1. CORPORATE INFORMATION

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

- design and manufacture of electrical appliances
- trading of merchandise

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which in collective term includes all applicable individual HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong, the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The financial statements have been prepared under the historical cost convention, except that the buildings held for own use were stated at revalued amount.

The HKICPA has issued a number of new and revised HKFRSs that are effective or available for early adoption for accounting periods beginning on or after 1 January 2005. The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. A summary of the significant accounting policies adopted by the Group is set out below.

(a) ADOPTION OF HKFRSs

The following new and revised HKFRSs are relevant to the Group's financial statements and are adopted for the first time for the preparation of the current year's financial statements. In accordance with the relevant requirements under these HKFRSs where permitted, comparative amounts of the financial statements for the year ended 31 March 2005 have been restated.

2. SUMMARY SIGNIFICANT ACCOUNTING POLICIES (Continued)

(a) ADOPTION OF HKFRSs (Continued)

HKAS 1	Presentation of Financial Statements
HKAS 2	Inventories
HKAS 7	Cash Flow Statements
HKAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
HKAS 10	Events after Balance Sheet Date
HKAS 12	Income Taxes
HKAS 14	Segment Reporting
HKAS 16	Property, Plant and Equipment
HKAS 17	Leases
HKAS 18	Revenue
HKAS 19	Employee Benefits
HKAS 21	The Effects of Changes in Foreign Exchange Rates
HKAS 23	Borrowing Costs
HKAS 24	Related Party Disclosures
HKAS 27	Consolidated and Separate Financial Statements
HKAS 28	Investment in Associates
HKAS 32	Financial Instruments: Disclosure and Presentation
HKAS 33	Earnings Per Share
HKAS 36	Impairment of Assets
HKAS 37	Provisions, Contingent Liabilities and Contingent Assets
HKAS 39	Financial Instruments: Recognition and Measurement
HKFRS 2	Share-based Payment
HKFRS 3	Business Combinations
HKAS-Int 15	Operating Leases – Incentives
HKAS-Int 21	Income Taxes – Recovery of Revalued Non-Depreciable Assets

The adoption of the above new HKFRSs has the following impacts on the Group's accounting policies:

– HKAS 1 has affected the presentation and disclosure of the financial statements;

– HKASs 8, 27, 28 and 33 have affected the disclosure of the financial statements;

– HKASs 2, 7, 10, 12, 14, 16, 18, 19, 21, 23, 32, 36, 37, 39, HKFRS 3, HKAS-Int 15 and HKAS-Int 21 have no material effect on the Group's accounting policies; and

– HKAS 24 has affected the identification of related parties and some other related-party disclosures.

2. SUMMARY SIGNIFICANT ACCOUNTING POLICIES (Continued)

(a) ADOPTION OF HKFRSs (Continued)

The adoption of revised HKAS 17 has resulted in a change in the accounting policy relating to the reclassification of land use rights and leasehold land from property, plant and equipment to operating leases. For the effect of changes in accounting policy, please refer to note 3(a).

The adoption of HKFRS 2 has resulted in a change in accounting policy as described below.

In prior years, no amounts were recognised when employees (the term of which includes directors) were granted share options over shares in the Company. If the employees chose to exercise the options, the nominal amount of share capital and share premium were credited only to the extent of the option's exercise price receivable.

With effect from 1 April 2005, in order to comply with HKFRS 2, the Company recognised the fair value of such share options as an expense in the income statement, or as an asset, if the cost qualifies for recognition as an asset under the Company's accounting policies. A corresponding increase is recognised in a capital reserve within equity.

The change in policy had no effect on the financial statements as no options existed at 1 April 2004 or granted during the year and last year.

(b) SUBSIDIARIES AND CONTROLLED ENTITIES

A subsidiary is a company in which the group, directly or indirectly, holds more than half of the issued share capital or controls more than half the voting power or controls the composition of the board of directors. Subsidiaries are considered to be controlled if the company has the power, directly or indirectly, to govern the financial and operating policies, so as to obtain benefits from their activities.

An investment in a controlled subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases.

Intra-group balances and transactions and any unrealized profits arising from intragroup transactions are eliminated in full in preparing the consolidated financial statements. Unrealized losses resulting from intra-group transactions are eliminated in the same way as unrealized gains but only to the extent that there is no evidence of impairment.

2. SUMMARY SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) SUBSIDIARIES AND CONTROLLED ENTITIES (Continued)

Minority interests at the balance sheet date, being the portion of the net assets of subsidiaries attributable to equity interests that are not owned by the company, whether directly or indirectly through subsidiaries, are presented in the consolidated balance sheet and statement of changes in equity within equity, separately from equity attributable to the equity shareholders of the company. Minority interests in the results of the group are presented on the face of the consolidated income statement as an allocation of the total profit or loss for the year between minority interests and the equity shareholders of the company.

Where losses applicable to the minority exceed the minority's interest in the equity of a subsidiary, the excess, and any further losses applicable to the minority, are charged against the group's interest except to the extent that the minority has a binding obligation to, and is able to, make additional investment to cover the losses. If the subsidiary subsequently reports profits, the group's interest is allocated all such profits until the minority's share of losses previously absorbed by the group has been reversed.

In the company's balance sheet, an investment in a subsidiary is stated at cost less impairment losses, unless the investment is classified as held for sale .

(c) ASSOCIATES

An associate is an entity in which the group or company has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

The consolidated income statement includes the group's share of the post-acquisition, post-tax results of the associates for the year, including any impairment loss on goodwill relating to the investment in associates recognised for the year.

When the group's share of losses exceeds its interest in the associate, the group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the group has incurred legal or constructive obligations or made payments on behalf of the associate or the jointly controlled entity. For this purpose, the group's interest in the associate is the carrying amount of the investment under the equity method together with the group's long-term interests that in substance form part of the group's net investment in the associate.

2. SUMMARY SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) ASSOCIATES (Continued)

Unrealized profits and losses resulting from transactions between the group and its associates are eliminated to the extent of the group's interest in the associate, except where unrealized losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in income statement.

In the company's balance sheet, its investments in associates are stated at cost less impairment losses, unless it is classified as held for sale.

(d) PROPERTY, PLANT AND EQUIPMENT

The following properties held for own use are stated in the balance sheet at their revalued amount, being their fair value at the date of the revaluation less any subsequent accumulated depreciation:

– land held under operating leases and buildings thereon, where the fair values of the leasehold interest in the land and buildings cannot be measured separately at the inception of the lease and the building is not clearly held under an operating lease.

Revaluations are performed with sufficient regularity to ensure that the carrying amount of these assets does not differ materially from that which would be determined using fair values at the balance sheet date.

Other items of plant and equipment are stated in the balance sheet at cost less accumulated depreciation and impairment losses.

Changes arising on the revaluation of properties held for own use are generally dealt with in reserves. The only exceptions are as follows:

– when a deficit arises on revaluation, it will be charged to income statement to the extent that it exceeds the amount held in the reserve in respect of that same asset immediately prior to the revaluation; and

– when a surplus arises on revaluation, it will be credited to income statement to the extent that a deficit on revaluation in respect of that same asset had previously been charged to income statement.

The cost of self-constructed items of property, plant and equipment includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads and borrowing costs.

2. SUMMARY SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) PROPERTY, PLANT AND EQUIPMENT (Continued)

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal. Any related revaluation surplus is transferred from the revaluation reserve to retained profits.

Depreciation is calculated to write off the cost or valuation of items of property, plant and equipment, less their estimated residual value, if any, using the straight line method over their estimated useful lives as follows:

Buildings	Over the unexpired term of lease
Furniture and fixtures	20%
Machinery, engineering and other equipment	10%
Motor vehicles	10%
Moulds	10%

Where parts of an item of property, plant and equipment have different useful lives, the cost or valuation of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

(e) LEASED ASSETS

(i) Classification of assets leased to the group

Assets that are held by group under leases which transfer to the group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the group are classified as operating leases, with the following exceptions:

– land held for own use under an operating lease, the fair value of which cannot be measured separately from the fair value of a building situated thereon at the inception of the lease, is accounted for as being held under a finance lease, unless the building is also clearly held under an operating lease. For these purposes, the inception of the lease is the time that the lease was first entered into by the group, or taken over from the previous lessee, or at the date of construction of those buildings, if later.

2. SUMMARY SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) LEASED ASSETS (Continued)

(ii) Assets acquired under finance leases (Continued)

Where the group acquires the use of assets under finance leases, the amounts representing the fair value of the leased asset, or, if lower, the present value of the minimum lease payments, of such assets are included in property, plant and equipment and the corresponding liabilities, net of finance charges, are recorded as obligations under finance leases. Depreciation is provided at rates which write off the cost or valuation of the assets over the term of the relevant lease or, where it is likely the company or group will obtain ownership of the asset, the life of the asset, as set out in note 2(d). Impairment losses are accounted for in accordance with the accounting policy as set out in note 2(f). Finance charges implicit in the lease payments are charged to profit or loss over the period of the leases so as to produce an approximately constant periodic rate of charge on the remaining balance of the obligations for each accounting period. Contingent rentals are written off as an expense of the accounting period in which they are incurred.

(iii) Operating lease charges

Where the group has the use of assets held under operating leases, payments made under the leases are charged to income statement in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in income statement as an integral part of the aggregate net lease payments made. Contingent rentals are charged to income statement in the accounting period in which they are incurred. The cost of acquiring land held under an operating lease is amortised on a straight-line basis over the period of the lease term except where the property is classified as an investment property.

2. SUMMARY SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) IMPAIRMENT OF ASSETS

Internal and external sources of information are reviewed at each balance sheet date to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

– property, plant and equipment (other than properties carried at revalued amounts);

– pre-paid interests in leasehold land classified as being held under an operating lease; and

– investments in subsidiaries and associates.

If any such indication exists, the asset's recoverable amount is estimated.

– Calculation of recoverable amount

The recoverable amount of an asset is the greater of its net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

– Recognition of impairment losses

An impairment loss is recognised in income statement whenever the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs to sell, or value in use, if determinable.

2. SUMMARY SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) IMPAIRMENT OF ASSETS (Continued)

– Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed. A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

(g) INVENTORIES

Inventories are carried at the lower of cost and net realisable value. Cost, which comprises all costs of purchase and, where applicable, costs of conversion and other costs incurred in bringing the inventories to their present location and condition, is determined on the first-in, first-out basis. Net realisable value is 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.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

(h) TRADE AND OTHER RECEIVABLES

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost less impairment losses for bad and doubtful debts, except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less impairment losses for bad and doubtful debts.

2. SUMMARY SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated cash flow statement. Cash equivalents include investments and advances denominated in foreign currencies provided that they fulfill the above criteria.

(j) TRADE AND OTHER PAYABLES

Trade and other payables are initially recognised at fair value and thereafter stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(k) INTEREST-BEARING BORROWINGS

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in profit or loss over the period of the borrowings using the effective interest method.

(l) TAXATION

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised directly in equity, in which case they are recognised in equity. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

2. SUMMARY SIGNIFICANT ACCOUNTING POLICIES (Continued)

(l) TAXATION (Continued)

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits. Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilized, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilized.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future. The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax assets and liabilities are not discounted. The carrying amount of a deferred tax asset is reviewed at each balance sheet date and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilized. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

2. SUMMARY SIGNIFICANT ACCOUNTING POLICIES (Continued)

(l) TAXATION (Continued)

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised. Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the company or the group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the company or the group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

- the same taxable entity; or

- different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(m) PROVISIONS AND CONTINGENT LIABILITIES

Provisions are recognised for liabilities of uncertain timing or amount when the group or the company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation. Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or nonoccurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

2. SUMMARY SIGNIFICANT ACCOUNTING POLICIES (Continued)

(n) REVENUE RECOGNITION

Revenue is recognised when it is probable that the economic benefits will flow to the group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in income statement as follows:

(i) Interest income is recognised on a time proportion basis, taking into account the principal amounts outstanding and the interest rates applicable; and

(ii) Revenue from the sale of goods is recognised on the transfer of risks and rewards of ownership, which generally coincides with the time when the goods are delivered to customers and title has passed.

(o) TRANSLATION OF FOREIGN CURRENCIES

The financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the balance sheet date. Exchange gains and losses are recognised in income statement.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was determined. The results of foreign operations are translated into Hong Kong dollars at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Balance sheet items, including goodwill arising on consolidation of foreign operations acquired on or after 1 January 2005, are translated into Hong Kong dollars at the foreign exchange rates ruling at the balance sheet date. The resulting exchange differences are recognised directly in a separate component of equity. Goodwill arising on consolidation of a foreign operation acquired before 1 January 2005 is translated at the foreign exchange rate that applied at the date of acquisition of the foreign operation.

On disposal of a foreign operation, the cumulative amount of the exchange differences recognised in equity which relate to that foreign operation is included in the calculation of the income statement on disposal.

2. SUMMARY SIGNIFICANT ACCOUNTING POLICIES (Continued)

(p) BORROWING COSTS

Borrowing costs are expensed in the income statement in the period in which they are incurred, except to the extent that they are capitalised as being directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale.

(q) RELATED PARTIES

For the purpose of these financial statements, parties are considered to be related to the group if the group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the group and the party are subject to common control or common significant influence. Related parties may be individuals (being members of key management personnel, significant shareholders and/ or their close family members) or other entities and include entities which are under the significant influence of related parties of the group where those parties are individuals, and post employment benefit plans which are for the benefit of employees of the group or of any entity that is a related party of the group.

(r) EMPLOYEE BENEFITS

(i) Short term employee benefits and contributions to defined contribution retirement plans.

Salaries, annual bonuses, paid annual leave, contributions to defined contribution plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

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

2. SUMMARY SIGNIFICANT ACCOUNTING POLICIES (Continued)

(r) EMPLOYEE BENEFITS (Continued)

(iii) Share option scheme

The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in a capital reserve within equity. The fair value is measured at grant date using the binomial lattice model, taking into account the terms and conditions upon which the options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the share options, the total estimated fair value of the share options is spread over the vesting period, taking into account the probability that the options will vest.

During the vesting period, the number of share options that is expected to vest is reviewed. Any adjustment to the cumulative fair value recognised in prior years is charged/credited to the income statement for the year of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the capital reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of share options that vest (with a corresponding adjustment to the capital reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the company's shares. The equity amount is recognised in the capital reserve until either the option is exercised (when it is transferred to the share premium account) or the option expires (when it is released directly to retained profits).

(iv) Termination benefits

Termination benefits are recognised when, and only when, the group demonstrably commits itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal.

2. SUMMARY SIGNIFICANT ACCOUNTING POLICIES (Continued)

(s) SEGMENT INFORMATION

A segment is a distinguishable component of the group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

In accordance with the group's internal financial reporting system, the group has chosen geographical segment information as the primary reporting format for the purposes of the financial statements.

Segment revenue, expenses, results, assets and liabilities include items directly attributable to a segment as well those that can be allocated on a reasonable basis to that segment. For example, segment assets may include inventories, trade receivables and property, plant and equipment. Segment revenue, expenses, assets, and liabilities are determined before intra-group balances and intra-group transactions are eliminated as part of the consolidation process, except to the extent that such intra-group balances and transactions are between group entities within a single segment. Inter-segment pricing is based on similar terms as those available to other external parties.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets (both tangible and intangible) that are expected to be used for more than one period.

Unallocated items mainly comprise financial and corporate assets, interest-bearing loans, borrowings, tax balances, corporate and financing expenses.

3. EFFECT OF CHANGES IN ACCOUNTING POLICIES

The following sets out information on the significant changes in accounting policies for the prior accounting periods reflected in the financial statements.

Restatement of prior periods and opening balances

The following tables disclose the adjustments that have been made in accordance with the transitional provisions of the respective HKFRSs to each of the line items in the consolidated income statement and balance sheet and other significant related disclosure items as previously reported for the year ended 31 March 2005.

3. EFFECT OF CHANGES IN ACCOUNTING POLICIES (Continued)

Effect on the consolidated financial statements:

Consolidated income statement for the year ended 31 March 2005

	2005 (as previously reported)	Effect of new policy (increase/(decrease) in profit for the year)			2005 (as restated)
		HKAS 1	HKAS 17	Sub-total	
	HK$'000	HK$'000	HK$'000 (note a)	HK$'000	HK$'000
Turnover	280,937	–	–	–	280,937
Cost of sales	(224,685)	–	–	–	(224,685)
Gross profit	56,252	–	–	–	56,252
Other revenue	1,192	–	1,489	1,489	2,681
	57,444	–	1,489	1,489	58,933
Selling and distribution costs	(17,406)	–	–	–	(17,406)
Administrative expenses	(39,762)	–	117	117	(39,645)
Profit from operations	276	–	1,606	1,606	1,882
Finance costs	(1,832)	–	–	–	(1,832)
Share of profit of an associate	849	(220)	–	(220)	629
(Loss)/profit before taxation	(707)	(220)	1,606	1,386	679
Taxation	(524)	220	–	220	(304)
(Loss)/profit for the year	(1,231)	–	1,606	1,606	375
Attributable to:					
Equity shareholders of the Company	(1,313)	–	1,606	1,606	293
Minority interests	82	–	–	–	82
(Loss)/profit for the year	(1,231)	–	1,606	1,606	375
(Loss)/earnings per share					
Basic	(0.29 cents)	–	0.35 cents	0.35 cents	0.06 cents
Diluted	Not applicable	–	–	–	Not applicable
Other significant disclosure items:					
Depreciation	(11,283)	–	293	293	(10,990)
Amortisation of land lease premium	–	–	(176)	(176)	(176)
Gain on disposal of property, plant and equipment	44	–	1,489	1,489	1,533

3. EFFECT OF CHANGES IN ACCOUNTING POLICIES (Continued)

Consolidated balance sheet as at 31 March 2005

	2005 (as previously reported) HK$'000	Effect of new policy (increase/(decrease) in net assets) HKAS 1 HK$'000	HKAS 17 HK$'000 (note a)	HKAS 32 HK$'000 (note b)	Sub-total HK$'000	2005 (as restated) HK$'000
Non-current assets						
Property, plant and equipment	108,504	–	(22,315)	–	(22,315)	86,189
Interests in leasehold land held for own use under operating leases	–	–	6,164	–	6,164	6,164
Interest in an associate	18,982	–	–	–	–	18,982
Note receivable	5,105	–	–	–	–	5,105
	132,591	–	(16,151)	–	(16,151)	116,440
Current assets						
Inventories	62,909	–	–	–	–	62,909
Mould deposits	6,306	–	–	–	–	6,306
Trade receivables	13,942	–	–	9,304	9,304	23,246
Prepayments, deposits and other receivables	4,066	–	–	–	–	4,066
Pledged deposits	1,001	–	–	–	–	1,001
Cash and bank balances	8,826	–	–	–	–	8,826
	97,050	–	–	9,304	9,304	106,354
Current liabilities						
Trade payables	(41,789)	–	–	–	–	(41,789)
Other payables and accruals	(12,661)	–	–	–	–	(12,661)
Interest-bearing bank and other loans	(9,740)	–	–	(9,304)	(9,304)	(19,044)
Finance lease payables	(678)	–	–	–	–	(678)
	(64,868)	–	–	(9,304)	(9,304)	(74,172)
Net current assets	32,182	–	–	–	–	32,182
Total assets less current liabilities	164,773	–	(16,151)	–	(16,151)	148,622
Non-current liabilities						
Interest-bearing bank and other loans	(6,900)	–	–	–	–	(6,900)
Finance lease payables	(686)	–	–	–	–	(686)
Deferred tax liabilities	(6,611)	–	2,302	–	2,302	(4,309)
	(14,197)	–	2,302	–	2,302	(11,895)
Minority interests	(275)	275	–	–	275	–
Net assets	150,301	275	(13,849)	–	(13,574)	136,727
CAPITAL AND RESERVES						
Share capital	45,752	–	–	–	–	45,752
Capital reserve	2,789	–	–	–	–	2,789
Distributable reserve	4,995	–	–	–	–	4,995
Property revaluation reserve	29,301	–	(13,436)	–	(13,436)	15,865
Exchange fluctuation reserve	587	–	–	–	–	587
Retained profits	66,877	–	(413)	–	(413)	66,464
Total equity attributable to equity shareholders of the Company	150,301	–	(13,849)	–	(13,849)	136,452
Minority interests	–	275	–	–	275	275
Total equity	150,301	275	(13,849)	–	(13,574)	136,727

3. EFFECT OF CHANGES IN ACCOUNTING POLICIES (Continued)

(a) Leasehold land and buildings held for own use

In prior years, leasehold land and buildings held for own use were stated at revalued amounts less accumulated depreciation and accumulated impairment losses. Movements of revaluation surpluses or deficits were normally taken to the property revaluation reserve.

With effect from 1 April 2005, in order to comply with HKAS 17, the group has adopted a new policy for leasehold land and buildings held for own use. Under the new policy, the leasehold land held for own use is accounted for as being held under an operating lease where the fair value of the interest in any buildings situated on the leasehold land could be measured separately from the fair value of the leasehold land at the time the lease was first entered into by the group, or taken over from the previous lessee, or at the date of construction of those buildings, if later.

Further details of the new policy are set out in note 2(d). Any buildings held for own use which are situated on such land leases continue to be presented as part of property, plant and equipment.

(b) Bills discounted with recourse

In prior years, discounted bills with recourse were net off with trade receivables and disclosed as contingent liabilities.

With effect from 1 April 2005, in order to comply with HKAS 32, the group has adopted a new policy for discounted bills with recourse. Under the new policy, the discounted bills are accounted for as financial liability.

4. FINANCIAL RISK MANAGEMENT

The Group's activities are exposed to the following risks:

(a) Interest rate risk

The Group's interest rate risk arises from debt borrowings. Borrowings issued at variable rates expose the Group to cash flow interest-rate risk whilst borrowings at fixed rates expose the Group to fair value interest-rate risk. Details of the Group borrowings have been disclosed in note 24 to the financial statements.

4. FINANCIAL RISK MANAGEMENT (Continued)

(b) Foreign currency risk

The Group mainly operates in mainland China, the USA, Germany and Hong Kong. Most of the Group's transactions, assets and liabilities are dominated in Renminbi, United States Dollars, Euro Dollars and Hong Kong Dollars.

Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations. The Group manages its foreign risks by performing regular review and monitoring its foreign exchange exposures.

(c) Credit risk

The Group has policies in place to ensure that the sales of products are made to customers with appropriate credit history and the Group performs credit evaluation of its customers. Management has a credit policy in place and the exposures to these credit risks are monitored on a going basis.

(d) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. The Group aims to maintain flexibility in funding by keeping committed credit lines available.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Property, plant and equipment and depreciation

The Group management determines the estimated useful lives and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. It could change significantly as a result of technical innovations and competitor actions in response to severe industry cycles. Management will increase the depreciation charge where useful lives are less than previously estimated lives, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

(b) Impairment of assets

The Group tests annually whether assets have suffered any impairment. The recoverable amounts of cash-generating units have been determined on the value-in-use calculation. These calculations require use of estimate.

6. SEGMENT INFORMATION

Segment information is presented in respect of the Group's geographical segments. Information related to geographical segments based on the location of external customers is chosen because it is more relevant to the Group internal financial reporting. The Group has two business segments, namely the design and manufacture of electrical appliances and the trading of merchandise. No further business segment information is presented as over 90% of the Group's consolidated turnover, results and assets are related to the design and manufacture of electrical appliances.

The following table presents segment revenue, segment assets and capital expenditure information for the Group's geographical segments.

	Segment revenue		Other segment information			
	Sales to external customers		Segment assets		Capital expenditure	
	2006 HK$'000	2005 HK$'000	**2006 HK$'000**	2005 HK$'000 (restated)	**2006 HK$'000**	2005 HK$'000
Europe	**90,544**	133,594	**85,874**	94,662	**4,587**	4,832
North America	**58,416**	87,058	**58,953**	61,954	**2,951**	3,079
South America	**13,760**	16,228	**17,452**	9,697	**695**	572
Asia Pacific	**11,111**	26,389	**9,335**	21,131	**561**	931
Middle East	**5,752**	9,702	**7,213**	6,164	**292**	342
Oceania	**2,741**	7,966	**2,661**	5,027	**138**	281
Corporate and others	**–**	–	**16,108**	24,159	**–**	–
	182,324	280,937	**197,596**	222,794	**9,224**	10,037

6. SEGMENT INFORMATION (Continued)

Carrying amount of segment assets and capital expenditure by location of assets are as follows:

	Segment assets		Capital expenditure	
	2006	2005	**2006**	2005
	HK$'000	HK$'000 (restated)	**HK$'000**	HK$'000
Europe	**10,527**	16,861	**13**	120
North America	**10,341**	11,254	**–**	8
South America	**6,001**	246	**–**	–
Asia Pacific	**151,812**	169,371	**9,211**	9,909
Middle East	**2,427**	514	**–**	–
Oceania	**380**	389	**–**	–
Corporate and others	**16,108**	24,159	**–**	–
	197,596	222,794	**9,224**	10,037

7. TURNOVER AND OTHER REVENUE

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

An analysis of turnover and other revenue is as follows:

	2006	2005
	HK$'000	HK$'000 (restated)
Turnover		
Sales of goods	**182,324**	280,937
Other revenue		
Interest income	**120**	40
Sale of moulds	**63**	–
Sale of scrap materials	**333**	531
Others	**385**	149
Gain on disposal of property, plant and equipment	**–**	1,533
Surplus on revaluation of buildings	**–**	428
	901	2,681
	183,225	283,618

8. (LOSS)/PROFIT FROM OPERATIONS

The Group's (loss)/profit from operations are arrived at after charging:

	2006 HK$'000	2005 HK$'000 (restated)
Cost of inventories sold*	**166,051**	224,685
Depreciation	**10,634**	10,990
Amortization of land lease premium	**142**	176
Minimum lease payments under operating leases for land and buildings (including director's quarter)	**817**	1,008
Auditors' remuneration	**390**	630
Staff costs (excluding directors' remuneration – note 10)		
Wages and salaries	**27,511**	32,295
Severance payments	**2,165**	32
Pension scheme contributions	**429**	419
	30,105	32,746
Impairment losses on trade receivables	**13**	–
Exchange losses, net	**509**	1,747
Share of an associate's taxation	**271**	220
Other operating expenses		
Impairment losses on other receivables	**955**	–
Write off of inventories	**12,964**	–
Loss on disposal of property, plant and equipment	**2,162**	–
Impairment loss on note receivable	**755**	–
	16,836	–

* Included depreciation of HK$8,088,000 (2005: HK$8,455,000) and staff costs of HK$16,163,000 (2005: HK$20,637,000), the amount of which is also included in the respective total amounts disclosed separately above.

9. FINANCE COSTS

	2006 HK$'000	2005 HK$'000
Interest on bank loans and other loans wholly repayable within five years	**2,216**	1,756
Interest on finance leases	**118**	76
	2,334	1,832

10. DIRECTORS' REMUNERATION

The directors' remuneration, disclosed pursuant to Section 161 of the Hong Kong Companies Ordinance, are as follows:

	2006			
	Fees HK$'000	Salaries and other benefits HK$'000	Retirement scheme contributions HK$'000	Total HK$'000
Executive directors				
Chau Kwok Wai	–	716	10	726
Cheng Tun Nei	–	168	2	170
Kwok Hon Ching	–	1,120	11	1,131
Kwok Hon Kau, Johnny	–	918	6	924
Kwok Hon Lam	–	1,686	24	1,710
Kwok Chi Hang, Peter	–	420	12	432
Lee Yu Leung	–	233	6	239
Loo Pak Hong	–	–	–	–
Siu Miu Man	–	336	2	338
	–	5,597	73	5,670
Non-executive directors				
Lee Yu Leung	–	–	–	–
To Wing Yee, Janice	10	–	–	10
	10	–	–	10
Independent non-executive directors				
Chan Kwok Wai	23	–	–	23
Chan Sun Kwong	25	–	–	25
Chow Cheuk Lap	50	–	–	50
Chow Nim Sun, Nelson	10	–	–	10
Fung Kwan Yin, James	8	–	–	8
Lee Ho Man, Eric	50	–	–	50
Liu Kam Lung	10	–	–	10
Tsun Kok Chung, Richard	8	–	–	8
Wong Lung Tak, Patrick	50	–	–	50
Wong Tik Tung	23	–	–	23
Yeung Lung Sang Sam, Lennon	–	–	–	–
	257	–	–	257
	267	5,597	73	5,937

10. DIRECTORS' REMUNERATION (Continued)

	2005			
	Fees HK$'000	Salaries and other benefits HK$'000	Retirement scheme contributions HK$'000	Total HK$'000
Executive directors				
Chau Kwok Wai	–	702	12	714
Kwok Hon Ching	–	1,820	12	1,832
Kwok Hon Kau, Johnny	–	1,800	12	1,812
Kwok Hon Lam	–	1,932	24	1,956
	–	6,254	60	6,314
Independent non-executive directors				
Chow Cheuk Lap	50	–	–	50
Lee Ho Man, Eric	50	–	–	50
Wong Lung Tak, Patrick	50	–	–	50
	150	–	–	150
	150	6,254	60	6,464

There was no arrangement under which a director has waived or agreed to waive any emoluments during the two years.

11. FIVE HIGHEST PAID INDIVIDUALS

The five highest paid individuals during the year included four (2005: four) directors, details of whose remuneration are set out in note 10 above. Details of the remuneration of the remaining one (2005: one) non-director, highest paid individuals for the year are as follows:

	2006 HK$'000	2005 HK$'000
Salaries and other benefits	**564**	564
Retirement scheme contributions	**12**	12
	576	576

12. TAXATION

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the year. Taxation for other subsidiaries are charged at the appropriate current rates of taxation in the relevant countries.

	2006 HK$'000	2005 HK$'000 (restated)
Current tax		
– Hong Kong	–	–
– Overseas	(176)	304
Tax (credit)/expense	(176)	304

Reconciliation between tax (credit)/expense and accounting (loss)/profit at applicable tax rates:

	2006 HK$'000	2005 HK$'000 (restated)
(Loss)/profit before taxation	(60,075)	679
Tax at domestic income tax rate applicable of profits in the respective countries	(14,259)	239
Tax effect of non-taxable income	(210)	(1,514)
Tax effect of non-deductible expenses	503	1,710
Tax losses utilised from previous periods	–	(282)
Tax effect of losses not recognised	13,790	139
Others	–	12
Tax (credit)/expense	(176)	304

In accordance with the applicable enterprise income tax law of mainland China, the subsidiary established in mainland China is subject to mainland China enterprise income tax ("EIT") at a rate of 24% and a local tax of 3%. A wholly-owned subsidiary established in mainland China was exempted from EIT for its first two profit-making years of operations and thereafter is eligible for a 50% relief from EIT for the following three years.

The tax rate applicable to subsidiaries established and operating in Republic of Germany and the United States of America (the "USA") is 40% and 35% respectively.

13. NET (LOSS)/PROFIT ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY

The net loss attributable to equity shareholders of the Company was HK$37,250,000 (2005: profit of HK$3,466,000) which has been dealt with in the financial statements of the Company.

14. (LOSS)/EARNINGS PER SHARE

(a) The calculation of basic (loss)/earnings per share is based on the net loss attributable to equity shareholders of the Company of HK$59,736,000 (2005: profit of HK$293,000) and the weighted average number of 570,999,242 (2005: 467,259,419) ordinary shares in issue during the year.

(b) Diluted earnings per share has not been disclosed as no diluting events existed in both years.

15. PROPERTY, PLANT AND EQUIPMENT

The Group

	Buildings held for own use HK$'000	Furniture and fixtures HK$'000	Machinery, engineering and other equipment HK$'000	Motor vehicles HK$'000	Moulds HK$'000	Total HK$'000
Cost or valuation						
At 1 April 2004						
– As previously reported	54,560	10,747	21,850	3,530	51,065	141,752
– Effect of the changes in accounting policies under HKAS 17	(17,380)	–	–	–	–	(17,380)
– As restated	37,180	10,747	21,850	3,530	51,065	124,372
Additions	–	1,314	2,161	175	6,387	10,037
Written off	–	(616)	(5,644)	(271)	(3,464)	(9,995)
Revaluation surplus	4,055	–	–	–	–	4,055
At 31 March 2005, as restated	41,235	11,445	18,367	3,434	53,988	128,469
At 1 April 2005, as restated	41,235	11,445	18,367	3,434	53,988	128,469
Additions	–	2,367	3,067	–	3,790	9,224
Disposals	(1,471)	–	(2,007)	(3,259)	(2,151)	(8,888)
Written off	–	(2,816)	(3,337)	–	(3,455)	(9,608)
Revaluation surplus	636	–	–	–	–	636
Exchange realignment	–	(76)	–	–	–	(76)
At 31 March 2006	40,400	10,920	16,090	175	52,172	119,757
Analysis of cost or revaluation						
At cost	–	10,920	16,090	175	52,172	79,357
At valuation	40,400	–	–	–	–	40,400
	40,400	10,920	16,090	175	52,172	119,757
Accumulated depreciation						
At 1 April 2004	–	4,837	13,099	2,927	21,551	42,414
Provided during the year	1,129	2,145	2,001	360	5,355	10,990
Written off	–	(616)	(5,644)	(271)	(3,464)	(9,995)
Written back on revaluation	(1,129)	–	–	–	–	(1,129)
At 31 March 2005	–	6,366	9,456	3,016	23,442	42,280
At 1 April 2005	–	6,366	9,456	3,016	23,442	42,280
Provided during the year	1,230	2,075	1,772	141	5,416	10,634
Written back on disposals	(4)	–	(890)	(3,125)	(956)	(4,975)
Written off	–	(2,816)	(3,337)	–	(3,455)	(9,608)
Written back on revaluation	(1,226)	–	–	–	–	(1,226)
Exchange realignment	–	(62)	–	–	–	(62)
At 31 March 2006	–	5,563	7,001	32	24,447	37,043
Net book value						
At 31 March 2006	40,400	5,357	9,089	143	27,725	82,714
At 31 March 2005	41,235	5,079	8,911	418	30,546	86,189

15. PROPERTY, PLANT AND EQUIPMENT (Continued)

The Group (Continued)

(a) The net book value of property, plant and equipment held under finance leases included in the total amount of machinery, engineering and other equipment at 31 March 2006 amounted to HK$2,877,000 (2005: HK$2,534,000).

(b) The Group's leasehold land and buildings held for own use were revalued as at 31 March 2006 by DTZ Debenham Tie Leung Limited, an independent professionally qualified valuers, at open market value as analysed below:

	The Group	
	2006	2005
	HK$'000	HK$'000
Leasehold land and buildings located in		
– Hong Kong	**18,550**	19,750
– Mainland China	**44,000**	43,800
	62,550	63,550

(c) The analysis of net book value of leasehold land and buildings as at 31 March 2006 is as follows:

	The Group	
	2006	2005
	HK$'000	HK$'000
Held under medium term leases in		
– Hong Kong	**13,474**	14,980
– Mainland China	**32,294**	32,419
	45,768	47,399
Representing:		
Buildings carried at revalued amount	**40,400**	41,235
Interest in leasehold land held for own use under operating leases	**5,368**	6,164
	45,768	47,399

Had the Group's leasehold land and buildings been carried at historical cost less accumulated depreciation and impairment losses, their carrying amounts would have been approximately HK$29,438,000 (2005: HK$32,078,000).

15. PROPERTY, PLANT AND EQUIPMENT (Continued)

(d) At 31 March 2006, certain of the Group's buildings with a net book value of HK$10,270,000 (2005: HK$11,042,000) were pledged to secure general banking facilities granted to the Group.

The Company

	Furniture and equipment HK$'000
Cost	
At 1 April 2004 and 1 April 2005	–
Additions	189
At 31 March 2006	189
Accumulated depreciation	
At 1 April 2004 and 1 April 2005	–
Provided for the year	–
At 31 March 2006	–
Net book value	
At 31 March 2006	189
At 31 March 2005	–

16. INTERESTS IN LEASEHOLD LAND HELD FOR OWN USE UNDER OPERATING LEASES

The Group

	HK$
Cost	
At 1 April 2004	
– As previously reported	–
– Effect of changes in accounting policies under HKAS 17	8,919
– As restated	8,919
Disposals	(909)
At 31 March 2005, as restated	8,010
At 1 April 2005, as restated	8,010
Disposals	(830)
At 31 March 2006	7,180
Amortisation	
At 1 April 2004	
– As previously reported	–
– Effect of changes in accounting policies under HKAS 17	1,916
– As restated	1,916
Charge for the year	176
Written back on disposals	(246)
At 31 March 2005, as restated	1,846
At 1 April 2005, as restated	1,846
Charge for the year	142
Written back on disposals	(176)
At 31 March 2006	1,812
Net book value	
At 31 March 2006	5,368
At 31 March 2005	6,164

At 31 March 2006, the leasehold land in Hong Kong with net book value of HK$3,204,000 (2005: HK$3,938,000) was pledged to secure general banking facilities granted to the Group.

17. INTERESTS IN SUBSIDIARIES

	The Company	
	2006	2005
	HK$'000	HK$'000
Unlisted shares, at cost	**60,953**	60,953
Due from subsidiaries	**212,236**	175,723
	273,189	236,676
Less: Provision for impairment losses	**(161,182)**	(129,182)
	112,007	107,494

The amounts due from subsidiaries are unsecured, have no fixed terms of repayment and are interest-free, except for an amount due from a subsidiary of HK$4,050,000 (2005: HK$3,805,000), which bears interest at rates ranging from 5.0% to 7.5% (2005: 5.0%) per annum.

Particulars of the subsidiaries are as follows:

Name	Place of incorporation/ registration and operations	Nominal value of ordinary share capital/ registered capital	Percentage of equity attributable to the Company directly	Percentage of equity attributable to the Company indirectly	Principal activities
Anex Electrical Company Limited ("AECL")	Hong Kong	HK$3,009,000 (Note a)	100	–	Sale of electrical appliances
Anex Industrial Corporation Limited	Hong Kong	HK$500,000	–	100	Property investment
Anco Industrial Company Limited	British Virgin Islands/ Mainland China	US$100	–	100	Property investment
Anex USA Products, Inc.	United States of America	US$10,000	–	100	Sale of electrical appliances

17. INTERESTS IN SUBSIDIARIES (Continued)

Name	Place of incorporation/ registration and operations	Nominal value of ordinary share capital/ registered capital	Percentage of equity attributable to the Company directly	Percentage of equity attributable to the Company indirectly	Principal activities
Melwick (HK) Limited ("Melwick")	Hong Kong	HK$2	100	–	Dormant (Note b)
Anco Industrial Company Limited	Hong Kong	HK$10,000	–	100	Dormant
Anex Germany Products GmbH	Republic of Germany	EUR25,565	–	95	Sale of electrical appliances
Antec Appliances Limited	Hong Kong	HK$2	100	–	Provision of agency service and investment holding
Anex Japan Corporation	Japan	JPY10,000,000	–	95	Dormant
東莞安達電器製品有限公司*	Mainland China	HK$20,000,000	–	100	Manufacturing electrical appliances
Anex International Management Limited	Hong Kong	HK$1	100	–	Provision of management service
Anex Construction and Engineering Holdings Limited	British Virgin Islands	US$1	100	–	Dormant
Anex Properties Holdings Limited	British Virgin Islands	US$1	100	–	Dormant
Anex Construction & Engineering Limited	Hong Kong	HK$1	–	100	Dormant

17. INTERESTS IN SUBSIDIARIES (Continued)

Notes (a): The issued share capital of AECL comprises 3,000 non-voting deferred shares of HK$100 each and 90 ordinary shares of HK$100 each.

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

(b): Subsequent to the balance sheet date on 11 July 2006, the application for deregistering Melwick was approved by the Companies Registry. Normally, its takes about five months to deregister a company.

* A wholly-foreign owned enterprise registered in mainland China.

18. INTEREST IN AN ASSOCIATE

	The Group		The Company	
	2006	2005	**2006**	2005
	HK$'000	HK$'000	**HK$'000**	HK$'000
Unlisted shares, at cost	**–**	–	**–**	–
Share of net assets	**15,185**	18,059	**–**	–
Due from an associate	**923**	923	**923**	923
	16,108	18,982	**923**	923

The amount due from an associate is unsecured, interest free and has no fixed terms of repayment.

18. INTEREST IN AN ASSOCIATE (Continued)

Particulars of the associate are as follows:

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

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

	2006 HK$'000	2005 HK$'000
Consolidated income statement		
Turnover	**10,481**	9,236
Net (loss)/profit from ordinary activities attributable to shareholders	**(7,186)**	1,573
Consolidated balance sheet		
Non-current assets	**4,819**	4,819
Current assets*	**58,639**	60,979
Current liabilities	**(17,713)**	(12,868)
Non-current liabilities	**(7,782)**	(7,782)

* A time deposit and certain cash and bank balances of Ancen Properties Limited and its subsidiary (the "Ancen Group") amounting to HK$2,284,000 (2005: HK$3,995,000) as at 31 March 2006 were pledged to a bank as security for its obligation under a buy-back undertaking entered into between the Ancen Group and the bank. Under this buy-back undertaking, the Ancen Group may be obliged to buy back properties in the event of any defaults by the initial mortgagors (who are unrelated to the Group) of properties sold. As at 31 March 2006, the outstanding mortgage balances granted by the bank amounted to HK$18,232,000 (2005: HK$15,640,000).

19. NOTE RECEIVABLE

	The Group and the Company	
	2006	2005
	HK$'000	HK$'000
Note receivable	**–**	5,400
Less: Provision for impairment losses	**–**	(295)
	–	5,105

The note receivable from Cosmedia Limited, an independent third party, bears interest at a rate of 0.5% per annum, is repayable on or before September 2006 and is secured against the shares in Cosmedia Limited. The note receivable was fully settled in August 2005 after deducting the discount of HK$900,000. A wavier of interest receivable of HK$150,000 was made during the year.

20. INVENTORIES

	The Group	
	2006	2005
	HK$'000	HK$'000
Raw materials	**12,055**	31,138
Work in progress	**9,895**	19,704
Finished goods	**12,239**	12,067
	34,189	62,909

The amount of inventories carried at net realisable value at 31 March 2006 is HK$5,361,000 (2005: HK$9,354,000).

The amount of write-down of inventories to net realisable value and write off of inventories recognised as an expense during the year is HK$582,000 (2005: HK$Nil) and HK$12,964,000 (2005: HK$Nil) respectively.

21. TRADE RECEIVABLES

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

21. TRADE RECEIVABLES (Continued)

An aged analysis of the trade receivables as at the balance sheet date, based on invoice date and net of impairment losses for bad and doubtful debts, is as follows:

	The Group	
	2006	2005
	HK$'000	HK$'000
		(restated)
0 – 30 days	**15,945**	16,322
31 – 60 days	**7,119**	1,759
61 – 90 days	**658**	588
Over 90 days	**110**	4,577
	23,832	23,246

22. TRADE PAYABLES

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

	The Group	
	2006	2005
	HK$'000	HK$'000
0 – 30 days	**11,198**	6,789
31 – 60 days	**5,951**	5,252
61 – 90 days	**4,080**	6,727
Over 90 days	**10,244**	23,021
	31,473	41,789

23. DUE TO A DIRECTOR

	The Group and the Company	
	2006	2005
	HK$'000	HK$'000
Cheng Tun Nei	**6,000**	–

The amount due to a director is unsecured, interest bearing at a rate of 1% per annum over and above the Hong Kong Dollar Prime Lending Rate as quoted by Hang Seng Bank Limited (the "Prime Rate") and is repayable on or before 28 August 2006. The Prime Rate as at 31 March 2006 is 7.75% per annum.

24. INTEREST-BEARING BANK AND OTHER LOANS

	The Group	
	2006	2005
	HK$'000	HK$'000
		(restated)
Factoring loans, secured	**6,114**	–
Bills discounted, secured	**3,370**	9,304
Packing loans, secured	**4,193**	1,514
Trust receipt loans, secured	**9,674**	8,226
Other loan, unsecured	**1,425**	6,900
	24,776	25,944
Factoring loans repayable within one year	**6,114**	–
Bills discounted repayable within one year	**3,370**	9,304
Packing loans repayable within one year	**4,193**	1,514
Trust receipt loans repayable within one year	**9,674**	8,226
Other loan repayable within one year	**1,425**	–
Other loan repayable in the second year	**–**	6,900
	24,776	25,944
Portion classified as current liabilities	**(24,776)**	(19,044)
Non-current portion	–	6,900

Notes:

(a) The Group's banking facilities are secured by:

(i) mortgages over certain of the Group's leasehold land and buildings which had an aggregate net book value at the balance sheet date of HK$13,474,000 (2005: HK$14,980,000);

(ii) its time deposits amounting to HK$7,320,000 (2005: HK$1,001,000);

(iii) the director, Kwok Chi Hang, Peter, of the Company has given a personal guarantee amounted to HK$10,000,000 (2005: HK$Nil); and

(iv) the former director, Kwok Hon Ching, of the Company has given a personal guarantee amounted to HK$22,000,000 (2005: HK$22,000,000). The personal guarantee has been released on 7 June 2006.

(b) Other loan is unsecured and interest bearing at rates ranging from 5.25% to 9.00% (2005: 4.00% to 5.00%) per annum.

25. FINANCE LEASE PAYABLES

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

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

	The Group					
	2006			2005		
	Present value of the minimum lease payments HK$'000	Interest expense relating to future periods HK$'000	Total minimum lease payments HK$'000	Present value of the minimum lease payments HK$'000	Interest expense relating to future periods HK$'000	Total minimum lease payments HK$'000
Within one year	**1,116**	**87**	**1,203**	678	55	733
After one year but within two years	**757**	**33**	**790**	541	19	560
After two years but within five years	**178**	**4**	**182**	145	2	147
After five years	**–**	**–**	**–**	–	–	–
	935	**37**	**972**	686	21	707
	2,051	**124**	**2,175**	1,364	76	1,440

26. DEFERRED TAX LIABILITIES

The components of deferred tax liabilities recognised in the consolidated balance sheet and the movement during the year is as follows:

	Revaluation of buildings	
	2006	2005
	HK$'000	HK$'000 (restated)
At 1 April, as restated	**4,309**	5,585
Deferred tax charged/(credited) to buildings revaluation reserve during the year	**1,220**	(1,276)
At 31 March	**5,529**	4,309

26. DEFERRED TAX LIABILITIES (Continued)

The Group has tax losses arising in Hong Kong of HK$142,754,000 (2005: HK$67,206,000) that are available for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised as it is not probable that future taxable profits against which the losses can be utilised will be available of the companies in which losses arose. The tax losses do not expire under current tax legislation.

Save as disclosed above, there was no other significant deferred tax liabilities that required to be provided for in the financial statements (2005: Nil).

27. SHARE CAPITAL

	2006		2005	
	No. of shares '000	**HK$'000**	No. of shares '000	HK$'000
Authorised ordinary shares of HK$0.10 each:				
At beginning of year	**800,000**	**80,000**	800,000	80,000
Increase in authorised share capital *(note a)*	**2,200,000**	**220,000**	–	–
At end of year	**3,000,000**	**300,000**	800,000	80,000
Issued and fully paid:				
At beginning of year	**457,525**	**45,752**	457,525	45,752
Issue of share by placement and subscription *(note b)*	**91,505**	**9,151**	–	–
Issue of share by rights issue *(note c)*	**219,612**	**21,961**	–	–
At end of year	**768,642**	**76,864**	457,525	45,752

27. SHARE CAPITAL (Continued)

(a) On 30 March 2006, the Company held a special general meeting to increase its authorised share capital from HK$80,000,000 comprising of 800,000,000 shares of HK$0.10 each to HK$300,000,000 comprising of 3,000,000,000 shares of HK$0.10 each by the creation of an additional 2,200,000,000 shares of HK$0.10 each.

(b) On 28 September 2005, the Company successfully placed 91,504,969 new shares to independent investors at a price of HK$0.10 per new share on a fully underwritten basis. The gross proceeds amounted to HK$9,151,000 and the net proceeds from the placing of HK$8,500,000. The net proceeds from the placing has been used as general working capital of the Company.

(c) On 17 November 2005, rights issue of two rights shares for every five existing shares was made, at an issue price of HK$0.10 per rights share, resulting in the issue of 219,611,926 shares of HK$0.10 each for a total cash consideration. The gross proceeds amounted to HK$21,961,000 and the net proceeds from the rights issue of HK$21,000,000. The net proceeds from rights issue will be used for purchasing new machinery and upgrading existing production facilities, procuring enterprise resource planning system and expansion of electronic networking system, to repay certain borrowings and used as general working capital of the Group.

28. SHARE OPTION SCHEME

The Company operates a share option scheme (the "Scheme") and the principal terms of the Scheme are as follows:

(i) Purpose

The purpose of the Scheme is to provide incentives and rewards to eligible participants who contribute to the success of the Group's operation.

(ii) Eligible participants

Eligible participants of the share option scheme include the Company's directors and other employees of the Group.

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

28. SHARE OPTION SCHEME (Continued)

(iii) Maximum number of shares

The maximum number of unexercised share options currently permitted to be granted under the Scheme is an amount equivalent, upon their exercise, to 10% of the shares of the Company in issue as at the date of passing the Ordinary Resolution on 9 September 2002. As at the date of this Annual Report, the total number of shares available for issue under the Scheme is 45,752,484, representing 2.98% of the issued share capital.

(iv) Maximum entitlement of each eligible participant

The maximum number of shares issuable under share options to each eligible participant in the Scheme within any 12-month period, is limited to 1% of the shares of the Company in issue at any time.

(v) Option period

The Scheme became effective on 9 September 2002 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

(vi) Acceptance of offer

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

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

(vii) Exercise price

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

(viii) The remaining life of the Scheme

The directors shall be entitled at any time within 10 years commencing on 9 September 2002 to offer the grant of an option to any eligible participants.

No share option has been granted since the Scheme became effective on 9 September 2002.

29. RESERVES

(a) The Group

The amounts of the Group's reserves and the movements therein for the two years are presented in the consolidated statement of changes in equity on page 36 of the financial statements.

(b) The Company

	Contributed surplus	Distributable reserve	(Accumulated losses)/ Retained profits	Total
	HK$'000	HK$'000	HK$'000	HK$'000
At 1 April 2004	60,733	4,995	(1,164)	64,564
Net profit for the year	–	–	3,466	3,466
At 31 March 2005 and 1 April 2005	60,733	4,995	2,302	68,030
Net loss for the year	–	–	(37,250)	(37,250)
At 31 March 2006	60,733	4,995	(34,948)	30,780

(c) Nature of purposes of the reserves

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

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

29. RESERVES (Continued)

(c) Nature of purposes of the reserves (Continued)

(iii) Exchange fluctuation reserve

The exchange fluctuation reserve comprises all foreign exchange differences arising from the translation of the financial statements of the overseas subsidiaries. The reserve is dealt with in accordance with the accounting policy set out in note 2(o).

(d) Distributability of reserves

At 31 March 2006, the aggregate amount of reserves available for the distribution to equity shareholders of the Company calculated in accordance with the Companies Act 1981 of Bermuda (as amended) was HK$30,780,000 (2005: HK$68,030,000) in certain circumstances.

30. RELATED PARTY TRANSACTIONS

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

	2006	2005
	HK$'000	HK$'000
Interest expense paid to an associate (a)	**–**	5
Interest expense paid to a director (b)	**45**	–
Rental of a director's quarter paid to a related company (c)	**484**	480
Rental of office premises paid to a related company (d)	**73**	–

(a) The interest expense related to an advance from an associate which was fully repaid in 2005. The interest was calculated at a rate of 0.125% per annum.

(b) The interest expense related to an advance from a director, Cheng Tun Nei. The interest is calculated at a rate of 1% per annum over and above the Prime Rate.

(c) The Company has entered into a lease agreement with a related company, Mountain-Dew Limited, a company controlled by Kwok Hon Lam, a director of the Company, to lease a director's quarter for a period of 33 months commencing on 1 March 2006 at a monthly rental of HK$45,000 (2005: HK$40,000).

(d) The Company has entered into a lease agreement with a related company, Gold Regent International Limited, a company controlled by Cheng Tun Nei, a director of the Company, to lease office premises for a period of two years commencing on 1 March 2006 at a monthly rental of HK$73,340 (2005: HK$Nil).

31. MAJOR NON-CASH TRANSACTIONS

(a) Included in the prior year were mould deposits of approximately HK$3,190,000 (2005: HK$5,596,000) which were transferred to moulds under property, plant and equipment in current year.

(b) During the year, the Group entered into finance lease arrangements in respect of machinery, engineering and other equipment with a total capital value at the inception of the leases of HK$1,302,000 (2005: HK$979,000).

32. CONTINGENT LIABILITIES

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

	The Company	
	2006	2005
	HK$'000	HK$'000
Guarantees granted to subsidiaries for		
Banking facilities	**39,800**	22,000
Finance lease payables	**2,051**	1,364
	41,851	23,364

As at 31 March 2006, guarantees given in connection with banking facilities granted to subsidiaries by the Company were utilised to the extent of HK$23,351,000 (2005: HK$19,044,000).

33. OPERATING LEASE COMMITMENTS

The Group leases certain of its director's quarter and office premises under operating lease commitments. Leases for these properties are negotiated for terms ranging from one to three years.

As at 31 March 2006, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	The Group		The Company	
	2006	2005	**2006**	2005
	HK$'000	HK$'000	**HK$'000**	HK$'000
Within one year	**1,420**	502	**880**	–
In the second to fifth years, inclusive	**1,707**	–	**807**	–
	3,127	502	**1,687**	–

34. CAPITAL COMMITMENTS

Capital commitments outstanding as at 31 March 2006 not provided for in the financial statements were as follows:

	The Group	
	2006	2005
	HK$'000	HK$'000
Contracted, but not provided for	**1,450**	557

35. EVENT AFTER BALANCE SHEET DATE

(a) On 30 June 2006, rights issue of one rights share for every existing share together with an issue of two bonus warrants for every five rights shares was made, at an issue price of HK$0.10 per rights share, resulting in the issue of 768,641,743 shares of HK$0.10 each for a total cash consideration. As a result, a total of 307,456,696 warrants were issued which entitling the holders thereof to subscribe for new shares at an initial subscription price of HK$0.10 per share upon exercise of one warrant. The gross proceeds amounted to HK$76,864,000 and the net proceeds from the rights issue of HK$74,000,000. The net proceeds from rights issue will be used for investment in property sector in mainland China, repayment of trust receipt loans due in July 2006 and reduction of the Group's indebtedness and retaining as general working capital.

35. EVENT AFTER BALANCE SHEET DATE (Continued)

(b) Subsequent to the balance sheet date on 3 April 2006 and 30 May 2006, the Group entered into finance lease arrangement in respect of property, plant and equipment with a total capital value of HK$1,553,000. Leases for these property, plant and equipment are negotiated for the term of three years.

36. COMPARATIVE FIGURES

As further explained in note 2(a) to the financial statements, due to adoption of new HKFRSs during the current year, the accounting treatment and presentation of certain items and balances in the financial statements have been revised to comply with the new requirements. Accordingly, certain comparative amounts have been reclassified and restated to conform with the current year's presentation and accounting treatment.

37. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE ANNUAL ACCOUNTING PERIOD ENDED 31 MARCH 2006

The Group has not early applied the following new standards and interpretations that have been issued but are not yet effective. The directors of the Company anticipate that the application of these standards or interpretations will have no material impacts on the financial statements of the Group.

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