

Notes to the Financial Statements

For the year ended 31 March 2003

1. GENERAL

The Company is an exempted company incorporated in Bermuda with limited liability and its shares listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company acts as an investment holding company. Details of the principal activities of the principal subsidiaries, associates and jointly controlled entities are set out in notes 39, 16 and 17 respectively.

2. ADOPTION OF 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 resulted in the following changes in the Group's accounting policies and presentation of the financial statements. The revised accounting policies are set out in note 3.

Presentation of financial statements

The revisions to SSAP 1 (Revised) "Presentation of financial statements" have introduced a choice for the format of presentation of the statement of changes in equity. In prior years, the Group presented a statement of recognised gains and losses, with the details of capital transactions with owners and distributions to owners separately disclosed in the notes to the financial statements. Pursuant to the adoption of SSAP 1 (Revised), the Group has chosen to present a comprehensive statement of changes in equity. Accordingly, the presentation in the prior year's financial statements has been restated in order to achieve a consistent presentation.

Foreign currencies

The revisions to SSAP 11 "Foreign currency translation" have eliminated the choice of translating the income statements of overseas operations at the closing rate for the year. They are now required to be translated at the average rate. This change in accounting policy does not have any material effect on the results for the current or prior accounting periods.

Cash flow statements

Under SSAP 15 (Revised) "Cash flow statements", cash flows are classified under three headings - operating, investing and financing, rather than the previous five headings. Interest received and interest and dividends paid, which were previously presented under a separate heading, are classified as investing and financing cash flows respectively. 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 import loans that are financing in nature. Cash flows of overseas operations have been re-translated at the rates prevailing at the dates of the cash flows rather than the rate of exchange ruling on the balance sheet date. The re-definition of cash and cash equivalents has resulted in a restatement of the comparative amounts shown in the cash flow statement.

Notes to the Financial Statements(continued)

For the year ended 31 March 2003

2. ADOPTION OF STATEMENTS OF STANDARD ACCOUNTING PRACTICE - continued

Employee benefits

SSAP 34 "Employee Benefits" introduced measurement rules for employee benefits, including retirement benefit plans. Because the Group participates only in defined contribution retirement schemes, the adoption of SSAP 34 has not had any material impact on the financial statements.

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

Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary, an associate or a jointly controlled entity at the date of acquisition.

Goodwill arising on acquisitions prior to 1 April 2001 continues to be held in reserves, and will be charged to the income statement at the time of disposal of the relevant subsidiary, associate or jointly controlled entity or at such time as the goodwill is determined to be impaired.

Goodwill arising on acquisitions after 1 April 2001 is capitalised and amortised on a straight-line basis over its useful economic life. Goodwill arising on the acquisition of subsidiaries is presented separately in the balance sheet. Goodwill arising on the acquisition of an associate or a jointly controlled entity is included in the carrying amount of the associate or jointly controlled entity.

On disposal of a subsidiary, an associate or a jointly controlled entity, the attributable amount of unamortised goodwill/goodwill previously eliminated against or credited to reserves is included in the determination of the profit or loss on disposal.

Notes to the Financial Statements(continued)

For the year ended 31 March 2003

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Negative goodwill

Negative goodwill represents the excess of the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary, an associate or a jointly controlled entity at the date of acquisition over the cost of acquisition.

Negative goodwill arising on acquisition prior to 1 April 2001 continues to be held in reserves and will be credited to income at the time of disposal of the relevant subsidiary, associate or jointly controlled entity.

Negative goodwill arising on acquisition of a subsidiary after 1 April 2001 is presented separately in the balance sheet presented as a deduction from assets and will be released to income based on an analysis of the circumstances from which the balance resulted. Negative goodwill arising on the acquisition of an associate or a jointly controlled entity after 1 April 2001 is deducted from the carrying amount of that associate or jointly controlled entity.

To the extent that the negative goodwill is attributable to losses or expenses anticipated at the date of acquisition, it is released to the income statement in the period in which those losses or expenses arise. The remaining negative goodwill is recognised as income on a straight-line basis over the remaining average useful life of the identifiable acquired depreciable assets. To the extent that such negative goodwill exceeds the aggregate fair value of the acquired identifiable non-monetary assets, it is recognised in income immediately.

Revenue recognition

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

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

Rental income, including rentals invoiced in advance under operating leases, is recognised on a straight-line basis over the terms of relevant leases.

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

Proceeds from sale of trading securities are recognised when the relevant sale contracts become unconditional.

Notes to the Financial Statements(continued)

For the year ended 31 March 2003

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Property, plant and equipment

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

Construction in progress is stated at cost which includes all development expenditure and the direct costs including borrowing costs capitalised attributable to such projects. Construction in progress is not depreciated or amortised until the completion of construction. Cost of completed construction work is transferred to the appropriate category of property, plant and equipment.

Depreciation and amortisation is provided to write off the cost of property, plant and equipment, other than construction in progress, over their estimated useful lives, using the straight-line method, as follows:

Leasehold land and land use rights	Over the terms of the leases
Buildings	Over the shorter of the terms of the leases or 50 years
Other plant and equipment	3 to 5 years

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

Capitalisation of borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised.

All other borrowing costs are recognised as an expense in the period in which they are incurred.

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 based on professional valuations at the balance sheet date. Any revaluation increase or decrease arising on the revaluation of investment properties is credited or charged to the investment property revaluation reserve unless the balance of this reserve is insufficient to cover a revaluation decrease, in which case the excess of the revaluation decrease over the balance on the investment property revaluation reserve is charged to the income statement and a revaluation increase subsequently arises, this increase is credited to the income statement to the extent of the decrease previously charged.

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

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

Notes to the Financial Statements(continued)

For the year ended 31 March 2003

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Research and development costs

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development expenditure is recognised only if it is anticipated that the development costs incurred on a clearly-defined project will be recovered through future commercial activity. The resultant asset is amortised on a straight-line basis over its useful life subject to a maximum of three years.

Where no internally-generated intangible asset can be recognised, development expenditure is recognised as an expense in the period in which it is incurred.

Investments in subsidiaries

A subsidiary is an enterprise in which the Company has control either directly or indirectly. Control is the power to govern the financial and operating policies of another enterprise so as to obtain benefits from its activities.

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

Interests in associates

An associate is an enterprise, other than a subsidiary or a jointly controlled entity, over which the Group is in a position to exercise significant influence in management, through participation in its financial and operating policy decisions of the investee.

In the consolidated balance sheet, interests in associates are stated at the Group's share of the net assets of the associate, less any identified impairment loss.

Interests in jointly controlled entities

A joint venture is a contractual arrangement whereby the Group and other parties undertake an economic activity which is subject to joint control and over which none of the participating parties has unilateral control.

Joint venture arrangements which involve the establishment of a separate entity in which each venturer has an interest are referred to as jointly controlled entities.

In the consolidated balance sheet, interests in the jointly controlled entities are stated at the Group's share of the net assets of the jointly controlled entity, less any identified impairment loss. The Group's share of the post-acquisition results of its jointly controlled entities are included in the consolidated income statement.

Notes to the Financial Statements(continued)

For the year ended 31 March 2003

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Investments in securities

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

At subsequent reporting dates, debt securities that the Group has the expressed intention and ability to hold to maturity(held-to-maturity debt securities) are measured at amortised cost, less any impairment loss recognised to reflect irrecoverable amounts. The annual amortisation of any discount or premium on the acquisition of a held-to-maturity security is aggregated with other investment income receivable over the term of the instrument so that the revenue recognised in each period represents a constant yield on the investment.

All securities other than held-to-maturity debt securities are measured at subsequent reporting dates at fair value. Where securities are held for trading purposes, unrealised gains and losses are included in net profit or loss for the year. 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 net profit or loss for the year.

Impairment

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible 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. Impairment losses are recognised as an expense immediately, unless the relevant asset is carried at a revalued amount under another SSAP, in which case the impairment loss is treated as revaluation decrease under that SSAP.

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, unless the relevant asset is carried at a revalued amount under another SSAP, in which case of the impairment loss is treated as a revaluation increase under that other SSAP.

Notes to the Financial Statements(continued)

For the year ended 31 March 2003

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Inventories

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

Foreign currencies

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

On consolidation, the assets and liabilities of the Group's overseas subsidiaries, associates and jointly controlled entities are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the year. Exchange differences arising, if any, are classified as equity and transferred to the Group's exchange reserve. Such translation differences are recognised as income or as expenses in the period in which the operation is disposed of.

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 effects of timing differences, computed using the liability method, are 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.

Retirement benefit scheme contributions

The contributions payable to the Group's retirement benefit schemes and mandatory provident fund schemes are charged to the income statement.

Operating leases

Rentals payable under operating leases are charged as expense on a straight-line basis over the term of the relevant lease.

Notes to the Financial Statements(continued)

For the year ended 31 March 2003

4. TURNOVER AND SEGMENT INFORMATION

Turnover represents the aggregate value of goods sold after goods returns and trade discounts and value added tax. The Group is exempted from payment of value added taxes under the Shen Shui Fa No. (1993) 507 issued by the Shenzhen tax authority for the goods manufactured and sold in Shenzhen, PRC. This exemption expired on 31 December 2002.

Income from net value added tax payables which were exempted from payment under the aforementioned value added tax concession for the nine months ended 31 December 2002 amounted to HK\$149,365,000 (year ended 31 March 2002: HK\$149,570,000). Such amounts were included as part of the turnover.

Business segments

The Group is principally engaged in the design, manufacture and sales of colour televisions and audio visual products. No business segment analysis is presented as management considers this as one single business segment.

Geographical segments

The Group's operations and assets are located in Hong Kong and elsewhere in the PRC.

Segment information of the Group by location of customers is presented as below:

Income statement for the year ended 31 March 2003

	PRC HK\$'000	Other regions HK\$'000	Consolidated HK\$'000
Revenue			
External sales	6,333,900	1,668,413	8,002,313
Result			
Segment result	269,138	34,510	303,648
Interest income			17,427
Unallocated corporate expenses			(36,132)
Profit from operations			284,943
Finance costs			(538)
Indemnity of Hong Kong Profits Tax in respect of previous years			46,634
Gain on disposal of a subsidiary			367
Share of results of associates	(333)	-	(333)
Share of results of jointly controlled entities	(7,588)	-	(7,588)
Profit before taxation			323,485
Taxation			(104,980)
Profit after taxation			218,505