1. GENERAL

The Company was incorporated and registered as an exempted company with limited liability in the Cayman Islands under the Companies Law (Revised) of the Cayman Islands. Its shares are 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 Corporation Information section to the annual report.

The Company is an investment holding company and provides corporate management services. The principal activities of its principal subsidiaries are manufacturing and trading of household electrical appliances and audio-visual products and trading of kitchenware. The principal activities of its subsidiaries and associate are set out in notes 33 and 17 respectively.

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

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS/CHANGES IN ACCOUNTING POLICIES

(I) Application of 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 ("INT") (hereinafter collectively referred to as "new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") that are effective for accounting periods beginning on or after 1st January, 2005. The application of the new HKFRSs has resulted in a change in the presentation of the consolidated income statement and consolidated balance sheet. The changes in presentation have been applied retrospectively. The adoption of the 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 or prior accounting years are presented:

Financial Instruments

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 no material impact on how the financial statements of the Group are presented for current and prior accounting periods. The principal effects resulting from the implementation of HKAS 39 are summarised below:

Classification and measurement of financial assets and financial liabilities

The Group has applied the relevant transitional provisions in HKAS 39 with respect to the classification and measurement of financial assets and financial liabilities that are within the scope of HKAS 39.

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS/CHANGES IN ACCOUNTING POLICIES *(continued)*

(I) Application of Hong Kong Financial Reporting Standards *(continued)*

Classification and measurement of financial assets and financial liabilities (continued)

By 30th April, 2005, the Group classified and measured its investments in securities in accordance with the benchmark treatment of Statement of Standard Accounting Practice 24 Accounting for Investments in Securities ("SSAP 24"). Under SSAP 24, investments in debt or equity securities are classified as "investment securities", "other investments" or "held-to-maturity 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. Held-to-maturity investments are carried at amortised cost less impairment losses (if any). From 1st May, 2005 onwards, the Group has classified and measured its investments in 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", "loans and receivables", or "held-to-maturity financial assets". "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 and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments are measured at cost less impairment after initial recognition. "Loans and receivables" and "held-to-maturity financial assets" are measured at amortised cost using the effective interest method after initial recognition.

On 1st May, 2005, the Group classified and measured its investments in securities in accordance with the transitional provisions of HKAS 39. Reclassification of investment in securities of HK$1,294,000 and designation of HK$1,190,000 to "held for trading investments" and "financial assets at fair value through profit or loss," respectively, has been made as of 1st May, 2005. The application of HKAS 39 has had no material effect on the results of the Group for current year (see Note 3 for the financial impact).

Financial assets and financial liabilities other than debt and equity securities

From 1st May, 2005 onwards, the Group has classified and measured its financial assets and financial liabilities other than debt and equity securities (which were previously outside the scope of SSAP 24) in accordance with the requirements of HKAS 39. Financial assets under HKAS 39 are classified as "financial assets at fair value through profit or loss", "available-for-sale financial assets", "loans and receivables" or "held-to-maturity financial assets". Financial liabilities are generally classified as "financial liabilities at fair value through profit or loss" or "other financial liabilities". Financial liabilities at fair value through profit or loss are measured at fair value, with changes in fair value being recognised in profit or loss directly. Other financial liabilities are carried at amortised cost using the effective interest method after initial recognition. The application of HKAS 39 has had no material impact of the recognition and measurement of financial assets and financial liabilities of the Group.

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS/CHANGES IN ACCOUNTING POLICIES *(continued)*

(I) Application of Hong Kong Financial Reporting Standards *(continued)*

Derivatives

From 1st May, 2005 onwards, all derivatives that are within the scope of HKAS 39 are required to be carried at fair value at each balance sheet date regardless of whether they are deemed as held for trading or designated as effective hedging instruments. Under HKAS 39, derivatives (including embedded derivatives separately accounted for from the non-derivative host contracts) are deemed as held-for-trading financial assets or financial liabilities, unless they qualify and are designated as effective hedging instruments. The corresponding adjustments on changes in fair values would depend on whether the derivatives are designated as effective hedging instruments, and if so, the nature of the item being hedged. For derivatives that are deemed as held for trading, changes in fair values of such derivatives are recognised in profit or loss for the period in which they arise. The application of HKAS 39 has had no material impact of the recognition of derivatives.

Derecognition

HKAS 39 provides more rigorous criteria for the derecognition of financial assets than the criteria applied in previous periods. Under HKAS 39, a financial asset is derecognised, when and only when, either the contractual rights to the asset's cash flows expire, or the asset is transferred and the transfer qualifies for derecognition in accordance with HKAS 39. The decision as to whether a transfer qualifies for derecognition is made by applying a combination of risks and rewards and control tests. The Group has applied the relevant transitional provisions and applied the revised accounting policy prospectively to transfer of the financial assets from 1st May, 2005 onwards. As a result, the Group's bills receivables discounted with full recourse that were outstanding at 30th April, 2005 have not been restated. As at 30th April, 2006, the Group does not have any outstanding discounted bills receivable and accordingly this change in accounting policy has had no material effect on the Group.

Owner-occupied Leasehold Interest in Land

In previous years, owner-occupied leasehold land and buildings were included in property, plant and equipment and measured using the cost model. In the current year, the Group has applied HKAS 17 Leases. Under HKAS 17, the land and buildings elements of a lease of land and buildings 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 interests in land are reclassified to prepaid lease payments under operating leases, which are carried at cost and amortised over the lease term on a straight-line basis. This change in accounting policy has been applied retrospectively (see Note 3 for the financial impact). As a result of this change in accounting policy, property, plant and equipment of HK$657,000 has been reclassified to prepaid lease payment as at 30th April, 2005. Comparative figures have been restated.

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS/CHANGES IN ACCOUNTING POLICIES *(continued)*

(II) Changes in Accounting Policy

Leasehold properties

In previous years, the Group's leasehold land and building under Statement of Standard Accounting Practice 17 "Property, plant and equipment" ("SSAP 17") issued by the HKICPA were measured at cost less accumulated depreciation and accumulated impairment loss. On 1st May, 2005, in order to reflect the market value of the leasehold properties, the Group has elected to use the revaluation model to account for its leasehold properties which requires increase or decrease in the fair value recognised to be credited or charged to the revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised as an expense, in which case the increase is credited to the income statement to the extent of the decrease previously charged for the year in which they arise. A decrease in fair value arising on revaluation of an asset is dealt with as an expense to the extent that it exceeds the balance, if any, on the revaluation reserve relating to a previous revaluation of that asset.

In previous years, depreciation was provided to write off the cost of the leasehold properties over the terms of the leases, using the straight-line method. Upon adoption of the revaluation model for leasehold properties mentioned above, the accumulated depreciation charged on the leasehold properties were written back on revaluation of the leasehold properties and deferred tax liabilities arising from the increase in fair value of the leasehold properties have been recognised. The net effect of any write-back of depreciation charges and the attributable deferred tax were dealt with in the properties revaluation reserve accordingly.

The change in accounting policy is dealt with as a current year movement in the revaluation reserve of HK$52,225,000 in accordance with of HKAS 16 (net of deferred tax of HK$11,078,000). Accordingly, prior period amounts are not restated.

3. SUMMARY OF THE EFFECTS OF THE APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARD/ CHANGES IN ACCOUNTING POLICIES

The cumulative effects of the application of the new HKFRSs and change in accounting policy for leasehold land and buildings on 30th April, 2005 and 1st May, 2005 are summarised below:

	As at 30th April, 2005 (originally stated)	Adjustments on HKAS 17	As at 30th April, 2005 (restated)	Adjustments on HKAS 39	As at 1st May, 2005 (restated)
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Balance sheet items					
Property, plant and equipment	275,820	(657)	275,163	–	275,163
Prepaid lease payments	–	657	657	–	657
Investment in securities	1,190	–	1,190	(1,190)	–
Fair value through profit and loss investments	–	–	–	1,190	1,190
Trade receivables	81,196	–	81,196	–	81,196
Bank and other borrowings	(82,802)	–	(82,802)	–	(82,802)
Other assets and liabilities	39,713	–	39,713	–	39,713
Total assets and liabilities	315,117	–	315,117	–	315,117
Capital and reserves					
Share capital	4,220	–	4,220	–	4,220
Accumulated profits	224,463	–	224,463	–	224,463
Other reserve	86,434	–	86,434	–	86,434
Total equity	315,117	–	315,117	–	315,117

The financial effects of the adoption of HKAS 17 on 30th April, 2004 are summarised as below:

	As at 30th April, 2004 (originally stated)	Adjustment on HKAS 17	As at 30th April, 2004 (restated)
	HK$'000	*HK$'000*	*HK$'000*
Balance sheet item			
Property, plant and equipment	191,115	(671)	190,444
Prepaid lease payments	–	671	671
Other assets and liabilities	89,198	–	89,198
Total equity	280,313	–	280,313

3. SUMMARY OF THE EFFECTS OF THE APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARD/ CHANGES IN ACCOUNTING POLICIES *(continued)*

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

	2006	2005
	HK$'000	*HK$'000*
Recognition of share-based payments as expenses	**(752)**	–
Depreciation of property, plant and equipment	**(906)**	(14)
Release of prepaid lease payments	**13**	14
Decrease in profit for the year	**(1,645)**	–

Analysis of decrease in profit for the year by line items presented according to their function:

	2006	2005
	HK$'000	*HK$'000*
Increase in administrative expenses	**(1,645)**	–
Decrease in profit for the year	**(1,645)**	–

The Group has not early applied the following new standards, amendments and interpretations that have been issued but are not yet effective. The directors of the Group anticipate that the application of these new standards, amendments and interpretations will have no material impact 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) - 7	Applying the restatement approach under HKAS 29 Financial reporting in hyperinflationary economics[4]
HK(IFRIC) - 8	Scope of HKFRS 2[5]
HK(IFRIC) - 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.

4. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared on the historical cost basis, as modified for leasehold buildings and certain financial instruments, which are measured at revalued amounts or fair values, respectively, as explained in the accounting policies set out below.

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards 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 30th April each year.

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

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 transactions, balances, income and expenses are eliminated on consolidation.

Minority interests in the net assets of consolidated subsidiaries are presented separately from the Group's equity therein. Minority interests in the net assets consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

Investments in associates

The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting. Under the equity method, investments in associates are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of the profit or loss and of changes in equity of the associate, less any identified impairment loss. When the Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. An additional share of losses is provided for and a liability is recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

Where a group entity transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Revenue recognition

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

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 asset to that asset's net carrying amount.

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

Property, plant and equipment

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

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

Leasehold Properties held for use in manufacturing and for administrative purposes, are stated in the balance sheet at their revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and any subsequent accumulated impairment losses. Revaluations are performed with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair values at the balance sheet date.

Any revaluation increase arising on revaluation of buildings is credited to the revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised as an expense, in which case the increase is credited to the income statement to the extent of the decrease previously charged. A decrease in net carrying amount arising on revaluation of an asset is dealt with as an expense to the extent that it exceeds the balance, if any, on the revaluation reserve relating to a previous revaluation of that asset. On the subsequent sale or retirement of a revalued asset, the attributable revaluation surplus is transferred to retained profits.

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

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

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 dereognised.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Leasing

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.

Assets held under finance leases are recognised as assets of the Group at their fair value at the 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.

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.

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 Group (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.

Borrowing costs

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

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Inventories

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

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 one of the three categories, including financial assets at fair value through profit or loss, loans and receivables and held-to-maturity investments. 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 marketplace. The accounting policies adopted in respect of each category of financial assets are set out below.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss has two subcategories, including financial assets held for trading and those designated at fair value through profit or loss on initial recognition. At each balance sheet date subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value, with changes in fair value recognised directly in profit or loss in the period in which they arise.

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, including trade receivables, other receivables, deposits for acquisitions of property, plant and equipment and bank balances 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.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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, including trade payables, other payables, tax payables, obligations under finance leases and bank and other borrowings, are generally classified as other financial liabilities. Other financial liabilities are subsequently measured at amortised cost, using the effective interest rate method.

Embedded derivatives

Derivatives embedded in non-derivative host contracts are separated from the relevant host contracts and deemed as held-for-trading when the economic characteristics and risks of the embedded derivatives are not closely related to those of the host contracts, and the combined contracts are not measured at fair value through profit or loss. In all other circumstances, derivatives embedded are not separated and are accounted for together with the host contracts in accordance with appropriate standards. Where the Group needs to separate an embedded derivative but is unable to measure the embedded derivative, the entire combined contracts are treated as held-for-trading.

Prepaid lease payments

The payments made on the acquisitions of land use rights are accounted for as operating leases and are carried at cost and amortised on a straight-line basis over the relevant lease terms.

Share-based payment transactions

The fair value of services received determined by reference to the fair value of share options granted at the grant date is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (share option reserve).

At the time when the share options are exercised, the amount previously recognised in share option reserve will be transferred to share premium. When the share options are forfeited or are still not exercised at the expiry date, the amount previously recognised in share option reserve will be transferred to retained earnings.

Impairment

At each balance sheet date, the Group reviews the carrying amounts of its assets to determine whether there is any indication that these assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Taxation

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

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years, and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

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

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

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Retirement benefit scheme

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

5. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the process of applying the Group's accounting policies which are described in note 4, management has made the following estimation uncertainty that have most significant effect on the amounts recognised in the financial statements.

Estimated impairment of trade receivables

The provision policy for bad and doubtful debts of the Group is based on the on-going evaluation of collectability and aging analysis of the outstanding receivables and on management's judgment. A considerable amount of judgment is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each customer. If the financial conditions of customers of the Group were to deteriorate, resulting in an impairment of their abilities to make payments, additional allowances may be required. As at 30th April, 2006, the carrying value of trade receivables, after impairment loss recognised, is HK$96,313,000.

Tax provision

As detailed in note 9, in February 2006, Inland Revenue Department ("IRD") issued an Assessment for the year of assessment 1999/2000 and Notices of Additional Assessment for the years of assessment from 2000/2001 to 2002/2003, against a wholly-owned subsidiary of the Company, in respect of depreciation claims of certain plant and machineries in the PRC.

The directors are of the opinion, together with the advice from the Company's tax and legal advisors, that the outcome of these assessments will not have a material financial impact to the Group.

6. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's major financial instruments include trade and other receivables, bank balances and cash, trade and other payables and borrowings. Details of these financial instruments are disclosed in the respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Interest rate risk

The Group's exposure to changes in interest rate risk is mainly attributable to its bank borrowings at variable interest rates and short-term interest-bearing bank deposits at fixed interest rates, which expose the Group to cash flow and fair value interest-rate risk respectively. Details of the Group's bank deposits and bank borrowings have been disclosed in note 22 and 25 respectively. The Group currently does not have an interest rate hedging policy. However, management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

Commodity price risk

The Group is exposed to fluctuations in the prices of raw materials for the manufacturing of household electrical appliances, primarily copper and plastic materials. The Group purchased from most of its suppliers of copper and plastic materials at market prices. Rising prices for these materials will affect the Group's cost of production. As a result, fluctuations in the prices of the manufacturing materials have a significant impact on the Group's results of operations. The Group currently does not have any commodity price hedging policy. The directors monitor the Group's exposure on going basis and will consider hedging such risk should the need arise.

Currency risk

Several subsidiaries of the Company have sales in currency other than the functional currency of the Company ("foreign currency"), which expose the Group to foreign currencies risk. In addition, certain trade and other receivables of the Group are denominated in foreign currencies. The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

Credit risk

The Group's maximum exposure to credit risk in the event of the counterparties' failure to perform their obligations as at 30th April, 2006 in relation to each class of recognised financial assets is the carrying amounts of those assets as stated in the consolidated balance sheet. 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.

Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the funds earned from the operations and granted from additional financing by banking facilities.

7. SEGMENT INFORMATION

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

All of the Group's turnover, assets and liabilities were derived from the manufacturing and trading of household electrical appliances and audio-visual products and trading of kitchenware. The turnover, profit and assets attributable to the manufacturing and trading of audio-visual products and the trading of kitchenware contributing to less than 10% of the Group's turnover, profits and assets. Accordingly, no analysis of financial information by business segment is presented.

An analysis of the Group's turnover and net profits for the year and segment assets and liabilities by geographical market, irrespective of the origin of the goods, is as follows:

By geographical market

	Europe	Asia	North America	Australia and New Zealand	Eliminations	Consolidated Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
For the year ended 30th April, 2006						
TURNOVER						
External sales	**175,961**	**74,752**	**35,211**	**2,764**	**–**	**288,688**
Inter-segment sales	**–**	**245,154**	**–**	**–**	**(245,154)**	**–**
Total	**175,961**	**319,906**	**35,211**	**2,764**	**(245,154)**	**288,688**
Inter-segment sales are charged at the terms agreed by both parties						
RESULT						
Segment results	**63,267**	**21,840**	**12,676**	**857**	**–**	**98,640**
Unallocated other operating income						**5,955**
Unallocated corporate expenses						**(65,934)**
Finance costs						**(13,985)**
Profit before taxation						**24,676**
Taxation						**(24,278)**
Profit for the year						**398**
Assets and liabilities at 30th April, 2006						
ASSETS						
Segment assets	**13,952**	**120,416**	**2,051**	**46**	**–**	**136,465**
Interests in an associate						**2**
Advance to an associate						**748**
Unallocated corporate assets						**664,179**
Consolidated total assets						**801,394**
LIABILITIES						
Segment liabilities	**7,137**	**58,307**	**–**	**250**	**–**	**65,694**
Unallocated corporate liabilities						**365,353**
Consolidated total liabilities						**431,047**

7. SEGMENT INFORMATION *(continued)*

By geographical market *(continued)*

	Europe HK$'000	Asia HK$'000	North America HK$'000	Australia and New Zealand HK$'000	South America HK$'000	Eliminations HK$'000	Consolidated Total HK$'000
For the year ended 30th April, 2005							
TURNOVER							
External sales	190,763	90,664	47,537	5,446	3,089	–	337,499
Inter-segment sales	–	152,881	–	–	–	(152,881)	–
Total	190,763	243,545	47,537	5,446	3,089	(152,881)	337,499
Inter-segment sales are charged at the terms agreed by both parties							
RESULT							
Segment results	76,964	30,906	18,597	1,979	1,094	–	129,540
Unallocated other operating income							2,476
Unallocated corporate expenses							(58,876)
Finance costs							(5,902)
Profit before taxation							67,238
Taxation							(9,224)
Net profit for the year							58,014
Assets and liabilities at 30th April, 2005							
ASSETS							
Segment assets	19,268	91,750	1,018	–	–	–	112,036
Unallocated corporate assets							472,208
Consolidated total assets							584,244
LIABILITIES							
Segment liabilities	2,241	51,283	–	24	–	–	53,548
Unallocated corporate liabilities							215,579
Consolidated total liabilities							269,127

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

8. FINANCE COSTS

	2006	2005
	HK$'000	*HK$'000*
Interest on:		
Bank borrowings and overdraft wholly repayable		
– within five years	**13,597**	5,532
– over five years	**221**	133
Finance leases	**167**	237
	13,985	5,902

9. TAXATION

	2006	2005
	HK$'000	*HK$'000*
The charge comprises:		
Hong Kong Profits Tax		
– Current year	**6,538**	6,314
– Underprovision in prior years	**16,554**	482
PRC enterprise income tax	**1,733**	1,278
	24,825	8,074
Deferred taxation *(note 25)*	**(547)**	1,150
	24,278	9,224

Hong Kong Profits Tax and PRC enterprise income tax were calculated at 17.5% (2005: 17.5%) and 27% (2005: 27%), respectively, on the respective estimated assessable profits for the year.

The underprovision is primarily related to a change in estimate by the directors of the likely outcome of a subsidiary's off-shore claims in prior years as a result of certain assessments issued by the Inland Revenue Department (the "IRO") to the Group and recent publication issued by the IRD.

In February, 2006, the IRD issued an Assessment for the year of assessment 1999/2000 and Notices of Additional Assessment for the years of assessment from 2000/01 to 2002/03, against a wholly-owned subsidiary of the Company, in respect of depreciation claims of certain plant and machineries used in the PRC. These assessments amounted to approximately HK$9.5 million.

9. TAXATION *(continued)*

In the opinion of the directors, the subject plant and machineries were used in generating assessable profits of the subsidiary. Together with the advice from the Company's tax and legal advisers, the directors believe that the above-mentioned assessments are unstainable and will lodge objections accordingly. While the outcome of these assessments/objections cannot be reasonably estimated at the date these financial statements are approved by the board, the directors are confident that their ultimate resolution will not have a material financial impact to the Group. Accordingly, no provision for these assessments is made in the financial statements.

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

	2006	2005
	HK$'000	*HK$'000*
Profit before taxation	**24,676**	67,238
Tax at the domestic income tax rate of 17.5%	**4,319**	11,767
Tax effect of income not taxable for tax purposes	**(1,528)**	(80)
Tax effect of expenses not deductible for tax purposes	**1,977**	3,607
Tax effect of 50% relief from Hong Kong Profits Tax	**–**	(6,662)
Underprovision in prior years	**16,554**	482
Tax effect of tax losses not recognised	**2,631**	–
Utilisation of tax losses previously not recognised	**(11)**	(307)
Effect of different tax rates of subsidiaries operating in other jurisdictions	**336**	417
Taxation for the year	**24,278**	9,224

10. PROFIT FOR THE YEAR

	2006	2005
	HK$'000	*HK$'000*
Profit for the year has been arrived at after charging:		
Auditors' remuneration	**1,350**	1,238
Impairment losses on trade and other receivables	**510**	2,050
Staff costs, including directors' emoluments	**35,638**	34,479
Retirement benefits scheme contributions, including directors	**1,406**	1,349
Depreciation of property, plant and equipment	**47,396**	37,879
Release of prepaid lease payments	**13**	14
Realised loss on disposal of investments in securities	**–**	555
Unrealised holding loss on investments in securities	**–**	38
and after crediting:		
Unrealised holding gain on fair value through profit and loss investments	**112**	–
Interest income	**810**	440

11. DIVIDENDS

	2006	2005
	HK$'000	*HK$'000*
Ordinary shares		
Interim, paid - nil (2005: HK1.5 cents) per share	**–**	6,330
Final, paid for 2005 - HK2.5 cents (for 2004: HK4 cents) per share	**10,550**	16,880
	10,550	23,210

The directors have resolved not to propose a dividend for the year ended 30th April, 2006.

12. EARNINGS PER SHARE

The calculation of the basic earnings per share attributable to the equity holders of the Company is based on the following data:

	2006	2005
	HK$'000	*HK$'000*
Earnings		
Earnings for the purpose of basic and diluted earnings per share	**398**	58,014
Number of shares		
Number of ordinary shares for the purposes of basic earnings per share	**422,000**	422,000
Effect of dilutive potential ordinary shares – share options	**339**	N/A
Number of ordinary shares for the purposes of diluted earnings per share	**422,339**	N/A

Weighted average number of ordinary share for the purpose of the computation of diluted earnings per share has been accounted for the effect of the options with dilutive effect.

No diluted earnings per share were presented for 2005 as there were no share options outstanding at the end of that year.

The following table summaries the impact on both basic and diluted earnings per share as a result of changes in accounting policy for the year 2006:

	Impact on basic earnings per share	**Impact on diluted earnings per share**
	HK cents	*HK cents*
Figure before adjustments	0.5	0.5
Adjustments arising from changes in accounting policies *(see note 3)*	(0.4)	(0.4)
Reported	0.1	0.1

There is no significant impact on the basic earnings per share on applications of new HKFRSs for the year ended 30th April, 2005.

13. DIRECTORS' EMOLUMENTS

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

	Yeung Kui Wong	Hung Kwok Wa	Lai Wing Cheun	Yeung Ying Fong	Paul Steven Wolansky	Leung Ping Chung, Hermann	Lau Yau Cheung	Tam Ping Kuen	Luo Ben Jin	Lau Tai Chim	Total 2006
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Fees	–	–	–	–	–	–	105	180	50	180	515
Other emoluments	443	–	–	–	–	–	–	–	–	–	443
Salaries and other benefits	1,950	1,440	560	355	–	–	–	–	–	–	4,305
Contributions to retirement benefits schemes	12	12	12	6	–	–	–	–	–	–	42
Share-based payments	–	–	–	309	–	–	–	–	–	–	309
Total emoluments	2,405	1,452	572	670	–	–	105	180	50	180	5,614

	Yeung Kui Wong	Hung Kwok Wa	Lai Wing Cheun	Yeung Ying Fong	Leung Ping Chung, Hermann	Tam Ping Kuen	Luo Ben Jin	Lau Tai Chim	Total 2005
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Fees	–	–	–	–	–	105	120	180	405
Other emoluments	383	–	–	–	–	–	–	–	383
Salaries and other benefits	1,950	1,560	557	–	–	–	–	–	4,067
Contributions to retirement benefits schemes	12	12	12	–	–	–	–	–	36
Total emoluments	2,345	1,572	569	–	–	105	120	180	4,891

Included above is rent free accommodation provided to a director of the Company with the ratable value of this property amounting to HK$443,000 (2005: HK$383,000).

14. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, two (2005: three) were directors of the Company whose emoluments are included in the disclosures in note 13 above. The emoluments of the remaining three (2005: two) individuals were as follows:

	2006	2005
	HK$'000	*HK$'000*
Salaries and other benefits	**2,676**	1,215
Retirement benefit scheme contribution	**33**	23
	2,709	1,238

Their emoluments were within the following bands:

	2006	2005
	No. of employees	*No. of employees*
Nil to HK$1,000,000	**2**	2
HK$1,000,001 to HK$1,500,000	**1**	–
	3	2

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

15. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings HK$'000	Leasehold improvements HK$'000	Moulds HK$'000	Plant, machinery and equipment HK$'000	Furniture and fixtures HK$'000	Motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
COST OR VALUATION								
At 1st May, 2004 - originally stated	70,687	3,096	109,677	73,067	863	4,001	50,691	312,082
Effect of adoption of HKAS 17	(701)	–	–	–	–	–	–	(701)
At 1st May, 2004 - restated	69,986	3,096	109,677	73,067	863	4,001	50,691	311,381
Additions	–	76	48	25,621	8	119	96,726	122,598
Reclassification	–	–	40,129	–	–	–	(40,129)	–
At 30th April, 2005 - restated	69,986	3,172	149,854	98,688	871	4,120	107,288	433,979
Effect of change in accounting policy	53,976	–	–	–	–	–	–	53,976
Currency realignment	–	71	7,919	1,643	–	45	90	9,768
Additions	–	1,484	–	3,142	551	479	145,517	151,173
Reclassification	39,475	–	40,828	–	–	–	(80,303)	–
Decrease in revaluation	(2,354)	–	–	–	–	–	–	(2,354)
At 30th April, 2006	161,083	4,727	198,601	103,473	1,422	4,644	172,592	646,542
DEPRECIATION								
At 1st May, 2004 - originally stated	7,957	1,774	67,000	41,790	830	1,616	–	120,967
Effect of adoption of HKAS 17	(30)	–	–	–	–	–	–	(30)
At 1st May, 2004 - restated	7,927	1,774	67,000	41,790	830	1,616	–	120,937
Provided for the year	1,400	702	27,969	7,253	13	542	–	37,879
At 30th April, 2005 - restated	9,327	2,476	94,969	49,043	843	2,158	–	158,816
Effect of change in accounting policy	(9,327)	–	–	–	–	–	–	(9,327)
Currency realignment	–	58	4,106	349	–	20	–	4,533
Provided for the year	3,222	849	34,012	8,543	128	642	–	47,396
Reverse on valuation	(3,222)	–	–	–	–	–	–	(3,222)
At 30th April, 2006	–	3,383	133,087	57,935	971	2,820	–	198,196
CARRYING VALUES								
At 30th April, 2006								
– at cost	–	1,344	65,514	45,538	451	1,824	172,592	287,263
– at valuation	161,083	–	–	–	–	–	–	161,083
	161,083	1,344	65,514	45,538	451	1,824	172,592	448,346
At 30th April, 2005, at cost	60,659	696	54,885	49,645	28	1,962	107,288	275,163

Certain owner-occupied leasehold land are included in the leasehold land and building of property, plant and equipment as in the opinion of the directors, allocation between the land and building elements could not be made reliably. The leasehold land and buildings are held in Hong Kong under medium-term lease.

15. PROPERTY, PLANT AND EQUIPMENT *(continued)*

The above items of property, plant and equipment are depreciated on a straight-line basis at the following rates per annum:

Leasehold properties	2%
Leasehold improvements	25%
Moulds	$33^1/_3$%
Plant, machinery and equipment	10%
Furniture and fixtures	25%
Motor vehicles	20%

As at 30th April, 2006, the net book value of plant, machinery and equipment includes an amount of HK$7,851,000 (2005: HK$8,770,000) in respect of assets held under finance leases.

The properties of the Group were valued on 30th April, 2006 by Castores Magi (Hong Kong) Limited, Chartered Surveyors, an independent firm of professional property valuer not connected with Group, on an open market value basis.

As at 30th April, 2006, the Group has pledged properties having a carrying value of approximately HK$12,210,000 (2005: HK$9,044,000) to secure its general banking facilities.

Increase or decrease in fair value of leasehold properties had been credited or charged to the property revaluation reserve.

16. PREPAID LEASE PAYMENTS

The Group's prepaid lease payments comprise land use right held under medium-term lease in the PRC of approximately HK$644,000 (2005: HK$657,000). For the purpose of the financial statements, the current portion of HK$14,000 (2005: HK$14,000) was presented separately.

17. INTEREST IN AND ADVANCE TO AN ASSOCIATE

	2006	2005
	HK$'000	*HK$'000*
Cost of unlisted investment in an associate	**2**	–
Share of post-acquisition profits	**–**	–
	2	–

As at 30th April, 2006, the Group had 30% equity interest in, by holding of 30% ordinary shares in issue of, Graysmith Limited ("Graysmith"), a company incorporated in British Virgin Islands on 22nd November, 2005 with total issued share capital of US$1,000. Graysmith has not commenced business for the year ended 30th April, 2006.

The advance to the associate is unsecured and non-interest bearing. The directors of the Company are of the opinion that the advance is for long-term business development and will not be demanded for repayment within twelve months from the balance sheet date and accordingly, the advance is classified as non-current.

17. INTEREST IN AND ADVANCE TO AN ASSOCIATE *(continued)*

The summarised financial information in respect of the Group's associate is set out below:

	2006	2005
	HK$'000	*HK$'000*
Total assets	**2,503**	–
Total liabilities	**(2,495)**	–
Net assets	**8**	–
Group's share of net assets of an associate	**–**	–
Revenue	**–**	–
Profit for the year	**4**	–
Group's share of results of an associate for the year	**–**	–

18. FAIR VALE THROUGH PROFIT AND LOSS INVESTMENTS/HELD FOR TRADING SECURITIES/INVESTMENTS IN SECURITIES

The fair value through profit and loss investments will be matured in 2007 with guaranteed full repayment of investment cost plus contractual interest which are carried at guaranteed coupons of 7% and non-guaranteed returns over the investment period. The potential non-guaranteed return of the investments is linked to the performance of the Dow Jones Euro Stocks 50 Index, S & P 500 Index, Nikkei 225 index, FTSE 100 index and Hang Seng index and a basket of shares.

As at 30th April, 2006, the held for trading investments, representing equity securities listed in Hong Kong, are stated at fair values. Fair values of these investments have been determined by reference to bid prices quoted in active markets. Any changes in fair values of these investments are recognised in the consolidated income statement.

The held for trading investments and the fair value through profit and loss investments have been determined by reference to the market prices that are regularly quoted from a bank and the amounts as at 30th April, 2006.

18. FAIR VALE THROUGH PROFIT AND LOSS INVESTMENTS/HELD FOR TRADING SECURITIES/INVESTMENTS IN SECURITIES *(continued)*

Upon the application of HKAS 39 on 1st May, 2005, investment securities were designated or reclassified to the appropriate categories under HKAS 39 (see Note 3 for details). Investment securities as at 30th April, 2005 are set out below.

	2005
	HK$'000
Other securities:	
Unlisted – Non-current asset *(Note)*	1,190
Equity securities:	
Listed in Hong Kong - Current asset	1,294
	2,484

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

19. DEPOSITS FOR ACQUISITIONS OF PROPERTY, PLANT AND EQUIPMENT

The deposits were made by the Group in connection with the acquisitions of property, plant and equipment in the PRC. The amount committed is shown as capital commitment in note 31.

20. INVENTORIES

	2006	2005
	HK$'000	*HK$'000*
Raw materials	**58,533**	37,914
Work in progress	**22,148**	17,709
Finished goods	**19,079**	12,975
	99,760	68,598

21. TRADE RECEIVABLES AND OTHER RECEIVABLES

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

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

	2006	2005
	HK$'000	*HK$'000*
		(restated)
0 to 90 days	**74,313**	61,380
91 to 180 days	**19,949**	16,113
181 to 365 days	**2,051**	3,703
	96,313	81,196

As at 30th April, 2006, HK$61,440,000 of the balances are denominated in US dollars. In the opinion of the directors, the fair values of the balances of trade and other receivables at 30th April, 2006 approximate their corresponding carrying amounts.

22. BANK BALANCES AND CASH

Bank balances and cash comprises bank balances and cash held by the Group and short-term bank deposits that are interest bearing at market interest rate and are with maturity of three months or less. As at 30th April, 2006, HK$107,020,000 of the bank balances are denominated in Renminbi. The bank deposits carry fixed interest rates of 7.5% (2005: 7.5%) per annum. The fair values of the amounts at the balance sheet date approximated the corresponding carrying amounts.

23. TRADE PAYABLES AND OTHER PAYABLES

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

	2006	2005
	HK$'000	*HK$'000*
0 to 90 days	**19,663**	32,824
91 to 180 days	**9,526**	5,792
Over 180 days	**6,625**	–
	35,814	38,616

In the opinion of the directors, the fair values of the balances of trade and other payables at 30th April, 2006 approximate their corresponding carrying amounts.

24. OBLIGATIONS UNDER FINANCE LEASES

	Minimum lease payments		Present value of minimum lease payments	
	2006	2005	**2006**	2005
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Amounts payable under finance leases:				
Within one year	**1,302**	2,916	**1,191**	2,753
In the second to fifth year inclusive	**411**	1,941	**376**	1,793
	1,713	4,857	**1,567**	4,546
Less: future finance charges	**(146)**	(311)	**N/A**	N/A
Present value of lease obligations	**1,567**	4,546	**1,567**	4,546
Less: Amount due for settlement within twelve months (shown under current liabilities)			**(1,191)**	(2,753)
Amount due for settlement after twelve months			**376**	1,793

The Group has leased certain of its plant, machinery and equipment under finance leases. The average lease term is three years. For the year ended 30th April, 2006, the average effective borrowing rate was 4.2% (2005: 4.2%) and interest rates are fixed at the contract date. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

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

The fair values 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 the balance sheet date, approximate their carrying amounts.

25. BANK BORROWINGS

	2006	2005
	HK$'000	*HK$'000*
		(restated)
The Group's bank borrowings comprises:		
Bank borrowings	**275,845**	172,173
Trust receipt loans	**39,093**	3,244
	314,938	175,417
Secured	**5,090**	5,308
Unsecured	**309,848**	170,109
	314,938	175,417
The maturity profile of the above bank borrowings is as follows:		
Within one year or on demand	**115,109**	74,789
More than one year, but not exceeding two years	**62,690**	44,248
More than two years, but not exceeding five years	**133,139**	52,375
More than five years	**4,000**	4,005
	314,938	175,417
Less: Amount due within one year shown under current liabilities	**(115,109)**	(74,789)
	199,829	100,628

The bank borrowings are variable-rate borrowings which carry interest at 0.85% to 1.5% above London Interbank Offered Rate ("LIBOR") (2005: 1.25% to 3.00% above LIBOR) per annum. Effective interest rate on the variable-rate borrowing ranged from 4.10% to 6.11% (2005: 2.00% to 6.24%) per annum.

All bank borrowings are denominated in Hong Kong dollars.

During the year, the Group obtained new loans in the amount of HK$306,930,000. The loans bear interests at market rates and will be repayable in 2007. At 30th April, 2006, the directors consider that the fair values of the bank borrowings approximate their carrying amounts.

26. DEFERRED TAX LIABILITIES

The following are the major deferred tax liabilities and assets recognised and movements thereon during the current and prior years:

	Property revaluation reserve	Accelerated tax depreciation	Total
	HK$'000	*HK$'000*	*HK$'000*
At 30th April, 2004	–	8,369	8,369
Charge to the income statement for the year *(note 9)*	–	1,150	1,150
At 30th April, 2005	–	9,519	9,519
Effect of changes in accounting policy	11,078	–	11,078
Credit to the income statement for the year *(note 9)*	–	(547)	(547)
Charge to equity	150	–	150
At 30th April, 2006	11,228	8,972	20,200

At 30th April, 2006, the Group has unused tax losses of approximately HK$18,877,000 (2005: HK$3,906,000) available for offset against future profits. No deferred tax assets have been recognised due to the unpredictability of future profit streams. The unused tax losses may be carried forward indefinitely.

27. SHARE CAPITAL

	Number of shares	Amounts
	'000	*HK$'000*
Ordinary share of HK$0.01 each		
Authorised:		
As at 1st May, 2004, 30th April, 2005 and 30th April, 2006	**8,000,000**	**80,000**
Issued and fully paid:		
As at 1st May, 2004, 30th April, 2005 and 30th April, 2006	**422,000**	**4,220**

28. SHARE OPTION SCHEME

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

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

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

Details of specific categories of options are as follows:

					Number of share options		
	Date of grant	**Vesting period**	**Exercise period**	**Exercise price** *HK$*	**Outstanding at 1.5.2005**	**Granted during the year**	**Outstanding at 30.4.006**
Director – Yeung Ying Fong	1st November, 2005	1st November, 2005 to 30th October, 2008	1st November, 2008 to 30th October, 2013	0.668	–	4,220,000	4,220,000
An employee	1st November, 2005	Fully vest at date of grant	1st November, 2005 to 30th October, 2010	0.668	–	4,220,000	4,220,000
					–	8,440,000	8,440,000

On 1st November, 2005, 8,440,000 share options were granted to a director and an employee upon receipt of HK$2 for 2 grants. The estimated fair values of the options granted on that date are HK$1,490,000.

28. SHARE OPTION SCHEME *(continued)*

These fair values were calculated using The Black-Scholes pricing model. The inputs into the model were as follows:

Weighted average share price	HK$0.668
Exercise price	HK$0.668
Expected volatility	33.96%
Expected life	0.92 - 5 years
Risk-free rate	4.19%
Expected dividend yield	0%

Expected volatility was determined by using 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.

The Group recognised total expense of HK$752,000 for the year ended 30th April, 2006 (2005: Nil) in relation to share options granted by the Company.

29. OPERATING LEASE COMMITMENTS

	2006	2005
	HK$'000	*HK$'000*
Minimum lease payments under operating leases in respect of rented premises during the year	**2,008**	1,866

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	2005
	HK$'000	*HK$'000*
Within one year	**1,685**	2,075
In the second to fifth year inclusive	**–**	1,685
	1,685	3,760

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

30. MAJOR NON-CASH TRANSACTION

In 2005, the Group entered into finance lease arrangements in respect of assets with a total capital value at the inception of the leases of HK$2,740,000 (2006: nil).

31. CAPITAL COMMITMENTS

	2006	2005
	HK$'000	*HK$'000*
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the financial statements	**11,679**	6,468
Capital expenditure in respect of the acquisition of product design patents contracted for but not provided in the financial statements	**–**	613
	11,679	7,081

32. CONTINGENT LIABILITIES

Other than disclosed in note 9 regarding the additional tax assessments on a subsidiary of the Company in respect of depreciation claims of certain plant and machineries used in the PRC, in the amount of approximately HK$9.5 million.

At 30th April, 2005, the Group had discounted bills with recourse of HK$15,403,000 (2006: nil).

33. PLEDGE OF ASSETS

As the balance sheet dates, the Group pledged certain leasehold building with a carrying amount of HK$12,210,000 (2005: HK$9,044,000) to banks to secure general banking facilities granted to the Group.

34. RETIREMENT BENEFIT SCHEMES

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

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

The total cost charged to the consolidated income statement of HK$1,406,000 (2005: HK$1,349,000) represents contributions payable to these schemes by the Group at rates specified in the rules of the schemes.

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

35. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Particulars of the principal subsidiaries of the Company as at 30th April, 2006 are as follows:

Name of subsidiary	Place of incorporation/ establishment	Issued and fully paid ordinary share capital/ registered capital	Principal activities
Dongguan Kalee Electrical Co., Ltd. ("DGKL")	PRC*	HK$43,150,000 (paid up: HK$30,028,403)	Manufacturing of household electrical appliances
Dongguan Warderly Technology Co., Ltd. ("DGWT")	PRC*	HK$62,000,000 (paid up: HK$9,682,828)	Manufacturing of audio–visual products
Homemax (H.K.) Limited	Hong Kong	HK$2	Trading of kitchenware
Housely Industries Limited	Hong Kong	HK$1,001,000	Investment holding and trading of household electrical appliances
Housely (Macao) Commercial Offshore Company Limited	Macau	HK$98,039	Trading of household electrical appliances and other electrical products
Housely Technology Limited	Hong Kong	HK$1	Trading of audio and video electrical products
Housely Trading Company Limited	Hong Kong	HK$10,000	Trading of home appliances and audio and video products
Sharp Venture Holdings Limited	British Virgin Islands ("BVI")	US$1	Trading of securities
Tacho Company Limited	Hong Kong	HK$1,002	Investment holding and manufacturing and trading of household electrical appliances
Warderly Group Limited	BVI	US$10,000	Investment holding

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

35. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(continued)*

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

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

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

36. BALANCE SHEET OF THE COMPANY

The balance sheet of the Company as at 30th April, 2006 is as follow:

	2006	2005
	HK$'000	*HK$'000*
Non-current asset		
Investment in a subsidiary	**105,808**	105,808
Current assets		
Amount due from subsidiaries	**63,406**	76,868
Dividend receivable	**65,000**	25,000
Bank balances and cash	**129**	377
	128,535	102,245
Current liabilities		
Other payables	**1,881**	1,546
Amount due to subsidiaries	**4,153**	2,782
	6,034	4,328
Net current assets	**122,501**	97,917
Total assets less current liabilities	**228,309**	203,725
Capital and reserves		
Share capital	**4,220**	4,220
Reserves	**224,089**	199,505
	228,309	203,725

37. RELATED PARTY TRANSACTIONS

Compensation of key management personnel

Details of the remunerations of the directors of the Company are set out in note 13.