

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30th April, 2005

### 1. GENERAL

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

The Company is an investment holding company and provides corporate management services. The principal activities of its principal subsidiaries are set out in note 30.

### 2. POTENTIAL IMPACT ARISING FROM THE RECENTLY ISSUED ACCOUNTING STANDARDS

In 2004, the Hong Kong Institute of Certified Public Accountants (the "HKICPA") issued a number of new or revised Hong Kong Accounting Standards and Hong Kong Financial Reporting Standards ("HKFRSs") (herein 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 30th April 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 30th April 2005.

The Group has commenced considering the potential impact of the 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 certain investments in securities, and in accordance with accounting principles generally accepted in Hong Kong. The principal accounting policies adopted are set out below:

#### Basis of consolidation

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

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

#### Investments in subsidiaries

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

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30th April, 2005

**3. SIGNIFICANT ACCOUNTING POLICIES** *(continued)***Revenue recognition**

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

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

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

**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.

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

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

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

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

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

**Inventories**

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

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30th April, 2005

### 3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

#### **Impairment**

At each balance sheet date, the Group reviews the carrying amounts of its assets to determine whether there is any indication that these assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. 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, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

#### **Investments in securities**

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

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 an impairment loss that is other than temporary. Other investment are measured at fair value with unrealised gains and losses included in net profit or loss for the period.

#### **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 leasing commitments and the fair value of the assets acquired, are charged to the income statement over the period of the relevant lease so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

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

#### **Foreign currencies**

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

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

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30th April, 2005

**3. SIGNIFICANT ACCOUNTING POLICIES** *(continued)***Taxation**

Income tax expense represents the sum of the tax currently payable and deferred tax.

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

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

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

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits 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 in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

**Retirement benefit scheme**

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

**4. SEGMENT INFORMATION**

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

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



## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30th April, 2005

**4. SEGMENT INFORMATION** (continued)**By geographical market** (continued)

	Europe HK\$'000	North America HK\$'000	South America HK\$'000	Asia HK\$'000	Australia and New Zealand HK\$'000	Eliminations HK\$'000	Consolidated Total HK\$'000
<b>For the year ended 30th April, 2004</b>							
TURNOVER							
External sales	175,728	25,448	1,884	75,775	12,384	-	291,219
Inter-segment sales	-	-	-	189,296	-	(189,296)	-
Total	<u>175,728</u>	<u>25,448</u>	<u>1,884</u>	<u>265,071</u>	<u>12,384</u>	<u>(189,296)</u>	<u>291,219</u>
Inter-segment sales are charged at prevailing market rates							
RESULT							
Segment results	<u>78,216</u>	<u>10,827</u>	<u>759</u>	<u>31,591</u>	<u>5,265</u>	<u>-</u>	126,658
Unallocated corporate expenses							<u>(43,893)</u>
Profit from operations							82,765
Finance costs							<u>(3,646)</u>
Profit before taxation							79,119
Taxation							<u>(11,236)</u>
Net profit for the year							<u>67,883</u>
<b>Assets and liabilities at 30th April, 2004</b>							
ASSETS							
Segment assets	13,615	1,911	-	51,364	2,205	-	69,095
Unallocated corporate assets							<u>353,485</u>
Consolidated total assets							<u>422,580</u>
LIABILITIES							
Segment liabilities	2,641	428	-	53,908	-	-	56,977
Unallocated corporate liabilities							<u>85,290</u>
Consolidated total liabilities							<u>142,267</u>

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

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30th April, 2005

**5. PROFIT FROM OPERATIONS**

Profit from operations has been arrived at after charging:

	<b>2005</b> <b>HK\$'000</b>	2004 HK\$'000
Auditors' remuneration	<b>1,238</b>	860
Allowance for bad and doubtful debt	<b>2,050</b>	–
Staff costs, including directors' emoluments	<b>34,479</b>	27,622
Retirement benefits scheme contributions, including directors	<b>1,349</b>	1,052
Depreciation and amortisation	<b>37,893</b>	28,348
Realised loss and unrealised holding loss on investments in securities and after crediting:	<b>593</b>	–
Interest income	<b>(440)</b>	(270)

**6. FINANCE COSTS**

Interest on:

	<b>2005</b> <b>HK\$'000</b>	2004 HK\$'000
Bank borrowings and overdrafts wholly repayable		
– within five years	<b>5,532</b>	3,025
– over five years	<b>133</b>	261
Other borrowings	<b>–</b>	120
Finance leases	<b>237</b>	240
	<b>5,902</b>	3,646

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30th April, 2005

**7. DIRECTORS' EMOLUMENTS**

	<b>2005</b> <b>HK\$'000</b>	2004 HK\$'000
Fees:		
Executive directors	-	-
Non-executive directors	-	-
Independent non-executive directors	<b>405</b>	300
Other emoluments of executive directors:		
Salaries and other benefits	<b>4,067</b>	4,391
Retirement benefit scheme contributions	<b>36</b>	72
	<b>4,508</b>	4,763

During the year, the Group provided rent free accommodation to a director of the Company with the ratable value of this property amounting to HK\$383,100 (2004: HK\$342,000).

The emoluments of the directors and alternate director were within the following bands:

	<b>Number of directors</b>	
	<b>2005</b>	2004
Nil to HK\$1,000,000	<b>6</b>	5
HK\$1,000,001 to HK\$2,000,000	<b>2</b>	2
	<b>8</b>	7

**8. EMPLOYEES' EMOLUMENTS**

Of the five individuals with the highest emoluments in the Group, three (2004: three) were directors of the Company whose emoluments are included in the disclosures in note 7 above. The emoluments of the remaining two (2004: two) individuals, which fall within the band of nil to HK\$1,000,000 were as follows:

	<b>2005</b> <b>HK\$'000</b>	2004 HK\$'000
Salaries and other benefits	<b>1,215</b>	747
Retirement benefit scheme contribution	<b>23</b>	25
	<b>1,238</b>	772

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



## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30th April, 2005

## 9. TAXATION

**The charge comprises:**

	<b>2005</b> <b>HK\$'000</b>	2004 HK\$'000
Hong Kong Profits Tax		
– Current year	<b>6,314</b>	5,878
– Underprovision in prior year	<b>482</b>	886
PRC enterprise income tax	<b>1,278</b>	4,026
	<b>8,074</b>	10,790
Deferred taxation ( <i>note 20</i> )	<b>1,150</b>	446
	<b>9,224</b>	11,236

Hong Kong Profits Tax and PRC enterprise income tax were calculated at 17.5% (2004: 17.5%) and 27% (2004: 27%), respectively, on the respective estimated assessable profits for the year.

In the opinion of the directors, a subsidiary of the Company is entitled to 50% relief from Hong Kong Profits Tax.

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

	<b>2005</b> <b>HK\$'000</b>	2004 HK\$'000
Profit before taxation	<b>67,238</b>	79,119
Tax at the domestic income tax rate of 17.5% (2004: 17.5%)	<b>11,767</b>	13,846
Tax effect of income not taxable for tax purposes	<b>(80)</b>	(943)
Tax effect of expenses not deductible for tax purposes	<b>3,607</b>	–
Tax effect of 50% relief from Hong Kong Profits Tax	<b>(6,662)</b>	(6,294)
Underprovision in prior year	<b>482</b>	886
Tax effect of tax losses not recognised	–	2,342
Utilisation of tax loss previously not recognised	<b>(307)</b>	–
Effect of different tax rates of subsidiaries operating in other jurisdictions	<b>417</b>	1,399
Tax charge for the year	<b>9,224</b>	11,236

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30th April, 2005

**10. DIVIDENDS**

	<b>2005</b> <b>HK\$'000</b>	2004 HK\$'000
Ordinary shares		
Interim, paid – 1.5 cents (2004: 1.2 cents) per share	<b>6,330</b>	5,064
Final paid – 4 cents (2003: 3 cents) per share	<b>16,880</b>	11,250
	<b>23,210</b>	16,314

The final dividend of HK2.5 cents (2004: HK4 cents) per share has been proposed by the directors and is subject to approval by the shareholders at the annual general meeting.

**11. EARNINGS PER SHARE**

The calculation of the basic earnings per share is based on the profit for the year of HK\$58,014,000 (2004: HK\$67,883,000) and on the number of 422,000,000 (2004: weighted average number of 394,315,068) shares in issue during the year.

No diluted earnings per share has been presented as there were no potential ordinary shares in issue in either 2005 or 2004.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30th April, 2005

## 12. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings <i>HK\$'000</i>	Leasehold improvements <i>HK\$'000</i>	Moulds <i>HK\$'000</i>	Plant, machinery and equipment <i>HK\$'000</i>	Furniture and fixtures <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Construction in progress <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>THE GROUP</b>								
<b>AT COST</b>								
At 1st May, 2004	70,687	3,096	109,677	73,067	863	4,001	50,691	312,082
Additions	-	76	48	25,621	8	119	96,726	122,598
Reclassification	-	-	40,129	-	-	-	(40,129)	-
<b>At 30th April, 2005</b>	<b>70,687</b>	<b>3,172</b>	<b>149,854</b>	<b>98,688</b>	<b>871</b>	<b>4,120</b>	<b>107,288</b>	<b>434,680</b>
<b>DEPRECIATION AND AMORTISATION</b>								
At 1st May, 2004	7,957	1,774	67,000	41,790	830	1,616	-	120,967
Provided for the year	1,414	702	27,969	7,253	13	542	-	37,893
<b>At 30th April, 2005</b>	<b>9,371</b>	<b>2,476</b>	<b>94,969</b>	<b>49,043</b>	<b>843</b>	<b>2,158</b>	<b>-</b>	<b>158,860</b>
<b>NET BOOK VALUES</b>								
<b>At 30th April, 2005</b>	<b>61,316</b>	<b>696</b>	<b>54,885</b>	<b>49,645</b>	<b>28</b>	<b>1,962</b>	<b>107,288</b>	<b>275,820</b>
At 30th April, 2004	62,730	1,322	42,677	31,277	33	2,385	50,691	191,115

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

	<b>THE GROUP</b>	
	<b>2005</b>	2004
	<b>HK\$'000</b>	<i>HK\$'000</i>
Held in Hong Kong under a medium-term lease	<b>9,044</b>	9,276
Held in the PRC under medium-term land use rights	<b>52,272</b>	53,454
	<b>61,316</b>	62,730

As at 30th April, 2005, the net book value of plant, machinery and equipment includes an amount of HK\$8,770,000 (2004: HK\$7,737,000) in respect of assets held under finance leases.

As at 30th April, 2005, the Group has pledged land and buildings having a net book value of HK\$9,044,000 (2004: HK\$43,227,000) to secure its general banking facilities.

As at 30th April, 2004, the Group has also pledged plant, machinery and equipment having a net book value of HK\$4,780,000 to secure its bank borrowings amounting to HK\$6,000,000.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30th April, 2005

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

The cost value of the unlisted shares is based on the book values of the underlying net assets of the subsidiary attributable to the Group as at the date on which the Company became the ultimate holding company of the Group under the group reorganisation in 2002.

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

**14. INVESTMENTS IN SECURITIES**

	<b>THE GROUP</b>	
	<b>Other investments</b>	
	<b>2005</b>	2004
	<b>HK\$'000</b>	HK\$'000
Other securities:		
Unlisted – Non-current asset ( <i>Note</i> )	<b>1,190</b>	1,190
Equity securities:		
Listed in Hong Kong – Current asset	<b>1,294</b>	–
	<b>2,484</b>	1,190

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

**15. INVENTORIES**

	<b>THE GROUP</b>	
	<b>2005</b>	2004
	<b>HK\$'000</b>	HK\$'000
Raw materials	<b>37,914</b>	35,438
Work in progress	<b>17,709</b>	8,184
Finished goods	<b>12,975</b>	8,568
	<b>68,598</b>	52,190

All the inventories were carried at cost for both years.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30th April, 2005

### 16. TRADE RECEIVABLES

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

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

	<b>THE GROUP</b>	
	<b>2005</b>	2004
	<b>HK\$'000</b>	HK\$'000
0 to 90 days	<b>61,380</b>	47,521
91 to 180 days	<b>16,113</b>	5,869
181 to 365 days	<b>7,271</b>	1,239
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Allowances	<b>84,764</b>	54,629
	<b>(3,568)</b>	(1,518)
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	<b>81,196</b>	53,111
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### 17. TRADE PAYABLES

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

	<b>THE GROUP</b>	
	<b>2005</b>	2004
	<b>HK\$'000</b>	HK\$'000
0 to 90 days	<b>32,824</b>	37,218
91 to 180 days	<b>5,792</b>	6,243
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	<b>38,616</b>	43,461
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## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30th April, 2005

## 18. OBLIGATIONS UNDER FINANCE LEASES

	<b>THE GROUP</b>			
	<b>Minimum lease payments</b>		<b>Present value of minimum lease payments</b>	
	<b>2005 HK\$'000</b>	2004 HK\$'000	<b>2005 HK\$'000</b>	2004 HK\$'000
Amounts payable under finance leases:				
Within one year	<b>2,916</b>	3,022	<b>2,753</b>	2,840
In the second to fifth years inclusive	<b>1,941</b>	2,347	<b>1,793</b>	2,247
	<b>4,857</b>	5,369	<b>4,546</b>	5,087
Less: future finance charges	<b>(311)</b>	(282)	<b>N/A</b>	N/A
Present value of lease obligations	<b>4,546</b>	5,087	<b>4,546</b>	5,087
Less: Amount due for settlement within twelve months (shown under current liabilities)			<b>(2,753)</b>	(2,840)
Amount due for settlement after twelve months			<b>1,793</b>	2,247

The Group has leased certain of its plant, machinery and equipment under finance leases. The average lease term is three years. For the year ended 30th April, 2005, the average effective borrowing rate was 4.2% (2004: 4.9%). Interest rates are fixed at the contract date. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

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

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30th April, 2005

## 19. BANK BORROWINGS

	<b>THE GROUP</b>	
	<b>2005</b>	2004
	<b>HK\$'000</b>	HK\$'000
The Group's bank borrowings comprises:		
Bank overdrafts	<b>8,013</b>	411
Bank borrowings	<b>172,173</b>	56,962
Trust receipt loans	<b>3,244</b>	1,762
	<b>183,430</b>	59,135
Secured	<b>5,308</b>	22,622
Unsecured	<b>178,122</b>	36,513
	<b>183,430</b>	59,135
The maturity profile of the above bank borrowings is as follows:		
Within one year or on demand	<b>82,802</b>	42,931
More than one year, but not exceeding two years	<b>44,248</b>	8,233
More than two years, but not exceeding five years	<b>52,375</b>	3,731
More than five years	<b>4,005</b>	4,240
	<b>183,430</b>	59,135
Less: Amount due within one year shown under current liabilities	<b>(82,802)</b>	(42,931)
	<b>100,628</b>	16,204

## 20. DEFERRED TAX LIABILITIES

	<b>THE GROUP</b>
	<b>Accelerated tax depreciation</b>
	HK\$'000
At 1st May, 2003	7,923
Charge to the income statement for the year	446
At 30th April, 2004	8,369
Charge to the income statement for the year (note 9)	1,150
At 30th April, 2005	9,519

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30th April, 2005

**20. DEFERRED TAX LIABILITIES** *(continued)*

At 30th April, 2005, the Group has unused tax losses of approximately HK\$3,906,000 (2004: HK\$5,660,000) available for offset against future profits. No deferred tax assets have been recognised due to the unpredictability of future profit streams. The unused tax losses may be carried forward indefinitely.

**21. SHARE CAPITAL**

	<b>Number of shares</b> <i>'000</i>	<b>Amounts</b> <i>HK\$'000</i>
<b>Ordinary share of HK\$0.01 each</b>		
<b>Authorised:</b>		
<b>As at 1st May, 2003, 30th April, 2004 and 30th April, 2005</b>	<b>8,000,000</b>	<b>80,000</b>
<i>Issued and fully paid:</i>		
As at 1st May, 2003	375,000	3,750
Share issued ( <i>Note</i> )	47,000	470
<b>As at 30th April, 2004 and 30th April, 2005</b>	<b>422,000</b>	<b>4,220</b>

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

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



## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30th April, 2005

### 22. RESERVES

	<b>Share premium</b> <i>HK\$'000</i>	<b>Contributed surplus</b> <i>HK\$'000</i>	<b>Accumulated profits</b> <i>HK\$'000</i>	<b>Total</b> <i>HK\$'000</i>
<b>THE COMPANY</b>				
At 1st May, 2003	35,790	105,798	11,641	153,229
Shares issued at premium	51,700	–	–	51,700
Share issue expenses	(2,622)	–	–	(2,622)
Net profit for the year	–	–	15,493	15,493
Dividend paid ( <i>note 10</i> )	–	–	(16,314)	(16,314)
	<hr/>	<hr/>	<hr/>	<hr/>
At 30th April, 2004	84,868	105,798	10,820	201,486
Net profit for the year	–	–	21,229	21,229
Dividend paid ( <i>note 10</i> )	–	–	(23,210)	(23,210)
	<hr/>	<hr/>	<hr/>	<hr/>
<b>At 30th April, 2005</b>	<b><u>84,868</u></b>	<b><u>105,798</u></b>	<b><u>8,839</u></b>	<b><u>199,505</u></b>

The contributed surplus of the Company represents the difference between the consolidated shareholders' funds of the subsidiaries acquired and the nominal value of the Company's shares issued for the acquisition at the time of the group reorganisation in 2002.

### 23. SHARE OPTION SCHEME

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

The total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 10% of the shares of the Company in issue at the date of listing of shares of the Company unless obtained prior approval from the Company's shareholders. The number of shares in respect of which options may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue of any point in time, without prior approval from the Company's shareholders.

Options granted must be taken up within 28 days of the date of grant, upon payment of HK\$1 per grant. Options may be exercised from the date of grant of the share option to the 10th anniversary of the date of grant. The exercise price is determined by the directors of the Company, and will not be less than the highest of the closing price of the Company's shares on the date of grant, the average closing price of the shares for the five business days immediately preceding the date of grant and the nominal value of the Company's share.

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

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30th April, 2005

**24. OPERATING LEASE COMMITMENTS**

	<b>2005</b> <b>HK\$'000</b>	2004 <i>HK\$'000</i>
Minimum lease payments under operating leases in respect of rented premises during the year	<b>1,866</b>	1,536

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:

	<b>THE GROUP</b>	
	<b>2005</b> <b>HK\$'000</b>	2004 <i>HK\$'000</i>
Within one year	<b>2,075</b>	1,451
In the second to fifth years inclusive	<b>1,685</b>	1,209
	<b>3,760</b>	2,660

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

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

**25. MAJOR NON CASH TRANSACTIONS**

During the year, the Group entered into finance lease arrangements in respect of assets with a total capital value at the inception of the leases of HK\$2,740,000 (2004: HK\$2,705,000).

**26. CAPITAL COMMITMENTS**

	<b>THE GROUP</b>	
	<b>2005</b> <b>HK\$'000</b>	2004 <i>HK\$'000</i>
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the financial statements	<b>6,468</b>	2,030
Capital expenditure in respect of the acquisition of product design patents contracted for but not provided in the financial statements	<b>613</b>	–
	<b>7,081</b>	2,030

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

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30th April, 2005

### 27. CONTINGENT LIABILITIES

At 30th April, 2005, the Group had discounted bills with recourse of HK\$15,403,000 (2004: HK\$28,861,000).

At 30th April, 2005, the Company has given unlimited guarantees to banks in respect of general banking facilities granted to its subsidiaries.

### 28. PLEDGE OF ASSETS

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

The carrying value of:

- leasehold land and buildings
- plant, machinery and equipment

<b>2005</b>	2004
<b>HK\$'000</b>	HK\$'000
<b>9,044</b>	43,227
–	4,780
<b>9,044</b>	48,007

### 29. RETIREMENT BENEFIT SCHEMES

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

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

The total cost charged to the income statement of HK\$1,349,000 (2004: HK\$1,052,000) represents contributions payable to these schemes by the Group at rates specified in the rules of the schemes.

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

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30th April, 2005

**30. PARTICULARS OF PRINCIPAL SUBSIDIARIES**

Particulars of the principal subsidiaries of the Company as at 30th April, 2005 are as follows:

<b>Name of subsidiary</b>	<b>Place of incorporation/ establishment</b>	<b>Place of operation</b>	<b>Issued and fully paid share capital/ registered capital</b>	<b>Principal activities</b>
Dongguan Kalee Electrical Co., Ltd. ("DGKL")	PRC *	PRC	Ordinary HK\$43,150,000 (paid up: HK\$30,028,403)	Manufacturing of household electrical appliances
Dongguan Warderly Technology Co., Ltd. ("DGWT")	PRC *	PRC	Ordinary HK\$62,000,000 (paid up: HK\$6,762,828)	Manufacturing of audio-visual products
Homemax (H.K.) Limited	Hong Kong	Hong Kong	Ordinary HK\$2	Trading of kitchenware
Housely Industries Limited	Hong Kong	Hong Kong	Ordinary HK\$1,000 Deferred HK\$1,000,000	Investment holding and trading of household electrical appliances
Housely (Macao) Commercial Offshore Company Limited	Macau	Macau	Ordinary MOP100,000	Trading of household electrical appliances and other electrical products
Housely Technology Limited	Hong Kong	Hong Kong	Ordinary HK\$1	Trading of audio and video electrical products
Housely Trading Company Limited	Hong Kong	Hong Kong	Ordinary HK\$1	Trading of home appliances and audio-video products
Sharp Venture Holdings Limited	British Virgin Islands	Hong Kong	Ordinary US\$1	Investment holding
Tacho Company Limited	Hong Kong	Hong Kong	Ordinary HK\$1,000 Deferred HK\$2	Investment holding and manufacturing and trading of household electrical appliances
Warderly Group Limited	British Virgin Islands	Hong Kong	Ordinary US\$10,000	Investment holding

\* DGKL and DGWT are wholly foreign owned enterprises of the Group.

Note: rights of the deferred shares.

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

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

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