Notes to the Financial Statements

For the year ended 30 April 2006

1. General information

The Company was incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The registered office of the Company is located at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda. The principal place of business of the group is located in Room 1001-1007, 10/F., Lippo Sun Plaza, 28 Canton Road, Tsimshatsui, Kowloon, Hong Kong.

The principal activity of the Company is investment holding. The principal activities of its principal subsidiaries are set out in note 19.

(a) Basis of preparation of financial statements

(i) Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing rules"). A summary of the significant accounting policies adopted by the group is set out below.

The HKICPA has issued a number of new and revised HKFRSs that are effective or available for early adoption for accounting periods beginning on or after 1 January 2005. Information on the changes in accounting policies resulting from initial application of these new and revised HKFRSs for the current and prior accounting periods reflected in these financial statements is provided in note 2(a).

(ii) Basis of measurement

The measurement basis used in the preparation of the financial statements is the historical cost basis except that the assets and liabilities are stated at their fair value as explained in the accounting policies.

Notes to the Financial Statements

For the year ended 30 April 2006

1. General information (continued)

(b) Consolidated financial statements

The consolidated financial statements include the accounts of the company and its subsidiaries made up to 30 April. 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.

All significant intercompany transactions and balances within the group are eliminated on consolidation.

The gain or loss on the disposal of a subsidiary represents the difference between the proceeds of the sale and the group's share of its net assets together with any goodwill or capital reserve which was not previously charged or recognised in the consolidated income statement.

2. Impact of recently issued financial reporting standards

(a) Adoption of new HKFRSs and HKASs

The HKICPA has issued a number of new or revised HKFRSs, which also include all HKASs and Interpretations, herein collectively referred to as the new HKFRSs, which are generally effective for accounting periods commencing on or after 1 January 2005.

The Group has adopted the following HKASs and HKFRSs issued in the financial statements for the year ended 30 April 2006:

HKAS 1	Presentation of financial statements
HKAS 2	Inventories
HKAS 7	Cash flow statements
HKAS 8	Accounting policies, changes in accounting estimates and errors
HKAS 10	Events after the balance sheet date
HKAS 12	Incomes taxes
HKAS 14	Segment reporting
HKAS 16	Property, plant and equipment
HKAS 17	Leases
HKAS 18	Revenue

Notes to the Financial Statements

For the year ended 30 April 2006

2. Impact of recently issued financial reporting standards (continued)

(a) Adoption of new HKFRSs and HKASs (continued)

HKAS 19	Employee benefits
HKAS 21	The effects of changes in foreign exchange rates
HKAS 23	Borrowing costs
HKAS 24	Related party disclosures
HKAS 27	Consolidated and separate financial statements
HKAS 28	Investments in associates
HKAS 32	Financial instruments: Disclosure and presentation
HKAS 33	Earnings per share
HKAS 36	Impairment of assets
HKAS 37	Provision, contingent liabilities and contingent assets
HKAS 38	Intangible assets
HKAS 39	Financial instruments: Recognition and measurement
HKAS 40	Investment property
HKFRS 2	Share-based payment
HKFRS 3	Business combination

The adoption of these new/revised HKASs 1, 2, 7, 8, 10, 12, 14, 16, 17, 18, 19, 21, 23, 24, 27, 28, 32, 33, 36, 37, 38, 39, 40 and HKFRSs 2 and 3 did not result in substantial changes to the accounting policies of the Group and the methods of computation in the Group's consolidated financial statements. In summary:

– HKAS 1 affects certain presentation in the balance sheet, the income statement and statement of changes in equity.

– HKASs 14, 16, 17, 23, 24, 28, 32 and 39 affect certain presentations and disclosures of the consolidated financial statements.

– HKASs 2, 7, 8, 10, 12, 18, 19, 21, 27, 33, 36, 37, 38, 40, HKFRSs 2 and 3 do not have any significant impact as the company's accounting policies have already complied with these standards.

Notes to the Financial Statements

For the year ended 30 April 2006

2. Impact of recently issued financial reporting standards (continued)

(b) Impact of issued but not yet effective financial reporting standards

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, to these Financial Statements. Unless otherwise stated, these HKFRSs are effective for annual periods beginning on or after 1 January 2006:

HKAS 1 (Amendment)	Capital Disclosures
HKAS 19 (Amendment)	Actuarial Gains and Losses, Group Plans and Disclosures
HKAS 39 (Amendment)	Cash Flow Hedge Accounting of Forecast Intragroup Transactions
HKAS 39 (Amendment)	The Fair Value Option
HKAS 39 and HKFRS 4 (Amendments)	Financial Instruments: Recognition and Measurement and Insurance Contracts – Financial Guarantee Contracts
HKFRSs 1 & 6 (Amendments)	First-time Adoption of Hong Kong Financial Reporting Standards and Exploration for and Evaluation of Mineral Resources
HKFRS 6	Exploration for and Evaluation of Mineral Resources
HKFRS 7	Financial Instruments: Disclosures
HKFRS-Int 4	Determining whether an Arrangement contains a Lease
HKFRS-Int 5	Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
HK(IFRIC)-Int 6	Liabilities Arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment
HK(IFRIC)-Int 7	Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies

HKAS 1 (Amendment) shall be applied for annual periods beginning on or after 1 January 2007. The revised standard will affect the disclosures about qualitative information about the company's objective, policies and processes for managing capital; quantitative data about what the company regards as capital; and compliance with any capital requirements and the consequences of any non-compliance.

HKFRS 7 incorporates the disclosure requirements of HKAS 32 relating to financial instruments. This HKFRS shall be applied for annual periods beginning on or after 1 January 2007.

The HKAS 39 (Amendment) regarding the fair value option restricts the designation of any financial asset or financial liability as measured at fair value through profit and loss, unless certain conditions can be met.

The HKAS 19 (Amendment), HKAS 39 (Amendments) regarding cash flow hedge accounting of forecast intragroup transactions, HKFRSs 1, 4 and 6 (Amendments), HKFRS 6, HKFRS-Int 4, 5, HK(IFRIC)-Int 6 and 7 do not apply to the activities of the Group. HK(IFRIC)-Int 7 is effective for annual periods beginning on or after 1 January 2006.

2. Impact of recently issued financial reporting standards (continued)

(b) Impact of issued but not yet effective financial reporting standards (continued)

Except as stated above, the Group expects that the adoption of other pronouncement listed above will not have any significant impact on the Group's financial statements in the period of initial application.

3. Principal accounting policies

The financial statements have been prepared in accordance with generally accepted accounting principles in Hong Kong and comply with HKASs and HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance.

The financial statements are prepared under the historical cost convention as modified by the revaluation of certain properties, plant and equipment and investment properties. These financial statements also comply with the applicable disclosure provisions of the Listing rules.

A summary of the significant accounting policies adopted by the Group is set out below:

(a) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable taking into account the amount of any trade discounts and volume rebates allowed by the company. Provided that it is probable that the economic benefits associated with the revenue transaction will flow to the company and the revenue and the costs, if any, in respect of the transaction can be measured reliably, revenue is recognised as follows:

(i) Revenue from the sales of good is recognised when the company has delivered the goods to the customers and the customer has accepted the goods together with the risks and rewards of ownership of the goods.

(ii) Rental income from operating leases is recognised in income on a straight-line basis over the lease term, unless another systematic basis is more representative of the time pattern of the user's benefit.

(iii) Interest income is recognised on time basis by reference to the principal outstanding and the interest rate applicable.

Notes to the Financial Statements

For the year ended 30 April 2006

3. Principal accounting policies (continued)

(b) Investment properties

Investment properties are land and/or buildings which are owned or held under a leasehold interest (see note 3(h)) to earn rental income and/or for capital appreciation. These include land held for a currently undetermined future use.

Investment properties are stated in the balance sheet at fair value. Any gain or loss arising from a change in fair value or from the retirement or disposal of an investment property is recognised in profit or loss. Rental income from investment properties is accounted for as described in note 3(a)(ii).

When the group holds a property interest under an operating lease to earn rental income and/or for capital appreciation, the interest is classified and accounted for as an investment property on a property-by-property basis. Any such property interest which has been classified as an investment property is accounted for as if it were held under a finance lease (see note 3(h)), and the same accounting policies are applied to that interest as are applied to other investment properties leased under finance leases. Lease payments are accounted for as described in note 3(h).

Property that is being constructed or developed for future use as investment property is classified as property, plant and equipment and stated at cost until construction or development is complete, at which time it is reclassified as investment property at fair value. Any difference between the fair value of the property at that date and its previous carrying amount is recognised in profit or loss.

(c) Deferred costs

Cost 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.

(d) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation (see note 3(e)) and impairment losses (see note 3(f)).

Notes to the Financial Statements

For the year ended 30 April 2006

3. Principal accounting policies (continued)

(d) Property, plant and equipment (continued)

The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its normal working condition and location for its intended use. Major costs incurred in restoring property, plant and equipment to their normal working condition are charged to the income statement. In situation where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of an item in property, plant and equipment, and where the cost can be reliably measured, the expenditure is capitalized and depreciated over their expected useful lives.

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately.

The gain or loss on disposal of property, plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in the income statement.

(e) Amortisation and depreciation

Property, plant and equipment are depreciated at rates sufficient to write off their cost less accumulated impairment loss over their estimated useful lives on a straight-line basis. The principal annual rates are as follows:

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

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

(f) Impairment of assets

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

– property, plant and equipment; and

– interests in subsidiaries (except for those accounted for at fair value).

Notes to the Financial Statements

For the year ended 30 April 2006

3. Principal accounting policies (continued)

(f) Impairment of assets (continued)

Assets that have an indefinite useful life are not subject to amortization, which are at least tested annually for impairment and are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped of the lowest levels for which there are separately identifiable cash flows (cash-generating units).

(g) Subsidiaries

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

Interests in subsidiaries in the balance sheet are stated at cost less identified impairment loss. The results of subsidiaries are accounted to the extent of dividends received and receivable.

(h) Leases

Leases of assets are classified as finance leases when the leases transfer substantially all risks and rewards incidental to ownership of the assets to the company. All other leases are classified as operating leases.

(i) Finance leases

Assets held under finance leases are recognised in the balance sheet at amounts equal to the fair value of the leased assets, or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liabilities, net of finance charges, on the finance leases are recorded as obligations under finance leases. All assets held under finance leases are classified as fixed assets, except for those properties held to earn rental income which are classified as investment property, in the balance sheet.

3. Principal accounting policies (continued)

(h) Leases (continued)

(i) Finance leases (continued)

Depreciation and impairment loss are calculated and recognised in the same manner as the depreciation and impairment loss on fixed assets as set out in note 3(e) and 3(f) respectively, except for the estimated useful lives cannot exceed the relevant lease terms, if shorter.

Minimum lease payments are apportioned between finance charge and the reduction of the outstanding liabilities. The finance charge is recognised in profit or loss over the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

(ii) Operating leases

Lease payments under an operating lease are recognised as an expense on a straight-line basis over the lease term. The payments made on acquiring land held under an operating lease are recognised in the balance sheet as lease premium for land.

Contingent rents are charged as an expense in the periods in which they are incurred.

(i) Inventories

Inventories are measured at the lower of cost and net realisable value.

The cost of inventories comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition and is assigned by using the first-in, first-out method.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

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

Notes to the Financial Statements

For the year ended 30 April 2006

3. Principal accounting policies (continued)

(j) Cash and cash equivalents

Cash comprises cash on hand and at bank and demand deposits with bank. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

For the purpose of cash flow statement, bank overdrafts which are repayable on demand form an integral part of the company's cash management are included as a component of cash and cash equivalents.

(k) Trade and other receivables

Trade and other receivables are initially measured at fair value and, after initial recognition, at amortised cost less impairment losses for bad and doubtful debts.

(l) Trade and other payables

Trade and other payables are initially measured at fair value and, after initial recognition, at amortised cost, except for short-tem payables with no stated interest rate and the effect of discounting being immaterial, that are measured at their original invoice amount.

(m) Borrowing costs

Borrowing costs include interest charges and other costs incurred in connection with the borrowing of funds.

Borrowing costs are expenses as incurred, except when they are directly attributable to the acquisition, construction or production of assets that necessarily takes a substantial period of time to get ready for their intended use in which case they are capitalised as part of the cost of that asset. Capitalisation of borrowing costs commences when expenditures for the asset and borrowing costs are being incurred and the activities to prepare the asset for its intended use are in progress. Borrowing costs and capitalised at the weighted average cost of the related borrowings until the asset is ready for its intended use. If the resulting carrying amount of the asset exceeds its recoverable amount, an impairment loss is recorded. All other borrowing cost are charged to the income statement in the year in which they are incurred.

3. Principal accounting policies (continued)

(n) Convertible bonds

Convertible bonds that can be converted into share capital at the option of the holder, where the number of shares issued does not vary with changes in their fair value, are accounted for as compound financial instruments. At initial recognition the liability component of the convertible bonds is calculated as the present value of the future interest and principal payments, discounted at the market rate of interest applicable at the time of initial recognition to similar liabilities that do not have a conversion option. Any excess of proceeds over the amount initially recognised as the liability component is recognised as the equity component. Transaction costs that relate to the issue of a compound financial instruments are allocated to the liability and equity components in proportion to the allocation of proceeds.

The liability component is subsequently carried at amortised cost. The interest expense recognised in profit or loss on the liability component is calculated using the effective interest method. The equity component is recognised in the capital reserve until either the note is converted or redeemed.

If the bond is converted, the capital reserve, together with the carrying value of the liability component at the time of conversion, is transferred to share capital and share premium as consideration for the shares issued. If the bond is redeemed, the capital reserve is released directly to retained profits.

(o) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

Notes to the Financial Statements

For the year ended 30 April 2006

3. Principal accounting policies (continued)

(p) Related parties

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

(q) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in income statement except to the extent that they relate to items recognised directly in equity, in which case they are recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credit. Apart from differences which arise on initial recognition of assets and liabilities, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax assets and liabilities are not discounted.

(r) Translation of foreign currencies

Items included in the accounts of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated accounts are presented in Hong Kong dollars which is the Company's functional and presentation currency.

3. Principal accounting policies (continued)

(r) Translation of foreign currencies (continued)

Transactions in foreign currencies during the year are translated at exchange rates ruling at the transaction dates. Monetary assets and liabilities expressed in foreign currencies at the balance sheet date are translated at rates of exchange ruling at the balance sheet date. Exchange gains and losses are recognised in the income statement, except those arising from foreign currency borrowings used to hedge a net investment in a foreign operation which are recognised directly in equity.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was determined.

The results of foreign enterprises are translated into Hong Kong dollars at the average exchange rates approximately the foreign exchange rates ruling at the dates of the transactions; for the period/year; balance sheet items, including goodwill arising on consolidated of foreign operations acquired on or after 1 January 2005, are translated into Hong Kong dollars at the rates of exchange ruling at the balance sheet date. The resulting exchange differences are dealt with as a movement in reserves. Goodwill arising on consolidation of a foreign operation acquired before 1 January 2005 is translated at the foreign exchange rate that applied at the date of acquisition of the foreign operation.

On disposal of a foreign enterprise, the cumulative amount of the exchange differences which relate to that foreign enterprise is included in the calculation of the profit or loss on disposal.

(s) Employee benefits

(i) Retirement benefits schemes

The Group operates a Mandatory Provident Fund Scheme ("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% 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.

Notes to the Financial Statements

For the year ended 30 April 2006

3. Principal accounting policies (continued)

(s) Employee benefits (continued)

(ii) Share-based payment

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

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

(t) Segment reporting

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

In accordance with the group's internal financial reporting, the group has chosen business segment information as the primary reporting format and geographical segment information as the secondary reporting format.

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

3. Principal accounting policies (continued)

(t) Segment reporting (continued)

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

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

4. Significant accounting judgements and estimates

(a) Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have significant effect on the amounts recognized in the financial statements.

(b) Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

(i) Useful lives and residual values of property, plant and equipment

The Group estimates the useful lives and residual values of its property, plant and equipment based on the period over which the assets are expected to be available for use. The estimated useful lives and residual values of the property, plant and equipment are reviewed annually and the updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets. In addition, the Group's estimation of the useful lives and residual values of its property, plant and equipment is based on its collective assessment of industry practice, internal technical evaluation and experience with similar assets. It is possible, however, that future results of operations could be materially affected by changes in those estimates brought about by changes in factors mentioned above. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances. A reduction in the estimated useful lives and residual value of the Group's property, plant and equipment would increase its recorded depreciation expenses and decreases its non-current assets.

Notes to the Financial Statements

For the year ended 30 April 2006

4. Significant accounting judgements and estimates (continued)

(b) Estimation uncertainty (continued)

(ii) Assets impairment

HKASs and HKFRSs require that an impairment review be performed when certain impairment indication is present. In case of goodwill, such assets are subject to yearly impairment test and whenever there is an indication that such asset may be impaired.

Purchase accounting requires extensive use of accounting estimates to allocate the purchase price to the fair market values of the assets and liabilities purchased, including intangible assets and contingent liabilities. The Group's business acquisition have resulted in goodwill, which in the past affected its results of operations for the amount of periodic amortization expense. However, the Group no longer amortize goodwill under HKASs and HKFRSs effective from 1 January 2005. Instead, goodwill is subject to a periodic impairment test.

Determining the fair value of property, plant and equipment at the date of acquisition, which requires the determination of future cash flows expected to be generated from the continued use (i.e., value in use) and ultimate disposition of such assets, requires the Group to make estimates and assumptions that can materially affect its consolidated financial statements. Future events could cause the Group to conclude that property, plant and equipment associated with an acquired business is impaired. Any resulting impairment loss could have a material adverse impact on its financial condition and results of operations.

The preparation of future cash flows involves significant estimations. While the Group believes that its assumptions are appropriate and reasonable, significant changes in its assumptions may materially affect its assessment of recoverable values any may lead to future additional impairment changes under HKASs and HKFRSs.

(iii) Deferred tax assets

The Group reviews the carrying amounts at each balance sheet date and estimate whether the Group will generate sufficient taxable profit to allow all or part of the deferred assets to be utilised.

(iv) Allowances for doubtful accounts

The policy for allowance of bad and doubtful debts of the Group is based on the evaluation of collectibility and aging analysis of accounts and on management's judgment. A considerable amount of judgement 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 ability to make payments, additional allowances may be required.

4. Significant accounting judgements and estimates (continued)

(b) Estimation uncertainty (continued)

(v) Allowances for inventories

The Group estimates the allowance for inventories based on the best available facts and circumstances, including but not limited to, the inventories' own conditions (i.e. whether they are damaged or become wholly or partially obsolete), their market selling prices, estimated costs of completion and estimated costs to be incurred for their sale. The provisions are re-evaluated and adjusted as additional information received affects the amount estimated.

5. Turnover

Turnover represents the invoiced value of goods sold to customers as follows:

	2006 ***HK$'000***	2005 *HK$'000*
Sale of:		
Electrical products	**12,149**	101,550
Adaptors and transformers	**12,544**	22,786
Other products	**8,968**	4,632
	33,661	128,968

6. Other revenue

	2006 ***HK$'000***	2005 *HK$'000*
Interest income	**3**	38
Gain on disposal of investment property	**58**	–
Gain on disposal of an associate	**–**	2,000
Exchange gain	**–**	3
Sundry income	**269**	244
	330	2,285

7. 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 30 April 2006

7. Business and geographical segments (continued)

Business segments (continued)

Segment information about these businesses is presented below:

	Electrical products		Adaptors and transformers		Other products		Consolidated	
	2006	2005	**2006**	2005	**2006**	2005	**2006**	2005
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Turnover – external	**12,149**	101,550	**12,544**	22,786	**8,968**	4,632	**33,661**	128,968
Segment result	**(5,958)**	(1,299)	**(5,581)**	(1,897)	**(10,155)**	(9,846)	**(21,694)**	(13,042)
Unallocated corporate income							**272**	178
Unallocated corporate expenses							**(25,731)**	(27,530)
Loss from operations							**(47,153)**	(40,394)
Finance costs							**(2,869)**	(1,358)
Gain on disposal of investment property							**58**	–
Gain on disposal of an associate							**–**	2,000
Loss for the year							**(49,964)**	(39,752)
ASSETS								
Segment assets	**10,367**	24,850	**10,259**	8,503	**10,471**	6,764	**31,097**	40,117
Unallocated corporate assets							**7,197**	10,821
Consolidated total assets							**38,294**	50,938
LIABILITIES								
Segment liabilities	**7,648**	24,542	**7,519**	7,235	**4,469**	1,467	**19,636**	33,244
Unallocated corporate liabilities							**16,689**	26,685
Consolidated total liabilities							**36,325**	59,929

Notes to the Financial Statements

For the year ended 30 April 2006

7. Business and geographical segments (continued)

Business segments (continued)

	Electrical products		Adaptors and transformers		Other products		Unallocated		Consolidated	
	2006	2005	**2006**	2005	**2006**	2005	**2006**	2005	**2006**	2005
	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	**167**	2,026	**178**	401	**106**	–	**-**	–	**451**	2,427
Capital expenditure	**-**	–	**1,142**	1,393	**560**	432	**1,434**	453	**3,136**	2,278
Depreciation of property, plant and equipment	**1,560**	2,024	**1,558**	1,301	**1,513**	3,383	**-**	–	**4,631**	6,708
Revaluation decrease arising on revaluation of an investment property	**-**	–	**-**	–	**-**	–	**-**	158	**-**	158
Loss on disposal of property, plant and equipment	**-**	1,073	**-**	–	**-**	323	**-**	–	**-**	1,396
Allowance for inventories	**-**	1,534	**759**	–	**2,159**	–	**-**	–	**2,918**	1,534
Allowance for bad and doubtful debts	**-**	860	**299**	631	**105**	–	**-**	–	**404**	1,491
Impairment loss recognised in respect of deferred costs	**-**	408	**-**	–	**-**	–	**-**	–	**-**	408

Notes to the Financial Statements

For the year ended 30 April 2006

7. Business and geographical segments (continued)

Geographical segments

The Group's customers are principally located in Japan, the People's Republic of China (the "PRC"), U.S.A. 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	
	2006	2005
	HK$'000	*HK$'000*
Japan	**13,922**	92,947
North America	**–**	18,150
PRC, including Hong Kong	**13,729**	13,468
U.S.A.	**3,775**	–
Europe	**1,393**	2,726
Others	**842**	1,677
	33,661	128,968

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	
	2006	2005	**2006**	2005
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
PRC, excluding Hong Kong	**20,218**	30,637	**2,554**	1,838
Hong Kong	**18,076**	20,301	**582**	440
	38,294	50,938	**3,136**	2,278

8. Investment loss

	2006	2005
	HK$'000	*HK$'000*
Loss on disposal of other investments	**–**	226

Notes to the Financial Statements

For the year ended 30 April 2006

9. Loss from operations

Loss from operations has been arrived at after charging:

	2006	2005
	HK$'000	*HK$'000*
Staff costs, including directors' emoluments		
– Salaries and allowances	**20,842**	21,573
– Retirement benefits scheme contribution	**432**	439
	21,274	22,012
Auditors' remuneration	**430**	725
Cost of inventories	**25,307**	101,322
Depreciation		
– owned fixed assets	**4,379**	6,464
– leased fixed assets	**252**	244
Operating leases in respect of land and buildings	**8,437**	8,287
Amortisation of deferred costs	**451**	2,427
Allowance for bad and doubtful debts	**404**	1,491
Allowance for inventories	**2,918**	1,534
Impairment loss recognised in respect of deferred costs	**–**	408
Loss on disposal of property, plant and equipment	**–**	1,396
Revaluation decrease arising on revaluation of an investment property	**–**	158

10. Finance costs

	2006	2005
	HK$'000	*HK$'000*
Interest on bank overdrafts	**22**	–
Interest on other borrowings wholly repayable within five years	**2,792**	1,311
Finance charges on obligations under finance leases	**55**	47
	2,869	1,358

Notes to the Financial Statements

For the year ended 30 April 2006

11. Income tax in the income statement

No provision for Hong Kong profits tax has been made in the financial statements as the Group does not have any assessable profit for the year (2005: Nil).

No provision for PRC enterprise income tax has been made in the financial statements as the PRC subsidiary incurred a tax loss for the year (2005: Nil).

Reconciliation between tax expense and accounting loss at applicable tax rates:

	2006	2005
	HK$'000	*HK$'000*
Loss before tax	**(49,964)**	(39,752)
Tax at the applicable tax rate of 17.5% (2005: 17.5%)	**(8,744)**	(6,957)
Tax effect of non-deductible expenses	**3,486**	1,615
Tax effect of non-taxable revenue	**–**	(352)
Tax effect of deferred tax assets not recognised	**5,658**	5,604
Effect of different tax rates of the subsidiary operating in other jurisdiction	**(400)**	90
Income tax expense	**–**	–

12. Loss attributable to shareholders

The consolidated loss attributable to shareholders of the company includes a loss of HK$79,188,000 (2005: HK$29,321,000) which has been dealt with in the financial statements of the Company.

Notes to the Financial Statements

For the year ended 30 April 2006

13. Loss per share

(a) Basic loss per share

The calculation of basic loss per share is based on the loss attributable to ordinary equity shareholders of the Company of HK$49,964,000 (2005: HK$39,752,000) and the weighted average of 43,216,030 ordinary shares (2005: 18,918,643 ordinary shares after adjusting for the capitalization issue in 2005) in issue during the year, calculated as follows:

Weighted average number of ordinary shares:

	2006	2005
Issued ordinary shares at 1 May	**4,483,840,000**	3,403,200,000
Effect of issuance of shares	**–**	380,528,658
Effect of capital reduction *(Note 27(i))*	**(4,259,648,000)**	–
Effect of rights issue *(Note 27(ii))*	**197,030,307**	–
Effect of share consolidation *(Note 27(iii))*	**(379,100,076)**	(3,764,810,015)
Effect of conversion rights attached to convertible bonds exercised *(Note 27(iv))*	**1,093,799**	–
Weighted average number of ordinary shares at 30 April	**43,216,030**	18,918,643

The weighted average number of ordinary shares for the purpose of calculating basic loss per share for the years ended 30 April 2006 and 2005 has been retrospectively adjusted for the effect of the share consolidation completed during the year.

(b) Diluted loss per share

No diluted loss per share is presented as the exercise of the Company's outstanding share options and convertible rights associated with convertible bonds for the years ended 30 April 2006 and 2005 would result in a decrease in loss per share.

14. Retirement benefits costs

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.

Notes to the Financial Statements

For the year ended 30 April 2006

14. Retirement benefits costs (continued)

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% 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$432,000 (2005: HK$439,000) represent contributions payable to the above schemes by the Group in respect of the current accounting period. As at 30 April 2006, contributions of approximately HK$18,000 (2005: HK$115,000) due in respect of the reporting period had not been paid over the schemes.

15. Directors' and senior management's emoluments

(a) Directors' emoluments

The aggregate amounts of emoluments payable to directors of the Company during the year are as follows:

	2006	2005
	HK$'000	*HK$'000*
Fees	**360**	311
Salaries including benefits in kind	**2,068**	2,010
Retirement benefits scheme contributions	**54**	52
	2,482	2,373

The remuneration of individual director is set out below:

	For the year ended 30 April 2006				
	Fees	**Salaries, allowances and benefits in kind**	**Housing allowance**	**Retirement benefits scheme contributions**	**Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***
Executive directors					
Lo Wai Shing, Felix	**-**	**820**	**156**	**12**	**988**
Lau Kevin	**-**	**432**	**288**	**12**	**732**
Leung Wai Kuen, Cerene	**-**	**372**	**-**	**12**	**384**
Independent non-executive directors					
Yeong Yun Hong, Gary	**120**	**-**	**-**	**6**	**126**
Chu Chin Fan	**120**	**-**	**-**	**6**	**126**
Yan Po Kwan	**120**	**-**	**-**	**6**	**126**
	360	**1,624**	**444**	**54**	**2,482**

Notes to the Financial Statements

For the year ended 30 April 2006

15. Directors' and senior management's emoluments (continued)

(a) Directors' emoluments (continued)

The remuneration of individual director is set out below (continued):

	For the year ended 30 April 2005				
	Fees	Salaries, allowances and benefits in kind	Housing allowance	Retirement benefits scheme contributions	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Executive directors					
Lo Wai Shing, Felix	–	828	132	12	972
Lau Kevin	–	432	288	12	732
Leung Wai Kuen, Cerene	–	330	–	12	342
Independent non-executive directors					
Yeong Yun Hong, Gary	120	–	–	6	126
Chu Chin Fan	120	–	–	6	126
Yan Po Kwan	71	–	–	4	75
	311	1,590	420	52	2,373

The emoluments of directors fell within the following bands:

	Number of directors	
	2006	2005
Nil – HK$1,000,000	**6**	6

During the year, no options (2005: Nil) were granted to the directors.

No directors have waived emoluments in respect of the two years ended 30 April 2006 and 2005.

Notes to the Financial Statements

For the year ended 30 April 2006

15. Directors' and senior management's emoluments (continued)

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include two (2005: two) directors whose emoluments are reflected in the analysis presented above.

The emoluments payable to the remaining three (2005: three) individuals during the year are as follows:

	2006	2005
	HK$'000	HK$'000
Salaries and other emoluments	**1,326**	1,199
Retirement benefits scheme contributions	**36**	36
	1,362	1,235

The emoluments fell within the following band:

	Number of individuals	
	2006	2005
Nil – HK$1,000,000	**3**	3

16. Investment property

	The Group	
	2006	2005
	HK$'000	*HK$'000*
Valuation		
At 1 May	**642**	800
Revaluation decrease	**–**	(158)
Disposal during the year	**(642)**	–
At 30 April	**–**	642

The Group's investment property was revalued at 30 April 2005 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$158,000 which has been charged to the consolidated income statement. During the year ended 30 April 2006, the investment property was disposed at a consideration of HK$700,000.

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For the year ended 30 April 2006

17. Property, plant and equipment

	The Group					
	Leasehold improvements	Plant and machinery	Furniture, fixtures and equipment	Moulds	Motor vehicles	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Cost						
At 1 May 2004	17,687	67,422	16,598	9,995	2,307	114,009
Additions	–	1,337	49	432	404	2,222
Disposals	(2,059)	–	(569)	–	(160)	(2,788)
At 30 April 2005	15,628	68,759	16,078	10,427	2,551	113,443
At 1 May 2005	15,628	68,759	16,078	10,427	2,551	113,443
Additions	812	403	144	1,248	476	3,083
Disposals	–	–	–	–	–	–
Exchange alignment	1	26	4	1	–	32
At 30 April 2006	**16,441**	**69,188**	**16,226**	**11,676**	**3,027**	**116,558**
Accumulated depreciation						
At 1 May 2004	9,420	63,761	13,594	9,216	1,514	97,505
Provided for the year	1,774	2,062	1,570	949	353	6,708
Eliminated on disposals	(986)	–	(196)	–	(107)	(1,289)
At 30 April 2005	10,208	65,823	14,968	10,165	1,760	102,924
At 1 May 2005	10,208	65,823	14,968	10,165	1,760	102,924
Provided for the year	1,542	1,337	809	566	377	4,631
Eliminated on disposals	–	–	–	–	–	–
Exchange alignment	1	26	4	4	–	35
At 30 April 2006	**11,751**	**67,186**	**15,781**	**10,735**	**2,137**	**107,590**
Net book value						
At 30 April 2006	**4,690**	**2,002**	**445**	**941**	**890**	**8,968**
At 30 April 2005	5,420	2,936	1,110	262	791	10,519

Notes to the Financial Statements

For the year ended 30 April 2006

17. Property, plant and equipment (continued)

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

	2006	2005
	HK$'000	*HK$'000*
Plant and machinery	**557**	734
Motor vehicles	**738**	350
	1,295	1,084

18. Deferred costs

	The Group
	HK$'000
Cost	
At 1 May 2005	11,793
Additions	53
At 30 April 2006	**11,846**
Amortisation and impairment	
At 1 May 2005	10,985
Provided for the year	451
Impairment loss recognised	–
At 30 April 2006	**11,436**
Net book values	
At 30 April 2006	**410**
At 30 April 2005	808

Notes to the Financial Statements

For the year ended 30 April 2006

18. Deferred costs (continued)

	The Group
	HK$'000
Cost	
At 1 May 2004	11,737
Additions	56
At 30 April 2005	11,793
Amortisation and impairment	
At 1 May 2004	8,150
Provided for the year	2,427
Impairment loss recognised	408
At 30 April 2005	10,985
Net book values	
At 30 April 2005	808
At 30 April 2004	3,587

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 30 April 2006 and no further impairment loss was made (2005: HK$408,000) for the year.

19. Interests in subsidiaries

	The Company	
	2006	2005
	HK$'000	*HK$'000*
Unlisted shares, at cost	**106,167**	106,167
Amounts due from subsidiaries	**272,432**	204,351
	378,599	310,518
Less: Impairment losses recognised	**(378,599)**	(310,518)
	–	–

Notes to the Financial Statements

For the year ended 30 April 2006

19. Interests in subsidiaries (continued)

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 30 April 2006 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	Hong Kong *(note b)*	Ordinary HK$10,000	–	100%	Sale of electrical appliance
Mei Ah Management Services Limited	Hong Kong *(note b)*	Ordinary HK$2	–	100%	Provision of management service to group companies

19. Interests in subsidiaries *(continued)*

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 Directly	Indirectly	Principal activities
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

Notes:

a. The company is registered in the form of a 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 assets and liabilities 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.

20. Inventories

	The Group	
	2006	2005
	HK$'000	*HK$'000*
Raw materials	**10,739**	12,277
Work in progress	**4,085**	4,443
Finished goods	**1,563**	2,843
	16,387	19,563

Notes to the Financial Statements

For the year ended 30 April 2006

21. Trade receivables

The Group allows an average credit period of 0 days to 90 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	
	2006	2005
	HK$'000	*HK$'000*
0 – 90 days	**2,578**	2,584
91 – 180 days	**354**	878
Over 180 days	**2,401**	5,123
	5,333	8,585

22. Trade payables

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

	The Group	
	2006	2005
	HK$'000	*HK$'000*
0 – 90 days	**3,834**	9,878
91 – 180 days	**549**	1,117
Over 180 days	**2,673**	3,879
	7,056	14,874

23. Borrowings

	The Group			
	Interest-bearing		Non interest-bearing	
	2006	2005	**2006**	2005
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Other loans				
Unsecured	**12,000**	23,000	**150**	–
The analysis of the above balances is as follows:				
Other loans				
Within 1 year or on demand	**–**	23,000	**150**	–
After 1 year but within 2 years	**12,000**	–	–	–
	12,000	23,000	**150**	–
Current portion of other loans	**–**	(23,000)	**(150)**	–
	12,000	–	**–**	–

23. Borrowings (continued)

	The Company			
	Interest-bearing		Non interest-bearing	
	2006	2005	**2006**	2005
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Other loans				
Unsecured	**12,000**	–	**150**	–
The analysis of the above balances is as follows:				
Other loans				
Within 1 year or on demand	**–**	–	**150**	–
After 1 year but within 2 years	**12,000**	–	**–**	–
	12,000	–	**150**	–
Current portion of other loans	**–**	–	**(150)**	–
	12,000	–	**–**	–

The interest rate on unsecured other loans from a substantial shareholder is charged on the outstanding balance at 8% (2005: 10% to 12%) per annum.

24. Obligations under finance leases

At 30 April 2006, the company had obligations under finance leases repayable, i.e. minimum lease payments, as follows:

	The Group			
	Minimum lease payments		Present value of minimum lease payments	
	2006	2005	**2006**	2005
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Amount payable:				
Within one year	**518**	397	**461**	345
In the second to fifth years	**332**	497	**302**	470
	850	894	**763**	815
Future finance charges	**(87)**	(79)	**–**	–
Present value of lease obligations	**763**	815	**763**	815

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For the year ended 30 April 2006

25. Convertible bonds

On 3 March 2006, the company issued 4.5% coupon convertible bonds (the "Bonds) with an aggregate principal amount of HK$44,838,400 and a maturity date of 2 March 2009. The bondholders have the right to convert their bonds into the Company's new ordinary shares at any time during the period from 3 March 2006 to 2 March 2009 at an initial conversion price of HK$0.33 per ordinary share (subject to adjustment).

On the maturity date, the outstanding convertible bonds will be automatically converted into conversion shares.

The fair values of the liability component and the equity conversion component were determined at issuance of the Bonds.

The fair value of the liability component of the Bonds was calculated using a market interest rate for an equivalent non-convertible bond. The residual amount, representing the value of the equity conversion component, is included in equity.

The Bonds recognised in the balance sheets are calculated as follows:

	The Group and the Company	
	2006	2005
	HK$'000	*HK$'000*
Principal amount of convertible bonds issued on 3 March 2006	**44,838**	–
Equity component *(Note 29)*	**(40,542)**	–
Liability component on initial recognition on 3 March 2006	**4,296**	–
Conversion of the bonds into the company's new ordinary shares during the year	**(340)**	–
Accrued interest capitalised during the year	**(180)**	–
Liability component at 30 April 2006	**3,776**	–

Since the date of issue up to 30 April 2006, the Bonds with an aggregate principal amount of HK$339,513 were converted into the Company's new 10,740,585 ordinary shares.

Interest expense on the Bonds is calculated using the effective interest method by applying the effective interest rate of 19.32% per annum to the liability component.

26. Deferred Taxation

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

The Group

	Accelerated tax depreciation HK$'000	**Deferred assets** HK$'000	**Tax losses** HK$'000	**Total** HK$'000
Balance at 1 May 2004	3,063	628	(3,691)	–
(Credit)/charge to income statement for the year	(1,684)	(487)	2,171	–
Balance at 30 April 2005	1,379	141	(1,520)	–
Balance at 1 May 2005	1,379	141	(1,520)	–
(Credit)/charge to income statement for the year	(684)	(69)	753	–
Balance at 30 April 2006	**695**	**72**	**(767)**	**–**

For the purposes of balance sheet presentation, deferred tax assets and liabilities have been offset in accordance with the conditions set out in the HKAS 12 "Income Taxes" issued by the HKICPA.

At 30 April 2006, the Group has unused tax losses of approximately HK$103,756,000 (2005: HK$83,287,000) available for offset against future profits that are subject to Hong Kong Profits Tax. A deferred tax asset amounting to HK$767,000 (2005: HK$1,520,000) has been recognised in respect such losses of approximately HK$4,383,000 (2005: HK$8,686,000). No deferred tax asset has been recognised in respect of the remaining unused tax losses approximately HK$99,373,000 (2005: HK$74,601,000) due to the unpredictability of future profit streams.

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For the year ended 30 April 2006

27. Share Capital

	No. of shares	*HK$'000*
Authorised:		
At 1 May 2004, 30 April 2005		
– shares of HK$0.01 each	20,000,000,000	200,000
Consolidation of every ten shares into one share		
on 13 February 2006 *(Note iii)*	(18,000,000,000)	–
At 30 April 2006 – shares of HK$0.10 each	2,000,000,000	200,000
Issued and fully paid:		
Shares of HK$0.01 each		
At 1 May 2004	3,403,200,000	34,032
Issue of shares in October 2004	550,000,000	5,500
Issue of shares in January 2005	130,640,000	1,306
Issue of shares in March 2005	400,000,000	4,000
At 30 April 2005	4,483,840,000	44,838
Capital reduction on 17 May 2005 *(Note i)*	(4,259,648,000)	(42,596)
Rights issue on 13 June 2005 *(Note ii)*	224,192,000	2,242
Consolidation of every ten shares into		
one share on 13 February 2006 *(Note iii)*	(403,545,600)	–
Convertible bonds conversion during		
the period from March to April 2006 *(Note iv)*	10,740,585	1,074
At 30 April 2006 – shares of HK$0.10 each	**55,578,985**	**5,558**

Notes:

(i) Capital Reduction

On 17 May 2005, the issued capital of the Company was reduced by HK$0.0095 per issued share by canceling an equivalent amount of paid-up capital per issued share so that the nominal value of each issued share was reduced from HK$0.01 to HK$ 0.0005. Accordingly, based upon 4,483,840,000 shares in issue as at the date of the Announcement, the issued share capital of the Company of HK$44,838,400 would be reduced by HK$42,596,480 to HK$2,241,920.

Share Subdivision

Upon the capital reduction becoming effective, each authorized but unissued existing share in the capital of the Company was subdivided into 20 shares of HK$0.0005 each.

Share Consolidation

Immediately following the capital reduction and share subdivision, the share consolidation will be implemented whereby every 20 shares of HK$0.0005 each resulting from the capital reduction and the share subdivision was consolidated into one Consolidated Share of HK$0.01.

27. Share Capital (continued)

Notes: (continued)

(ii) Rights Issue

On 13 June 2005, the Company had completed the fund raising by way of a rights issue, in the proportion of one share for every Consolidated Share (after completion of the Capital Reorganization, 25 May 2005) held and 224,192,000 shares were issued at HK$0.10 per share.

(iii) Share Consolidation

On 13 February 2006, the Company had implemented the share consolidation whereby every 10 Existing shares of HK$ 0.01 each will be consolidated into one Consolidated Share of HK$ 0.10.

(iv) Issuance of Convertible Bonds

On 3 March 2006, the Company issued 4.5% coupon convertible bonds with an aggregate principal amount of HK$44,838,400 with a maturity date of 2 March 2009. The bondholders have the right to convert their bonds into the Company's new ordinary shares at any time during the period from 3 March 2006 to 2 March 2009 at an initial conversion price of HK$0.33 per ordinary share. Details of convertible bonds are set out in note 25.

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

28. Share Option Scheme

Under the share option scheme adopted by the Company on 10 November 1998 (the "Old 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. On 24 September 2004, a new share option scheme (the "New Scheme") was adopted by the Company and the Old Scheme was terminated. No further options can be offered under the Old Scheme. However, all other respects of the provisions of the Old Scheme shall remain in full force and holders of all options granted under the Old Scheme prior to such termination shall be entitled to exercise the outstanding options pursuant to the terms of the Old Scheme until the expiry of the said options.

The purpose of the New Scheme provides incentives or rewards to the participants (including but not limited to employees, directors, suppliers and customers of the Group) for their contribution to the Group and/or to enable the Group to recruit and retain high-calibre employees and attract human resources that are valuable to the Group.

Notes to the Financial Statements

For the year ended 30 April 2006

28. 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	Outstanding at 1/5/2005	Lapsed up to 31/1/06	Outstanding after adjustment at *31/1/06	Lapsed up to 28/2/06	Outstanding after adjustment at **28/2/06	Lapsed up to 31/3/06	Outstanding after adjustment at ***31/3/06	Lapsed up to 30/4/06	Outstanding at 30/4/06	Exercise price per share after adjustment on #13/2/06	Exercise price per share after adjustment on ##28/3/06	Exercisable period
										HK$	*HK$*	
(a) An executive Director:												
Mr. Lau Kevin												
24/6/2000	12,800,000	–	640,000	–	64,000	–	102,400	–	102,400	13.5	8.4	24/6/2000 to 9/11/2008
(b) Employees in aggregate												
18/2/2000	100,000	–	5,000	–	500	–	800	–	800	27	16.9	18/2/2000 to 9/11/2008
29/6/2000	–	–	–	–	–	–	–	–	–	–	–	29/6/2000 to 9/11/2008
3/7/2000	1,200,000	(15,000)	45,000	–	4,500	–	7,200	–	7,200	13.5	8.4	3/7/2000 to 9/11/2008
5/7/2000	520,000	(2,000)	24,000	–	2,400	–	3,840	–	3,840	13.5	8.4	5/7/2000 to 9/11/2008
	1,820,000	(17,000)	74,000	–	7,400	–	11,840	–	11,840			
	14,620,000	(17,000)	714,000	–	71,400	–	114,240	–	114,240			

28. Share Option Scheme (continued)

Note:

* The number of share options has been reduced due to the share consolidation approved on 17 May 2005 for every 20 issued ordinary shares be consolidated into 1 new share and the outstanding options were decreased accordingly.

** The number of share options has been reduced due to the share consolidation approved on 13 February 2006 for every 10 issued and unissued ordinary shares be consolidated into 1 new share and the outstanding options were decreased accordingly.

*** The number of share options has been adjusted on 28 March 2006 due to the open offer of convertible bonds become unconditional.

\# After the share consolidation effective on 13 February 2006, the exercise price at HK$1.35 has been adjusted to HK$13.5 and the exercise price at HK$2.7 has been adjusted to HK$27 respectively.

\#\# The exercise price of the share option has been adjusted on 28 March 2006 due to the open offer of convertible bonds become unconditional.

All existing options were granted under the Old Scheme in 2000 and thus are exempted from fair value valuation under HKFRS 2.

No option was granted under the New Scheme during the year.

Notes to the Financial Statements

For the year ended 30 April 2006

29. Reserves

The Company

	Share premium HK$'000	Capital redemption reserve HK$'000	Capital reserve HK$'000	Contributed surplus HK$'000 (Note)	Accumulated losses HK$'000	Total HK$'000
At 1 May 2004	174,038	477	–	44,942	(238,518)	(19,061)
Issue of shares	4,286	–	–	–	–	4,286
Expenses incurred in connection with the issue of shares	(480)	–	–	–	–	(480)
Loss for the year	–	–	–	–	(29,321)	(29,321)
At 30 April 2005	177,844	477	–	44,942	(267,839)	(44,576)
At 1 May 2005	177,844	477	–	44,942	(267,839)	(44,576)
Capital reduction	42,596	–	–	–	–	42,596
Rights issue	20,178	–	–	–	–	20,178
Expenses incurred in connection with the issue of shares	(2,039)	–	–	–	–	(2,039)
Elimination of accumulated losses of the company	–	–	–	(238,519)	238,519	–
Transfer share premium to contribution reserve	(216,635)	–	–	216,635	–	–
Equity component of convertible bonds issued *(Note 25)*	–	–	40,542	–	–	40,542
Conversion of convertible bonds into shares	2,470	–	(3,204)	–	–	(734)
Loss for the year	–	–	–	–	(79,188)	(79,188)
At 30 April 2006	**24,414**	**477**	**37,338**	**23,058**	**(108,508)**	**(23,221)**

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.

At 30 April 2006, the Company had no retained profits available for distribution.

Notes to the Financial Statements

For the year ended 30 April 2006

30. Contingent Liabilities

As at 30 April 2006, the Company provided guarantees amounting to approximately HK$1,323,000 (2005: HK$2,877,000) to banks in respect of the banking facilities and finance lease arrangements granted to subsidiaries.

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	
	2006	2005
	HK$'000	*HK$'000*
Bank deposits	–	420
Bills receivable	–	2,683
	–	3,103

32. Operating Leases Commitments

At 30 April 2006, the total future minimum lease payments under non-cancellable operating leases for each of the following periods were:

	The Group		The Company	
	2006	2005	**2006**	2005
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Not later than one year	**6,532**	6,978	**2,246**	2,695
Later than one year and not later than five years	**17,003**	18,935	–	1,797
Later than five years	**94,745**	99,345	–	–
	118,280	125,258	**2,246**	4,492

33. Comparative Figures

Certain comparative figures have been adjusted or re-classified as a result of the changes in accounting policies.

Notes to the Financial Statements

For the year ended 30 April 2006

34. Financial Risk Management

The company is exposed to various kinds of risks in its operation and financial instruments. The company's risk management objectives and policies mainly focus on minimizing the potential adverse effects of these risks on the company by closely monitoring the individual exposure as follows:

(a) Market risk

Currency risk

The company purchases and sells in various foreign currencies, mainly US dollars and Renminbi, that exposes it to foreign currency risk arising from such purchases and sales and the resulting receivables and the payables. The company closely and continuously monitors the exposure as follows:

– Since HK dollars is pegged to US dollars, there is no significant exposure expected on US dollars transactions and balances.

– Even HK dollars is not pegged to Renminbi, the historical exchange rate fluctuation on Renminbi is insignificant. Thus, there is no significant exposure expected on Renminbi transactions and balances. In case of any significant fluctuation expected, the Renminbi transactions and balances would also be monitored and controlled in the same manner as other foreign currencies.

– In respect of purchases and payables, the company controls its volume of purchase orders to a tolerable level and avoids concentrating the purchases in a single foreign currency by diversifying such foreign currency risk exposure.

– In respect of sales and receivables, the company sets a prudent credit limit to individual customers who transact with it in other foreign currencies. The directors' approval is required on the exposure to an individual customer or transaction that exceeds the limit.

(b) Credit risk

The company has no concentrations of credit risk. It also sets credit limit on each individual customer and prior approval is required for any transaction exceeding that limit. The customer with sound payment history would accumulate a higher credit limit. In addition, the overseas customers would normally be required to transact with the company by letter of credit in order to minimise the company's credit risk exposure.

34. Financial Risk Management (continued)

(c) Liquidity risk

The company manages its funds conservatively by maintaining a comfortable level of cash and cash equivalents in order to meet continuous operational need. The Group's responsibility is maintaining a balance between continuity of funding and flexibility through the use of borrowings from shareholder in order to meet its liquidity requirements both in short and long terms. All debts of the Group would mature after one year but within two years as at 30 April 2006.

(d) Cash flow interest rate risk

The company's exposure to cash flow interest rate risk is mainly on its interest-bearing borrowings from a substantial shareholder. In order to manage the cash flow interest rate risk, the company will repay the corresponding borrowings when it has surplus funds.

(e) Fair value

All financial instruments are carried at amounts not materially different from their values as at 30 April 2006.