

# Notes to the Financial Statements

*For the year ended 30th April, 2004*

## **1. General**

The Company was incorporated in Bermuda as an exempted company with limited liability and its shares are listed on the Stock Exchange.

The principal activity of the Company is investment holding. The principal activities of its principal subsidiaries are set out in note 34.

## **2. Basis of preparation of financial statements**

In preparing the financial statements, the directors of the Company have given careful consideration to the liquidity of the Group and its ability to meet its ongoing obligations in light of its financial position as at 30th April, 2004. At the balance sheet date, the Group had consolidated net current liabilities of approximately HK\$5,363,000 and net assets of approximately HK\$16,149,000.

The Group's operating results for the year continue to show a loss of approximately HK\$42,821,000 (2003: HK\$89,747,000) and the Group had net operating cash outflows for the year of approximately HK\$3,812,000 (2003: HK\$18,609,000). During the year, the directors have been taking active steps to expand its market and looking for new potential customers and investors. The turnover of the Group for the year had increased from HK\$108 million for the year ended 30th April, 2003 to HK\$188 million for the year ended 30th April, 2004. During the year, a placement of approximately HK\$11,000,000 was raised from the Company's new shareholders as working capital purposes. In addition to the above, the directors have implemented cost saving measures to improve the operating results of the Group. Based on the current market situation, the directors believe the Group has good prospects and the increase in turnover will generate sufficient operating cash flows to the Group. In view of uncertainty of the future profit generating and positive cash flows, the Group is also negotiating with banks and other financial institutions to provide new credit facilities to the Group. Subsequent to the balance sheet date, the Group had obtained an aggregate amount of HK\$20 million in the form of term loan facility from an independent third party for working capital purposes. The term loan facility is unsecured and carries interest at prevailing market rate. The directors considered this facility can provide sufficient cash to finance the Group's working capital requirement and accordingly the financial statements are prepared on a going concern basis.

## **3. Adoption of Hong Kong financial reporting standards**

In the current year, the Group has adopted, for the first time, the following Hong Kong Financial Reporting Standards (the "HKFRS") issued by the Hong Kong Society of Accountants (the "HKSA"). The term of HKFRSs is inclusive of Statements of Standard Accounting Practice ("SSAP") and Interpretations approved by the HKSA.

# Notes to the Financial Statements

For the year ended 30th April, 2004

## **3. Adoption of Hong Kong financial reporting standards (continued)**

SSAP 12 (Revised) "Income taxes"

The principal effect of the implementation of SSAP 12 (Revised) is in relation to deferred tax. SSAP 12 (Revised) requires the adoption of a balance sheet liability method, whereby deferred tax is recognised in respect of all temporary 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, with limited exceptions. In the absence of any specific transitional requirements in SSAP 12 (Revised), the new accounting policy has been applied retrospectively. The adoption of SSAP 12 (Revised) had had no material effect on the results for the current or prior accounting periods. Accordingly, no prior year adjustment has been made.

## **4. Significant accounting policies**

The financial statements have been prepared under the historical cost convention, as modified for the revaluation of investment properties and investment in securities.

The financial statements have been prepared in accordance with accounting principles generally accepted in Hong Kong. The principal accounting policies adopted are as follows:

### **Basis of consolidation**

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

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

### **Investments in subsidiaries**

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

### **Investments in associates**

The consolidated income statement includes the Group's share of the post-acquisition results of its associates for the year. In the consolidated balance sheet, investments in associates are stated at the Group's share of the net assets of the associates less any identified impairment loss.

### **Revenue recognition**

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

Rental income, including rentals invoiced in advance from properties let under operating leases, is recognised on a straight line basis over the term of the relevant lease.

Interest income is accrued on a time basis by reference to the principal outstanding and the interest rate applicable.

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

# Notes to the Financial Statements

For the year ended 30th April, 2004

## 4. Significant accounting policies (continued)

### Investment properties

Investment properties are completed properties which are held for their investment potential, any rental income being negotiated at arm's length.

Investment properties are stated at their open market values. Any revaluation increase or decrease arising on the revaluation of investment properties is credited or charged to the investment property revaluation reserve unless the balance of this reserve is insufficient to cover a revaluation decrease, in which case the excess of the revaluation decrease over the balance on the investment property revaluation reserve is charged to the income statement. Where a decrease has previously been charged to the income statement and a revaluation increase subsequently arises, this increase is credited to the income statement to the extent of the decrease previously charged.

On disposal of an investment property, the balance on the investment property revaluation reserve attributable to that property is transferred to the income statement.

No depreciation is provided on investment properties except where the unexpired term of the relevant lease, including the renewable period, is 20 years or less.

### Deferred costs

Costs incurred in obtaining approvals from safety boards for products to be produced and sold commercially, are capitalised and deferred only when the products are expected to be profit generating; the costs are separately identifiable and can be measured reliably; and whose technical feasibility has been demonstrated. Deferred costs are stated at cost less accumulated amortisation and any impairment losses and are amortised on a straight line basis over a period to reflect the pattern in which the related economic benefits are recognised.

### Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation, amortisation and accumulated impairment losses.

Depreciation and amortisation are provided to write off the cost of items of property, plant and equipment over their estimated useful lives, using the straight line method, at the following rates per annum:

Leasehold improvements	Over the term of the relevant lease
Plant and machinery	20%
Furniture, fixtures and equipment	20%
Moulds	20%
Motor vehicles	20%

# Notes to the Financial Statements

For the year ended 30th April, 2004

## 4. Significant accounting policies (continued)

### Property, plant and equipment (continued)

Assets held under finance leases are depreciated over their estimated useful lives on the same basis as assets owned by the Group.

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

### Impairment

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

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, 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.

### Leased assets

Leases are classified as finance leases when the terms of the leases transfer substantially all the risks and rewards of ownership of the assets concerned to the Group. Assets held under finance leases are capitalised at their fair values at the date of acquisition. The corresponding liability to the lessor, net of interest charges, is included in the balance sheet as a finance lease obligation. Finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are charged to the income statement over the period of the relevant lease so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

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

### Investments in securities

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

Investments other than held-to-maturity debt securities are classified as investment securities and other investments.

## 4. Significant accounting policies (continued)

### Investments in securities (continued)

Investment securities, which are securities held for an identified long-term strategic purpose, are measured at subsequent reporting dates at cost, as reduced by any impairment loss that is other than temporary.

Other investments are measured at fair value, with unrealised gains and losses included in net profit or loss for the period.

### Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the first-in, first-out method. Net realisable value represents the estimated selling price less all estimated costs to completion and costs to be incurred in marketing, selling and distribution.

### Taxation

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

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

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

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, 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.

# Notes to the Financial Statements

For the year ended 30th April, 2004

## 4. Significant accounting policies (continued)

### **Taxation** (continued)

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

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited 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.

### **Foreign currencies**

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

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

### **Retirement benefit costs**

Payments to state-managed retirement benefit schemes and the Mandatory Provident Fund Scheme (the "MPF Scheme") are charged as expenses as they fall due.

## 5. Business and geographical segments

### **Business segments**

For management purposes, the Group is currently organised into three operating divisions – manufacturing and trading of electrical products, adaptors and transformers and other products.

Turnover represents the net amounts received and receivable for goods sold by the Group to outside customers during the year.

These divisions are the basis on which the Group reports its primary segment information.

# Notes to the Financial Statements

For the year ended 30th April, 2004

## 5. Business and geographical segments (continued)

### Business segments (continued)

Segment information about these businesses is presented below.

	Electrical products		Adaptors and transformers		Other products		Consolidated	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Turnover – external	127,668	38,388	53,231	52,960	7,137	17,023	188,036	108,371
Segment result	7,844	(1,139)	299	(515)	(23,092)	(18,018)	(14,949)	(19,672)
Unallocated corporate income							1,115	620
Unallocated corporate expenses							(27,797)	(50,191)
Loss from operations							(41,631)	(69,243)
Finance costs							(1,190)	(2,242)
Loss on disposal of a subsidiary							-	(19,222)
Share of losses of associates							-	(626)
Loss before taxation							(42,821)	(91,333)
Income tax credit							-	1,586
Net loss for the year							(42,821)	(89,747)
ASSETS								
Segment assets	45,675	31,764	22,727	41,513	12,511	26,481	80,913	99,758
Unallocated corporate assets							13,574	14,199
Consolidated total assets							94,487	113,957
LIABILITIES								
Segment liabilities	39,882	14,653	15,306	17,893	1,790	7,666	56,978	40,212
Unallocated corporate liabilities							21,360	25,483
Consolidated total liabilities							78,338	65,695

# Notes to the Financial Statements

For the year ended 30th April, 2004

## 5. Business and geographical segments (continued)

### Business segments (continued)

	Electrical products		Adaptors and transformers		Other products		Unallocated		Consolidated	
	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
OTHER INFORMATION										
Amortisation of deferred costs	2,394	274	489	1,113	-	-	-	-	2,883	1,387
Capital expenditure	-	4,069	455	692	289	356	801	-	1,545	5,117
Depreciation and amortisation of property, plant and equipment	3,249	3,837	2,088	5,425	5,429	6,034	-	-	10,766	15,296
Revaluation decrease arising on revaluation of an investment property	-	-	-	-	-	-	200	-	200	-
Impairment loss recognised in respect of unlisted investment in securities	-	-	-	-	-	-	-	4,000	-	4,000
Loss on disposal of investment properties	-	-	-	-	-	-	-	630	-	630
Loss on disposal of property, plant and equipment	-	-	-	-	657	-	-	1,069	657	1,069
Unrealised holding gain (loss) on other investments	-	-	-	-	-	-	124	(1,849)	124	(1,849)
Write-off of inventories	-	-	-	2,034	-	3,303	-	-	-	5,337
Allowance for inventories	-	-	-	-	5,489	-	-	-	5,489	-
Impairment loss recognised in respect of deferred costs	-	-	-	-	350	160	-	-	350	160



# Notes to the Financial Statements

For the year ended 30th April, 2004

## 5. Business and geographical segments (continued)

### Geographical segments

The Group's customers are principally located in Japan, North America, the People's Republic of China (the "PRC") and Europe. The following table provides an analysis of the Group's sales by geographical market, irrespective of the origin of the goods:

	Turnover by geographical market	
	2004 HK\$'000	2003 HK\$'000
Japan	123,307	32,094
North America	29,980	30,222
PRC, including Hong Kong	22,251	19,878
Europe	10,118	16,985
Others	2,380	9,192
	<b>188,036</b>	108,371

The following is an analysis of the carrying amount of segment assets and additions to property, plant and equipment and deferred costs, analysed by the geographical area in which the assets are located:

	Carrying amount of segment assets		Additions to property, plant and equipment and deferred costs	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
PRC, excluding Hong Kong	63,070	74,002	958	1,969
Hong Kong	31,417	39,955	587	3,148
	<b>94,487</b>	113,957	<b>1,545</b>	5,117

# Notes to the Financial Statements

For the year ended 30th April, 2004

## 6. Investment gain (loss)

	2004 HK\$'000	2003 HK\$'000
Gain on disposal of other investments	732	–
Unrealised holding loss on other investments	(124)	(1,849)
Deposit paid for acquisition of unlisted investment written off	–	(821)
Impairment loss recognised in respect of unlisted investment in securities	–	(4,000)
	<b>608</b>	<b>(6,670)</b>

## 7. Loss from operations

	2004 HK\$'000	2003 HK\$'000
Loss from operations has been arrived at after charging:		
Staff costs, including directors' emoluments		
– salaries and allowances	30,647	31,999
– retirement benefits scheme contributions	485	540
Total staff costs	<b>31,132</b>	32,539
Allowance for bad and doubtful debts	842	1,915
Amortisation of deferred costs (included in cost of sales)	2,883	1,387
Auditors' remuneration	687	790
Depreciation and amortisation of property, plant and equipment	10,766	15,296
Impairment loss recognised in respect of deferred costs	350	160
Loss of disposal of investment properties	–	630
Loss on disposal of property, plant and equipment	657	1,069
Revaluation decrease arising on revaluation of an investment property	200	–
Allowance for inventories	5,489	–
Write-off of inventories	–	5,337
and after crediting:		
Dividends received from listed investments	–	34
Interest income	59	198
Rental income from investment properties, net of outgoings of HK\$5,000 for the year ended 30th April, 2003	–	108

# Notes to the Financial Statements

For the year ended 30th April, 2004

## 8. Directors' and employees' emoluments

Particulars of the emoluments of directors and the five highest paid individuals are as follows:

### (a) Directors' emoluments

	<b>2004</b> <b>HK\$'000</b>	2003 HK\$'000
Fees:		
Executive	–	–
Independent non-executive	<b>240</b>	240
	<b>240</b>	240
Other emoluments:		
Executive:		
– salaries and other benefits	<b>2,304</b>	2,633
– retirement benefits scheme contributions	<b>42</b>	50
	<b>2,346</b>	2,683
Independent non-executive:		
– retirement benefits scheme contributions	<b>12</b>	12
Total directors' emoluments	<b>2,598</b>	2,935

The aggregate emoluments of each of the directors during both years were below HK\$1,000,000.

# Notes to the Financial Statements

For the year ended 30th April, 2004

## 8. Directors' and employees' emoluments (continued)

### (b) Employees' emoluments

During the year, the five highest paid individuals included two directors (2003: three directors), details of whose emoluments are set out in note 8(a) above.

The emoluments of the remaining three individuals (2003: two individuals) are as follows:

	<b>2004</b> <b>HK\$'000</b>	2003 HK\$'000
Salaries and other benefits	<b>1,856</b>	1,380
Retirement benefits scheme contributions	<b>36</b>	24
	<b>1,892</b>	1,404

The aggregate emoluments of each of the individuals during both years were below HK\$1,000,000.

During the year ended 30th April, 2004 and 2003, no emoluments were paid by the Group to the five highest paid individuals (including directors and employees) as an inducement to join or upon joining the Group nor as compensation for loss of office. In addition, during the year ended 30th April, 2004 and 2003, no directors waived any emoluments.

## 9. Finance costs

	<b>2004</b> <b>HK\$'000</b>	2003 HK\$'000
Interest on:		
– bank and other borrowings wholly repayable within five years	<b>1,095</b>	2,100
– obligations under finance leases	<b>95</b>	142
	<b>1,190</b>	2,242

# Notes to the Financial Statements

For the year ended 30th April, 2004

## 10. Income tax credit

	<b>2004 HK\$'000</b>	2003 HK\$'000
The credit comprises:		
Hong Kong Profits Tax	-	-
Deferred taxation ( <i>note 24</i> )	-	1,586
	<b>-</b>	<b>1,586</b>

No provision for Hong Kong Profits Tax has been made in the financial statements since the Company's Hong Kong subsidiaries have no assessable profit for both years.

No provision for PRC enterprise income tax has been made as the PRC subsidiary incurred a tax loss for both years.

Details of the deferred taxation for the year are set out in note 24.

The income tax credit for the year can be reconciled to the loss before taxation per consolidated income statement as follows:

	<b>2004 HK\$'000</b>	2003 HK\$'000
Loss before taxation	<b>(42,821)</b>	(91,333)
Tax at Hong Kong Profits Tax rate of 17.5% (2003: 16%)	<b>(7,494)</b>	(14,613)
Tax effect of expenses not deductible for tax purpose	<b>2,573</b>	7,798
Tax effect of income not taxable for tax purpose	<b>(2)</b>	(11)
Tax effect of additional tax losses not recognised	<b>5,278</b>	7,918
Overprovision of deferred taxation in previous years	-	(1,586)
Effect of different tax rates of the subsidiary operating in other jurisdiction	<b>(355)</b>	(1,092)
Income tax credit for the year	<b>-</b>	(1,586)

# Notes to the Financial Statements

For the year ended 30th April, 2004

## 11. Loss per share

The calculation of the basic loss per share is based on the net loss for the year of approximately HK\$42,821,000 (2003: HK\$89,747,000) and on the weighted average number of 2,981,282,192 (2003: 2,843,109,589) shares in issue throughout the year.

No diluted loss per share is presented as the exercise of the Company's outstanding share options for the years ended 30th April, 2004 and 2003 would result in a decrease in loss per share.

## 12. Investment property

	THE GROUP
	HK\$'000
VALUATION	
At 1st May, 2003	1,000
Revaluation decrease	(200)
<b>At 30th April, 2004</b>	<b>800</b>

The Group's investment property was revalued at 30th April, 2004 by an independent firm of professional valuers, Dynasty Premium Asset Valuation & Real Estate Consultancy Limited, on an open market value basis. This valuation resulted in a revaluation decrease of HK\$200,000 which has been charged to the consolidated income statement.

The Group's investment property is held under medium-term lease in the PRC.

# Notes to the Financial Statements

For the year ended 30th April, 2004

## 13. Property, plant and equipment

	Leasehold improvements HK\$'000	Plant and machinery HK\$'000	Furniture, fixtures and equipment HK\$'000	Moulds HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
<b>THE GROUP</b>						
<b>COST</b>						
At 1st May, 2003	17,880	68,497	17,120	17,319	2,198	123,014
Additions	39	57	573	289	189	1,147
Disposals	(232)	(1,132)	(1,095)	(7,613)	(80)	(10,152)
<b>At 30th April, 2004</b>	<b>17,687</b>	<b>67,422</b>	<b>16,598</b>	<b>9,995</b>	<b>2,307</b>	<b>114,009</b>
<b>DEPRECIATION AND AMORTISATION</b>						
At 1st May, 2003	7,879	60,156	12,412	14,255	1,226	95,928
Provided for the year	1,773	4,737	2,219	1,702	335	10,766
Eliminated on disposals	(232)	(1,132)	(1,037)	(6,741)	(47)	(9,189)
<b>At 30th April, 2004</b>	<b>9,420</b>	<b>63,761</b>	<b>13,594</b>	<b>9,216</b>	<b>1,514</b>	<b>97,505</b>
<b>NET BOOK VALUES</b>						
<b>At 30th April, 2004</b>	<b>8,267</b>	<b>3,661</b>	<b>3,004</b>	<b>779</b>	<b>793</b>	<b>16,504</b>
At 30th April, 2003	10,001	8,341	4,708	3,064	972	27,086

The net book values of the Group's property, plant and equipment held under finance leases are as follows:

	<b>2004 HK\$'000</b>	2003 HK\$'000
Plant and machinery	<b>1,038</b>	2,651
Motor vehicles	<b>607</b>	880
	<b>1,645</b>	3,531

# Notes to the Financial Statements

For the year ended 30th April, 2004

## 14. Deferred costs

		THE GROUP
		HK\$'000
COST		
At 1st May, 2003		11,339
Additions		398
<b>At 30th April, 2004</b>		<b>11,737</b>
AMORTISATION AND IMPAIRMENT		
At 1st May, 2003		4,917
Provided for the year		2,883
Impairment loss recognised		350
<b>At 30th April, 2004</b>		<b>8,150</b>
NET BOOK VALUES		
<b>At 30th April, 2004</b>		<b>3,587</b>
At 30th April, 2003		6,422

The deferred costs are amortised on a straight line basis over a period of two to five years.

The directors have reviewed the carrying value of deferred costs at 30th April, 2004 and an impairment loss of approximately HK\$350,000 (2003: HK\$160,000) has been identified. Production of certain products was ceased during the year and the carrying amount of deferred costs specifically related to those products was fully impaired.



# Notes to the Financial Statements

For the year ended 30th April, 2004

## 15. Interests in subsidiaries

	THE COMPANY	
	2004 HK\$'000	2003 HK\$'000
Unlisted shares, at cost	106,167	106,167
Amounts due from subsidiaries	196,360	191,701
	302,527	297,868
Less: Impairment losses recognised	(287,761)	(251,378)
	14,766	46,490

The amounts due from subsidiaries are unsecured, interest free and have no fixed repayment terms. The amounts will not be repayable within twelve months from the balance sheet date and are therefore shown as non-current assets.

At the balance sheet date, the directors of the Company considered that in the light of the recurring operating losses of these subsidiaries and unfavourable market conditions, the recoverable amount of its subsidiaries has been reduced to the estimated net realisable value of the identifiable net assets.

Particulars of the Company's principal subsidiaries at 30th April, 2004 are set out in note 34.

## 16. Interest in an associate

	THE GROUP	
	2004 HK\$'000	2003 HK\$'000
Share of net assets of an associate,		
less: Impairment losses recognised	–	–

Details of the Group's associate at 30th April, 2004 are as follows:

Name of company	Form of business structure	Place of incorporation and operation	Class of share held	Attributable equity interest to the Group	Principal activity
HK Sky Home Limited	Incorporated	Hong Kong	Ordinary	40%	Inactive

# Notes to the Financial Statements

For the year ended 30th April, 2004

## 17. Unlisted investments in securities

	THE GROUP	
	2004 HK\$'000	2003 HK\$'000
Unlisted investments, at cost	39,902	39,902
Loan to an investee	2,000	2,000
	41,902	41,902
Less: Impairment losses recognised	(41,902)	(41,902)
	-	-

The loan to an investee of the Group is unsecured, interest free and has no fixed repayment terms. The amount will not be repayable within twelve months from the balance sheet date and is therefore shown as non-current assets.

## 18. Inventories

	THE GROUP	
	2004 HK\$'000	2003 HK\$'000
Raw materials	26,784	30,826
Work in progress	7,420	8,091
Finished goods	3,452	5,293
	37,656	44,210

Included above are raw materials of approximately HK\$2,583,000 (2003: Nil) which are carried at net realisable value.

# Notes to the Financial Statements

For the year ended 30th April, 2004

## 19. Trade receivables

The Group allows an average credit period of 0 days to 60 days to its trade customers.

The aged analysis of trade receivables prepared on the basis of sales invoice date is stated as follows:

	THE GROUP	
	2004 HK\$'000	2003 HK\$'000
0 – 90 days	20,277	16,236
91 – 180 days	214	1,614
Over 180 days	1,874	3,190
	<b>22,365</b>	21,040

## 20. Other investments

### THE GROUP

The amount at the balance sheet date represented equity securities listed in Hong Kong which were stated at their market values.

## 21. Trade payables

The aged analysis of trade payables prepared on the basis of supplier invoice date is stated as follows:

	THE GROUP	
	2004 HK\$'000	2003 HK\$'000
0 – 90 days	28,589	24,583
91 – 180 days	3,420	3,370
Over 180 days	5,836	4,316
	<b>37,845</b>	32,269

# Notes to the Financial Statements

For the year ended 30th April, 2004

## 22. Obligations under finance leases

	THE GROUP			
	Minimum lease payments		Present value of minimum lease payments	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
The maturity of obligations under finance leases is as follows:				
Within one year	281	1,011	277	949
In the second to fifth year inclusive	–	281	–	277
	281	1,292	277	1,226
Less: Future finance charges	(4)	(66)		
Present value of lease obligations	277	1,226		
Less: Amount due for settlement within one year shown under current liabilities			(277)	(949)
Amount due for settlement after one year			–	277

The Group leases certain of its plant and machinery and motor vehicles under finance leases. The average lease term is 3 years. For the year ended 30th April, 2004, the average effective borrowing rate was 8% (2003: 3%). Interest rates are fixed at the contract date. All leases are on a fixed repayment basis in Hong Kong dollars and no arrangement has been entered into for contingent rental payments.

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

# Notes to the Financial Statements

For the year ended 30th April, 2004

## 23. Bank and other borrowings

	THE GROUP	
	2004 HK\$'000	2003 HK\$'000
Bank and other borrowings comprise:		
Bank loans	13,298	16,933
Bank overdraft	1,394	–
Other borrowings	4,000	–
Trust receipt loans	2,391	7,324
Total, included in current liabilities	21,083	24,257
Analysed as:		
Secured	3,031	7,403
Unsecured	18,052	16,854
	21,083	24,257

## 24. Deferred taxation

The major deferred tax liabilities (assets) recognised and movements thereon during the current and prior years are summarised below:

	Accelerated tax depreciation HK\$'000	Deferred costs HK\$'000	Tax losses HK\$'000	Total HK\$'000
THE GROUP				
Balance at 1st May, 2002				
– as previously reported	1,586	–	–	1,586
– adjustment on adoption of SSAP 12 (Revised)	4,399	605	(5,004)	–
– as restated	5,985	605	(5,004)	1,586
(Credit) charge to income statement for the year	(1,834)	423	(175)	(1,586)
Balance at 30th April, 2003	4,151	1,028	(5,179)	–
Effect of change in tax rate charge to income statement	389	96	(485)	–
(Credit) charge to income statement for the year	(1,477)	(496)	1,973	–
<b>Balance at 30th April, 2004</b>	<b>3,063</b>	<b>628</b>	<b>(3,691)</b>	<b>–</b>

# Notes to the Financial Statements

For the year ended 30th April, 2004

## 24. Deferred taxation (continued)

For the purposes of balance sheet presentation, deferred tax assets and liabilities have been offset in accordance with the conditions set out in SSAP 12 (Revised).

At 30th April, 2004, the Group has unused tax losses of approximately HK\$65,277,000 (2003: HK\$50,733,000) available for offset against future profits that are subject to Hong Kong Profits Tax. A deferred tax asset amounting to HK\$3,691,000 (2003: HK\$5,179,000) has been recognised in respect such losses of approximately HK\$21,091,000 (2003: HK\$32,365,000). No deferred tax asset has been recognised in respect of the remaining unused tax losses approximately HK\$44,186,000 (2003: HK\$18,368,000) due to the unpredictability of future profit streams.

## 25. Share capital

	Number of ordinary shares	Amount HK\$'000
Authorised:		
Ordinary shares of HK\$0.01 each		
At 1st May, 2002, 30th April, 2003 and 2004	5,000,000,000	50,000
Issued and fully paid:		
Ordinary shares of HK\$0.01 each		
At 1st May, 2002	2,842,100,000	28,421
Issue of shares on placement	60,000,000	600
Issue of shares on exercise of share options	1,100,000	11
At 30th April, 2003	2,903,200,000	29,032
Issue of shares on placement	500,000,000	5,000
<b>At 30th April, 2004</b>	<b>3,403,200,000</b>	<b>34,032</b>

In March 2004, the Company issued 500,000,000 ordinary shares of HK\$0.01 each in the Company to a placing agent at a price of HK\$0.022 per share, representing a discount of approximately 4.35% to the closing price of HK\$0.023 per share as quoted on the Stock Exchange on 27th February, 2004 (date of the share placing agreement). The net proceeds were used as the Group's working capital. These new shares were issued under the general mandate granted to the directors at the annual general meetings of the Company held on 26th September, 2003.

All new shares issued by the Company during the year ranked pari passu with existing shares in all respects.

## 26. Share option scheme

A share option scheme (the "Scheme") was adopted by the Company for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Under the Scheme, the Board of Directors of the Company may grant options to the full-time employees (including executive directors) of the Company or any of its subsidiaries. The Scheme became effective on 10th November, 1998 unless terminated by the Company by ordinary resolution in general meeting or the Board may at any time terminate the operation of the Scheme and in such event no further options will be offered but in all other respects the provision of the Scheme will remain in force for 10 years from the date of adoption.

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 at any time. At 30th April, 2004, the number of shares in respect of which options had been granted and remained outstanding under the Scheme was 14,880,000 (2003: 15,100,000), which represented approximately 0.4% (2003: 0.5%) of the Company's shares in issue as at that date. There is no limit on the maximum number of shares issuable under share options to each eligible participant in the Scheme.

Options granted must be taken up within 28 days from the date of the grant, upon payment of HK\$1 per grant. The exercise period of the share options granted is determinable by the directors, and commences after a certain vesting period and ends on a date which is not later than 10 years from the date of the offer of the share options or the expiry date of the Scheme, if earlier.

The exercise price of the share options is determinable by the directors at their discretion based on the higher of 80% of the average of the closing prices of the shares on the Stock Exchange for the five trading days immediately preceding the offer date, or the nominal value of the Company's shares.

Pursuant to the amendments (the "New Rules") to Chapter 17 of the Listing Rules, any options granted after 1st September, 2001 must comply with the provisions of the New Rules. If the Company wishes to grant options to its directors or other eligible participants in the future, a new share option scheme in compliance with the New Rules must be approved and adopted by the shareholders of the Company in a general meeting. An ordinary resolution to terminate the Scheme and to adopt a new share option scheme in compliance with the New Rules will be proposed at the forthcoming annual general meeting.

# Notes to the Financial Statements

For the year ended 30th April, 2004

## 26. Share option scheme (continued)

The following table discloses details of the Company's share options held by employees (including directors) and movements in such holdings during the year:

Date of grant	Exercise price HK\$	Outstanding as at 1.5.2002	Exercised during the year ended 30.4.2003	Lapsed during the year ended 30.4.2003	Outstanding as at 30.4.2003	Lapsed during the year ended 30.4.2004	Outstanding as at 30.4.2004
3.9.1999	0.107	3,900,000	-	(3,900,000)	-	-	-
14.2.2000	0.180	400,000	-	(200,000)	200,000	-	200,000
24.6.2000	0.090	12,800,000	-	-	12,800,000	-	12,800,000
29.6.2000	0.090	600,000	(500,000)	-	100,000	-	100,000
3.7.2000	0.090	1,360,000	-	(160,000)	1,200,000	-	1,200,000
5.7.2000	0.090	2,680,000	(600,000)	(1,280,000)	800,000	(220,000)	580,000
		21,740,000	(1,100,000)	(5,540,000)	15,100,000	(220,000)	14,880,000

On 30th May, 2002, 1,100,000 share options were exercised. The closing price of the Company's share on the trade day immediately before the date on which the options were exercised was HK\$0.295.

Details of the share options held by an executive director included in the above table are as follows:

Date of grant	Exercise price HK\$	Outstanding at 1.5.2002, 30.4.2003 and 30.4.2004
24.6.2000	0.090	12,800,000



# Notes to the Financial Statements

For the year ended 30th April, 2004

## 26. Share option scheme (continued)

Details of the specific categories of options are as follows:

Date of grant	Exercise price HK\$	Exercisable period
3.9.1999	0.107	3.9.1999 to 9.11.2008
14.2.2000	0.180	14.2.2000 to 9.11.2008
24.6.2000	0.090	24.6.2000 to 9.11.2008
29.6.2000	0.090	29.6.2000 to 9.11.2008
3.7.2000	0.090	3.7.2000 to 9.11.2008
5.7.2000	0.090	5.7.2000 to 9.11.2008

## 27. Reserves

	Share premium HK\$'000	Capital redemption reserve HK\$'000	Contributed surplus HK\$'000 (Note)	Accumulated losses HK\$'000	Total HK\$'000
THE COMPANY					
At 1st May, 2002	158,744	477	44,942	(104,772)	99,391
Issue of shares	9,600	–	–	–	9,600
Issue of shares on exercise of share options	88	–	–	–	88
Expenses incurred in connection with the issue of shares	(102)	–	–	–	(102)
Net loss for the year	–	–	–	(90,571)	(90,571)
At 30th April, 2003	168,330	477	44,942	(195,343)	18,406
Issue of shares	6,000	–	–	–	6,000
Expenses incurred in connection with the issue of shares	(292)	–	–	–	(292)
Net loss for the year	–	–	–	(43,175)	(43,175)
<b>At 30th April, 2004</b>	<b>174,038</b>	<b>477</b>	<b>44,942</b>	<b>(238,518)</b>	<b>(19,061)</b>

Note: The contributed surplus of the Company represents the difference between the fair value of the shares of the subsidiaries acquired under a group reorganisation in 1998 and the nominal value of the Company's shares issued in exchange.

# Notes to the Financial Statements

For the year ended 30th April, 2004

## 28. Disposal of a subsidiary

	<b>2004</b> <b>HK\$'000</b>	2003 HK\$'000
Net assets disposed of:		
Property, plant and equipment	-	7,000
Investment in an associate	-	8,088
Amount due from an associate	-	7,359
	-	22,447
Loss on disposal	-	(19,222)
Total cash consideration	-	3,225

The subsidiary disposed of during the year ended 30th April, 2003 did not have any significant impact on the Group's cash flows, turnover and operating results for that year.

## 29. Retirement benefits schemes

The Group operates a MPF Scheme for all qualifying employees in Hong Kong. The assets of the MPF Scheme are held separately from those of the Group, in funds under the control of the trustees. The Group contributes at the lower of HK\$1,000 or 5% of relevant payroll costs, for each of the employees every month, to the MPF Scheme, which contribution is matched by employees.

The employees of the Company's subsidiary in the PRC are members of a state-managed retirement benefit scheme operated by the PRC government. The subsidiary is required to contribute 8% (2003: 8%) of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit scheme is to make the specified contributions.

The total costs charged to income statement of approximately HK\$485,000 (2003: HK\$540,000) represents contributions payable to the above schemes by the Group in respect of the current accounting period. As at 30th April, 2004, contributions of approximately HK\$124,000 (2003: HK\$68,000) due in respect of the reporting period had not been paid over the schemes.

## 30. Contingent liabilities

As at 30th April, 2004, the Company provided guarantee amounting to approximately HK\$19,524,000 (2003: HK\$23,536,000) to banks in respect of the banking facilities granted to subsidiaries.

# Notes to the Financial Statements

For the year ended 30th April, 2004

## 31. Pledge of assets

At the balance sheet date, certain assets of the Group with the following net book values were pledged to certain banks in order to secure general banking facilities granted to the Group:

	THE GROUP	
	2004 HK\$'000	2003 HK\$'000
Bank deposits	3,031	4,819
Trade receivables	-	2,584
	3,031	7,403

## 32. Capital commitments

At the balance sheet date, the Group was committed to a capital expenditure in respect of acquisition of property, plant and equipment contracted for but not provided in the financial statements of HK\$652,000 (2003: HK\$95,000).

The Company had no capital commitments at the balance sheet date.

## 33. Operating leases

The Group made approximately HK\$9,965,000 (2003: HK\$9,756,000) minimum lease payments under operating leases during the year in respect of land and buildings.

At the balance sheet date, the Group and the Company had commitments for future minimum lease payments under non-cancellable operating leases for land and buildings, which fall due as follows:

	THE GROUP		THE COMPANY	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Within one year	8,438	6,474	1,469	1,763
In the second to fifth year inclusive	5,562	11,284	-	1,469
	14,000	17,758	1,469	3,232

Operating lease payments represent rentals payable by the Group for certain of its offices, factory premises, warehouse and staff quarters. Leases are negotiated for an average term of ranging from one to ten years with fixed rentals.

# Notes to the Financial Statements

For the year ended 30th April, 2004

## 34. Principal subsidiaries

Particulars of the Company's principal subsidiaries at 30th April, 2004 are as follows:

Name of subsidiary	Place of incorporation/ registration and operations	Nominal value of issued/ registered paid up share capital	Proportion of nominal value of issued share capital held by the Group		Principal activities
			Directly	Indirectly	
Bai Mei Qin Electrical (Shenzhen) Limited	PRC (note a)	US\$350,000	–	100%	Manufacture and sale of transformers, adaptors and electrical products
MAE Enterprises Limited	British Virgin Islands ("BVI") (note b)	Ordinary US\$10	100%	–	Investment holding
MAE Investments Limited	BVI (note b)	Ordinary US\$2	100%	–	Investment holding
Mei Ah Electrical & Industry (HK) Limited	Hong Kong (note b)	Ordinary HK\$90 Non-voting deferred HK\$1,000,000 (note c)	–	100%	Manufacture and sale of transformers, adaptors and other electrical products
Mei Ah Electrical Appliance (HK) Limited (formerly known as Mei Ah Technology Limited)	Hong Kong (note b)	Ordinary HK\$10,000	–	100%	Manufacture and sale of electrical appliance
Mei Ah Management Services Limited	Hong Kong (note b)	Ordinary HK\$2	–	100%	Provision of management service to group companies
Mei Ah Plastic Moulds Company Limited	Hong Kong (note b)	Ordinary HK\$10,000	–	100%	Processing of plastic components and plastic moulds
Mei Ah Sourcing Limited	Hong Kong (note b)	Ordinary HK\$2	–	100%	Sourcing of raw materials for group companies
Star Technology Inc.	BVI (note b)	Ordinary US\$1	–	100%	Investment holding

# Notes to the Financial Statements

*For the year ended 30th April, 2004*

## **34. Principal subsidiaries (continued)**

*Notes:*

- a. The company is registered in the form of wholly-owned foreign investment enterprise.
- b. The companies are registered as private limited companies.
- c. The holders of the deferred shares are entitled to minimum rights as to dividends and return of capital, and are not entitled to share in the Company's profit or to attend or vote at any general meetings of the company, which rights are vested in the ordinary shares.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results of the Group for the year or formed a substantial portion of the net assets of the Group at the end of the year. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

None of the subsidiaries had any debt securities subsisting at the end of the year or at any time during the year.