Notes to the Financial Statements

For the year ended 31st March, 2006

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 addresses of the registered office and principal place of business of the Company are disclosed in the Corporate Information of the annual report.

The Company is an investment holding company. Its subsidiaries are principally engaged in the manufacture and trading of voltage converters, coils and components for electrical/electronic/mechanical products and rechargeable battery products.

The financial statements are presented in Hong Kong dollar, which is the same as the functional currency of the Company.

2. APPLICATION OF NEW/REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has applied, for the first time, a number of new Hong Kong Financial Reporting Standards (HKFRSs), Hong Kong Accounting Standards (HKASs) and Interpretations (INTs) (hereinafter collectively referred to as "new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") that are effective for annual accounting periods beginning on or after 1st January, 2005.

The adoption of these new HKFRSs has resulted in changes to the Group's accounting policies in the following areas that have an effect on how the results for the current and prior accounting years are prepared and presented:

— financial instruments (HKAS 32 and HKAS 39);

— leases (HKAS 17);

— share-based payments (HKFRS 2);

— investment properties (HKAS 40); and

— business combination (HKFRS 3).

HKAS 32 Financial instruments: Disclosure and Presentation and HKAS 39 Financial instruments: Recognition and Measurement

In the current year, the Group has applied HKAS 32 "Financial Instruments: Disclosure and Presentation" and HKAS 39 "Financial Instruments: Recognition and Measurement". HKAS 32 requires retrospective application. HKAS 39, which is effective for annual periods beginning on or after 1st January, 2005, generally does not permit the recognition, derecognition or measurement of financial assets and liabilities on a retrospective basis. The application of HKAS 32 has had no material impact on how financial instruments of the Group are presented for current and prior accounting periods. The principal effects resulting from the implementation of HKAS 39 are summarised below.

Notes to the Financial Statements

For the year ended 31st March, 2006

2. APPLICATION OF NEW/REVISED HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

HKAS 32 Financial instruments: Disclosure and Presentation and HKAS 39 Financial instruments: Recognition and Measurement (Continued)

Prior to 1st April, 2005, the Group has classified its investment securities in accordance with the benchmark treatment of Statement of Standard Accounting Practice 24 "Accounting for Investment for Securities" (SSAP 24). Under SSAP 24, investments in equity securities are classified as "investment securities" or "other investments" as appropriate. "Investment securities" are carried at cost less impairment losses (if any) while "other investments" are measured at fair value, with unrealised gains or losses included in profit or loss. From 1st January, 2005 onwards, the Group has classified and measured its equity securities in accordance with HKAS 39. Under HKAS 39, financial assets are classified as "financial assets at fair value through profit or loss", "available-for-sale financial assets" or "loans and receivables". "Financial assets at fair value through profit or loss" and "available-for-sale financial assets" are carried at fair value, with changes in fair values recognised in profit or loss and equity respectively. Available-for-sale equity investments that do not have quoted market prices in an active market and whose fair value cannot be reliably measured are measured at cost less impairment after initial recognition. "Loans and receivables" are measured at amortised cost using the effective interest method after initial recognition. At 1st April, 2005, the Group has reclassified its investment securities and other investments which were fully impaired in previous years as available-for-sale investments. The adoption of the requirements of HKAS 39 in respect of equity investments has had no impact to the Group at 1st April, 2005 nor has it has an impact on the current period.

HKAS 17 Leases

The Group has land use rights in the Mainland China, with self-constructed buildings erected on them for manufacturing purposes. In previous years, these property interests were included in property, plant and equipment and accounted for using cost model.

Under HKAS 17, the land and buildings elements of a lease of land and building are considered separately for the purposes of lease classification, unless the lease payments cannot be allocated reliably between the land and buildings elements, in which case, the entire lease is generally treated as a finance lease. To the extent that the allocation of the lease payments between the land and buildings elements can be made reliably, the leasehold interest in land are reclassified to prepaid lease payments under operating leases, which are carried at costs and amortised over the lease term on a straight-line basis. This change in accounting policy has been applied retrospectively. Alternatively, where the allocation between the land and buildings elements cannot be made reliably, the leasehold interest in land continue to be accounted for as property, plant and equipment. In the absence of any transitional rules, HKAS 17, the change in accounting policy has been applied retrospectively. The impacts on the adoption of HKAS 17 have been disclosed in note 3.

Notes to the Financial Statements

For the year ended 31st March, 2006

2. APPLICATION OF NEW/REVISED HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

HKFRS 2 Share-based payments

In the current year, the Group has applied HKFRS 2 share-based payment which requires an expense to be recognised where the Group buys goods or obtains services in exchange for shares or rights over shares ("equity-settled transactions"), or in exchange for other assets equivalent in value to a given number of shares or rights over shares ("cash-settled transactions"). The principal impact of HKFRS 2 on the Group is in relation to the expensing of the fair value of share options granted to directors and employees of the Group, determined at the date of grant of the share options, over the vesting period. Prior to the application of HKFRS 2, the Group did not recognise the financial effect of these share options until they were exercised. In accordance with the relevant transitional provision, the Group has applied HKFRS 2 retrospectively to share options that were granted after 7th November, 2002 and had not yet vested on 1st April, 2005. Comparative figures have been restated. The change in policy has resulted in a decrease of HK$250,273 in the profit for the current year (2005: HK$102,358) and a decrease of HK$102,358 in the Group's retained profits at 1st April, 2005 (1st April, 2004: Nil).

HKAS 40 Investment properties

In the current year, the Group has, for the first time, applied HKAS 40 Investment Property. The Group has elected to use the fair value model to account for its investment properties which requires gains or losses arising from changes in the fair value of investment properties to be recognised directly in the profit or loss for the period in which they arise. In previous periods, investment properties under the predecessor accounting standard were measured at open market values, with revaluation surplus or deficits credited or charged to investment property revaluation reserve unless the balance on this reserve was insufficient to cover a revaluation decrease, in which case the excess of the revaluation decrease over the balance on the investment property revaluation reserve was charged to the income statement. Where a decrease had previously been charged to the income statement and revaluation subsequently arose, that increase was credited to the income statement to the extent of the decrease previously charged. The Group has applied the relevant transitional provisions in HKAS 40 and elected to apply HKAS 40 from 1st April, 2005 onwards. The adoption has had no impact on the Group's accumulated profits on 1st April, 2005 and the results for the current year.

HKFRS 3 Business combination: Goodwill

In previous years, goodwill was capitalised and amortised over its estimated useful life. The Group has applied the relevant transitional provisions in HKFRS 3. With respect to goodwill previously capitalised on the balance sheet, the Group on 1st April, 2005 eliminated the carrying amount of the related accumulated amortisation of HK$314,465 with a corresponding decrease in the cost of goodwill (see Note 15). The Group has discontinued amortising such goodwill from 1st April, 2005 onwards and such goodwill will be tested for impairment at least annually. Goodwill arising on acquisitions after 1st April, 2005 is measured at cost less accumulated impairment losses (if any) after initial recognition. As a result of this change in accounting policy, no amortisation of goodwill has been charged but fully impaired in the current year.

Notes to the Financial Statements

For the year ended 31st March, 2006

2. APPLICATION OF NEW/REVISED HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

HKFRS 3 Business combination: Goodwill (Continued)

At the date of authorisation of these consolidated financial statements, the following standards and interpretations and amendments were in issue but not yet effective for the years covered by these consolidated financial statements:

HKAS 1 (Amendment)	Capital disclosures [1]
HKAS 19 (Amendment)	Actuarial gains and losses, group plans and disclosures [2]
HKAS 21 (Amendment)	Net investment in a foreign operation [2]
HKAS 39 (Amendment)	Cash flow hedge accounting of forecast intragroup transactions [2]
HKAS 39 (Amendment)	The fair value option [2]
HKAS 39 and HKFRS 4 (Amendments)	Financial guarantee contracts [2]
HKFRS 6	Exploration for and evaluation of mineral resources [2]
HKFRS 7	Financial instruments: Disclosures [1]
HK(IFRIC) – INT 4	Determining whether an arrangement contains a lease [2]
HK(IFRIC) – INT 5	Rights to interests arising from decommissioning, restoration and environmental rehabilitation funds [2]
HK(IFRIC) – INT 6	Liabilities arising from participating in a specific market – waste electrical and electronic equipment [3]
HK(IFRIC) – INT 7	Applying the restatement approach under HKAS 29 Financial Reporting in Hyperinflationary Economies [4]
HK(IFRIC) – INT 8	Scope of HKFRS 2 [5]
HK(IFRIC) – INT 9	Reassessment of embedded derivatives [6]

[1] Effective for annual periods beginning on or after 1st January, 2007.
[2] Effective for annual periods beginning on or after 1st January, 2006.
[3] Effective for annual periods beginning on or after 1st December, 2005.
[4] Effective for annual periods beginning on or after 1st March, 2006.
[5] Effective for annual periods beginning on or after 1st May, 2006.
[6] Effective for annual periods beginning on or after 1st June, 2006.

The Group has not early applied the above HKFRSs that have been issued but are not yet effective. The directors of the Company anticipate that the application of these HKFRSs will have no material impact on the consolidated financial statements.

Notes to the Financial Statements

For the year ended 31st March, 2006

3. SUMMARY OF THE EFFECTS OF THE CHANGES IN ACCOUNTING POLICIES

The effects of the changes in the accounting policies described above on the results for the current and prior years are as follows:

	2006 HK$	2005 HK$
Recognition of share-based payments as expenses	250,273	102,358
Decrease in profit for the year	250,273	102,358

The cumulative effects of the application of the new HKFRSs on 31st March, 2005 are summarised below:

	As at 31st March, 2005 (originally stated) HK$	Adjustments HK$	As at 31st March, 2005 (restated) HK$
Balance sheet items			
Impact of HKAS 17			
Property, plant and equipment	49,121,166	(685,308)	48,435,858
Prepaid lease payments	—	685,308	685,308
Total effects on assets and liabilities	49,121,166	—	49,121,166
Retained earnings	65,120,419	(102,358)	65,018,061
Share options reserve - recognition of equity – settled share-based payment expenses	—	102,358	102,358
	65,120,419	—	65,120,419

Notes to the Financial Statements

For the year ended 31st March, 2006

4. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared under the historical cost convention, except for investment properties and financial instruments, which are measured at fair values, as explained in the principal accounting policies set out below.

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange and by the Hong Kong Companies Ordinance.

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 or disposed of during the year are included in the consolidated income statement from the effective dates of acquisition or disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group balances, income and expenses are eliminated on consolidation.

Goodwill

Goodwill arising on an acquisition for which the agreement date is on or after 1st January, 2005 represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities of the relevant subsidiary at the date of acquisition.

Goodwill arising on the acquisition of subsidiary is presented separately in the balance sheet. Goodwill is carried at cost less any accumulated impairment losses.

For the purposes of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the acquisition. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, and whenever there is an indication that the unit may be impaired. For goodwill arising on an acquisition in a financial year, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that financial year. When the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in the income statement. An impairment loss for goodwill is not reversed in subsequent periods.

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

Notes to the Financial Statements

For the year ended 31st March, 2006

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue recognition

Revenue is measured at fair value of the consideration received or receivable and represented amounts receivable for goods and services provided in the normal course of business, net of discounts and sales related taxes.

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 from a financial asset is accrued on a time basis by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial assets to that assets net carrying amount.

Investment properties

On initial recognition, investment properties are measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured using the fair value model. Gains or losses arising from changes in the fair value of investment properties are included in profit or loss for the period in which they arise.

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 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 and 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% - 33⅓%

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

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the income statement in the year in which the item is derecognised.

Notes to the Financial Statements

For the year ended 31st March, 2006

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments

Financial assets and financial liabilities are recognised on the balance sheet when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Group's financial assets are classified into loans and receivables, and available-for-sale financial assets. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place. The accounting policies adopted in respect of each category of financial assets are set out below.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each balance sheet date subsequent to initial recognition, loans and receivables comprising debtors are carried at amortised cost using the effective interest method, less any identified impairment losses. An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as any of the other categories (set out above). At each balance sheet date subsequent to initial recognition, available-for-sale financial assets are measured at fair value. Changes in fair value are recognised in equity, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously recognised in equity is removed from equity and recognised in profit or loss. Any impairment loss on available-for-sale financial assets is recognised in profit or loss. Impairment losses on available-for-sale equity investments will not reverse in subsequent periods.

Notes to the Financial Statements

For the year ended 31st March, 2006

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments (Continued)

Financial assets *(Continued)*

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and bank balances, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Financial liabilities and equity

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities. The Group's financial liabilities are generally classified other financial liabilities. The accounting policies adopted in respect of financial liabilities and equity instruments are set out below.

Bank borrowings

Interest-bearing bank loans and overdrafts are initially recognised at fair value, and are subsequently measured at amortised costs, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the Group's accounting policy for borrowings costs.

Creditors and accrued charges

Creditors and accrued charges are subsequently measured at amortised cost, using the effective interest rate method.

Equity instruments

Equity instruments issued by the company are recorded at the proceeds received, net of direct issue costs.

Borrowing costs

All borrowing costs are recognised as and included in finance costs in the consolidated income statement in the period in which they are incurred.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, direct costs and those overhead that have been incurred in bringing the inventories to their present location and condition. 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.

Notes to the Financial Statements

For the year ended 31st March, 2006

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment of assets excluding goodwill

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 paid or currently payable and deferred tax.

The tax currently paid and payable is based on taxable profit for the period. Taxable profit differs from 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 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.

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.

Notes to the Financial Statements

For the year ended 31st March, 2006

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in its functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity, in which cases, the exchange differences are also recognised directly in equity.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Company (i.e. Hong Kong dollars) at the rate of exchange prevailing at the balance sheet date, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised as a separate component of equity (the translation reserve). Such exchange differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognised in the income statement on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on a straight-line basis over the lease term.

Notes to the Financial Statements

For the year ended 31st March, 2006

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leases *(Continued)*

The Group as lessee

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight-line basis.

Assets held under finance leases are recognised as assets of the Group at fair values at inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit or loss.

Retirement benefits costs

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

The Group operates a defined contribution retirement benefits scheme under the Mandatory Provident Fund Schemes Ordinance (the "MPF" Scheme"), for employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to 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, except for the Group's employer voluntary contributions, which are refunded to the Group when the employee leaves employment prior to the contributions vesting fully, in accordance with the rules of the MPF Scheme.

The employees of the Group's subsidiaries which operates 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 certain percentage of its payroll costs to the central pension scheme. The contributions are charged to the profit and loss account as they become payable in accordance with the rules of the central pension scheme.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

In process of applying the Group's accounting policies, which are described in note 4 above, management had made the following estimate that have significant effect on the amounts recognised in the consolidated financial statements.

Inventories

Inventories are measured at lower of cost or net realisable value. The management of the Group reviews the carrying amount of the inventory at each balance sheet date, and makes allowance for inventory items identified, if any, to be carried at lower recoverable value through estimation of the expected selling prices under the current market conditions.

Notes to the Financial Statements

For the year ended 31st March, 2006

6. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's major financial instruments include debtors, bank deposits, creditors and accrued charges and bank borrowings. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Credit risk

The Group's maximum exposure to credit risk in the event of the counterparties failure to perform their obligations as at 31st March, 2006 in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated balance sheet. The Group is exposed to concentration risk as a significant portion of its business are derived from its largest customers. As at 31st March, 2006, trade debtors of HK$36,737,960 (2005: HK$38,339,056) were contributed by the top five trade debtors of the Group. In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by the international credit rating agencies.

Currency risk

Certain trade receivables and borrowings of the Group are denominated in foreign currencies. The Group did not have a foreign currency hedging policy as at the balance sheet date. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arises.

Interest rate risk

The Group's cash flow interest rate risk primarily relates to variable-rate bank loans.

The Group's fair value interest rate risk relates primarily to the fixed-rate obligations under finance leases.

The Group currently does not have any risk hedging policy. However, the management monitors interest rate risk exposure and will consider hedging significant risk exposure should the used arises.

Notes to the Financial Statements

For the year ended 31st March, 2006

7. SEGMENT INFORMATION

Business Segments

The Group's principal activities are manufacture 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:

	Voltage converters, coils and components for electrical/ electronic/ mechanical products HK$	Rechargeable battery products HK$	Elimination HK$	Consolidated HK$
For the year ended 31st March, 2006				
Turnover				
External sales	409,054,175	45,284,756	—	454,338,931
Inter-segment sales	30,410,741	5,079,490	(35,490,231)	—
	439,464,916	50,364,246	(35,490,231)	454,338,931

Inter-segment sales are charged at prevailing market rates.

Result				
Segment result	21,051,363	297,331		21,348,694
Unallocated corporate expenses				(1,639,020)
Interest income				1,330,019
Gain arising from change in fair value of investment properties				1,000,000
Finance costs				(2,028,022)
Profit before taxation				20,011,671
Income tax expense				(4,357,611)
Profit for the year				15,654,060

Notes to the Financial Statements

For the year ended 31st March, 2006

7. 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$
Other information				
Additions of property, plant and equipment	10,153,713	517,235		10,670,948
Impairment loss on goodwill	—	628,931		628,931
Share-based payment expenses	250,273	—		250,273
Depreciation and amortisation of property, plant and equipment	10,794,652	668,352		11,463,004
Gain on disposal of property, plant and equipment	307,031	—		307,031

	Voltage converters, coils and components for electrical/ electronic/ mechanical products HK$	Rechargeable battery products HK$	Consolidated HK$
As at 31st March, 2006			
Balance sheet			
Assets			
Segment assets	195,045,096	9,335,022	204,380,118
Unallocated corporate assets			67,931,357
Total assets			272,311,475
Liabilities			
Segment liabilities	58,464,773	1,484,551	59,949,324
Unallocated corporate liabilities			39,788,643
Total liabilities			99,737,967

Notes to the Financial Statements

For the year ended 31st March, 2006

7. 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$
For the year ended 31st March, 2005				
Turnover				
External sales	345,492,937	46,643,454	—	392,136,391
Inter-segment sales	33,573,626	—	(33,573,626)	—
	379,066,563	46,643,454	(33,573,626)	392,136,391

Inter-segment sales are charged at prevailing market rates.

Result				
Segment result	15,785,216	2,153,367		17,938,583
Unallocated corporate expenses				(1,208,400)
Interest income				281,012
Finance costs				(1,611,297)
Profit before taxation				15,399,898
Income tax expense				(2,520,508)
Profit for the year				12,879,390

Notes to the Financial Statements

For the year ended 31st March, 2006

7. 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$
Other information				
Reversal of impairment loss recognised in respect of property, plant and equipment	1,400,000	—		1,400,000
Additions of property, plant and equipment	8,461,171	33,141		8,494,312
Amortisation of goodwill	—	188,679		188,679
Share-based payment expenses	102,358	—		102,358
Depreciation and amortisation of property, plant and equipment	12,013,774	1,434		12,015,208
Loss on disposal of property, plant and equipment	591,726	—		591,726

Notes to the Financial Statements

For the year ended 31st March, 2006

7. SEGMENT INFORMATION *(Continued)*

Business Segments (Continued)

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

Notes to the Financial Statements

For the year ended 31st March, 2006

7. SEGMENT INFORMATION *(Continued)*

Geographical Segments

The Group's operations are located in Mainland China and Hong Kong. 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,	
	2006	2005
	HK$	HK$
The People's Republic of China ("The PRC")		
Mainland China	35,642,855	56,710,594
Hong Kong	77,620,445	55,478,458
	113,263,300	112,189,052
United States of America, South America and Canada	166,183,443	155,043,733
Europe	138,606,034	96,291,925
Malaysia	19,514,245	10,223,745
Asia (excluding the PRC and Malaysia)	16,771,909	18,387,936
	454,338,931	392,136,391

Notes to the Financial Statements

For the year ended 31st March, 2006

7. SEGMENT INFORMATION *(Continued)*

Geographical Segments (Continued)

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,	
	2006	2005
	HK$	HK$
Carrying amount of segment assets		
Hong Kong	190,362,216	143,986,695
Mainland China	80,960,654	110,297,825
United States of America	988,605	—
	272,311,475	254,284,520

	Year ended 31st March,	
	2006	2005
	HK$	HK$
Additions to property, plant and equipment		
Mainland China	2,905,484	6,137,297
Hong Kong	7,674,255	2,357,015
Others	91,209	—
	10,670,948	8,494,312

Notes to the Financial Statements

For the year ended 31st March, 2006

8. OTHER INCOME

	2006 HK$	2005 HK$
The other income comprises:		
Exchange gain	—	133,630
Gain on disposal of property, plant and equipment	307,031	—
Interest earned on bank deposits and balances	1,330,019	281,012
Property rental income net of outgoings	560,953	889,057
Change in fair value of investment properties	—	950,000
Others	284,259	728,710
	2,482,262	2,982,409

9. FINANCE COSTS

	2006 HK$	2005 HK$
Interest on:		
Bank borrowings wholly repayable within five years	1,937,968	1,598,338
Obligations under finance leases	90,054	12,959
Total finance costs	2,028,022	1,611,297

Notes to the Financial Statements

For the year ended 31st March, 2006

10. PROFIT BEFORE TAXATION

	2006 HK$	2005 HK$ (restated)
Profit before taxation has been arrived at after charging (crediting):		
Directors' remuneration (Note 11)	3,210,469	4,108,711
Staff salaries, allowances and welfare	35,235,452	29,907,297
Provident fund contributions	1,215,167	699,418
Mandatory provident fund contributions	434,513	264,478
Share-based payment expenses to other employees	78,517	32,112
Direct labour costs	21,442,420	19,236,476
Total staff costs	61,616,538	54,248,492
Amortisation of goodwill included in administrative expenses	—	188,679
Amortisation of prepaid lease payments	17,394	17,394
Impairment loss on goodwill	628,931	—
Auditors' remuneration	923,774	865,000
Exchange loss	882,623	—
Depreciation and amortisation of property, plant and equipment		
Owned assets	11,036,476	11,955,906
Assets held under finance leases	426,528	59,302
	11,463,004	12,015,208
(Gain) loss on disposal of property, plant and equipment	(307,031)	591,726
Allowance for bad and doubtful debts	640,697	1,666,195
Minimum lease payments in respect of rented premises	4,566,130	3,279,220
Cost of inventories recognised as expenses	392,598,589	338,989,471

Notes to the Financial Statements

For the year ended 31st March, 2006

11. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

The emoluments paid or payable to each of the 10 (2005: 13) directors were as follows:

	Fees HK$	Basic salaries and allowances HK$	Retirement benefits scheme contribution HK$	Share-based payment expenses HK$	Consulting fee HK$	Total HK$
Year ended 31st March, 2006						
Executive directors:						
Mr. Brian C Beazer	—	—	—	49,073	934,800	983,873
Mr. David H Clarke	100,000	—	—	24,537	—	124,537
Mr. Simon N Hsu	—	480,000	12,000	98,146	—	590,146
Mr. Wong Hei Pui, Andy (resigned on 31st July, 2005)	—	948,913	3,000	—	—	951,913
Non-executive directors:						
Dr. Wong Ho Ching, Chris*	180,000	—	—	—	—	180,000
Mr. Ng Ching Wo	100,000	—	—	—	—	100,000
Mr. Ramon Sy Pascual*	100,000	—	—	—	—	100,000
Mr. Teo Ek Tor	—	—	—	—	—	—
Mr. Henry W Lim*	180,000	—	—	—	—	180,000
Mr. Ho Che Kong (resigned on 15th June, 2005)	—	—	—	—	—	—
	660,000	1,428,913	15,000	171,756	934,800	3,210,469

Notes to the Financial Statements

For the year ended 31st March, 2006

11. DIRECTORS' AND EMPLOYEES' EMOLUMENTS *(Continued)*

	Fees HK$	Basic salaries and allowances HK$	Retirement benefits scheme contribution HK$	Share-based payment expenses HK$	Consulting fee HK$	Total HK$
Year ended 31st March, 2005						
Executive directors:						
Mr. Brian C Beazer	—	—	—	20,070	934,800	954,870
Mr. David H Clarke	50,685	—	—	10,035	—	60,720
Mr. Simon N Hsu	—	360,000	8,000	40,141	—	408,141
Mr. Wong Hei Pui, Andy	—	1,076,998	12,000	—	—	1,088,998
Mr. Kan Yuk Chuen (resigned on 1st July, 2004)	—	576,000	—	—	—	576,000
Mr. Lawrence Oei (resigned on 2nd June, 2004)	—	555,749	3,000	—	—	558,749
Non-executive directors:						
Dr. Wong Ho Ching, Chris*	180,000	—	—	—	—	180,000
Mr. Ng Ching Wo	140,000	—	—	—	—	140,000
Mr. Ramon Sy Pascual*	50,000	—	—	—	—	50,000
Mr. Teo Ek Tor	—	—	—	—	—	—
Mr. Henry W Lim*	91,233	—	—	—	—	91,233
Mr. Ho Che Kong	—	—	—	—	—	—
Mr. Peter F Reilly (resigned on 29th September, 2004)	—	—	—	—	—	—
	511,918	2,568,747	23,000	70,246	934,800	4,108,711

* *Independent non-executive directors*

None of the directors has waived any emoluments during the year.

The management consider that the directors of the Company are the key management of the Group.

Notes to the Financial Statements

For the year ended 31st March, 2006

11. DIRECTORS' AND EMPLOYEES' EMOLUMENTS *(Continued)*

Employees' emoluments

The five highest paid individuals of the Group included two (2005: two) directors, details of whose emoluments are set out above. The emoluments of the three highest paid employees for the year ended 31st March, 2006, other than directors of the Company, were as follows:

	2006 HK$	2005 HK$
Salaries and other benefits	2,695,143	2,601,750
Mandatory provident fund contribution	36,000	36,000
	2,731,143	2,637,750

Emoluments of these employees were within the following bands:

	Number of employee(s)	
	2006	2005
Nil – HK$1,000,000	3	3

Notes to the Financial Statements

For the year ended 31st March, 2006

12. INCOME TAX EXPENSE

	2006 HK$	2005 HK$
The charge comprises:		
Current taxation		
Hong Kong	1,882,042	1,979,090
Mainland China	1,421,249	—
	3,303,291	1,979,090
Under(over)provision in prior years	66,320	(17,090)
Deferred taxation (note 28)	988,000	558,508
	4,357,611	2,520,508

Hong Kong Profits Tax is calculated at 17.5% (2005: 17.5%) of the estimated assessable profit for the year. Taxation for Mainland China is calculated at the rates prevailing in the respective jurisdictions.

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

	2006 HK$	2005 HK$
Profit before taxation	20,011,671	15,399,898
Tax at the average income tax rate of 16.25% (2005: 17.5%)	3,251,897	2,694,982
Tax effect of expenses not deductible for tax purposes	1,505,730	53,340
Tax effect of income not taxable for tax purposes	(596,272)	(512,946)
Tax effect of tax loss not recognised	199,248	302,222
Utilisation of tax losses previously not recognised	(166,411)	—
Effect of difference tax rate of subsidiaries operating in other jurisdictions	97,099	—
Under(over)provision in the prior years	66,320	(17,090)
Taxation charge for the year	4,357,611	2,520,508

Note: The average income tax rate for the year ended 31st March, 2006 represents the average tax rate applicable to Hong Kong and Mainland China. The income tax rate for the year ended 31st March, 2005 represented the Hong Kong Profits Tax rate of 17.5%.

Notes to the Financial Statements

For the year ended 31st March, 2006

13. DIVIDEND

The directors of the Company do not recommend the payment of a dividend for the year ended 31st March, 2006 (2005: nil).

14. EARNINGS PER SHARE

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

	2006 HK$	2005 HK$ (restated)
Earnings		
Earnings for the purposes of basic earnings per share (profit for the year)	15,654,060	12,879,390
Weighted average number of ordinary shares for the purpose of basic earnings per share	557,058,400	557,058,400
Effect of dilutive potential ordinary shares in respect of share options	—	54,529
Weighted average number of ordinary shares for the purpose of diluted earnings per share	557,058,400	557,112,929

Diluted earnings per share has not been presented because the exercise price of the Company's share options was higher than the average market price of shares for the year ended 31st March, 2006.

Notes to the Financial Statements

For the year ended 31st March, 2006

14. EARNINGS PER SHARE *(Continued)*

Impact of changes in accounting policies

Changes in the Group's accounting policies during the year are described in detail in note 2. To the extent that those changes have had an impact on results reported for 2006 and 2005, they have had an impact on the amounts reported for earnings per share. The following table summaries that impact on both basic and diluted earnings per share:

	Impact on basic earnings per share		Impact on diluted earnings per share	
	2006	2005	**2006**	2005
	HK$	HK$	**HK$**	HK$
Figures before adjustments	**2.86 cents**	2.33 cents	**N/A**	2.33 cents
Adjustments arising from changes in accounting policies	**(0.05 cents)**	(0.02 cents)	**N/A**	(0.02 cents)
As reported/restated	**2.81 cents**	2.31 cents	**N/A**	2.31 cents

Notes to the Financial Statements

For the year ended 31st March, 2006

15. GOODWILL

	HK$
COST	
At 1st April, 2004, 31st March, 2005	943,396
Elimination of accumulated amortisation upon application of HKFRS 3	(314,465)
Impairment loss recognised for the year	(628,931)
At 31st March, 2006	—
AMORTISATION	
At 1st April, 2004	125,786
Provided for the year	188,679
At 31st March, 2005 and 1st April, 2005	314,465
Elimination of accumulated amortisation upon application of HKFRS 3	(314,465)
At 31st March, 2006	—
CARRYING VALUE	
At 31st March, 2006	—
At 31st March, 2005	628,931

Until 31st March, 2005, goodwill is amortised over its estimated useful life of five years.

As explained in Note 7, the Group uses business segments as its primary segment for reporting segment information. For the purposes of impairment testing, goodwill have been allocated to one individual cash generating unit ("CGU"), a subsidiary in rechargeable battery product segment.

During the year ended 31st March, 2006, the Group fully impaired the goodwill as the directors are of the opinion that business prospect of this subsidiary is unfavourable and the recoverable amount of the CGU cannot support the amount of goodwill.

Notes to the Financial Statements

For the year ended 31st March, 2006

16. INVESTMENT PROPERTIES

	HK$
AT VALUATION	
At 1st April, 2004	5,550,000
Change in fair value during the year	950,000
At 31st March, 2005 and 1st April, 2005	6,500,000
Gain arising from changes in fair value	1,000,000
Disposal	(7,500,000)
At 31st March, 2006	—

On 30th June, 2005, the directors fair valued the investment properties based on the net sale proceeds to be obtained from the potential buyer. A gain arising from change in fair value of HK$1,000,000 was recognised at interim date.

On 5th October, 2005, the Group has entered into a sale and purchase agreement with an independent third party to dispose of investment properties at consideration of HK$8,000,000 (with disposal expenses of HK$500,000).

Notes to the Financial Statements

For the year ended 31st March, 2006

17. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings HK$	Furniture, fixtures and equipment HK$	Motor vehicles HK$	Plant and machinery HK$	Construction in progress HK$	Total HK$
COST						
At 1st April, 2004	41,184,935	22,768,299	4,765,398	48,914,037	295,347	117,928,016
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 and 1st April, 2005	38,767,634	26,265,065	3,853,377	52,705,525	—	121,591,601
Additions	—	7,450,937	773,099	2,446,912	—	10,670,948
Disposals	(21,196,520)	(739,662)	—	(180,884)	—	(22,117,066)
At 31st March, 2006	**17,571,114**	**32,976,340**	**4,626,476**	**54,971,553**	**—**	**110,145,483**
DEPRECIATION, AMORTISATION AND IMPAIRMENT						
At 1st April, 2004	15,483,020	15,647,138	4,220,957	30,466,158	—	65,817,273
Provided for the year	774,721	3,243,628	181,521	7,815,338	—	12,015,208
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 and 1st April, 2005	13,402,704	17,691,985	3,779,558	38,281,496	—	73,155,743
Provided for the year	386,123	3,819,092	185,366	7,072,423	—	11,463,004
Eliminated on disposals	(10,272,779)	(541,178)	—	(95,208)	—	(10,909,165)
At 31st March, 2006	**3,516,048**	**20,969,899**	**3,964,924**	**45,258,711**	**—**	**73,709,582**
CARRYING VALUES						
At 31st March, 2006	**14,055,066**	**12,006,441**	**661,552**	**9,712,842**	**—**	**36,435,901**
At 31st March, 2005	25,364,930	8,573,080	73,819	14,424,029	—	48,435,858

Notes to the Financial Statements

For the year ended 31st March, 2006

17. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

Leasehold land was included in property, plant and equipment as the allocations between the land and buildings elements cannot be made reliably.

	2006 HK$	2005 HK$
The carrying value of the Group's property interests shown above comprises:		
Leasehold properties held under long leases in Hong Kong	—	10,959,070
Leasehold properties outside Hong Kong held under		
– long leases	2,147,057	2,200,847
– medium term leases	11,908,009	12,205,013
	14,055,066	25,364,930

The net book value of furniture, fixtures and equipment of HK$12,006,441 (2005: HK$8,573,080) includes an amount of HK$4,430,053 (2005: nil) in respect of assets held under finance leases.

On 31st March, 2005, the directors conducted a review for the carrying value of the property, plant and equipment and reversed impairment loss in respect of certain land and buildings of HK$1,400,000 based on the net sale proceeds to be obtained from potential buyer. In April 2005, the Group has entered into a sale and purchase agreement with an independent third party to dispose of leasehold properties in Hong Kong at consideration of HK$11,480,000.

Notes to the Financial Statements

For the year ended 31st March, 2006

18. PREPAID LEASE PAYMENTS

	2006 HK$	2005 HK$
The Group's prepaid lease payments comprise:		
Medium-term land use right in the PRC	667,914	685,308

19. INVESTMENTS IN SECURITIES

	2006 & 2005 HK$
INVESTMENT SECURITIES	
Unlisted shares, at cost	773,450
Impairment loss	(773,450)
	—
OTHER INVESTMENTS	
Listed shares in Hong Kong, market value at 31st March, 2005 (Note)	2,052,240
Impairment loss	(2,052,240)
	—

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% 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 and it is difficult to dispose of the entire shares in the market, full impairment loss was made.

Notes to the Financial Statements

For the year ended 31st March, 2006

20. AVAILABLE-FOR-SALE INVESTMENTS

As mentioned in note 2, from 1st April, 2005 onwards, other investments have been reclassified to available-for-sale investments, in accordance with the requirements to HKAS 39. At 31st March, 2005, the carrying value of the other investments amounted to HK$ Nil as the investments were fully impaired in prior years.

	2006
	HK$
Available-for-sale investments as at 31st March, 2006 comprises:	
Unlisted equity investments, at cost	773,450
Impairment loss	(773,450)
	—
Equity securities listed in Hong Kong, market value at 31st March, 2006 (Note)	957,712
Impairment loss	(957,712)
	—

Note: The amount represents the Group's investment in the shares of CICL representing approximately a 1.15% of the issued share capital of CICL as at 31st March, 2006.

In the opinion of the directors, in view of the low volume of transactions in the market for CICL's shares, it is difficult to dispose of the entire shares in the market consequently, full impairment loss was made.

Notes to the Financial Statements

For the year ended 31st March, 2006

21. INVENTORIES

	2006 HK$	2005 HK$
Raw materials	39,615,425	43,557,292
Work in progress	8,596,405	8,448,289
Finished goods	24,435,542	19,578,937
	72,647,372	71,584,518

22. DEBTORS AND PREPAYMENTS

Debtors and prepayments includes trade debtors of HK$90,276,351 (2005: HK$84,322,085). The aged analysis of trade debtors at the balance sheet date is as follows:

	2006 HK$	2005 HK$
0 - 60 days	65,839,235	54,291,375
61 - 90 days	8,782,181	14,442,600
91 - 120 days	6,805,168	8,468,304
> 120 days	8,849,767	7,119,806
	90,276,351	84,322,085

The Group allows an average credit period ranged from 90 to 120 days (2005: 90 to 120 days) to its trade customers.

The directors consider that the carrying amount of the debtors approximates their fair value.

Notes to the Financial Statements

For the year ended 31st March, 2006

23. PLEDGED BANK DEPOSITS

The amount represents deposits pledged to banks to secure banking facilities granted to the Group. Deposits amounting to HK$5,000,000 (2005: nil) have been pledged to secure trust receipt and export invoices financing facilities and are therefore classified as current assets.

The deposits carry interest at prevailing market rate. The directors consider the carrying value of the amount at the balance sheet date approximates to the fair value.

24. BANK BALANCES AND CASH

Bank balances and cash comprise short-term bank deposits carrying interest at prevailing market rates. The directors consider the carrying value of the amount at the balance sheet date approximates to the fair value.

Included in the bank balances, deposits and cash are the following amounts denominated in a currency other than functional currency of the entity to which they relate:

	2006 HK$	2005 HK$
United States Dollars	24,179,259	21,310,138

25. CREDITORS AND ACCRUED CHARGES

Creditors and accrued charges includes trade creditors of HK$48,567,099 (2005: HK$54,052,030). The aged analysis of trade creditors at the reporting date is as follows:

	2006 HK$	2005 HK$
0 - 60 days	45,884,180	45,824,694
61 - 90 days	488,964	5,198,648
> 90 days	2,193,955	3,028,688
	48,567,099	54,052,030

The directors consider that the carrying amount of the creditors and accrued charges approximates their fair value.

Notes to the Financial Statements

For the year ended 31st March, 2006

26. SECURED BANK LOANS

	2006 HK$	2005 HK$
Export invoices financing	25,452,677	20,469,083
Trust receipts/import loans	—	5,379,809
Other bank loans	7,501,534	5,289,710
	32,954,211	31,138,602
Less: Amount due within one year included under current liabilities	(29,866,358)	(27,848,892)
Amount due after one year	3,087,853	3,289,710

The bank loans carry a variable interest rate with reference to the Hong Kong Dollar Prime Lending Rate which ranges from 5% to 7.5% per annum.

The directors consider that the carrying amount of secured bank loans approximates their fair value.

Notes to the Financial Statements

For the year ended 31st March, 2006

27. OBLIGATIONS UNDER FINANCE LEASES

	Minimum lease payments		Present value of minimum lease payments	
	2006	2005	2006	2005
	HK$	HK$	HK$	HK$
Amount payable under finance leases				
Within one year	1,970,208	91,216	1,756,641	90,433
In the second to fifth years inclusive	2,534,568	—	2,297,265	—
	4,504,776	91,216	4,053,906	90,433
Less: Future finance charges	(450,870)	(783)	—	—
Present value of lease obligations	4,053,906	90,433	4,053,906	90,433
Amount due for settlement within 12 months			(1,756,641)	(90,433)
Amount due for settlement after 12 months			2,297,265	—

During the year, the Group has acquired certain computer equipment under finance leases with lease term range from 2 to 3 years. Interest rates underlying all obligations under finance leases are fixed at respective contract dates ranging from 3.95% to 4.10%. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments. The fair value of the Group's finance lease obligations, determined based on the present value of the estimated future cash flows discounted using the prevailing market rate at balance sheet date approximates to their carrying value.

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

Notes to the Financial Statements

For the year ended 31st March, 2006

28. DEFERRED TAX LIABILITY

The movement in deferred tax liability is as follows:

	Accelerated tax depreciation	
	2006	2005
	HK$	HK$
At 1st April	558,508	—
Charged to consolidated income statement	988,000	558,508
At 31st March	1,546,508	558,508

At the balance sheet date, the Group has unrecognised deferred tax assets in respect of unused tax losses of approximately HK$28,798,000 (2005: HK$28,610,000) 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.

29. SHARE CAPITAL

	2006 & 2005
	HK$
Authorised:	
1,000,000,000 shares of HK$0.1 each	100,000,000

	Number of shares 2006 & 2005	Amount 2006 & 2005
		HK$
Issued and fully paid:		
Shares of HK$0.1 each	557,058,400	55,705,840

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, 2006

30. 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 total number of shares in respect of which options may be granted under the 1994 Scheme is not permitted to exceed 10% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. The number of shares issued and to be issued in respect of which options granted and may be granted to any individual is not permitted to exceed 25% of the maximum number of shares that may be issued pursuant to the 1994 Scheme without prior approval from the Company's shareholders.

The offer of a grant of share options under the 1994 Scheme may be accepted within 21 days from the date of the offer together with the payment of nominal consideration of HK$1 in total by the grantee. The exercise period shall be determined by the board of directors but not exceeding 10 years from the date of grant.

Share options granted under the 1994 Scheme are fully vested immediately at the date of grant. Options granted to a participant are lapsed if the participant ceased to be an eligible participant pursuant to the 1994 Scheme before the options are vested.

	Date of grant	Exercisable period	Exercise price HK$
1994 Scheme	23.7.2003	23.7.2003 - 22.7.2013	0.36

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For the year ended 31st March, 2006

30. SHARE OPTIONS *(Continued)*

(a) *(Continued)*

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

	Number of option shares				
	Outstanding at 1.4.2004	Lapsed during the year	Outstanding at 31.3.2005 and 1.4.2005	Lapsed during the year	Outstanding at 31.3.2006
1994 Scheme	8,000,000	(2,000,000)	6,000,000	(1,000,000)	5,000,000

(b) At a special general meeting of the Company held on 30th August, 2004, a new share option scheme was adopted (the "2004 Scheme") for the purpose of providing incentives to the executive directors and eligible employees of the Company and its subsidiaries. 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 number of shares issued and to be issued in respect of which options granted and may be granted to any individual in any 12 months is not permitted to exceed 1% of the issued shares at such time. Options to be offered to any participants who is also an executive director, chief executive officer, substantial shareholder of the Company or any of their respective associates ("Connected Persons") shall require prior approval from the independent non-executive directors of the Company. No option can be granted to Connected Persons in any 12 months that exceeds in aggregate over 0.1% of the issued shares and an aggregate value exceeding HK$5 million based on the closing price of the share at the date of each grant without prior approval from the Company's shareholders.

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.

The offer of a grant of share options under the 2004 Scheme may be accepted within 30 days from the date of the offer together with the payment of nominal consideration of HK$1 in total by the grantee. Options granted are vested for a period of 3 years immediately after the date of grant by one-third on each anniversary. The exercise period shall be determined by the board of directors but not exceeding 10 years from the date of grant. Options granted to a participant are lapsed if the participant ceased to be an eligible participant pursuant to the 2004 Scheme before the options are vested.

Notes to the Financial Statements

For the year ended 31st March, 2006

30. SHARE OPTIONS *(Continued)*

(b) *(Continued)*

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

	Date of grant	Exercise price	Number of option: Granted during the year and outstanding at 31.3.2005	Lapsed during the year	Outstanding at 31.3.2006
Directors	28.9.2004	0.242	6,062,106	(327,681)	5,734,425
	20.12.2004	0.250	5,152,790	(278,529)	4,874,261
Other employees	28.9.2004	0.242	2,621,448	(327,681)	2,293,767
	20.12.2004	0.250	2,228,232	(278,529)	1,949,703
			16,064,576	(1,212,420)	14,852,156

The options granted on 28th September, 2004 and 20th December, 2004 are vested for a period of 3 years immediately after the date of grant by one-third on each anniversary and are fully vested on 27th September, 2007 and 19th December, 2007 respectively. Options granted on those dates are exercisable after one year but not exceeding ten years from the date of grant subject to vesting conditions stated above.

As at 31st March, 2006, the total number of shares available for issue under the 2004 Scheme is 13,000,764 shares and represent 2% of issued share capital of the Company at 30th August, 2004, being the date of adoption of the 2004 Scheme.

Total consideration received during the year from directors and employees for taking up the options amounted to HK$nil (2005: HK$24).

Notes to the Financial Statements

For the year ended 31st March, 2006

30. SHARE OPTIONS *(Continued)*

(b) *(Continued)*

The fair values of options granted during the year ended 31st March, 2005 were calculated using The Black-Scholes pricing model which is considered by the Directors to be the best pricing model currently available for estimating the fair values of these options. The inputs into the model were as follows:

Date of grant	28.9.2004	20.12.2004
Share price at date of grant	HK$0.240	HK$0.245
Exercise price	HK$0.242	HK$0.250
Expected volatility	66%	58%
Expected life in years	9	9
Risk free rate	3.73%	3.66%
Expected dividend yield	9.0%	9.0%

Expected volatility was determined by calculating the historical volatility of the Company's share price over the previous one year. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

During the year ended 31st March, 2005, options were granted on 28th September, 2004 and 20th December, 2004 and the estimated fair values of the options granted on those dates are 5.1 HK cents and 4.5 HK cents respectively.

31. MAJOR NON-CASH TRANSACTIONS

During the year, the Group entered into finance lease arrangements in respect of assets with a total capital value at the inception of the lease of approximately HK$4,856,581 (2005: nil).

32. PLEDGE OF ASSETS

At the balance sheet date, the Group pledged its bank deposits of HK$5,000,000 to banks to secure credit facilities granted by the banks to the extent of approximately HK$50,000,000 (2005: HK$45,000,000).

33. CONTINGENT LIABILITIES

At balance sheet date, the Group had no significant contingent liabilities.

Notes to the Financial Statements

For the year ended 31st March, 2006

34. CAPITAL COMMITMENTS

	2006 HK$	2005 HK$
Commitments for the acquisition of property, plant and equipment contracted for but not provided in the financial statements	—	932,400

On 23rd March, 2006, the Company has entered into an agreement with Jacuzzi Brands, Inc., a company incorporated in the State of Delaware, USA and listed on the New York Stock Exchange ("Jacuzzi") to purchase approximately 61.8% of the issued share capital of Spear & Jackson, Inc., a company incorporated in the State of Nevada, USA and traded electronically on the Over-the-counter bulletin board of the National Association of Securities Dealers of America ("S&J") for a total consideration of approximately HK$38.7 million (US$5 million) (the "Proposed Acquisition"). The Proposed Acquisition constitutes a very substantial acquisition under the Rules Governing the Listing Securities on The Stock Exchange. The Company had no obligation to acquire the remaining 38.2% minority shares under applicable US laws, unlike in Hong Kong. The completion of the Proposed Acquisition is subjected to a number of conditions precedents which have been summarized in the announcement made by the Company dated 27th March, 2006.

35. 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:

	2006 HK$	2005 HK$
Operating leases which expire:		
Within one year	4,728,696	2,666,046
In the second to fifth years inclusive	12,717,824	1,621,742
	17,446,520	4,287,788

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.

Notes to the Financial Statements

For the year ended 31st March, 2006

35. OPERATING LEASE COMMITMENTS *(Continued)*

The Group as lessor

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

	2006	2005
	HK$	HK$
Within one year	—	270,397

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

36. 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, 2006, the retirement benefit scheme contributions charged to the consolidated income statement amounting to HK$449,513 (2005: HK$287,478), which represented contribution payable to the fund by the Group at rates specified in the rules of the MPF Scheme.

Mainland China

The employees of the Group's subsidiaries in the PRC are members of a state-managed retirement benefit scheme operated by the PRC government. The subsidiaries are required to contribute 8% of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit scheme is to make the specified contributions. The total contribution incurred in this connection for the year ended 31st March, 2006 was HK$1,215,167 (2005: HK$699,418). 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, 2006

37. 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 Held by the Company/ subsidiaries	Attributable equity interest to the Group	Principal activities
Pan Electrium Industrial Co. 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 Power Resource Industry Co. Limited	PRC *	Registered HK$28,000,000	100%	100%	Trading of 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 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, 2006 or at any time during the year.

Notes to the Financial Statements

For the year ended 31st March, 2006

38. RELATED PARTY TRANSACTIONS

Other than the emoluments paid to the directors of the Company, who are also considered as the key management of the Group, the Group have not entered into any other related parties transaction.