

Notes to the Financial Statements

For the year ended 31st March, 2003

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 (“LCDs”) and investment property holding. The Group discontinued the manufacture and sale of printed circuit boards (“PCB”) in the year ended 31st March, 2002. Details of the principal activities of the Company’s principal subsidiaries are set out in note 15.

2. Adoption of New and Revised Statements of Standard Accounting Practice

In the current year, the Group has adopted, for the first time, a number of new and revised Statements of Standard Accounting Practice (“SSAPs”) issued by the Hong Kong Society of Accountants, which has resulted in the adoption of the following new and revised accounting policies. The adoption of these new and revised SSAPs has resulted in a change in the format of presentation of the cash flow statement and an inclusion of the statement of changes in equity, but has had no material effect on the results for the current or prior accounting periods. Accordingly, no prior year adjustment has been required.

Cash Flow Statements

In the current year, the Group has adopted SSAP 15 (Revised) “Cash Flow Statements”. Under SSAP 15 (Revised), cash flows are classified under three headings – operating, investing and financing, rather than the previous five headings. Interest and dividend, which were previously presented under a separate heading, are classified as investing and financing cash flows. Cash flows arising from taxes on income are classified as operating activities, unless they can be separately identified with investing or financing activities. In addition, the amounts presented for cash and cash equivalents have been amended to exclude cash balances held for investment purposes and short-term loans that are financing in nature. The re-definition of cash and cash equivalents has resulted in a restatement of the comparative amounts shown in the cash flow statement.

Employee Benefits

In the current year, the Group has adopted SSAP 34 “Employee Benefits”, which introduces measurement rules for employee benefits, including retirement benefit plans. Because the Group participates only in defined contribution retirement benefit schemes, the adoption of SSAP 34 has not had any material impact other than additional disclosures in the notes to the financial statements.

Notes to the Financial Statements

For the year ended 31st March, 2003

2. Adoption of New and Revised Statements of Standard Accounting Practice *(continued)*

Discontinuing Operations

SSAP 33 "Discontinuing Operations" is concerned with the presentation of financial information regarding discontinuing operations and replaces the requirements previously included in SSAP 2 "Net Profit or Loss for the Period, Fundamental Errors and Changes in Accounting Polices". Under SSAP 33, financial statement amounts relating to the discontinuing operation are disclosed separately from the point at which either a binding sale agreement is entered into or a detailed plan for the discontinuance is announced. The adoption of SSAP 33 has resulted in the identification of the Group's PCB activities as a discontinuing operation in the prior year, details of which are disclosed at note 8.

3. Significant Accounting Policies

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

All significant inter-company transactions, balances and cash flows are eliminated on consolidation.

Investments in subsidiaries

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

Investments in securities

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

All securities other than held-to-maturity debt securities are measured at subsequent reporting dates at fair value.

Notes to the Financial Statements

For the year ended 31st March, 2003

3. Significant Accounting Policies *(continued)*

Investments in securities *(continued)*

Where securities are held for trading purposes, unrealised gains and losses are included in net profit or loss for the period. For other securities, unrealised gains and losses are dealt with in equity, until the security is disposed of or is determined to be impaired, at which time the cumulative gain or loss is included in the net profit or loss for the period.

Property, plant and equipment

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

Depreciation and amortisation are provided to write off the costs 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 has been made on machinery under installation until such time as the relevant asset is completed and put into use.

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.

Investment properties

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

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

Notes to the Financial Statements

For the year ended 31st March, 2003

3. Significant Accounting Policies *(continued)*

Investment properties *(continued)*

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

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

Club debentures

Club debentures which are held for long-term purpose, are measured at cost, as reduced by any impairment losses.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the first-in, first-out method.

Impairment

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

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

Revenue recognition

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

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

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

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

Notes to the Financial Statements

For the year ended 31st March, 2003

3. Significant Accounting Policies *(continued)*

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.

Operating leases

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

Foreign currencies

Transactions in currencies other than Hong Kong dollars are initially recorded at the rates of exchange prevailing on the dates of the transactions. Monetary assets and liabilities denominated in such currencies are retranslated at the rates prevailing on the balance sheet date. Profits and losses arising on exchange are included in the income statement.

On consolidation, the financial statements of the subsidiaries which are denominated in currencies other than Hong Kong dollars are translated using the temporal method as the operations of the subsidiaries outside Hong Kong are dependent on the economic circumstances of the Company's reporting currency. Exchange differences arising on consolidation are dealt with in the income statement.

Retirement benefit costs

Payments to defined contribution retirement benefit plans, state-managed retirement benefit schemes and the Mandatory Provident Fund Scheme are charged as expenses as they fall due.

4. Turnover

Turnover represents net amounts received and receivable for goods sold, less returns and allowances, and rental income received and receivable during the year.

Notes to the Financial Statements

For the year ended 31st March, 2003

5. Business and Geographical Segments

Business segments

For management purpose, the Group was organised into three operating divisions – LCDs, investment property holding and others. These divisions are the bases on which the Group reports its primary segment information.

Principal activities are as follows:

LCDs – manufacture and sales of LCDs

Investment property holding – investment properties held under operating leases (*Note*)

Others – manufacture and sales of products other than LCDs

Note: During the year ended 31st March, 2003, the Group acquired investment properties of approximately HK\$191 million and investment property holding becomes a principal activity of the Group.

Notes to the Financial Statements

For the year ended 31st March, 2003

5. Business and Geographical Segments (continued)

Business segments (continued)

Segmental information about these businesses is presented below:

2003

	LCDs HK\$'000	Investment property holding HK\$'000	Others HK\$'000	Consolidated HK\$'000
<i>Segment revenue</i>				
External sales	251,735	–	16,515	268,250
Rental income	–	4,931	–	4,931
	<u>251,735</u>	<u>4,931</u>	<u>16,515</u>	<u>273,181</u>
<i>Result</i>				
Segment result	<u>(6,727)</u>	<u>5,386</u>	<u>337</u>	(1,004)
Dividend income				2,990
Interest income				1,335
Unrealised loss in investments in trading securities				(17,334)
Impairment loss in respect of club debentures				(500)
Unallocated corporate expenses				<u>(6,035)</u>
Loss from operations				(20,548)
Finance costs	(388)	(1,005)	–	(1,393)
Gain on disposal of a subsidiary				<u>70</u>
Loss before taxation				(21,871)
Taxation				<u>(605)</u>
Loss for the year				<u><u>(22,476)</u></u>

Notes to the Financial Statements

For the year ended 31st March, 2003

5. Business and Geographical Segments *(continued)*

Business segments (continued)

Consolidated balance sheet

	LCDs HK\$'000	Investment property holding HK\$'000	Others HK\$'000	Consolidated HK\$'000
Assets				
Segment assets	<u>289,773</u>	<u>193,000</u>	<u>3,146</u>	485,919
Unallocated corporate assets				<u>67,041</u>
Consolidated total assets				<u>552,960</u>
Liabilities				
Segment liabilities	51,616	1,976	172	53,764
Borrowings	<u>34,637</u>	<u>124,269</u>	<u>-</u>	<u>158,906</u>
Consolidated total liabilities				<u>212,670</u>
Other information				
Additions to investment properties	-	191,230	-	191,230
Additions to property, plant and equipment	52,649	-	-	52,649
Depreciation and amortisation	<u>17,147</u>	<u>-</u>	<u>276</u>	<u>17,423</u>

Notes to the Financial Statements

For the year ended 31st March, 2003

5. Business and Geographical Segments (continued)

Business segments (continued)

The Group discontinued the PCB business during the year ended 31st March, 2002.

2002

	Continuing operations			Discontinuing	Consolidated
	LCDs	Investment property holding	Others	operations PCBs	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<i>Segment revenue</i>					
External sales	250,183	–	16,872	–	267,055
Rental income	–	49	–	–	49
	<u>250,183</u>	<u>49</u>	<u>16,872</u>	<u>–</u>	<u>267,104</u>
<i>Result</i>					
Segment result	<u>11,157</u>	<u>34</u>	<u>753</u>	<u>(2,793)</u>	9,151
Interest income					4,490
Unallocated corporate expenses					<u>(7,095)</u>
Profit from operations					6,546
Finance cost					<u>(57)</u>
Profit before taxation					6,489
Taxation					<u>(7)</u>
Profit for the year					<u>6,482</u>

Notes to the Financial Statements

For the year ended 31st March, 2003

5. Business and Geographical Segments *(continued)*

Business segments (continued)

Consolidated balance sheet

	Continuing operations			Discontinuing	Consolidated
	LCDs	Investment property holding	Others	operations PCBs	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Assets					
Segment assets and consolidated total assets	383,474	1,250	27,820	213	412,757
Liabilities					
Segment liabilities	42,256	–	3,154	80	45,490
Borrowings	3,981	–	–	269	4,250
Unallocated corporate liabilities					251
Consolidated total liabilities					49,991
Other information					
Additions to property, plant and equipment	25,677	–	1,732	–	27,409
Depreciation and amortisation	14,812	–	999	–	15,811
Impairment losses recognised	–	1,128	–	2,118	3,246

Notes to the Financial Statements

For the year ended 31st March, 2003

5. Business and Geographical Segments *(continued)*

Geographical segments

The Group's operations are mainly located in Hong Kong and other regions of the People's Republic of China (the "PRC"). The following table provides an analysis of the Group's turnover by geographical market, irrespective of the origin of goods or services.

	Turnover by geographical market	
	2003	2002
	HK\$'000	HK\$'000
Hong Kong, the PRC	230,455	235,196
Other regions of the PRC	26,545	21,914
Other countries	16,181	9,945
	<u>273,181</u>	<u>267,055</u>

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

	Carrying amount of geographical assets		Additions to property, plant and equipment	
	2003	2002	2003	2002
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong, the PRC	355,730	250,860	2,842	5,814
Other regions of the PRC	197,230	161,897	49,807	21,595
	<u>552,960</u>	<u>412,757</u>	<u>52,649</u>	<u>27,409</u>

Notes to the Financial Statements

For the year ended 31st March, 2003

6. (Loss) Profit from Operations

	2003 HK\$'000	2002 HK\$'000
(Loss) profit from operations has been arrived at after charging:		
Auditors' remuneration	497	480
Cost of inventories recognised as expenses	125,726	123,199
Depreciation and amortisation	17,423	15,811
Loss on disposals of property, plant and equipment	96	2,403
Staff costs, including directors' emoluments (Note 9)	76,917	64,567
and after crediting:		
Interest income	1,335	4,490
Dividend income	2,990	–
Gross rent from investment properties	4,931	49
Less: outgoings	(14)	(15)
	<u>4,917</u>	<u>34</u>

7. Finance Costs

	2003 HK\$'000	2002 HK\$'000
Interest on:		
Bank borrowings wholly repayable within five years	388	57
Bank borrowings not wholly repayable within five years	1,005	–
	<u>1,393</u>	<u>57</u>

Notes to the Financial Statements

For the year ended 31st March, 2003

8. Gain on Disposal of a Subsidiary/Impairment Loss on Discontinuance of a Business

In January 2002, the Group entered into an agreement to dispose of a subsidiary engaged in the PCB business for a consideration of HK\$1,150,000 and the plant and equipment of the subsidiary were the major assets being disposed of. Accordingly, the Group had written down the plant and equipment to the recoverable amount and the loss on discontinuance of the PCB business, including an impairment loss on the plant and equipment of HK\$2,118,000, amounting to HK\$2,793,000 was accounted for in the financial statements for the year ended 31st March, 2002. During the current year, the Group completed the disposal of the subsidiary resulting in a gain of approximately HK\$70,000 which represented the net liabilities, consisting of trade and other payables, of the subsidiary at the date of disposal.

The subsidiary did not have any significant contributions to the results and cash flows of the Group for the year ended 31st March, 2003.

A deposit of HK\$345,000 out of the consideration of HK\$1,150,000 had been received in the year ended 31st March, 2002 and the remaining balance of HK\$805,000 was received during the current year and disclosed in the consolidated cash flow statement for the current year.

9. Directors' Emoluments

	2003 HK\$'000	2002 HK\$'000
Fees:		
Executive directors	167	500
Independent non-executive directors	200	200
Other non-executive director	33	100
Other emoluments:		
Salaries and other benefits	3,438	3,500
Retirement benefit scheme contributions	172	175
Total emoluments	<u>4,010</u>	<u>4,475</u>

The emoluments of the directors were within the following bands:

	Number of directors	
	2003	2002
Up to HK\$1,000,000	6	6
HK\$1,000,001 to HK\$1,500,000	1	1
HK\$1,500,001 to HK\$2,000,000	1	1
	<u>1</u>	<u>1</u>

Notes to the Financial Statements

For the year ended 31st March, 2003

10. Employees' Emoluments

Of the five individuals with the highest emoluments in the Group, two (2002: two) were directors of the Company whose emoluments are included in note 9 above. The emoluments of the remaining three (2002: three) individuals were as follows:

	2003 HK\$'000	2002 HK\$'000
Salaries and other benefits	2,559	2,880
Retirement benefit scheme contributions	<u>88</u>	<u>91</u>
Total emoluments	<u><u>2,647</u></u>	<u><u>2,971</u></u>

Their emoluments were within the following bands:

	Number of employees	
	2003	2002
Up to HK\$1,000,000	3	2
HK\$1,000,001 to HK\$1,500,000	<u>–</u>	<u>1</u>

11. Taxation

	2003 HK\$'000	2002 HK\$'000
The tax charge comprises:		
Hong Kong Profits Tax	7	7
The PRC income tax	<u>598</u>	<u>–</u>
	<u><u>605</u></u>	<u><u>7</u></u>

Hong Kong Profits Tax is calculated at 16% on the estimated assessable profit for both years.

The PRC income tax is calculated at the rate prevailing in the relevant jurisdiction.

Details of potential deferred taxation are set out in note 24.

Notes to the Financial Statements

For the year ended 31st March, 2003

12. (Loss) Earning Per Share

The calculation of the basic and diluted (loss) earning per share is based on the following data:

	2003 HK\$'000	2002 HK\$'000
(Loss) earning for the purposes of basic and diluted (loss) earning per share	<u>(22,476)</u>	<u>6,482</u>
	Number of Shares	
	2003 '000	2002 '000
Weighted average number of ordinary shares for the purposes of basic (loss) earning per share	<u>1,043,564</u>	1,030,384
Effect of dilutive share options		<u>5,729</u>
Weighted average number of ordinary shares for the purposes of diluted (loss) earning per share		<u>1,036,113</u>

No diluted loss per share has been presented for the year as there were no potential dilutive ordinary shares in issue.

Notes to the Financial Statements

For the year ended 31st March, 2003

13. Property, Plant and Equipment

	Leasehold land and buildings HK\$'000	Furniture and fixtures HK\$'000	Office equipment HK\$'000	Plant and machinery HK\$'000	Motor vehicles HK\$'000	Machinery under installation HK\$'000	Total HK\$'000
THE GROUP							
COST							
At 1st April, 2002	13,784	18,859	4,128	144,046	4,848	41,102	226,767
Additions	–	4,076	3,369	28,719	109	16,376	52,649
Disposals	–	(2,050)	(1,061)	(2,417)	(155)	–	(5,683)
Disposal of a subsidiary	–	(156)	(6)	(11,659)	–	–	(11,821)
Transfers	–	1,642	–	36,707	–	(38,349)	–
At 31st March, 2003	13,784	22,371	6,430	195,396	4,802	19,129	261,912
DEPRECIATION AND AMORTISATION							
At 1st April, 2002	1,323	13,497	2,325	113,163	3,149	–	133,457
Provided for the year	716	1,739	768	13,683	517	–	17,423
Eliminated on disposals	–	(2,050)	(926)	(2,407)	(153)	–	(5,536)
Eliminated on disposal of a subsidiary	–	(156)	(6)	(11,659)	–	–	(11,821)
At 31st March, 2003	2,039	13,030	2,161	112,780	3,513	–	133,523
NET BOOK VALUES							
At 31st March, 2003	11,745	9,341	4,269	82,616	1,289	19,129	128,389
At 31st March, 2002	12,461	5,362	1,803	30,883	1,699	41,102	93,310

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

	2003 HK\$'000	2002 HK\$'000
Land in Hong Kong held under medium-term leases	4,599	4,777
Land outside Hong Kong held under:		
Long lease	170	315
Medium-term lease	6,976	7,369
	11,745	12,461

Notes to the Financial Statements

For the year ended 31st March, 2003

14. Investment Properties

	THE GROUP	
	2003	2002
	HK\$'000	HK\$'000
At beginning of the year	1,250	–
Additions	191,230	–
Transfer from property, plant and equipment	–	2,378
Revaluation increase (decrease)	520	(1,128)
	<u>193,000</u>	<u>1,250</u>
At end of the year	<u>193,000</u>	<u>1,250</u>

The Group's investment properties are situated in Hong Kong and are held under long leases. They are rented to third parties under operating leases.

The investment properties were revalued at 31st March, 2003 by Dudley Surveyors Limited, a firm of independent valuers, on an open market value basis. The valuation increase of HK\$520,000 has been credited (2002: a decrease of HK\$1,128,000 has been charged) to the consolidated income statement.

At 31st March, 2003, certain of the Group's investment properties with a carrying value of HK\$192,100,000 (2002: Nil) were pledged to a bank to secure banking facilities granted to the Group.

15. Investment in Subsidiaries

	THE COMPANY	
	2003	2002
	HK\$'000	HK\$'000
Unlisted shares, at cost	<u>83,384</u>	<u>83,384</u>

The carrying amount 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.

Notes to the Financial Statements

For the year ended 31st March, 2003

15. Investment in Subsidiaries *(continued)*

Details of the Company's principal subsidiaries at 31st March, 2003 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 Yeebo Semiconductor Co., Ltd. <i>(Note)</i>	The PRC	US\$1,496,000 registered capital	85% <i>(Note)</i>	Manufacture of LCDs
Jiangmen Yeebo Semiconductor Co., Ltd. <i>(Note)</i>	The PRC	US\$9,307,000 registered capital	80% <i>(Note)</i>	Manufacture of LCDs
LCD Industries Limited	British Virgin Islands/ The PRC	US\$1	100%	Trading of LCDs
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 LCDs
Yeebo Technology Limited	Hong Kong	HK\$10,000	100%	Property holding

Note: Dongguan Yeebo Semiconductor Co., Ltd. and Jiangmen Yeebo Semiconductor Co., Ltd. were established by the Group with two separate parties in the PRC as sino-foreign co-operative joint ventures. 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. The Group therefore effectively has a 100% attributable economic interest in these subsidiaries.

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.

Except for Yeebo (B.V.I.) Limited which is a directly owned subsidiary, all of the remaining subsidiaries are indirectly owned by the Company.

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

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16. Amounts Due from Subsidiaries

	THE COMPANY	
	2003	2002
	HK\$'000	HK\$'000
Amounts due from subsidiaries	611,928	615,312
Less: Allowances	(381,290)	(346,290)
	<u>230,638</u>	<u>269,022</u>

The amounts are unsecured, non-interest bearing and have no fixed repayment terms.

In the opinion of the directors, the amounts due from subsidiaries will not be repayable in the next twelve months from the balance sheet date and, accordingly, the amounts are shown as non-current assets in the balance sheet.

17. Club Debentures

	THE GROUP	
	2003	2002
	HK\$'000	HK\$'000
At cost	2,659	2,659
Less: Impairment losses	(1,200)	(700)
	<u>1,459</u>	<u>1,959</u>

During the year, the directors conducted a review of the Group's club debentures and determined that the club debentures were impaired due to the prevailing economical recession. Accordingly, an impairment loss of HK\$500,000 has been recognised in the financial statements for the year ended 31st March, 2003 with reference to the current market value.

Notes to the Financial Statements

For the year ended 31st March, 2003

18. Inventories

	THE GROUP	
	2003 HK\$'000	2002 HK\$'000
Raw materials	50,653	50,777
Work in progress	2,204	1,621
Finished goods	19,454	21,121
	<u>72,311</u>	<u>73,519</u>

Included above are raw materials of approximately HK\$19,137,000 (2002: HK\$17,216,000) which are carried at net realisable value.

During the year, certain slow-moving inventories identified in the previous years were used or sold. Allowances made in prior years against the carrying value of the inventories of approximately HK\$2,065,000 (2002: HK\$2,000) were reversed.

19. Trade and Other Receivables

The Group allows a 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	
	2003 HK\$'000	2002 HK\$'000
Up to 30 days	35,894	33,553
31–60 days	13,363	15,563
61–90 days	7,415	6,157
91–120 days	559	880
Over 120 days	4,378	3,615
	<u>61,609</u>	<u>59,768</u>
Other receivables	9,607	6,384
	<u>71,216</u>	<u>66,152</u>

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For the year ended 31st March, 2003

20. Investments in Trading Securities

	THE GROUP	
	2003	2002
	HK\$'000	HK\$'000
Equity securities listed in Hong Kong, at market value	<u>65,582</u>	<u>–</u>

The market value of the trading securities was approximately HK\$77,851,000 as at 17th July, 2003, the date on which the financial statements were approved.

21. Trade and Other Payables

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

	THE GROUP	
	2003	2002
	HK\$'000	HK\$'000
Up to 30 days	9,640	6,094
31–60 days	7,851	4,285
61–90 days	2,139	2,687
91–120 days	1,085	1,553
Over 120 days	<u>1,808</u>	<u>1,874</u>
	22,523	16,493
Other payables	<u>30,254</u>	<u>27,286</u>
	<u>52,777</u>	<u>43,779</u>

Notes to the Financial Statements

For the year ended 31st March, 2003

22. Bank Borrowings

	THE GROUP	
	2003 HK\$'000	2002 HK\$'000
Bank loans	146,269	–
Trust receipt loans	12,362	4,250
Bank overdrafts	275	–
	<u>158,906</u>	<u>4,250</u>
Analysed as:		
Secured	124,269	–
Unsecured	34,637	4,250
	<u>158,906</u>	<u>4,250</u>
Repayable as follows:		
Within one year or on demand	46,151	4,250
More than one year, but not exceeding two years	11,796	–
More than two years, but not exceeding five years	37,153	–
More than five years	63,806	–
	<u>158,906</u>	<u>4,250</u>
Less: Amounts due within one year, included under current liabilities	<u>(46,151)</u>	<u>(4,250)</u>
Amounts due after one year	<u>112,755</u>	<u>–</u>

Notes to the Financial Statements

For the year ended 31st March, 2003

23. 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, 2001	1,018,379	203,676
Issue of ordinary shares (<i>Note</i>)	<u>25,185</u>	<u>5,037</u>
At 31st March, 2002 and 31st March, 2003	<u>1,043,564</u>	<u>208,713</u>

Note: The Company issued and allotted an aggregate of 25,184,880 ordinary shares of HK\$0.20 each in the Company for an aggregate consideration of HK\$5,037,000 as a result of the exercise of the Company's share options at an exercise price of HK\$0.20 per share during the year ended 31st March, 2002. The shares issued ranked pari passu in all respects with the then existing shares of the Company.

24. Potential Deferred Taxation

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

	THE GROUP		THE COMPANY	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Tax effect of timing differences attributable to:				
Tax losses available to set off future profits	9,439	8,741	1,980	1,562
Excess of tax allowances over depreciation	<u>(595)</u>	<u>(370)</u>	<u>-</u>	<u>-</u>
	<u>8,844</u>	<u>8,371</u>	<u>1,980</u>	<u>1,562</u>

Notes to the Financial Statements

For the year ended 31st March, 2003

24. Potential Deferred Taxation (continued)

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

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

	THE GROUP		THE COMPANY	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Tax effect of timing differences attributable to:				
Tax losses (arising) utilised	(698)	3,949	(418)	331
Excess of tax allowances over depreciation	225	33	–	–
Other timing differences	–	385	–	–
	<u>(473)</u>	<u>4,367</u>	<u>(418)</u>	<u>331</u>

Deferred taxation has not been provided on the revaluation surplus arising on the revaluation of investment properties as profits arising on the disposal of those assets would not be subject to taxation. Accordingly, the revaluation does not constitute a timing difference for tax purposes.

25. Capital Commitment

	THE GROUP	
	2003 HK\$'000	2002 HK\$'000
Capital expenditure in respect of acquisition of plant and machinery contracted for but not provided in the financial statements	<u>2,396</u>	<u>632</u>

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

Notes to the Financial Statements

For the year ended 31st March, 2003

26. Operating Lease Arrangements

The Group as lessee

Minimum lease payments paid under operating leases for rented premises during the year amounted to HK\$2,791,000 (2002: HK\$3,375,000).

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

	THE GROUP	
	2003 HK\$'000	2002 HK\$'000
Within one year	2,028	2,046
In the second to fifth year inclusive	1,780	2,793
	<u>3,808</u>	<u>4,839</u>

Operating lease payments represent rentals payable by the Group for certain of its factories and office properties. Leases are negotiated and rentals are fixed for an average term of four years.

The Company had no commitments under non-cancellable operating leases at the balance sheet date for both years.

The Group as lessor

Property rental income earned from renting out the investment properties during the year was HK\$4,931,000 (2002: HK\$49,000). The properties held have committed tenants for three years.

At the balance sheet date, the Group had contracted with tenants for the following future minimum lease payments:

	THE GROUP	
	2003 HK\$'000	2002 HK\$'000
Within one year	14,446	46
In the second to fifth year inclusive	24,000	–
	<u>38,446</u>	<u>46</u>

Notes to the Financial Statements

For the year ended 31st March, 2003

27. Contingent Liabilities

At 31st March, 2003, the Company issued a corporate guarantee of HK\$211,263,000 which includes HK\$152,800,000 and US\$7,500,000, equivalent to HK\$58,463,000 (2002: US\$5,500,000, equivalent to HK\$42,867,000) in favour of banks to secure general banking facilities granted to its subsidiaries. The total amount of the facilities utilised by the subsidiaries as at 31st March, 2003 amounted to approximately HK\$159,618,000 (2002: HK\$5,961,000).

The Group had no contingent liabilities as at 31st March, 2003.

28. Share Option Scheme

The Company's share option scheme (the "Scheme") was adopted pursuant to a resolution passed on 9th August, 1993 for the primary purpose of providing incentives to directors and eligible employees, and will expire on 8th August, 2003. Under the Scheme, the Board of Directors of the Company may grant options to eligible employees (the "Employees"), including executive directors of the Company or any of its subsidiaries, to subscribe for shares in the Company.

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

The maximum number of shares in respect of the share options granted to any individual shall not exceed 25% of the shares available for subscription under the terms of the Scheme at any time during the year.

Options granted must be taken up within 28 days from the date of grant, upon payment of HK\$1 per option. An option may be exercised at any time before the date which is three years after the date of grant. The exercise price is determined by the directors of 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 of Hong Kong Limited on the five trading days immediately preceding the date of grant of the options.

No share option was granted or exercised during the year ended 31st March, 2003 and no share option was outstanding at 31st March, 2003.

Notes to the Financial Statements

For the year ended 31st March, 2003

28. Share Option Scheme (continued)

The following table discloses details of the Company's share options outstanding during the year ended 31st March, 2002:

	Date of grant	Exercise price HK\$	Exercisable period	Number of share options		
				1st April, 2001	Exercised during the year	31st March, 2002
Directors						
Mr. Fang Hung, Kenneth	4th October, 1999	0.20	4th October, 1999 to 4th October, 2002	6,000,000	(6,000,000)	-
Mr. Li Kwok Wai, Frankie	4th October, 1999	0.20	4th October, 1999 to 4th October, 2002	6,000,000	(6,000,000)	-
				12,000,000	(12,000,000)	-
Employees	4th October, 1999	0.20	4th October, 1999 to 4th October, 2002	13,184,880	(13,184,880)	-
Total				25,184,880	(25,184,880)	-

The weighted average closing price of the Company's shares immediately before the date on which the options were exercised was HK\$0.20 per share.

29. Retirement Benefit Plans

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 effect 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 the MPF Scheme is to make the required contributions under the scheme.

Notes to the Financial Statements

For the year ended 31st March, 2003

29. Retirement Benefit Plans *(continued)*

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.

The employees of the Group's subsidiaries in the PRC are members of a state-managed retirement benefit scheme operated by the government of the PRC. The subsidiaries are required to contribute a specified percentage 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 cost charged to the income statement of HK\$3,032,000 (2002: HK\$2,058,000) after forfeited contributions utilised in the Defined Contribution Scheme of approximately HK\$47,000 (2002: HK\$216,000) represents contributions payable to these schemes by the Group in respect of the current accounting period.

30. Related Party Transactions

During the year ended 31st March, 2002, the Group purchased raw materials of HK\$787,000 from Cando Corporation ("Cando"), a then substantial shareholder of the Company. The transactions were carried out at market price. The amount due to Cando of HK\$394,000 was shown under trade payables at 31st March, 2002. The amount was unsecured, interest-free and was derived from trading activities.

Cando disposed of its entire interests in the Company during the year ended 31st March, 2003.

The Group had no significant related party transactions during the year ended 31st March, 2003.