

1. GENERAL

The Company was incorporated in Bermuda on 8th June, 1993 as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The principal activities of the Group are the manufacture and sale of liquid crystal displays and printed circuit boards.

2. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention.

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 31st March each year.

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

All significant intercompany transactions and balances within the Group have been eliminated on consolidation.

Goodwill

Goodwill arising on consolidation which represents the excess of the purchase consideration over the fair value ascribed to the separable net assets at the date of acquisition of a subsidiary, is written off to reserves immediately on acquisition. Negative goodwill, which represents the excess of the fair value ascribed to the separable net assets at the date of acquisition over the purchase consideration, is credited to reserves.

On disposal of a subsidiary, the attributable amount of goodwill or negative goodwill previously eliminated against or credited to reserves is included in the determination of the profit or loss on disposal of the subsidiary.

Notes to the Financial Statements

For the year ended 31st March, 2001

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Interests in subsidiaries

A subsidiary is an enterprise in which the Company, directly or indirectly, holds more than half of the issued share or registered capital, or controls more than half of the voting power, or where the Company controls the composition of its board of directors or equivalent governing body.

Investments in subsidiaries are included in the Company's balance sheet at cost, as reduced by any decline in the value of the subsidiary that is other than temporary. Results of subsidiaries are accounted for by the Company on the basis of dividends received or receivable during the year.

Revenue recognition

Sale of goods is recognised when goods are delivered and title has passed.

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

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost, which comprises all costs of purchase and, where applicable, costs of conversion and other costs that have been incurred in bringing the inventories to their present location and condition, is calculated using the first-in, first-out method. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Taxation

The charge for taxation is based on the results for the year as adjusted for items which are non-assessable or disallowed. Timing differences arise from the recognition for tax purposes of certain items of income and expense in a different accounting period from that in which they are recognised in the financial statements. The tax effect of timing differences, computed using the liability method, is recognised as deferred taxation in the financial statements to the extent that it is probable that a liability or an asset will crystallise in the foreseeable future.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)***Property, plant and equipment**

Property, plant and equipment are stated at cost less depreciation or amortisation. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its present working condition and location for its intended use. Expenditure incurred after the assets have been put into operation, such as repairs and maintenance and overhaul costs, is normally charged to the income statement in the period in which it is incurred. In situations 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 the assets, the expenditure is capitalised as an additional cost of the asset.

The gain or loss arising from 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.

Where the recoverable amount of an asset has declined below its carrying amount, the carrying amount is reduced to reflect the decline in value. In determining the recoverable amount of assets, expected future cash flows are not discounted to their present values.

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

Leasehold land	Over the term of the lease
Buildings	Over the estimated useful lives of 20 years
Furniture and fixtures	10 - 25%
Office equipment	15 - 25%
Plant and machinery	10 - 15%
Motor vehicles	10 - 20%

No provision for depreciation is made on machinery under installation until such time as the relevant asset is completed and put into use.

Club debentures

Club debentures which are held for long-term purpose, are measured at cost, as reduced by any impairment loss that is other than temporary.

Notes to the Financial Statements

For the year ended 31st March, 2001

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Operating leases

Rentals payable under operating leases are charged to the income statement on a straight line basis over the term of the relevant lease.

Foreign currencies

Transactions in foreign currencies are translated at the rates ruling on the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are re-translated at the rates ruling on the balance sheet date. Profits and losses arising on exchange are dealt with in the income statement.

On consolidation, the financial statements of the overseas subsidiaries are translated using the temporal method as the operations of the overseas subsidiaries are dependent on the economic circumstances of the Company's reporting currency. Exchange differences arising on consolidation are dealt with in the income statement.

Cash equivalents

Cash equivalents represent short-term, highly liquid investments which are readily convertible into known amounts of cash and which were within three months of maturity when acquired; less advances from banks repayable within three months from the date of the advance.

Retirement benefit scheme contributions

The retirement benefit scheme contributions charged in the income statement represent the amount of contributions payable to the Group's defined contribution scheme/mandatory and voluntary provident fund scheme.

3. TURNOVER

Turnover represents the net amounts received and receivable for goods sold during the year.

Over 90 per cent. of the Group's turnover and contribution to profit from operations, are derived from sales to customers based in Hong Kong.

Sale of liquid crystal displays accounts for over 90 per cent. of the Group's turnover.

Notes to the Financial Statements

For the year ended 31st March, 2001

4. PROFIT FROM OPERATIONS

	2001	2000
	HK\$'000	HK\$'000
Profit from operations has been arrived at after charging (crediting):		
Auditors' remuneration	480	480
Depreciation and amortisation	16,025	17,486
Net loss (gain) on disposal of property, plant and equipment	5	(2,529)
Operating lease rentals in respect of rented premises	2,657	3,061
Staff costs, including directors' emoluments	43,134	50,514
Interest income	(2,158)	(3,013)
	<u> </u>	<u> </u>

5. FINANCE COSTS

	2001	2000
	HK\$'000	HK\$'000
Interest on bank borrowings wholly repayable within five years	224	1,052
	<u> </u>	<u> </u>

6. DIRECTORS' EMOLUMENTS

	2001	2000
	HK\$'000	HK\$'000
Directors' fees	200	200
Other emoluments:		
Salaries and other benefits	3,549	3,404
Retirement benefit scheme contributions	129	98
	<u> </u>	<u> </u>
Total emoluments	3,878	3,702
	<u> </u>	<u> </u>

The directors' fees disclosed above were paid or payable to independent non-executive directors.

Notes to the Financial Statements

For the year ended 31st March, 2001

6. DIRECTORS' EMOLUMENTS (Continued)

Emoluments of the directors were within the following bands:

	Number of directors	
	2001	2000
Nil to HK\$1,000,000	3	3
HK\$1,000,001 to HK\$1,500,000	1	2
HK\$1,500,001 to HK\$2,000,000	1	–
	<u>5</u>	<u>5</u>

7. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, three (2000: two) were directors of the Company whose emoluments are included in note 6 above. The emoluments of the remaining two (2000: three) individuals were as follows:

	2001	2000
	HK\$'000	HK\$'000
Salaries and other benefits	1,966	2,641
Retirement benefit scheme contributions	49	45
	<u>2,015</u>	<u>2,686</u>

Their emoluments were within the following bands:

	Number of Employees	
	2001	2000
Nil to HK\$1,000,000	1	3
HK\$1,000,001 to HK\$1,500,000	1	–
	<u>2</u>	<u>3</u>

Notes to the Financial Statements

For the year ended 31st March, 2001

8. TAXATION

	2001	2000
	HK\$'000	HK\$'000
The charge comprises:		
Hong Kong Profits Tax		
Current year	7	7
Under(over)provision in respect of prior years	1	(7)
	<hr/>	<hr/>
	8	–
Taxation outside Hong Kong	–	139
	<hr/>	<hr/>
	8	139
	<hr/> <hr/>	<hr/> <hr/>

Hong Kong Profits Tax is calculated at 16% of the estimated assessable profit for the year.

Taxation outside Hong Kong is calculated at the rates prevailing in the respective jurisdictions.

Details of unprovided deferred taxation are set out in note 22.

9. NET PROFIT FOR THE YEAR

Of the Group's profit for the year of approximately HK\$5,804,000 (2000: HK\$4,496,000), a profit of approximately HK\$7,742,000 (2000: HK\$11,949,000) has been dealt with in the financial statements of the Company.

Notes to the Financial Statements

For the year ended 31st March, 2001

10. EARNINGS PER SHARE

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

	2001	2000
	HK\$'000	HK\$'000
Earnings for the purposes of basic and diluted earnings per share	<u>5,804</u>	<u>4,496</u>
Weighted average number of ordinary shares for the purposes of basic earnings per share	726,743,188	635,410,210
Effect of dilutive share options	<u>24,881,839</u>	<u>22,988,450</u>
Weighted average number of ordinary shares for the purposes of diluted earnings per share	<u>751,625,027</u>	<u>658,398,660</u>

11. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings	Furniture and fixtures	Office equipment	Plant and machinery	Motor vehicles	Machinery under installation	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
THE GROUP							
COST							
At 1st April, 2000	4,122	14,318	3,036	130,620	3,721	-	155,817
Additions	7,860	1,444	333	5,472	1,132	32,776	49,017
Disposals	-	(17)	(80)	(114)	(440)	-	(651)
At 31st March, 2001	11,982	15,745	3,289	135,978	4,413	32,776	204,183
DEPRECIATION AND AMORTISATION							
At 1st April, 2000	460	11,095	1,710	86,020	2,467	-	101,752
Provided for the year	291	1,148	370	13,712	504	-	16,025
Eliminated on disposals	-	(17)	(70)	(112)	(433)	-	(632)
At 31st March, 2001	751	12,226	2,010	99,620	2,538	-	117,145
NET BOOK VALUES							
At 31st March, 2001	11,231	3,519	1,279	36,358	1,875	32,776	87,038
At 31st March, 2000	3,662	3,223	1,326	44,600	1,254	-	54,065

Notes to the Financial Statements

For the year ended 31st March, 2001

11. PROPERTY, PLANT AND EQUIPMENT (Continued)

The net book value of leasehold land and buildings shown above comprises:

	2001	2000
	HK\$'000	HK\$'000
Land in Hong Kong		
Long lease	2,398	2,432
Medium-term lease	611	624
Land outside Hong Kong		
Long lease	461	606
Medium-term lease	7,761	–
	11,231	3,662

12. INTERESTS IN SUBSIDIARIES

	THE COMPANY	
	2001	2000
	HK\$'000	HK\$'000
Unlisted shares	83,384	83,384
Amounts due from subsidiaries	612,442	472,800
	695,826	556,184
Less: Provision	(346,290)	(356,675)
	349,536	199,509

The value of the unlisted shares is based on the book values of the underlying separable net assets of the subsidiaries attributable to the Group as at the date on which the Company became the holding company of the Group.

12. INTERESTS IN SUBSIDIARIES (Continued)

Details of the Company's principal subsidiaries at 31st March, 2001 are as follows:

Name of subsidiary	Place of incorporation or registration/ operations	Issued and fully paid up share/registered capital	Percentage of nominal value of issued/ registered capital held by the Company	Principal activities
Dongguan Yeedu Semiconductor Co., Ltd.	People's Republic of China ("PRC")	US\$1,496,000 registered capital	85% (note)	Manufacture of liquid crystal displays
Jiangmen Yeebo P.C.B. Ltd.	PRC	HK\$22,574,000 registered capital	83.2% (note)	Manufacture of printed circuit boards
Jiangmen Yeebo Semiconductor Co., Ltd.	PRC	US\$9,307,000 registered capital	80% (note)	Manufacture of liquid crystal displays
LCD Industries Limited	British Virgin Islands/ PRC	US\$1	100%	Trading of liquid crystal displays and printed circuit boards
Yeebo (B.V.I.) Limited	British Virgin Islands	US\$8,100	100%	Investment holding
Yeebo LCD Limited	Hong Kong	HK\$10,000	100%	Development and trading of liquid crystal displays
Yeebo Manufacturing Limited	Hong Kong	HK\$10,000	100%	Trading of printed circuit boards

Note: Dongguan Yeedu Semiconductor Co., Ltd., Jiangmen Yeebo P.C.B. Ltd. and Jiangmen Yeebo Semiconductor Co., Ltd. were established by the Group with three separate parties in the PRC. Under the respective subcontracting agreements, the Group is responsible for all of their assets and liabilities and is entitled to all of the net results of their operations after the payment of fixed amounts to the relevant PRC parties each year during the terms of the respective joint ventures. The Group therefore effectively has a 100% attributable economic interest in these subsidiaries.

Notes to the Financial Statements

For the year ended 31st March, 2001

12. INTERESTS IN SUBSIDIARIES (Continued)

The above table only includes those subsidiaries which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of all subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

All the above subsidiaries are owned indirectly by the Company except for Yeebo (B.V.I.) Limited.

None of the subsidiaries had any loan capital outstanding at the end of the year or at any time during the year.

13. CLUB MEMBERSHIP DEBENTURES

	THE GROUP 2001 and 2000 HK\$'000
At cost	2,659
Impairment loss	(700)
	<hr/>
	1,959 <hr/> <hr/>

14. INVENTORIES

	THE GROUP	
	2001	2000
	HK\$'000	HK\$'000
Raw materials	81,049	69,066
Work in progress	2,233	4,151
Finished goods	10,757	7,233
	<hr/>	<hr/>
	94,039 <hr/> <hr/>	<hr/> 80,450 <hr/> <hr/>

Included above are raw materials of approximately HK\$8,855,000 (2000: HK\$8,932,000) which are carried at net realisable value.

During the year, as a result of tightening control on inventories, certain slow-moving goods identified in the previous year were used and sold. Provisions made in prior years against the carrying value of raw materials of approximately HK\$3,324,000 (2000: HK\$918,000) have been reversed.

Notes to the Financial Statements

For the year ended 31st March, 2001

15. TRADE AND OTHER RECEIVABLES

The Group allows an average credit period of 30 - 90 days to its trade customers.

The following is an aged analysis of trade receivables at the balance sheet date:

	THE GROUP	
	2001	2000
	HK\$'000	<i>HK\$'000</i>
0 - 30 days	23,461	26,432
31 - 60 days	16,895	16,981
61 - 90 days	9,009	18,798
91 - 120 days	8,369	6,042
Over 120 days	1,185	660
	<hr/>	<hr/>
	58,919	68,913
Other receivables, deposits and prepayments	3,459	20,652
	<hr/>	<hr/>
	62,378	89,565
	<hr/> <hr/>	<hr/> <hr/>

16. TRADE AND OTHER PAYABLES

The following is an aged analysis of trade payables at the balance sheet date:

	THE GROUP	
	2001	2000
	HK\$'000	<i>HK\$'000</i>
0 - 30 days	4,403	12,839
31 - 60 days	3,728	3,541
61 - 90 days	2,706	4,893
91 - 120 days	5,602	2,122
Over 120 days	7,681	1,454
	<hr/>	<hr/>
	24,120	24,849
Other payables and accrued charges	30,814	21,420
	<hr/>	<hr/>
	54,934	46,269
	<hr/> <hr/>	<hr/> <hr/>

Notes to the Financial Statements

For the year ended 31st March, 2001

17. BILLS PAYABLE

The following is an aged analysis of bills payable at the balance sheet date:

	THE GROUP	
	2001	2000
	HK\$'000	HK\$'000
0 - 30 days	2,164	1,312
31 - 60 days	730	2,546
61 - 90 days	-	1,352
	<u>2,894</u>	<u>5,210</u>

18. BANK BORROWINGS, UNSECURED

	THE GROUP	
	2001	2000
	HK\$'000	HK\$'000
Short-term bank loans	2,183	-
Trust receipt loans	1,111	-
	<u>3,294</u>	<u>-</u>

19. SHARE CAPITAL

	Number of shares '000	Amount HK\$'000
Ordinary shares of HK\$0.20 each		
Authorised:		
At beginning and end of the year	<u>2,000,000</u>	<u>400,000</u>
Issued and fully paid:		
At 1st April, 1999	630,601	126,120
Issue of shares (<i>Note a</i>)	<u>9,889</u>	<u>1,978</u>
At 31st March, 2000	640,490	128,098
Issue of shares (<i>Note b</i>)	<u>377,889</u>	<u>75,578</u>
At 31st March, 2001	<u>1,018,379</u>	<u>203,676</u>

Note:

- (a) During the year ended 31st March, 2000, the Company issued and allotted an aggregate of 9,888,660 ordinary shares of HK\$0.20 each in the Company for cash at HK\$0.20 per share as a result of the exercise of the Company's options. The shares issued rank pari passu in all respects with the then existing shares of the Company.
- (b) On 5th January, 2001, the Company entered into a subscription agreement with Cando Corporation ("Cando") pursuant to which the Company placed 350,000,000 ordinary shares of HK\$0.20 each in the capital of the Company to Cando at a cash consideration price of HK\$0.40 per share. On 12th February, 2001, 350,000,000 new shares were allotted and issued. The shares issued rank pari passu in all respects with the then existing shares of the Company. The net proceeds of approximately HK\$140 million is for upgrading the existing production facilities of, and to provide general working capital to, the Group.

In addition, the Company issued and allotted an aggregate of 27,888,660 ordinary shares of HK\$0.20 each in the Company for cash at HK\$0.20 per share as a result of the exercise of the Company's options during the year. The shares issued rank pari passu in all respects with the then existing shares of the Company.

Notes to the Financial Statements

For the year ended 31st March, 2001

20. SHARE OPTIONS

Pursuant to a share option scheme adopted on 9th August, 1993, the Company may grant options to eligible employees, including executive directors, of the Company or any of its subsidiaries to subscribe for shares in the Company at a price equal to the higher of the nominal value of a share and 80% of the average closing prices of the shares on the Stock Exchange on the five trading days immediately preceding the date of grant of the options. The maximum number of shares in respect of which options may be granted under the share option scheme shall not exceed 10% of the issued share capital of the Company from time to time.

A summary of the movements of the share options, exercisable between 4th October, 1999 and 4th October, 2002 (both dates inclusive) with an exercise price of HK\$0.20 per share, during the year is as follows:

Date granted	Balance at 1.4.2000	Exercised during the year	Balance at 31.3.2001
4th October, 1999	53,073,540	27,888,660	25,184,880

No share option was granted during the year.

21. RESERVES

	Share premium <i>HK\$'000</i>	Capital reserve <i>HK\$'000</i>	Contributed surplus <i>HK\$'000</i>	Capital redemption reserve <i>HK\$'000</i>	Retained (deficit) profit <i>HK\$'000</i>	Total <i>HK\$'000</i>
THE GROUP						
At 1st April, 1999	77,508	2,125	–	1,347	(13,504)	67,476
Profit for the year	–	–	–	–	4,496	4,496
At 31st March, 2000	77,508	2,125	–	1,347	(9,008)	71,972
Premium arising on issue of shares	70,000	–	–	–	–	70,000
Expenditure incurred on issue of shares	(205)	–	–	–	–	(205)
Profit for the year	–	–	–	–	5,804	5,804
At 31st March, 2001	147,303	2,125	–	1,347	(3,204)	147,571
THE COMPANY						
At 1st April, 1999	77,508	–	49,259	1,347	(71,573)	56,541
Profit for the year	–	–	–	–	11,949	11,949
At 31st March, 2000	77,508	–	49,259	1,347	(59,624)	68,490
Premium arising on issue of shares	70,000	–	–	–	–	70,000
Expenditure incurred on issue of shares	(205)	–	–	–	–	(205)
Profit for the year	–	–	–	–	7,742	7,742
At 31st March, 2001	147,303	–	49,259	1,347	(51,882)	146,027

The capital reserve balance of the Group represents the difference between the aggregate nominal value of the share capital of acquired subsidiaries and the aggregate nominal value of the Company's shares issued for the acquisition at the time of the group reorganisation prior to the listing of the Company's shares in 1993, and after the reclassification of the amounts related to the share premium arising from issue of shares of a subsidiary prior to the group reorganisation to capital reserve and after reserve movements at the time of the capital reduction in previous years.

Notes to the Financial Statements

For the year ended 31st March, 2001

21. RESERVES (Continued)

The contributed surplus of the Company represents the difference between the consolidated shareholders' funds of Yeebo (B.V.I.) Limited at the date of which it was acquired by the Company, and the nominal amount of the Company's shares issued for the acquisition at the time of the group reorganisation prior to the listing of the Company's shares in 1993. Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus account of the Company is available for distribution. However, the Company cannot declare or pay a dividend, or make a distribution out of contributed surplus, if:

- (a) it is, or would after the payment be, unable to pay its liabilities as they become due; or
- (b) the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

At 31st March, 2001, the Company had no reserves available for distribution to the shareholders.

22. UNPROVIDED DEFERRED TAXATION

At the balance sheet date, the major components of the unprovided deferred tax assets (liabilities) are as follows:

	THE GROUP		THE COMPANY	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Tax effect of timing differences because of:				
Excess of tax allowances over depreciation	(337)	(283)	-	-
Tax losses	12,690	9,359	1,893	1,428
Other timing difference	385	216	-	-
	<u>12,738</u>	<u>9,292</u>	<u>1,893</u>	<u>1,428</u>

The net deferred tax asset has not been recognised in the financial statements as it is not certain that the amount will be realised in the foreseeable future.

Notes to the Financial Statements

For the year ended 31st March, 2001

22. UNPROVIDED DEFERRED TAXATION (Continued)

The amount of unprovided deferred tax charge (credit) for the year is as follows:

	THE GROUP	
	2001	2000
	HK\$'000	HK\$'000
Tax effect of timing differences because of:		
Excess of tax allowances over depreciation	54	133
Tax losses (arising) utilised	(3,331)	498
Other timing difference	(169)	334
	<u>(3,446)</u>	<u>965</u>

23. RECONCILIATION OF PROFIT BEFORE TAXATION TO NET CASH INFLOW (OUTFLOW) FROM OPERATING ACTIVITIES

	2001	2000
	HK\$'000	HK\$'000
Profit before taxation	5,812	4,635
Interest income	(2,158)	(3,013)
Interest expense on bank borrowings	224	1,052
Loss (gain) on disposal of property, plant and equipment	5	(2,529)
Loss on disposal of a subsidiary	6	–
Depreciation and amortisation	16,025	17,486
Increase in inventories	(13,589)	(23,778)
Decrease (increase) in trade and other receivables	17,687	(5,081)
(Decrease) increase in trade and other payables	(5,959)	3,184
Decrease in bills payable	(2,316)	(5,856)
	<u>15,737</u>	<u>(13,900)</u>
Net cash inflow (outflow) from operating activities	15,737	(13,900)

Notes to the Financial Statements

For the year ended 31st March, 2001

24. ANALYSIS OF CHANGES IN FINANCING DURING THE YEAR

	Share capital and share premium	Bank loans
	<i>HK\$'000</i>	<i>HK\$'000</i>
Balance at 1st April, 1999	203,628	70,807
Proceeds from issue of shares	1,978	–
Repayment of bank loans	–	(70,807)
	<hr/>	<hr/>
Balance at 31st March, 2000	205,606	–
Proceeds from issue of shares	145,578	–
Expenditure incurred on issue of shares	(205)	–
	<hr/>	<hr/>
Balance at 31st March, 2001	<u>350,979</u>	<u>–</u>

25. DISPOSAL OF A SUBSIDIARY

	2001	2000
	<i>HK\$'000</i>	<i>HK\$'000</i>
NET ASSETS DISPOSED OF:		
Deposit and prepayment	22	–
Tax liabilities	(15)	–
	<hr/>	<hr/>
	7	–
Loss on disposal	(6)	–
	<hr/>	<hr/>
Satisfied by cash	<u>1</u>	<u>–</u>

The subsidiary disposed of during the year did not have any material effect on the turnover, operating profit and cash flows of the Group.

26. MAJOR NON-CASH TRANSACTION

Of the consideration payable for machinery under installation acquired during the year, an amount of approximately HK\$14,611,000 (2000: Nil) is still outstanding at the balance sheet date.

27. CAPITAL COMMITMENTS

	THE GROUP	
	2001	2000
	HK\$'000	HK\$'000
Capital expenditure in respect of acquisition of plant and machinery contracted for but not provided in the financial statements	<u>-</u>	<u>10,064</u>

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

28. LEASE COMMITMENTS

At the balance sheet date, the Group had commitments payable in the following year under non-cancellable operating leases in respect of rented premises as follows:

	THE GROUP	
	2001	2000
	HK\$'000	HK\$'000
Operating leases which expire:		
Within one year	29	279
In the second to fifth year inclusive	3,557	1,982
Over five years	<u>-</u>	<u>1,011</u>
	<u>3,586</u>	<u>3,272</u>

The Company had no operating lease commitments at the balance sheet date.

29. CONTINGENT LIABILITIES

At 31st March, 2001, the Company issued a corporate guarantee of US\$6,000,000 (equivalent to HK\$46,764,000 (2000: HK\$23,400,000)) in favour of a bank to secure general banking facilities granted to a subsidiary. The total amount of facilities utilised by this subsidiary as at 31st March, 2001 amounted to approximately HK\$3,294,000 (2000: Nil).

Notes to the Financial Statements

For the year ended 31st March, 2001

30. RETIREMENT BENEFITS SCHEME

Prior to 1st December, 2000, the Group operated a defined contribution retirement benefit scheme ("Defined Contribution Scheme") for its qualifying employees in Hong Kong. The assets of the scheme were held separately from those of the Group in funds under the control of an independent trustee. Where any employee left the Defined Contribution Scheme prior to vesting fully in the contributions, the amount of the forfeited contributions was used to reduce future contributions payable by the Group.

With effective from 1st December, 2000, the Group has joined a Mandatory Provident Fund scheme ("MPF Scheme") for all employees in Hong Kong. The MPF Scheme is registered with the Mandatory Provident Fund Scheme Authority under the Mandatory Provident Fund Schemes Ordinance. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee. Under the rules of the MPF Scheme, the employer and its employees are each required to make contributions to the scheme at rates specified in the rules. The only obligation of the Group with respect of MPF Scheme is to make the required contributions under the scheme. No forfeited contributions are available to reduce the contribution payable in the future years.

The retirement benefit scheme contributions arising from the Defined Contribution Scheme and the MPF Scheme charged to the income statement represent contributions paid or payable to the funds by the Group at rates specified in the rules of the schemes.

During the year, the Group made retirement benefits scheme contributions of approximately HK\$561,000 (2000: HK\$468,000) after forfeited contributions utilised in the Defined Contribution Scheme of approximately HK\$104,000 (2000: HK\$427,000). There was no significant amount of forfeited contributions available to reduce future contributions payable by the Group at the balance sheet date.

31. LITIGATION

On 22nd May, 1996, Kin Son Milkyway Electronic Holdings Ltd. ("Kin Son Milkyway"), a company associated with Kin Son Electronic (Holdings) Limited, issued legal proceedings against the Company in respect of a dispute regarding the transfer of plant and equipment in the PRC, claiming damages in the amount of RMB25,059,000 (equivalent to approximately HK\$23,400,000) together with ownership of the plant and equipment with a cost of US\$1,535,000 (equivalent to approximately HK\$11,900,000). The Shenzhen court announced on 30th December, 1996 that the claim made by Kin Son Milkyway should be dismissed. However, an appeal to the People's Court of the Guangdong Province (the "Guangdong Court") was made by Kin Son Milkyway on 15th January, 1997. On 22nd July, 1998, the Guangdong Court ruled in favour of Kin Son Milkyway and ordered that the plant and equipment in question be returned to Kin Son Milkyway. The Guangdong Court further ordered that the Company and a co-defendant in the case should pay jointly and severally damages to Kin Son Milkyway of RMB10,834,105 (equivalent to HK\$10,031,000) and a court fee of RMB260,013 (equivalent to approximately HK\$241,000). In October 1998, the Group applied for a judicial review in the Guangdong Court. On 15th September, 2000, the Company received a judgment in relation to the judicial review and the judgement sustained the Guangdong Court's decision as referred to above.

Pursuant to the loan restructuring agreement signed by the Company with relevant parties dated 17th April, 1997 and the deed of indemnity entered into between Antrix Investment Limited ("Antrix"), a shareholder of the Company, and the Company dated 31st March, 2001, any settlement of defined outstanding litigation up to a maximum of HK\$26.1 million will be ultimately borne and indemnified by Antrix. Accordingly, no provision has been made in the financial statements.

32. RELATED PARTY TRANSACTION

An amount due to Cando Corporation ("Cando"), which is also a shareholder of the Company, of HK\$11,196,000 (2000: Nil) is shown under "trade and other payables" in the balance sheet as at 31st March, 2001. The amount is unsecured, interest-free and was derived from trading activities before Cando became the shareholder of the Company.