

## 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.

Details of the principal activities of the Company's principal subsidiaries are set out in note 16.

## 2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARD

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

### **SSAP 12 (Revised) Income taxes**

In the current year, the Group has adopted SSAP 12 (Revised) "Income Taxes". The principal effect of the implementation of SSAP 12 (Revised) is in relation to deferred tax. In previous years, partial provision was made for deferred tax using the income statement liability method, i.e. a liability was recognised in respect of timing differences arising, except where those timing differences were not expected to reverse in the foreseeable future. SSAP 12 (Revised) requires the adoption of a balance sheet liability method, whereby deferred tax is recognised in respect of all temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, with limited exceptions. In the absence of any specific transitional requirements in SSAP 12 (Revised), the new accounting policy has been applied retrospectively. Comparative amounts for 2003 have been restated accordingly. As a result of this change in policy, the opening balance of deficit at 1st April, 2003 has been increased by HK\$635,000 (the retained profit at 1st April, 2002 has been reduced by HK\$49,000) and the profit for the year ended 31st March, 2004 has been increased by HK\$515,000 (the loss for the year ended 31st March, 2003 has been increased by HK\$586,000).

### 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.

#### **Goodwill**

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identified assets and liabilities of an associate at the date of acquisition.

Goodwill is capitalised and amortised on a straight-line basis over the useful economic life. Goodwill arising on the acquisition of an associate is included within the carrying amount of the associate.

#### **Interests in associates**

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

The results of associates are accounted for by the Company on the basis of dividends received and receivable during the year. In the Company's balance sheet, investments in associates are stated at cost, as reduced by any identified impairment loss.

**3. SIGNIFICANT ACCOUNTING POLICIES** *(continued)***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.

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.

### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Investment properties

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

Investment properties are stated at their open market 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.

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

### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### 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.

#### Taxation

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

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

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

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

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

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### 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 re-translated 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.

On consolidation, the assets and liabilities of the Group's associates 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 translation reserve. Such translation differences are recognised as income or as expenses in the period in which the operation is disposed of.

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

### 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.

The principal activities of the Group are as follows:

LCDs – manufacture and sale of LCDs

Investment property holding – investment properties held under operating leases

Others – manufacture and sales of products other than LCDs

**5. BUSINESS AND GEOGRAPHICAL SEGMENTS** (continued)**Business segments** (continued)

Segmental information about these businesses is presented below:

**2004**

	LCDs HK\$'000	Investment property holding HK\$'000	Others HK\$'000	Consolidated HK\$'000
<i>Segment revenue</i>				
External sales	277,465	–	16,231	293,696
Rental income	–	14,491	–	14,491
	<u>277,465</u>	<u>14,491</u>	<u>16,231</u>	<u>308,187</u>
<i>Result</i>				
Segment result	<u>11,957</u>	<u>12,172</u>	<u>(1,135)</u>	22,994
Dividend income				1,737
Interest income				56
Gain on disposal of investments in trading securities				17,899
Unrealised gain in investments in trading securities				22,682
Unallocated corporate expenses				<u>(6,216)</u>
Profit from operations				59,152
Finance costs				<u>(3,376)</u>
Share of results of associates				<u>(819)</u>
Profit before income tax				54,957
Income tax expense				<u>(738)</u>
Profit for the year				<u>54,219</u>

**5. BUSINESS AND GEOGRAPHICAL SEGMENTS** (continued)**Business segments** (continued)**2004***Consolidated balance sheet*

	LCDs HK\$'000	Investment property holding HK\$'000	Others HK\$'000	Consolidated HK\$'000
Assets				
Segment assets	332,395	254,900	15,061	602,356
Interests in associates				39,172
Unallocated corporate assets				58,054
Consolidated total assets				<u>699,582</u>
Liabilities				
Segment liabilities	79,522	1,664	3,812	84,998
Borrowings				158,063
Taxation payable				1,244
Deferred taxation				120
Consolidated total liabilities				<u>244,425</u>
Other information				
Additions to property, plant and equipment	46,900	–	823	47,723
Depreciation and amortisation	22,600	–	595	23,195
Gain on disposal of property, plant and equipment	74	–	–	74



**5. BUSINESS AND GEOGRAPHICAL SEGMENTS** (continued)**Business segments** (continued)**2003**

	LCDs HK\$'000	Investment property holding HK\$'000	Others HK\$'000	Consolidated HK\$'000 (Restated)
<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				(1,393)
Gain on disposal of a subsidiary				<u>70</u>
Loss before income tax				(21,871)
Income tax expense				<u>(1,191)</u>
Loss for the year				<u><u>(23,062)</u></u>

**5. BUSINESS AND GEOGRAPHICAL SEGMENTS** (continued)**Business segments** (continued)**2003***Consolidated balance sheet*

	LCDs HK\$'000	Investment property holding HK\$'000	Others HK\$'000	Consolidated HK\$'000 (Restated)
<b>Assets</b>				
Segment assets	289,773	193,000	3,146	485,919
Unallocated corporate assets				67,041
Consolidated total assets				<u>552,960</u>
<b>Liabilities</b>				
Segment liabilities	51,616	1,976	172	53,764
Borrowings				158,906
Deferred taxation				635
Consolidated total liabilities				<u>213,305</u>
<b>Other information</b>				
Additions to investment properties	–	191,230	–	191,230
Additions to property, plant and equipment	52,649	–	–	52,649
Depreciation and amortisation	17,147	–	276	17,423
Loss on disposal of property, plant and equipment	96	–	–	96

**5. BUSINESS AND GEOGRAPHICAL SEGMENTS** (continued)**Geographical segments**

The Group's operations are mainly located in Hong Kong and other regions of 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	
	2004 HK\$'000	2003 HK\$'000
Hong Kong, the PRC	<b>266,866</b>	230,455
Other regions of the PRC	<b>17,599</b>	26,545
Other countries	<b>23,722</b>	16,181
	<b>308,187</b>	273,181

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	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Hong Kong, the PRC	<b>460,337</b>	355,730	<b>602</b>	2,842
Other regions of the PRC	<b>239,245</b>	197,230	<b>47,121</b>	49,807
	<b>699,582</b>	552,960	<b>47,723</b>	52,649

**6. PROFIT (LOSS) FROM OPERATIONS**

	2004 HK\$'000	2003 HK\$'000
Profit (loss) from operations has been arrived at after charging:		
Auditors' remuneration	600	497
Cost of inventories recognised as expenses	124,377	125,726
Depreciation and amortisation	23,195	17,423
Loss on disposals of property, plant and equipment	–	96
Staff costs, including directors' emoluments (Note 9)	74,000	76,917
and after crediting:		
Dividend income from listed securities	1,737	2,990
Gain on disposals of property, plant and equipment	74	–
Interest income on bank deposits	25	1,335
Interest income from an associate	31	–
	<u>3,376</u>	<u>1,393</u>

**7. FINANCE COSTS**

	2004 HK\$'000	2003 HK\$'000
Interest on:		
Bank borrowings wholly repayable within five years	792	388
Bank borrowings not wholly repayable within five years	2,584	1,005
	<u>3,376</u>	<u>1,393</u>

**8. GAIN ON DISPOSAL OF A SUBSIDIARY**

During the year ended 31st March, 2003, the Group recognised an additional gain of approximately HK\$70,000 which represented the net liabilities, consisting of trade and other payables, of the subsidiary disposed of in 2002, 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.

**9. DIRECTORS' EMOLUMENTS**

	<b>2004</b>	2003
	<b>HK\$'000</b>	HK\$'000
Fees:		
Executive directors	–	167
Independent non-executive directors	<b>200</b>	200
Other non-executive director	–	33
Other emoluments:		
Salaries and other benefits	<b>3,438</b>	3,438
Retirement benefit scheme contributions	<b>160</b>	172
Total emoluments	<b>3,798</b>	4,010

The emoluments of the directors were within the following bands:

	<b>Number of directors</b>	
	<b>2004</b>	2003
Up to HK\$1,000,000	<b>3</b>	6
HK\$1,000,001 to HK\$1,500,000	<b>2</b>	1
HK\$1,500,001 to HK\$2,000,000	–	1

**10. EMPLOYEES' EMOLUMENTS**

Of the five individuals with the highest emoluments in the Group, three (2003: two) were directors of the Company whose emoluments are included in note 9 above. The emoluments of the remaining two (2003: three) individuals were as follows:

	<b>2004</b>	2003
	<b>HK\$'000</b>	HK\$'000
Salaries and other benefits	<b>1,200</b>	2,559
Retirement benefit scheme contributions	<b>60</b>	88
Total emoluments	<b>1,260</b>	2,647

Each of their emoluments was within HK\$1,000,000 for both years.

**11. INCOME TAX EXPENSE**

	2004 HK\$'000	2003 HK\$'000
The income tax expense comprises:		
Current taxation		
Hong Kong Profits Tax	1,253	7
PRC income tax	–	598
	<u>1,253</u>	<u>605</u>
Deferred taxation ( <i>note 26</i> )		
Current year	(574)	586
Attributable to a change in tax rate	59	–
	<u>(515)</u>	<u>586</u>
	<u><b>738</b></u>	<u><b>1,191</b></u>

Hong Kong Profits Tax is calculated at 17.5% (2003: 16%) on the estimated assessable profit for the year. In June 2003, the Hong Kong Profits Tax rate was increased from 16% to 17.5% with effect from the 2003/2004 year of assessment. The effect of this increase has been reflected in the calculation of current and deferred tax balance at 31st March 2004.

No provision for the PRC income tax has been made in the financial statements as the operations in the PRC incurred a tax loss for the year. The PRC income tax for the year ended 31st March, 2003 was calculated at the rate prevailing in the relevant jurisdiction.

Details of deferred taxation are set out in note 26.

**11. INCOME TAX EXPENSE** (continued)

The income tax expense for the year can be reconciled to the profit (loss) before income tax per the income statement as follows:

	2004		2003	
	HK\$'000	%	HK\$'000	%
Profit (loss) before income tax	<b>54,957</b>		(21,871)	
Tax at Hong Kong Profits Tax rate of 17.5% (2003: 16%)	<b>9,618</b>	<b>17.5</b>	(3,499)	16.0
Tax effect of share of results of associates	<b>143</b>	<b>0.2</b>	–	–
Tax effect of tax losses not recognised	<b>100</b>	<b>0.2</b>	5,595	(25.6)
Effect of different tax rates of subsidiaries operating in other jurisdictions	<b>(2,331)</b>	<b>(4.2)</b>	(1,319)	6.0
Utilisation of tax losses previously not recognised	<b>(6,446)</b>	<b>(11.7)</b>	(7)	–
Tax effect of income not taxable for tax purpose	<b>(487)</b>	<b>(0.9)</b>	(528)	2.4
Tax effect of expenses that are not deductible for tax purpose	<b>82</b>	<b>0.1</b>	949	(4.3)
Increase in opening deferred tax liability resulting from an increase in Hong Kong Profits Tax rate	<b>59</b>	<b>0.1</b>	–	–
Tax expense and effective tax rate for the year	<b>738</b>	<b>1.3</b>	1,191	(5.5)

**12. DIVIDEND**

	2004	2003
	HK\$'000	HK\$'000
Final proposed – HK1 cent per ordinary share (2003: nil)	<b>10,435</b>	–

The final dividend of HK1 cent (2003: nil) per ordinary share has been proposed by the directors and is subject to approval by the shareholders in the general meeting.

**13. EARNINGS (LOSS) PER SHARE**

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

	<b>2004</b> <b>HK\$'000</b>	2003 HK\$'000 (Restated)
Earnings (loss) for the purposes of basic earnings (loss) per share	<b>54,219</b>	(23,062)

	<b>Number of shares</b>	
	<b>2004</b> <b>'000</b>	2003 '000
Number of ordinary shares for the purposes of basic earnings (loss) per share	<b>1,043,564</b>	1,043,564

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

The adjustment to comparative basic loss per share, arising from the change in accounting policies shown in note 2 above, is as follow:

	<b>Basic</b> HK cents
Reconciliation of 2003 loss per share	
Reported figure before adjustments	2.15
Adjustments arising from the adoption of SSAP 12 (Revised)	0.06
Restated	<b>2.21</b>



**14. 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
<b>THE GROUP</b>							
COST							
At 1st April, 2003	13,784	22,371	6,430	195,396	4,802	19,129	261,912
Additions	–	2,240	1,287	24,895	711	18,590	47,723
Disposals	–	(2,182)	(30)	(7,250)	(908)	–	(10,370)
Transfers	–	–	–	482	–	(482)	–
<b>At 31st March, 2004</b>	<b>13,784</b>	<b>22,429</b>	<b>7,687</b>	<b>213,523</b>	<b>4,605</b>	<b>37,237</b>	<b>299,265</b>
DEPRECIATION AND AMORTISATION							
At 1st April, 2003	2,039	13,030	2,161	112,780	3,513	–	133,523
Provided for the year	717	2,153	981	18,812	532	–	23,195
Eliminated on disposals	–	(2,073)	(28)	(7,250)	(908)	–	(10,259)
<b>At 31st March, 2004</b>	<b>2,756</b>	<b>13,110</b>	<b>3,114</b>	<b>124,342</b>	<b>3,137</b>	<b>–</b>	<b>146,459</b>
NET BOOK VALUES							
<b>At 31st March, 2004</b>	<b>11,028</b>	<b>9,319</b>	<b>4,573</b>	<b>89,181</b>	<b>1,468</b>	<b>37,237</b>	<b>152,806</b>
At 31st March, 2003	11,745	9,341	4,269	82,616	1,289	19,129	128,389

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

	2004 HK\$'000	2003 HK\$'000
Land in Hong Kong held under medium-term leases	4,421	4,599
Land outside Hong Kong held under:		
Long lease	24	170
Medium-term lease	6,583	6,976
	<b>11,028</b>	<b>11,745</b>

**15. INVESTMENT PROPERTIES**

	<b>THE GROUP</b>	
	<b>2004</b>	2003
	<b>HK\$'000</b>	HK\$'000
At beginning of the year	<b>193,000</b>	1,250
Revaluation increase	<b>61,900</b>	520
Additions	–	191,230
At end of the year	<b>254,900</b>	193,000

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, 2004 by Dudley Surveyors Limited, a firm of independent valuers, on an open market value basis. The revaluation gave rise to a revaluation increase of HK\$61,900,000, of which HK\$608,000 (2003: HK\$520,000) has been credited to the consolidated income statement, the remaining HK\$61,292,000 (2003: nil) has been credited to investment property revaluation reserve set out in the consolidated statement of changes in equity.

At 31st March, 2004, certain of the Group's investment properties with a carrying value of HK\$254,000,000 (2003: HK\$192,100,000) were pledged to a bank to secure banking facilities granted to the Group.

**16. INVESTMENTS IN SUBSIDIARIES**

	<b>THE COMPANY</b>	
	<b>2004</b>	2003
	<b>HK\$'000</b>	HK\$'000
Unlisted shares, at cost	<b>83,384</b>	83,384

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.

**16. INVESTMENTS IN SUBSIDIARIES** (continued)

Details of the Company's principal subsidiaries at 31st March, 2004 are as follows:

Name of subsidiary	Legal form of business	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. (Note)	Sino-foreign corporate joint venture	The PRC	US\$1,496,000 registered capital	85% (Note)	Manufacture of LCDs
Jiangmen Yeebo Electronic Technology Ltd.	Wholly-owned foreign enterprise	The PRC	US\$5,000,000 registered capital	100%	Manufacture of liquid crystal display module
Jiangmen Yeebo Semiconductor Co., Ltd. (Note)	Sino-foreign corporate joint venture	The PRC	US\$9,307,000 registered capital	80% (Note)	Manufacture of LCDs
LCD Industries Limited	Incorporated	British Virgin Islands/The PRC	US\$1	100%	Trading of LCDs
Yeebo (B.V.I.) Limited	Incorporated	British Virgin Islands	US\$8,100	100%	Investment holding
Yeebo LCD Limited	Incorporated	Hong Kong	HK\$10,000	100%	Development and trading of LCDs
Yeebo Technology Limited	Incorporated	Hong Kong	HK\$10,000	100%	Property holding

Note: Dongguan Yeedu 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.

**16. INVESTMENTS 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.

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.

**17. AMOUNTS DUE FROM SUBSIDIARIES**

	THE COMPANY	
	2004 HK\$'000	2003 HK\$'000
Amounts due from subsidiaries	671,034	611,928
Less: Allowances	(381,290)	(381,290)
	<b>289,744</b>	<b>230,638</b>

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.

**18. INTERESTS IN ASSOCIATES**

	THE GROUP		THE COMPANY	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Unlisted shares, at cost	–	–	40,000	–
Share of net assets	36,683	–	–	–
Goodwill of associates	2,489	–	–	–
	<b>39,172</b>	<b>–</b>	<b>40,000</b>	<b>–</b>

**18. INTERESTS IN ASSOCIATES** (continued)

Details of the Group's principal associates as at 31st March, 2004 are as follows:

Name	Form of business	Place of incorporation or registration/ operation	Percentage of nominal value of issued capital/ registered capital held by the Company		Issued and fully paid up share/ registered capital	Principal activities
			Directly	Indirectly		
Crown Capital Holdings Limited ("Crown Capital")	Incorporated	BVI	47.05%	-	US\$8,502	Investment holding
Beijing Visionox Technology Co., Limited ("Visionox")	Incorporated	PRC	-	34.45%	RMB82,142,900	Development, manufacturing and marketing of organic light emitting display products

The goodwill of the associates arose on the acquisition of Crown Capital and Visionox during the year amounting to HK\$2,531,000. The amortisation of goodwill during the year amounting to HK\$42,000 (2003: Nil) has been included in the share of results of the associates. The goodwill is amortised over a period of 10 years.

The following details have been extracted from the audited financial statements of Crown Capital:

**Results for the year**

	2004 HK\$'000	2003 HK\$'000
Turnover	<u>24</u>	<u>-</u>
Loss before income tax	<u>(1,651)</u>	<u>-</u>
Loss before income tax attributable to the Group	<u>(777)</u>	<u>-</u>

**18. INTERESTS IN ASSOCIATES** *(continued)***Financial position**

	2004 HK\$'000	2003 HK\$'000
Non-current assets	86,298	–
Current assets	27,387	–
Current liabilities	(2,607)	–
Non-current liabilities	(33,111)	–
Net assets	<u>77,967</u>	<u>–</u>
Net assets attributable to the Group	<u>36,683</u>	<u>–</u>

**19. CLUB DEBENTURES**

	THE GROUP	
	2004 HK\$'000	2003 HK\$'000
At cost	2,659	2,659
Less: Impairment losses	(1,200)	(1,200)
Carrying amount	<u>1,459</u>	<u>1,459</u>

At 31st March, 2003, 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 was recognised in the financial statements for the year ended 31st March, 2003. In the opinion of the directors, the club debentures were worth at least their carrying values as at 31st March, 2004 with reference to the current market value.

**20. INVENTORIES**

	THE GROUP	
	2004 HK\$'000	2003 HK\$'000
Raw materials	44,753	50,653
Work in progress	5,099	2,204
Finished goods	27,302	19,454
	<u>77,154</u>	<u>72,311</u>

Included above are raw materials of approximately HK\$10,077,000 (2003: HK\$19,137,000) which are carried at net realisable value.

**21. TRADE AND OTHER RECEIVABLES**

The Group allows a credit period of 30 days – 90 days to its trade customers.

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

	<b>THE GROUP</b>	
	<b>2004</b>	2003
	<b>HK\$'000</b>	HK\$'000
Up to 30 days	<b>30,412</b>	35,894
31 – 60 days	<b>24,950</b>	13,363
61 – 90 days	<b>9,494</b>	7,415
91 – 120 days	<b>9,307</b>	559
Over 120 days	<b>5,932</b>	4,378
	<b>80,095</b>	61,609
Other receivables	<b>13,641</b>	9,607
	<b>93,736</b>	71,216

**22. INVESTMENTS IN TRADING SECURITIES**

	<b>THE GROUP</b>	
	<b>2004</b>	2003
	<b>HK\$'000</b>	HK\$'000
Equity securities listed in Hong Kong, at market value	<b>56,595</b>	65,582

**23. TRADE AND OTHER PAYABLES**

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

	<b>THE GROUP</b>	
	<b>2004</b>	2003
	<b>HK\$'000</b>	HK\$'000
Up to 30 days	<b>13,748</b>	9,640
31 – 60 days	<b>12,347</b>	7,851
61 – 90 days	<b>5,473</b>	2,139
91 – 120 days	<b>4,412</b>	1,085
Over 120 days	<b>2,601</b>	1,808
	<b>38,581</b>	22,523
Other payables	<b>39,952</b>	30,254
	<b>78,533</b>	52,777

**24. AMOUNT DUE TO AN ASSOCIATE****THE GROUP**

The amount is unsecured, interest-free and repayable on demand.

**25. BANK BORROWINGS**

	<b>THE GROUP</b>	
	<b>2004</b>	2003
	<b>HK\$'000</b>	HK\$'000
Bank loans	<b>157,765</b>	146,269
Bank overdrafts	<b>298</b>	275
Trust receipt loans	–	12,362
	<b>158,063</b>	158,906
Analysed as:		
Secured	<b>112,765</b>	124,269
Unsecured	<b>45,298</b>	34,637
	<b>158,063</b>	158,906
Repayable as follows:		
Within one year or on demand	<b>22,094</b>	46,151
More than one year, but not exceeding two years	<b>22,085</b>	11,796
More than two years, but not exceeding five years	<b>63,063</b>	37,153
More than five years	<b>50,821</b>	63,806
	<b>158,063</b>	158,906
Less: Amounts due within one year, included under current liabilities	<b>(22,094)</b>	(46,151)
Amounts due after one year	<b>135,969</b>	112,755



**26. DEFERRED TAXATION**

The deferred tax liabilities recognised and movements thereon during the current and prior years are as follows:

**THE GROUP**

	<b>Accelerated tax depreciation</b>	<b>Tax losses</b>	<b>Total</b>
	HK\$'000	HK\$'000	HK\$'000
At 1st April, 2002			
– as previously reported	–	–	–
– adjustment on adoption of SSAP 12 (Revised)	49	–	49
– as restated	49	–	49
Charge to consolidated income statement for the year	586	–	586
At 31st March, 2003 and 1st April, 2003	635	–	635
Credit to consolidated income statement for the year	(102)	(472)	(574)
Effect of a change in tax rate			
– charge to consolidated income statement for the year	59	–	59
<b>At 31st March, 2004</b>	<b>592</b>	<b>(472)</b>	<b>120</b>

At the balance sheet date, the Group had unused tax losses of HK\$35.2 million (2003: HK\$68.7 million) available for offset against future profits. A deferred tax asset has been recognised in respect of approximately HK\$2.7 million (2003: nil) of such losses. No deferred tax asset has been recognised in respect of the remaining tax losses of HK\$32.5 million (2003: HK\$68.7 million) due to the unpredictability of future profit streams. The unrecognised tax losses may be carried forward indefinitely.

**THE COMPANY**

At the balance sheet date, the Company had unused tax losses of HK\$11.6 million (2003: HK\$11 million) available for offset against future profits. No deferred tax asset has been recognised due to the unpredictability of future profit streams. The unrecognised tax losses may be carried forward indefinitely.

**27. SHARE CAPITAL**

	Number of shares 2004 & 2003 '000	2004 & 2003 HK\$'000
<b>Ordinary shares of HK\$0.20 each</b>		
Authorised	2,000,000	400,000
Issued and fully paid	1,043,564	208,713

**28. RESERVES**

	Share premium HK\$'000	Capital redemption reserve HK\$'000	Contributed surplus HK\$'000	Retained profit (deficit) HK\$'000	Total HK\$'000
<b>THE COMPANY</b>					
At 1st April, 2003	147,303	1,347	49,259	(54,637)	143,272
Loss for the year	–	–	–	(38,725)	(38,725)
At 31st March, 2003 and 1st April, 2003	147,303	1,347	49,259	(93,362)	104,547
Profit for the year	–	–	–	99,490	99,490
<b>At 31st March, 2004</b>	<b>147,303</b>	<b>1,347</b>	<b>49,259</b>	<b>6,128</b>	<b>204,037</b>

The contributed surplus of the Company represents the difference between the consolidated shareholders' funds of Yeebo (B.V.I.) Limited at the date on 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 the 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, 2004, the Company's reserves available for distribution to shareholders comprised the retained profit of HK\$6,128,000 and contributed surplus of HK\$49,259,000. At 31st March, 2003, the Company had no reserves available for distribution to shareholders.

**29. CAPITAL COMMITMENT**

	<b>THE GROUP</b>	
	<b>2004</b>	2003
	<b>HK\$'000</b>	HK\$'000
Capital expenditure in respect of acquisition of plant and machinery contracted for but not provided in the financial statements	<b>12,799</b>	2,396

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

**30. OPERATING LEASE ARRANGEMENTS****The Group as lessee**

Minimum lease payments paid under operating leases for rented premises during the year amounted to HK\$2,929,000 (2003: HK\$2,791,000).

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

	<b>THE GROUP</b>	
	<b>2004</b>	2003
	<b>HK\$'000</b>	HK\$'000
Within one year	<b>2,272</b>	2,028
In the second to fifth year inclusive	<b>981</b>	1,780
	<b>3,253</b>	3,808

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.

**30. OPERATING LEASE ARRANGEMENTS** (continued)**The Group as lessor**

Property rental income net of outgoings of HK\$40,000 (2003: HK\$14,000) earned from renting out the investment properties during the year was HK\$14,451,000 (2003: HK\$4,917,000). 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:

	<b>THE GROUP</b>	
	<b>2004</b>	2003
	<b>HK\$'000</b>	HK\$'000
Within one year	<b>14,446</b>	14,446
In the second to fifth year inclusive	<b>9,600</b>	24,000
	<b>24,046</b>	38,446

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

**31. CONTINGENT LIABILITIES**

At 31st March, 2004, the Company issued a corporate guarantee 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, 2004 amounted to approximately HK\$160,611,000 (2003: HK\$159,618,000).

The Group had no contingent liabilities as at 31st March, 2004 and 2003.

**32. 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 expired 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.

**32. SHARE OPTION SCHEME** *(continued)*

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, 2004 and 2003 and no share option was outstanding at 31st March, 2004 and 31st March, 2003.

**33. 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 an 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 Hong Kong 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.

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\$2,602,000 (2003: HK\$3,032,000) after forfeited contributions utilised in the Defined Contribution Scheme of approximately HK\$194,000 (2003: HK\$47,000) represents contributions payable to these schemes by the Group in respect of the current year.

**34. RELATED PARTY TRANSACTIONS**

During the year, the Group had the following related party transactions:

<b>Associate</b>	<b>Nature of transactions</b>	<i>Notes</i>	<b>2004</b>	2003
			<b>HK\$'000</b>	HK\$'000
Crown capital	Interest income received	(1)	<b>31</b>	–
	Accountancy service income	(2)	<b>90</b>	–

*Notes:*

- (1) The interest income was charged in accordance with the prevailing commercial interest rate.
- (2) The accountancy service income represents an appropriate allocation of costs incurred by the Group.