31st March, 2005	6,500,000

The investment properties are situated in Hong Kong and are held under long leases. The investment properties are rented out for use under operating leases. The valuation of investment properties was carried out by DTZ Debenham Tie Leung Limited, a firm of independent professional valuers, as at 31st March, 2005 on an open market value for existing use basis.

## Notes to the Financial Statements

For the year ended 31st March, 2005

### 13. Property, Plant and Equipment

	Leasehold land and buildings HK\$	Furniture, fixtures and equipment HK\$	Motor vehicles HK\$	Plant and machinery HK\$	Construction in progress HK\$	Total HK\$
<b>THE GROUP</b>						
<b>COST</b>						
At 1st April, 2004	42,022,991	22,768,299	4,765,398	48,914,037	295,347	118,766,072
Additions	—	4,702,824	—	3,791,488	—	8,494,312
Disposals	(2,417,301)	(1,501,405)	(912,021)	—	—	(4,830,727)
Transfer of construction in progress	—	295,347	—	—	(295,347)	—
At 31st March, 2005	<u>39,605,690</u>	<u>26,265,065</u>	<u>3,853,377</u>	<u>52,705,525</u>	<u>—</u>	<u>122,429,657</u>
<b>DEPRECIATION AND AMORTISATION</b>						
At 1st April, 2004	15,618,374	15,647,138	4,220,957	30,466,158	—	65,952,627
Provided for the year	792,115	3,243,628	181,521	7,815,338	—	12,032,602
Eliminated on disposals	(1,455,037)	(1,198,781)	(622,920)	—	—	(3,276,738)
Reversal of impairment loss recognised in prior year	(1,400,000)	—	—	—	—	(1,400,000)
At 31st March, 2005	<u>13,555,452</u>	<u>17,691,985</u>	<u>3,779,558</u>	<u>38,281,496</u>	<u>—</u>	<u>73,308,491</u>
<b>NET BOOK VALUES</b>						
At 31st March, 2005	<u>26,050,238</u>	<u>8,573,080</u>	<u>73,819</u>	<u>14,424,029</u>	<u>—</u>	<u>49,121,166</u>
At 31st March, 2004	<u>26,404,617</u>	<u>7,121,161</u>	<u>544,441</u>	<u>18,447,879</u>	<u>295,347</u>	<u>52,813,445</u>

**2005**  
**HK\$**                      **2004**  
**HK\$**

The net book value of the Group's property interests shown above comprises:

Leasehold properties held under long leases in Hong Kong	<b>10,959,070</b>	9,983,000
Leasehold properties outside Hong Kong held under		
- long leases	<b>2,200,847</b>	3,216,897
- medium term leases	<b>12,890,321</b>	13,204,720
	<u><b>26,050,238</b></u>	<u>26,404,617</u>

The net book value of motor vehicles of HK\$73,819 (2004: HK\$544,441) includes an amount of nil (2004: HK\$340,634) in respect of assets held under finance lease.

During the year, the directors have decided to dispose of properties and conducted a review thereon for the carrying value of the respective property, plant and equipment and identified that impairment loss recognised in respect of certain land and buildings should be reversed based on the open market value. Accordingly, reversal of impairment loss of HK\$1,400,000 (2004: nil) was recognised.



## Notes to the Financial Statements

For the year ended 31st March, 2005

### 14. Interest in Subsidiaries

	THE COMPANY	
	2005 HK\$	2004 HK\$
Unlisted shares, at carrying value (Note)	71,111,124	71,111,124
Unlisted shares, at cost	20	20
	<u>71,111,144</u>	<u>71,111,144</u>
Amounts due from subsidiaries	7,068,800	356,416,391
	<u>78,179,944</u>	<u>427,527,535</u>
Allowance made	—	(274,400,000)
	<u>78,179,944</u>	<u>153,127,535</u>

Note: The carrying value of the unlisted shares is based on the book values of the underlying net assets of the subsidiaries attributable to the Group as at the date on which the Company became the ultimate holding company of the Group pursuant to the group reorganisation in 1994.

The amounts due from subsidiaries are unsecured, interest-free and have no fixed terms of repayment. In the opinion of the directors of the Company, the amounts are unlikely to be repaid within one year and are therefore shown in the balance sheet as non-current.

Particulars of the Company's principal subsidiaries at 31st March, 2005 are set out in note 31.

### 15. Investments in Securities

	THE GROUP	
	2005 HK\$	2004 HK\$
INVESTMENT SECURITIES		
Unlisted shares, at cost	773,450	773,450
Impairment loss	(773,450)	(773,450)
	<u>—</u>	<u>—</u>
OTHER INVESTMENTS		
Listed shares, at cost (Note)	67,110,720	67,110,720
Change in fair value	(67,110,720)	(67,110,720)
	<u>—</u>	<u>—</u>
Market value of listed shares at 31st March	<u>2,052,240</u>	<u>1,915,424</u>

Note: The amount represents the Group's investment in the shares of Climax International Company Limited ("CICL"), a company incorporated in Bermuda with its shares listed on The Stock Exchange, representing approximately a 1.74% (2004: 1.75%) of the issued share capital of CICL as at 31st March, 2005.

In the opinion of the directors, in view of the low volume of transactions in the market for CICL's shares, the fair value of other investments as at 31st March, 2005 and 31st March, 2004 was insignificant.

## Notes to the Financial Statements

For the year ended 31st March, 2005

### 16. Inventories

	THE GROUP	
	2005 HK\$	2004 HK\$
Raw materials	43,557,292	32,498,118
Work in progress	8,448,289	3,516,154
Finished goods	19,578,937	11,316,301
	<u>71,584,518</u>	<u>47,330,573</u>

At the balance sheet date, all the inventories were carried at cost.

### 17. Debtors and Prepayments

The balance of debtors and prepayments included trade debtors of HK\$84,322,085 (2004: HK\$76,833,964). The aged analysis of trade debtors at the balance sheet date is as follows:

	THE GROUP	
	2005 HK\$	2004 HK\$
0 - 60 days	54,291,375	49,737,296
61 - 90 days	14,442,600	8,542,813
91 - 120 days	8,468,304	14,869,523
> 120 days	7,119,806	3,684,332
	<u>84,322,085</u>	<u>76,833,964</u>

The Group allows an average credit period ranged from 90 to 120 days (2004: 90 to 120 days) to its trade customers.

### 18. Creditors and Accrued Charges

The balance of creditors and accrued charges included trade creditors of HK\$54,052,030 (2004: HK\$31,260,036). The aged analysis of trade creditors at the reporting date is as follows:

	THE GROUP	
	2005 HK\$	2004 HK\$
0 - 60 days	45,824,694	29,382,942
61 - 90 days	5,198,648	547,271
> 90 days	3,028,688	1,329,823
	<u>54,052,030</u>	<u>31,260,036</u>

## Notes to the Financial Statements

For the year ended 31st March, 2005

### 19. Secured Bank Loans

	2005 HK\$	2004 HK\$
Export invoices financing	20,469,083	19,878,887
Trust receipts/import loans	5,379,809	6,285,957
Other bank loans	5,289,710	—
	<u>31,138,602</u>	<u>26,164,844</u>
Less: Amount due within one year included under current liabilities	(27,848,892)	(26,164,844)
Amount due after one year	<u>3,289,710</u>	<u>—</u>

### 20. Obligations under a Finance Lease

	Minimum lease payments		Present value of minimum lease payments	
	2005 HK\$	2004 HK\$	2005 HK\$	2004 HK\$
Amount payable under a finance lease				
Within one year	91,216	158,783	90,433	147,233
In the second to fifth years inclusive	—	92,625	—	90,433
	<u>91,216</u>	<u>251,408</u>	<u>90,433</u>	<u>237,666</u>
Less: Future finance charges	(783)	(13,742)	—	—
Present value of lease obligations	<u>90,433</u>	<u>237,666</u>	<u>90,433</u>	<u>237,666</u>
Amount due for settlement within 12 months			<u>(90,433)</u>	<u>(147,233)</u>
Amount due for settlement after 12 months			<u>—</u>	<u>90,433</u>

It is the Group's policy to lease certain of its motor vehicles under a finance lease. The lease term is 3 years. For the year ended 31st March, 2005, the effective borrowing rate was 3% (2004: 3%). 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 a finance lease is secured by the lessor's charge over the leased assets.

## Notes to the Financial Statements

For the year ended 31st March, 2005

### 21. Deferred Tax Liabilities

The movement in deferred tax liabilities recognised during the year is as follows:

	<b>THE GROUP</b>	
	<b>Accelerated tax depreciation</b>	
	<b>2005</b>	<b>2004</b>
	<b>HK\$</b>	<b>HK\$</b>
At 1st April	—	—
Charged to consolidated income statement	<u>558,508</u>	<u>—</u>
At 31st March	<u><u>558,508</u></u>	<u><u>—</u></u>

At the balance sheet date, the Group and the Company has unrecognised deferred tax assets in respect of unused tax losses of approximately HK\$28,610,000 (2004: HK\$28,308,000) and HK\$12,666,000 (2004: HK\$12,484,000) respectively available for offset against future profits. No deferred tax asset has been recognised due to the unpredictability of future profit streams. The tax losses may be carried forward indefinitely.

### 22. Share Capital

	<b>2005 &amp; 2004</b>	
	<b>HK\$</b>	
Authorised:		
1,000,000,000 shares of HK\$0.1 each		<u>100,000,000</u>
	<b>Number</b>	<b>Amount</b>
	<b>of shares</b>	<b>2005 &amp; 2004</b>
	<b>2005 &amp; 2004</b>	<b>2005 &amp; 2004</b>
		<b>HK\$</b>
Issued and fully paid:		
Shares of HK\$0.1 each	<u>557,058,400</u>	<u>55,705,840</u>

There was no change of the Company's authorised, issued and fully paid share capital during both years.

## Notes to the Financial Statements

For the year ended 31st March, 2005

### 23. Share Options

- (a) Pursuant to a special general meeting of the Company held in April 1994, the Company adopted an executives' share option scheme (the "1994 Scheme") for the primary purpose of providing incentives to the executive directors and eligible employees of the Company and its subsidiaries. According to the 1994 Scheme, the Board of Directors of the Company is authorised, at any time within ten years after the adoption date of the 1994 Scheme, to grant options to eligible participants to subscribe for shares in the Company at a subscription price equal to the higher of the nominal value of the shares and an amount, to be determined by a committee administering the 1994 Scheme, which is not less than 80% of the average of the closing prices of the shares on The Stock Exchange on the five trading days immediately preceding the date of the options are offered to the participant.

The movements in the number of options outstanding during the year which have been granted to the directors of the Company and employees of the Group under the 1994 Scheme were as follows:

	Exercisable period	Exercise price HK\$	Number of option shares					
			Outstanding at 1.4.2003	Granted during the year	Lapsed during the year	Outstanding at 31.3.2004 and 1.4.2004	Lapsed during the year	Outstanding at 31.3.2005
Directors	23.7.2003 - 22.7.2013	0.36	<u>6,000,000</u>	<u>8,000,000</u>	<u>(6,000,000)</u>	<u>8,000,000</u>	<u>(2,000,000)</u>	<u>6,000,000</u>

- (b) At a special general meeting of the Company held on 30th August, 2004, a new share option scheme was adopted (the "2004 Scheme"). The Board is authorised to grant options to eligible executive directors and employees of the Company and its subsidiaries, to subscribe for shares in the Company. The number of underlying shares available under the 2004 Scheme shall not, in aggregate, exceed 5% of the issued shares as at 30th August, 2004. The exercise price of the options shall be determined by a committee administering the 2004 Scheme, and shall fall within the following prescribed parameters: they should not be less than (i) the par value of the shares, (ii) the closing price of the shares on the date of grant which must be a business day, and (iii) the average closing price of the shares over 5 consecutive trading days immediately preceding the date of grant. As at 31st March, 2005, the total number of shares available for issue under the 2004 Scheme is 11,788,344 shares and represent 2% of issued share capital of the Company at 30th August, 2004, being the date of adoption of the 2004 Scheme.

## Notes to the Financial Statements

For the year ended 31st March, 2005

### 23. Share Options (Continued)

The movements in the number of share options under the 2004 Scheme during the current financial period are as follows:

	Exercisable period	Exercise price HK\$	Number of option shares granted during the year and outstanding at 31.3.2005
Directors	28.9.2004 - 27.9.2014	0.242	6,062,106
	20.12.2004 - 19.12.2014	0.250	5,152,790
Other employees	28.9.2004 - 27.9.2014	0.242	2,621,448
	20.12.2004 - 19.12.2014	0.250	2,228,232
			16,064,576

Total consideration received during the year from directors and employees for taking up the options amounting to HK\$24 (2004: HK\$5).

The financial impact of the 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 recorded in the income statement or balance sheet for their costs. 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 in the share premium account.

### 24. Reserves

	Share premium HK\$	Capital redemption reserve HK\$	Capital reserve HK\$	Translation reserve HK\$	Accumulated profits HK\$	Dividend reserve HK\$	Total HK\$
THE GROUP							
At 1st April, 2003	13,526,924	1,442,200	19,870,430	1,031,567	77,006,845	22,282,336	135,160,302
Net loss for the year	—	—	—	—	(13,727,006)	—	(13,727,006)
Dividends paid	—	—	—	—	—	(22,282,336)	(22,282,336)
Final dividend proposed (note 9)	—	—	—	—	(11,141,168)	11,141,168	—
At 31st March, 2004	13,526,924	1,442,200	19,870,430	1,031,567	52,138,671	11,141,168	99,150,960
Net profit for the year	—	—	—	—	12,981,748	—	12,981,748
Dividends paid	—	—	—	—	—	(11,141,168)	(11,141,168)
At 31st March, 2005	13,526,924	1,442,200	19,870,430	1,031,567	65,120,419	—	100,991,540

The capital reserve of the Group represented the capital reserve arising on the group reorganisation in 1994.

## Notes to the Financial Statements

For the year ended 31st March, 2005

### 24. Reserves (Continued)

	Share premium HK\$	Capital redemption reserve HK\$	Contributed surplus HK\$	Accumulated profits/ (losses) HK\$	Dividend reserve HK\$	Total HK\$
THE COMPANY						
At 1st April, 2003	13,526,924	1,442,200	70,911,124	575,259	22,282,336	108,737,843
Net profit for the year	—	—	—	10,942,869	—	10,942,869
Dividends paid	—	—	—	—	(22,282,336)	(22,282,336)
Final dividend proposed (note 9)	—	—	—	(11,141,168)	11,141,168	—
At 31st March, 2004	13,526,924	1,442,200	70,911,124	376,960	11,141,168	97,398,376
Net loss for the year	—	—	—	(63,083,054)	—	(63,083,054)
Dividends paid	—	—	—	—	(11,141,168)	(11,141,168)
At 31st March, 2005	<u>13,526,924</u>	<u>1,442,200</u>	<u>70,911,124</u>	<u>(62,706,094)</u>	<u>—</u>	<u>23,174,154</u>

The contributed surplus of the Company represented the difference between the book values of underlying net assets of Pantronics Holdings Limited and its subsidiaries at the date on which the shares of these companies were acquired by the Company, and the nominal amount of the share capital issued by the Company under the group reorganisation in 1994, net of HK\$100,000 applied in paying up in full at par the 1,000,000 nil paid shares.

In addition to accumulated profits, under the company law in Bermuda, the contributed surplus account of a company is also available for distribution. However, the company cannot declare or pay a dividend, or make a distribution out of contributed surplus if:

- it is, or would after the payment be, unable to pay its liabilities as they become due; or
- the realisable value of its 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 as at 31st March, 2005 consisted of contributed surplus of HK\$70,911,124 (2004: HK\$70,911,124), accumulated profit of nil (2004: HK\$376,960) and dividend reserve of nil (2004: HK\$11,141,168).

## Notes to the Financial Statements

For the year ended 31st March, 2005

### 25. Major Non-cash Transactions

During the year ended 31st March, 2004, the Group acquired 20% additional interest in a subsidiary at the consideration of HK\$1,372,958. The consideration payable was settled by way of offset the receivable from the minority interest included in the debtors and prepayments.

### 26. Pledge of Assets

At the balance sheet date, the Group pledged its investment properties (together with rental assignment) and certain leasehold properties of approximately HK\$6,500,000 (2004: HK\$5,550,000) and HK\$6,455,000 (2004: HK\$5,361,000) respectively to banks to secure credit facilities granted by the banks to the extent of approximately HK\$45,000,000 (2004: HK\$45,000,000).

### 27. Contingent Liabilities

	THE GROUP		THE COMPANY	
	2005	2004	2005	2004
	HK\$	HK\$	HK\$	HK\$
Cross guarantees given to banks to secure credit facilities granted to subsidiaries	—	—	<b>45,000,000</b>	45,000,000

### 28. Capital Commitments

	THE GROUP	
	2005	2004
	HK\$	HK\$
Commitments for the acquisition of property, plant and equipment contracted for but not provided in the financial statements	<b>932,400</b>	—



## Notes to the Financial Statements

For the year ended 31st March, 2005

### 29. Operating 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 rented premises which fall due as follows:

	2005 HK\$	2004 HK\$
Operating leases which expire:		
Within one year	2,666,046	2,373,829
In the second to fifth years inclusive	1,621,742	1,735,892
	<u>4,287,788</u>	<u>4,109,721</u>

Operating lease payments represent rentals payable by the Group for its office properties and factories which are negotiated for an average terms of three years.

At the balance sheet date, the Company had no commitments under non-cancellable operating leases in respect of rented premises.

The Group as lessor

At the balance sheet date, the Group had contracted with tenants for the following future minimum lease payments:

	2005 HK\$	2004 HK\$
Within one year	270,397	721,058
In the second to fifth years inclusive	—	270,397
	<u>270,397</u>	<u>991,455</u>

Operating lease income represents the rental receivable by the Group for its investment properties. Leases are negotiated for an average term of three years.

At the balance sheet date, the Company had not entered into any operating lease arrangement for rental income.

## Notes to the Financial Statements

For the year ended 31st March, 2005

### 30. Retirement Benefit Schemes

#### Hong Kong

With effect from 1st December, 2000, the Group has joined a mandatory provident fund scheme ("MPF Scheme") for all employees in Hong Kong. The MPF Scheme is registered with the Mandatory Provident Fund Scheme Authority under the Mandatory Provident Fund Schemes Ordinance. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee. Under the MPF Scheme, the employer and its employees are each required to make contributions to the MPF Scheme at rates specified in the rules. The only obligation of the Group with respect to the MPF Scheme is to make the required contributions under the MPF Scheme. During the year ended 31st March, 2005, the retirement benefit scheme contributions charged to the consolidated income statement amounted to approximately HK\$287,000 (2004: HK\$360,000), which represent contribution payable to the fund by the Group at rates specified in the rules of the MPF Scheme.

#### Mainland China

The Group also participates in defined contribution retirement scheme organised by the government of Mainland China. All employees of the Group in the Mainland China are entitled to an annual pension equal to a fixed portion of their individual final basic salaries at their retirement date. The Group is required to make contributions to the retirement scheme at the specified rate of the payroll of its employees in the Mainland China. The total contribution incurred in this connection for the year ended 31st March, 2005 was approximately HK\$699,000 (2004: HK\$98,000). No forfeited contributions may be used by the employer to reduce the existing level of contributions.

## Notes to the Financial Statements

For the year ended 31st March, 2005

### 31. Principal Subsidiaries

Name of company	Place of incorporation or registration	Issued and fully paid share capital/registered capital	Percentage of issued share capital/registered capital		Principal activities
			Held by the Company/subsidiaries	Attributable equity interest to the Group	
Pan Electrium Industrial Company Limited	Hong Kong	Ordinary HK\$5,000,000	100%	100%	Manufacture of and trading in electronic/electrical parts and products
Pantene Industrial Co. Limited	Hong Kong	Ordinary HK\$10,000	100%	100%	Trading in electronics products
Pantronics Holdings Limited (note)	British Virgin Islands	Ordinary US\$200	100%	100%	Investment holding
Pin Xin International Limited	Hong Kong	Ordinary HK\$10,000	100%	100%	Trading in rechargeable battery products
Rise Up International Limited (note)	British Virgin Islands	Ordinary US\$1	100%	100%	Investment holding in Hong Kong
上海品新電源有限公司 Shanghai Pin Xin	PRC *	Registered HK\$28,000,000	100%	100%	Manufacture of and trading in rechargeable battery products
深圳品泰電子有限公司 Shenzhen Pantai Electronic Co., Limited	PRC *	Registered US\$700,000	100%	100%	Manufacture of and trading in electronic products

\* This subsidiary was established in the PRC as a wholly foreign-owned enterprise.

Note: Directly held by the Company.

Unless specified in the "Principal activities", the above subsidiaries operate principally in their respective places of incorporation or registration.

The above list includes the subsidiaries of the Company which, in the opinion of the directors, principally affected the results of the year or formed a substantial portion of the assets and liabilities of the Group. To give details of all the other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

None of the subsidiaries had any debt securities subsisting at 31st March, 2005 or at any time during the year.

### 32. Post Balance Sheet Event

On 18th April, 2005, the Group entered into preliminary sale and purchase agreements with independent third parties to dispose of leasehold properties held under long leases in Hong Kong with net book value of HK\$10,959,070 at 31st March, 2005. The aggregate consideration amounted to approximately HK\$11,480,000.