1. CORPORATE INFORMATION

During the year, the Group was involved in the following principal activities:

- design and manufacture of electrical appliances

- trading of merchandise

2. IMPACT OF RECENTLY ISSUED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

The Hong Kong Institute of Certified Public Accountants has issued a number of new and revised Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards, herein collectively referred to as the new HKFRSs, which are generally effective for accounting periods beginning on or after 1 January 2005. The Group has not early adopted these new HKFRSs in the financial statements for the year ended 31 March 2005. The Group has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a significant impact on its results of operations and financial position.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

These financial statements have been prepared in accordance with HKFRSs (which also include Statements of Standard Accounting Practice and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for the periodic remeasurement of certain fixed assets, as further explained below.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 March 2005. The results of subsidiaries acquired or disposed of during the year are consolidated from or to their effective dates of acquisition or disposal, respectively. All significant intercompany transactions and balances within the Group are eliminated on consolidation.

Minority interests represent the interests of outside shareholders in the results and net assets of the Company's subsidiaries.

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

Subsidiaries

A subsidiary is a company whose financial and operating policies the Company controls, directly or indirectly, so as to obtain benefits from its activities.

The results of subsidiaries are included in the Company's profit and loss account to the extent of dividends received and receivable. The Company's interests in subsidiaries are stated at cost less any impairment losses.

Associates

An associate is a company, not being a subsidiary or a jointly-controlled entity, in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence.

The Group's share of the post-acquisition results and reserves of associates is included in the consolidated profit and loss account and consolidated reserves, respectively. The Group's interests in associates are stated in the consolidated balance sheet at the Group's share of net assets under the equity method of accounting, less any impairment losses.

The results of associates are included in the Company's profit and loss account to the extent of dividends received and receivable. The Company's interests in associates are treated as long term assets and are stated at cost less any impairment losses.

Related parties

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities.

Impairment of assets

An assessment is made at each balance sheet date of whether there is any indication of impairment of any asset, or whether there is any indication that an impairment loss previously recognised for an asset in prior years may no longer exist or may have decreased. If any such indication exists, the asset's recoverable amount is estimated. An asset's recoverable amount is calculated as the higher of the asset's value in use and its net selling price.

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

Impairment of assets *(continued)*

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. An impairment loss is charged to the profit and loss account in the period in which it arises, unless the asset is carried at a revalued amount, when the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount of an asset, however not to an amount higher than the carrying amount that would have been determined (net of any depreciation), had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is credited to the profit and loss account in the period in which it arises, unless the asset is carried at a revalued amount, when the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

Fixed assets and depreciation

Fixed assets are stated at cost or valuation less accumulated depreciation and any impairment losses. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after fixed assets have been put into operation, such as repairs and maintenance, is normally charged to the profit and loss account in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the fixed asset, the expenditure is capitalised as an additional cost of that asset.

Changes in the values of fixed assets are dealt with as movements in the fixed asset revaluation reserve. If the total of this reserve is insufficient to cover a deficit, on an individual asset basis, the excess of the deficit is charged to the profit and loss account. Any subsequent revaluation surplus is credited to the profit and loss account to the extent of the deficit previously charged. On disposal of a revalued asset, the relevant portion of the fixed asset revaluation reserve realised in respect of previous valuations is transferred to retained profits as a movement in reserves.

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

Fixed assets and depreciation *(continued)*

Depreciation is calculated on the straight-line basis to write off the cost or valuation of each asset over its estimated useful life. The principal annual rates used for this purpose are as follows:

Leasehold land and buildings	2% or over the lease terms if less than 50 years
Furniture and fixtures	20%
Machinery, engineering and other equipment	10%
Motor vehicles	10%
Moulds	10%

The gain or loss on disposal or retirement of a fixed asset recognised in the profit and loss account is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Leased assets

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased assets is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases are included in fixed assets and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to the profit and loss account so as to provide a constant periodic rate of charge over the lease terms.

Assets acquired through hire purchase contracts of a financing nature are accounted for as finance leases, but are depreciated over their estimated useful lives.

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets and rentals receivable under the operating leases are credited to the profit and loss account on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under the operating leases are charged to the profit and loss account on the straight-line basis over the lease terms.

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

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the first-in, first-out basis and in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

For the purpose of consolidated cash flow statement, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired.

For the purpose of the balance sheet, cash and bank balances comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

Income tax

Income tax comprises current and deferred tax. Income tax is recognised in the profit and loss account, or in equity if it relates to items that are recognised in the same or a different period directly in equity.

Deferred tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences:

- except where the deferred tax liability arises from the initial recognition of an asset or liability and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries and associate, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

Income tax *(continued)*

Deferred tax assets are recognised for all deductible temporary differences, carryforward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax assets and unused tax losses can be utilised:

- except where the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries and associate, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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 deferred tax asset to be utilised. Conversely, previously unrecognised deferred tax assets are recognised to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(a) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;

(b) rental income, on a time proportion basis over the lease terms;

(c) interest income, on a time proportion basis, taking into account the principal outstanding and the effective interest rate applicable; and

(d) dividend income, when the shareholders' right to receive payment has been established.

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

Employee benefits

Employment Ordinance long service payments

Certain of the Group's employees have completed the required number of years of service to the Group in order to be eligible for long service payments under the Hong Kong Employment Ordinance in the event of the termination of their employment. The Group is liable to make such payments in the event that such a termination of employment meets the circumstances specified in the Employment Ordinance.

A provision is recognised in respect of the probable future long service payments expected to be made. The provision is based on the best estimate of the probable future payments which had been earned by the employees from their service to the Group to the balance sheet date.

Retirement benefits schemes

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance, for those employees who are eligible to participate in the scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to the profit and loss account as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. The subsidiaries are required to contribute a percentage of their payroll costs to the central pension scheme. The contributions are charged to the profit and loss account as they become payable in accordance with rules of the central pension scheme.

Share option scheme

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. The financial impact of share options granted under the share option scheme 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 profit and loss account or balance sheet for their cost. Upon the exercise of 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 are cancelled prior to their exercise date, or which lapse, are deleted from the register of outstanding options.

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

Foreign currencies

Foreign currency transactions are recorded at the applicable exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the applicable exchange rates ruling at that date. Exchange differences are dealt with in the profit and loss account.

On consolidation, the financial statements of overseas subsidiaries are translated into Hong Kong dollars using the net investment method. The profit and loss accounts of overseas subsidiaries are translated into Hong Kong dollars at the weighted average exchange rates for the year, and their balance sheets are translated into Hong Kong dollars at the exchange rates ruling at the balance sheet date. The resulting translation differences are included in the exchange fluctuation reserve.

For the purpose of the consolidated cash flow statement, the cash flows of overseas subsidiaries are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

4. SEGMENT INFORMATION

Segment information is presented by way of the Group's primary segment reporting basis, by geographical segment. The Group has two business segments, namely the design and manufacture of electrical appliances and the trading of merchandise. No further business segment information is presented as over 90% of the Group's consolidated turnover, results and assets related to the design and manufacture of electrical appliances.

4. SEGMENT INFORMATION *(continued)*

Geographical segments

In determining the Group's geographical segments, revenues are attributed to the segments based on the location of the customers, and assets are attributed to the segments based on the location of the assets.

The following table presents revenue and certain asset and expenditure information for the Group's geographical segments.

	Segment revenue Sales to external customers		Other segment information Segment assets		Capital expenditure	
	2005 HK$'000	2004 HK$'000	**2005 HK$'000**	2004 HK$'000	**2005 HK$'000**	2004 HK$'000
Europe	**133,594**	119,486	**8,637**	23,175	**120**	84
North America	**87,058**	71,301	**6,453**	10,205	**8**	14
South America	**16,228**	10,903	**16**	280	**–**	–
Asia Pacific	**26,389**	20,662	**189,130**	179,025	**9,909**	12,929
Middle East	**9,702**	9,087	**857**	382	**–**	–
Oceania	**7,966**	7,766	**389**	401	**–**	–
Corporate and others	**–**	–	**24,159**	26,902	**–**	–
	280,937	239,205	**229,641**	240,370	**10,037**	13,027

5. RELATED PARTY TRANSACTIONS

(a) In addition to the transactions and balances detailed elsewhere in these financial statements, the Group had the following transactions with related parties during the year:

	Group	
	2005 HK$'000	2004 HK$'000
Interest expense paid to an associate	**5**	29

The interest expense related to an advance from an associate which was fully repaid during the year (2004: HK$22,760,000). The interest was calculated at a rate of 0.125% (2004: 0.125%) per annum (note 16).

(b) A director of the Company has given a guarantee, amounting to HK$22,000,000 (2004: HK$22,000,000), together with the Group's land and buildings in Hong Kong and bank deposits, in favour of a bank in respect of banking facilities granted to the Group. As at 31 March 2005, the total bank loans outstanding and the stand-by letters of credit given to a third party amounted to HK$9,740,000 (2004: HK$17,201,000) and Nil (2004: HK$5,148,000), respectively.

6. TURNOVER, REVENUE AND GAINS

Turnover represents the net invoiced value of goods sold, after allowances for returns and trade discounts.

An analysis of turnover, other revenue and gains is as follows:

	Group	
	2005	2004
	HK$'000	HK$'000
Turnover		
Sale of goods	**280,937**	239,205
Other revenue		
Interest income	**40**	40
Gross rental income	**–**	144
Sale of moulds	**–**	50
Sale of scrap materials	**531**	65
Others	**149**	449
	720	748
Gains		
Gain on disposal of fixed assets	**44**	880
Gain on disposal of an investment property	**–**	450
	44	1,330
	764	2,078

7. PROFIT/(LOSS) FROM OPERATING ACTIVITIES

The Group's profit/(loss) from operating activities is arrived at after charging/(crediting):

	NOTE	2005 HK$'000	2004 HK$'000
Cost of inventories sold*		**224,685**	191,037
Depreciation	*14*	**11,283**	11,327
Minimum lease payments under operating leases for land and buildings		**1,008**	1,015
Auditors' remuneration		**630**	485
Staff costs (excluding directors' remuneration – *note 9*):			
Wages and salaries		**32,295**	28,062
Severance payments		**32**	–
Pension scheme contributions		**419**	381
		32,746	28,443
Provision for doubtful debts#		**–**	322
Write-back of inventory obsolescence##		**–**	(1,400)
Exchange losses, net		**1,747**	708
Surplus on revaluation of fixed assets#	*14*	**(428)**	(798)
Net rental income		**–**	(374)

* Included depreciation of HK$8,455,000 (2004: HK$8,687,000) and staff costs of HK$20,637,000 (2004: HK$17,289,000).

The provision for doubtful debts and surplus on revaluation of fixed assets are included in "Other operating income, net" on the face of the consolidated profit and loss account.

In the prior year, the cost of inventories sold and the cost of sales included the write-back of inventory obsolescence.

8. FINANCE COSTS

	Group	
	2005	2004
	HK$'000	HK$'000
Interest on bank loans, overdrafts and other loans wholly repayable within five years	**1,756**	1,022
Interest on finance leases	**76**	47
	1,832	1,069

9. DIRECTORS' REMUNERATION

Directors' remuneration for the year, disclosed pursuant to the Listing Rules and Section 161 of the Companies Ordinance, is as follows:

	Group	
	2005	2004
	HK$'000	HK$'000
Fees	**150**	150
Other emoluments:		
Salaries, commissions, allowances and benefits in kind*	**6,254**	6,207
Pension scheme contributions	**60**	60
	6,314	6,267
	6,464	6,417

* Included the minimum lease payments under operating leases for land and buildings of HK$1,008,000 (2004: HK$1,015,000).

In the prior year, fees included HK$101,000 payable to the independent non-executive directors. There were no other emoluments payable to the independent non-executive directors during the year (2004: Nil).

9. DIRECTORS' REMUNERATION *(continued)*

The number of directors whose remuneration fell within the following bands is as follows:

	Number of directors	
	2005	2004
Nil – HK$1,000,000	**4**	4
HK$1,500,001 – HK$2,000,000	**3**	3
	7	7

There was no arrangement under which a director waived or agreed to waive any remuneration during the year.

10. SIX HIGHEST PAID INDIVIDUALS

The six (2004: six) highest paid individuals during the year included four (2004: four) directors, details of whose remuneration are set out in note 9 above. Details of the remuneration of the remaining two (2004: two) non-director, highest paid individuals for the year are as follows:

	Group	
	2005	2004
	HK$'000	HK$'000
Basic salaries, commissions and benefits in kind	**1,008**	990
Pension scheme contributions	**24**	24
	1,032	1,014

The remuneration for each of the two non-director, highest paid individuals was less than HK$1,000,000 (2004: less than HK$1,000,000) for the year.

11. TAX

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the year. In the prior year, Hong Kong profits tax had been provided at the rate of 17.5% on the estimated assessable profits arising in Hong Kong. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

	2005	2004
	HK$'000	HK$'000
Group:		
Current – Hong Kong	**–**	4
Current – Elsewhere	**304**	208
	304	212
Share of tax attributable to an associate	**220**	64
Total tax charge for the year	**524**	276

A reconciliation of the tax expense applicable to loss before tax using the statutory rate for the country in which the Company, its subsidiaries and associate are domiciled to the tax expense at the effective tax rate, and a reconciliation of the applicable rate (i.e., the statutory tax rate) to the effective tax rate, are as follows:

	Group			
	2005		2004	
	HK$'000	**%**	HK$'000	%
Loss before tax	**(707)**		(8,898)	
Tax at the statutory tax rate	**(124)**	**17.5**	(1,557)	17.5
Difference in tax rates for specific provinces or local authority	**363**	**(51.3)**	618	(6.9)
Income not subject to tax	**(1,514)**	**214.2**	(1,658)	18.6
Expenses not deductible for tax	**1,930**	**(273.0)**	359	(4.1)
Tax losses utilised from previous periods	**(282)**	**39.9**	(5)	0.1
Tax losses not recognised	**139**	**(19.7)**	2,021	(22.7)
Others	**12**	**(1.7)**	498	(5.6)
Tax charge at the Group's effective rate	**524**	**(74.1)**	276	(3.1)

Under the People's Republic of China (the "PRC") income tax law, companies with operations in the PRC are subject to corporate income tax ("CIT") at a rate of 33% on the taxable income. The tax rate applicable to subsidiaries established and operating in Germany and the United States of America is 40% and 35%, respectively.

A wholly-owned subsidiary of the Company established in the PRC was exempt from PRC CIT for its first two profit-making years of operations and thereafter is eligible for a 50% relief from PRC CIT for the following three years under the PRC tax laws.

12. NET PROFIT/(LOSS) FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS

The net profit from ordinary activities attributable to shareholders for the year ended 31 March 2005 dealt with in the financial statements of the Company was HK$3,466,000 (2004: net loss of HK$1,164,000) (note 27(b)).

13. LOSS PER SHARE

The calculation of basic loss per share is based on the net loss from ordinary activities attributable to shareholders for the year of HK$1,313,000 (2004: HK$9,252,000) and 457,524,848 (2004: 457,524,848) ordinary shares in issue during the year.

Diluted loss per share amounts for the years ended 31 March 2005 and 2004 have not been disclosed as no diluting events existed during these years.

14. FIXED ASSETS

Group

	Leasehold land and buildings HK$'000	Furniture and fixtures HK$'000	Machinery, engineering and other equipment HK$'000	Motor vehicles HK$'000	Moulds HK$'000	Total HK$'000
Cost or valuation:						
At beginning of year	54,560	10,747	21,850	3,530	51,065	141,752
Additions	–	1,314	2,161	175	6,387	10,037
Disposals	(2,212)	–	–	–	–	(2,212)
Written off	–	(616)	(5,644)	(271)	(3,464)	(9,995)
Revaluation surplus	11,202	–	–	–	–	11,202
At 31 March 2005	63,550	11,445	18,367	3,434	53,988	150,784
Analysis of cost or valuation:						
At cost	–	11,445	18,367	3,434	53,988	87,234
At valuation	63,550	–	–	–	–	63,550
	63,550	11,445	18,367	3,434	53,988	150,784
Accumulated depreciation and impairment:						
At beginning of year	–	4,837	13,099	2,927	21,551	42,414
Depreciation provided during the year	1,422	2,145	2,001	360	5,355	11,283
Disposals	(60)	–	–	–	–	(60)
Written off	–	(616)	(5,644)	(271)	(3,464)	(9,995)
Written back on revaluation	(1,362)	–	–	–	–	(1,362)
At 31 March 2005	–	6,366	9,456	3,016	23,442	42,280
Net book value:						
At 31 March 2005	**63,550**	**5,079**	**8,911**	**418**	**30,546**	**108,504**
At 31 March 2004	54,560	5,910	8,751	603	29,514	99,338

The net book value of fixed assets held under finance leases included in the total amount of machinery, engineering and other equipment at 31 March 2005 amounted to HK$2,534,000 (2004: HK$1,655,000).

14. FIXED ASSETS *(continued)*

An analysis of the Group's leasehold land and buildings, which are stated at professional valuation and held under medium term leases, is as follows:

	2005	2004
	HK$'000	HK$'000
Hong Kong	**19,750**	13,860
Elsewhere	**43,800**	40,700
	63,550	54,560

During the year, the Group obtained approval from the relevant government authority for the replacement of certain leasehold land in Mainland China with carrying amount of HK$1,344,000 at the date of replacement by other leasehold land in Mainland China to be held for future use by the Group. The leasehold land replaced is with similar use and the cost of the new land represents the carrying amount of the land given up.

The Group's leasehold land and buildings were revalued individually at the balance sheet date by DTZ Debenham Tie Leung Limited, independent professionally qualified valuers, at an aggregate open market value of HK$63,550,000 based on their existing use. A reversal of prior year revaluation deficit of HK$428,000 and a revaluation surplus of HK$12,136,000, resulting from the above valuations, have been credited to the profit and loss account and the fixed asset revaluation reserve, respectively.

Had the Group's leasehold land and buildings been carried at historical cost less accumulated depreciation and impairment losses, their carrying amounts would have been approximately HK$32,078,000 (2004: HK$34,820,000).

At 31 March 2005, certain of the Group's leasehold land and buildings with a net book value of HK$19,750,000 (2004: HK$13,860,000) were pledged to secure general banking facilities granted to the Group (note 22).

15. INTERESTS IN SUBSIDIARIES

	Company	
	2005	2004
	HK$'000	HK$'000
Unlisted shares, at cost	**60,953**	60,953
Due from subsidiaries	**175,723**	151,691
	236,676	212,644
Less: Provision for impairment	**(129,182)**	(129,182)
	107,494	83,462

The amounts due from subsidiaries are unsecured, have no fixed terms of repayment and are interest-free, except for an amount due from a subsidiary of HK$3,805,000 (2004: Nil), which bears interest at a rate of 5% (2004: Nil) per annum.

Particulars of the subsidiaries are as follows:

Name	Place of incorporation/ registration and operations	Nominal value of issued share/ registered capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Anex Electrical Company Limited ("AECL")	Hong Kong	HK$9,000 ordinary shares HK$3,000,000 non-voting deferred shares#	100	–	Sale of electrical appliances
Anex Industrial Corporation Limited	Hong Kong	HK$500,000 ordinary shares	–	100	Property investment
Anco Industrial Company Limited	British Virgin Islands/ Mainland China	US$100 ordinary shares	–	100	Property investment
Anex USA Products, Inc.*	United States of America	US$10,000 ordinary shares	–	100	Sale of electrical appliances

15. INTERESTS IN SUBSIDIARIES *(continued)*

Name	Place of incorporation/ registration and operations	Nominal value of issued share/ registered capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Melwick (HK) Limited	Hong Kong	HK$2 ordinary shares	100	–	Hiring of computer equipment
Antec Appliances Limited	Hong Kong	HK$2 ordinary shares	100	–	Provision of agency service and investment holding
Anco Industrial Company Limited	Hong Kong	HK$10,000 ordinary shares	–	100	Dormant
Anex Germany Products GmbH	Republic of Germany	EUR25,565 ordinary shares	–	95	Sale of electrical appliances
Anex Japan Corporation*	Japan	JPY10,000,000 ordinary shares	–	95	Dormant
東莞安達電器製品有限公司**	PRC/ Mainland China	HK$20,000,000	–	100	Manufacture of electrical appliances

The non-voting deferred shares do not entitle the holders thereof to receive notice of or to attend or vote at any general meeting of AECL by virtue or in respect of their holdings of such non-voting deferred shares. The holders of the non-voting deferred shares shall not be entitled to any participation in the profit or assets of AECL except for a fixed non-cumulative dividend at the rate of 5% per annum for any financial year of AECL in respect of which the net profit of AECL available for dividend exceeds HK$1,000,000,000. On a winding-up, the holders of the non-voting deferred shares shall be entitled, out of the surplus assets of AECL, to a return of the capital paid up on the non-voting deferred shares held by them respectively after a total sum of HK$100,000,000,000 has been distributed in such winding-up in respect of each of the ordinary shares of AECL.

* Not audited by Ernst & Young Hong Kong or other Ernst & Young International member firms.

** Registered as a wholly-foreign owned enterprise under the PRC Law.

16. INTEREST IN AN ASSOCIATE

	Group		Company	
	2005	2004	**2005**	2004
	HK$'000	HK$'000	**HK$'000**	HK$'000
Unlisted shares, at cost	**–**	–	**–**	–
Share of net assets	**18,059**	21,990	**–**	–
Due from an associate	**923**	21,475	**923**	21,475
Due to an associate	**–**	(22,760)	**–**	–
	18,982	20,705	**923**	21,475

The balances with the associate are unsecured, have no fixed terms of repayment and are interest-free, except for an amount due to the associate, which bore interest at a rate of 0.125% (2004: 0.125%) per annum and was fully settled during the year.

Particulars of the associate are as follows:

Name	Business structure	Place of incorporation/ registration and operations	Percentage of ownership interest attributable to the Group	Principal activity
Ancen Properties Limited	Corporate	Hong Kong	40	Real estate development

16. INTEREST IN AN ASSOCIATE *(continued)*

Extracts of the financial statements of the Group's associate are as follows:

	2005	2004
	HK$'000	HK$'000
Consolidated profit and loss account		
Turnover	**9,236**	12,151
Net profit from ordinary activities attributable to shareholders	**1,573**	328
Consolidated balance sheet		
Non-current assets	**4,819**	4,819
Current assets#	**60,979**	106,285
Current liabilities	**(12,868)**	(12,227)
Non-current liabilities	**(7,782)**	(43,902)

A time deposit and certain cash and bank balances of Ancen Properties Limited and its subsidiary (the "Ancen Group") amounting to HK$3,995,000 as at 31 March 2005 (2004: HK$2,637,000) were pledged to a bank as security for its obligation under a buy-back undertaking entered into between the Ancen Group and the bank. Under this buy-back undertaking, the Ancen Group may be obliged to buy back properties in the event of any defaults by the initial mortgagors (who are unrelated to the Group) of properties sold. As at 31 March 2005, the outstanding mortgage balances granted by the bank amounted to HK$15,640,000 (2004: HK$10,557,000).

17. NOTE RECEIVABLE

	Group and Company	
	2005	2004
	HK$'000	HK$'000
Note receivable	**5,400**	5,400
Less: Provision for a note receivable	**(295)**	(295)
	5,105	5,105

The note receivable of HK$5,400,000 (2004: HK$5,400,000) from Cosmedia Limited, an unlisted independent third party, bears interest at a rate of 0.5% per annum, is repayable on or before September 2006 and is secured against the shares in Cosmedia Limited.

18. INVENTORIES

	Group	
	2005	2004
	HK$'000	HK$'000
Raw materials	**31,138**	26,566
Work in progress	**19,704**	15,022
Finished goods	**12,067**	17,479
	62,909	59,067

The carrying amount of inventories is arrived at after charging a general provision of HK$6,700,000 (2004: HK$6,700,000) as at the balance sheet date.

The carrying amount of inventories carried at net realisable value included in the above balance was HK$2,591,000 as at the balance sheet date of the prior year.

19. TRADE RECEIVABLES

The Group's trading terms with its customers are mainly on credit and letters of credit, except for new customers, where payment in advance and cash on delivery are normally required. Invoices are normally payable between 30 and 60 days after issuance, except for certain well-established customers, where the terms are extended to 90 days. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management.

An aged analysis of the trade receivables as at the balance sheet date, based on invoice date and net of provisions, is as follows:

	Group	
	2005	2004
	HK$'000	HK$'000
0 – 30 days	**7,018**	25,274
31 – 60 days	**1,759**	3,916
61 – 90 days	**588**	963
More than 90 days	**4,577**	3,344
	13,942	33,497

20. TRADE PAYABLES

An aged analysis of the trade payables as at the balance sheet date, based on invoice date, is as follows:

	Group	
	2005	2004
	HK$'000	HK$'000
0 – 30 days	**6,789**	16,174
31 – 60 days	**5,252**	9,510
61 – 90 days	**6,727**	4,792
More than 90 days	**23,021**	19,261
	41,789	49,737

21. INTEREST-BEARING BANK AND OTHER BORROWINGS

		Group	
		2005	2004
	Notes	**HK$'000**	HK$'000
Packing loans, secured		**1,514**	13,597
Trust receipt loans, secured		**8,226**	3,604
	22	**9,740**	17,201
Current portion of finance lease payables	*23*	**678**	591
		10,418	17,792

22. INTEREST-BEARING BANK AND OTHER LOANS

	Group	
	2005	2004
	HK$'000	HK$'000
Packing loans, secured	**1,514**	13,597
Trust receipt loans, secured	**8,226**	3,604
Other loans, unsecured	**6,900**	10,800
	16,640	28,001
Packing loans repayable within one year	**1,514**	13,597
Trust receipt loans repayable within one year	**8,226**	3,604
Other loans repayable in the second year	**6,900**	10,800
	16,640	28,001
Portion classified as current liabilities – *note 21*	**(9,740)**	(17,201)
Long term portion	**6,900**	10,800

Notes:

(a) The Group's bank loans are secured by:

(i) mortgages over certain of the Group's leasehold land and buildings which had an aggregate net book value at the balance sheet date of HK$19,750,000 (2004: HK$13,860,000) (note 14); and

(ii) its time deposits amounting to HK$1,001,000 (2004: Nil).

(b) Other loans are unsecured and bear interest at rates ranging from 4.0% to 5.0% (2004: 5.0% to 7.1%) per annum.

23. FINANCE LEASE PAYABLES

The Group leases certain of its engineering equipment for its design and manufacture business. These leases are classified as finance leases and have remaining lease terms ranging from two to three years.

At the balance sheet date, the total future minimum lease payments under finance leases and their present values were as follows:

Group	Minimum lease payments 2005 HK$'000	Minimum lease payments 2004 HK$'000	Present value of minimum lease payments 2005 HK$'000	Present value of minimum lease payments 2004 HK$'000
Amounts payable:				
Within one year	**733**	639	**678**	591
In the second year	**560**	379	**541**	359
In the third to fifth years, inclusive	**147**	207	**145**	204
Total minimum finance lease payments	**1,440**	1,225	**1,364**	1,154
Future finance charges	**(76)**	(71)		
Total net finance lease payables	**1,364**	1,154		
Portion classified as current liabilities – *note 21*	**(678)**	(591)		
Long term portion	**686**	563		

24. DEFERRED TAX LIABILITIES

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

Group

	Revaluation of leasehold land and buildings	
	2005	2004
	HK$'000	HK$'000
At 1 April	**5,585**	5,597
Deferred tax charged/(credited) to fixed asset revaluation reserve during the year	**1,026**	(12)
At 31 March	**6,611**	5,585

The Group has tax losses arising in Hong Kong of HK$67,206,000 (2004: HK$68,023,000) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time.

At 31 March 2005, there was no significant unrecognised deferred tax liability (2004: Nil) for taxes that would be payable on the unremitted earnings of certain of the Group's subsidiaries or associate as the Group has no liability to additional tax should such amounts be remitted.

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

25. SHARE CAPITAL

Shares

	2005	2004
	HK$'000	HK$'000
Authorised:		
800,000,000 ordinary shares of HK$0.10 each	**80,000**	80,000
Issued and fully paid:		
457,524,848 ordinary shares of HK$0.10 each	**45,752**	45,752

Share options

Details of the Company's share option scheme are included in note 26 to the financial statements.

26. SHARE OPTION SCHEME

The Company operates a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the share option scheme include the Company's directors and other employees of the Group. The Scheme became effective on 9 September 2002 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

The maximum number of unexercised share options currently permitted to be granted under the Scheme is an amount equivalent, upon their exercise, to 10% of the shares of the Company in issue as at the date of passing the Ordinary Resolution on 9 September 2002 (the "General Scheme Limit"). The Company may seek approval of the shareholders in a general meeting to refresh the General Scheme Limit. The maximum number of shares issuable under share options to each eligible participant in the Scheme within any 12-month period, is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the price of the Company's shares at the date of the grant) in excess of HK$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

The offer of a grant of share options may be accepted within 28 days from the date of the offer, upon payment of a nominal consideration of HK$1 in total by the grantee. The exercise period of the share options granted is determinable by the directors, and commences after a certain vesting period and ends on a date which is not later than 10 years from the date of the offer of the share options or the expiry date of the Scheme, if earlier.

The exercise price of the share options is determinable by the directors, but may not be less than the highest of (i) the Stock Exchange closing price of the Company's shares on the date of the offer of the share options; and (ii) the average Stock Exchange closing price of the Company's shares for the five trading days immediately preceding the date of the offer; and (iii) the nominal value of the Company's shares.

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

No share option has been granted since the Scheme became effective in September 2002.

27. RESERVES

(a) Group

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on page 21 of the financial statements.

(b) Company

	Notes	Share premium account	Contributed surplus	Distributable reserve	Retained profits/ (accumulated losses)	Total
			(i)	*(ii)*		
		HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 April 2003		103,948	60,733	–	(98,953)	65,728
Reduction of share premium account	*(ii)*	(103,948)	–	4,995	98,953	–
Net loss for the year		–	–	–	(1,164)	(1,164)
At 31 March 2004 and at 1 April 2004		–	60,733	4,995	(1,164)	64,564
Net profit for the year		–	–	–	3,466	3,466
At 31 March 2005		**–**	**60,733**	**4,995**	**2,302**	**68,030**

Notes:

(i) The contributed surplus of the Company represents the excess of the fair value of the shares of the subsidiaries acquired pursuant to the Group reorganisation in June 1991, over the nominal value of the Company's shares issued in exchange therefor. Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus is distributable to shareholders in certain circumstances.

(ii) Pursuant to a special resolution passed on 15 September 2003, the share premium account of the Company was reduced by an amount of HK$103,948,000 to zero and of which HK$98,953,000 was applied towards the elimination of the accumulated losses of the Company as at 31 March 2003, with the remaining balance of HK$4,995,000 being credited to a distributable reserve of the Company. The reduction of share premium account was effective on 6 October 2003.

28. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

Major non-cash transactions

(a) Included in the prior year were mould deposits of approximately HK$5,596,000 (2004: HK$6,868,000) which were transferred to moulds under fixed assets in the current year; and

(b) During the year, the Group entered into finance lease arrangements in respect of fixed assets with a total capital value at the inception of the leases of HK$979,000 (2004: HK$986,000).

29. CONTINGENT LIABILITIES

(a) At the balance sheet date, contingent liabilities not provided for in the financial statements were as follows:

	Group		Company	
	2005	2004	**2005**	2004
	HK$'000	HK$'000	**HK$'000**	HK$'000
Bills discounted with recourse	**9,304**	1,767	**–**	–
Stand-by letters of credit given to a third party	**–**	5,148	**–**	–
Guarantees granted to subsidiaries for:				
Banking facilities	**–**	–	**22,000**	22,000
Finance lease facilities	**–**	–	**1,364**	296
	–	–	**23,364**	22,296

As at 31 March 2005, guarantees given in connection with banking facilities granted to subsidiaries by the Company were utilised to the extent of HK$11,104,000 (2004: HK$17,497,000).

In the prior year, the Group's time deposits of HK$2,638,000 were pledged to secure a stand-by letters of credit given to a third party.

(b) The Inland Revenue Department (the "IRD") issued a letter of query in June 2003 challenging the profits tax computation basis of certain subsidiaries of the Group for the years of assessment from 1997/98 to 2001/02.

The directors, based on the advice from the Group's tax representatives, believe that no potential tax liability is likely to arise as the revised tax computations submitted to the IRD in January 2004 were prepared on the basis as suggested by the IRD. If the IRD does not accept the revised allocation, the additional total profits tax liabilities on subsidiaries of the Group will be approximately HK$1.7 million for the years of assessment from 1997/98 to 2001/02.

30. OPERATING LEASE ARRANGEMENTS

The Group leases certain of its staff quarters under operating lease arrangements. Leases for these properties are negotiated for terms ranging one to two years.

At the balance sheet date, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group	
	2005	2004
	HK$'000	HK$'000
Within one year	**502**	1,020
In the second to fifth years, inclusive	**–**	22
	502	1,042

31. CAPITAL COMMITMENTS

In addition to the operating lease commitments detailed in note 30 above, the Group had the following capital commitments at the balance sheet date:

	Group	
	2005	2004
	HK$'000	HK$'000
Contracted, but not provided for:		
Mould deposits	**557**	340

The Company had no significant commitments at the balance sheet date (2004: Nil).

32. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 25 July 2005.