1. GENERAL

The Company was incorporated as an exempted company in Bermuda with its shares listed on the Stock Exchange.

The principal activity of the Company is investment holding. The principal activities of its subsidiaries during the year are set out in note 14 to the financial statements. There were no material changes in the nature of the principal activities of the Group during the year.

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (which includes all applicable Statements of Standard Accounting Practice ("SSAPs") and Interpretations) issued by the Hong Kong Society of Accountants, accounting principles generally accepted in Hong Kong, and the disclosure requirements of the Hong Kong Companies Ordinance and the Listing Rules. They have been prepared under the historical cost convention as modified by revaluation of fixed assets as explained in the accounting policies set out below. The financial statements have been prepared on a going concern basis, the validity of which depends upon the ability of the Group to have sufficient funds to meet its future working capital and financial requirements.

In the current year, the Group has adopted a revised SSAP, SSAP 12: Income taxes, which became effective for the current financial year.

SSAP 12 (revised) prescribes the basis for accounting and disclosure requirements for both current and deferred tax. The revised SSAP requires deferred tax to be provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. In prior year, SSAP 12 required deferred tax to be provided on all material timing differences arising between accounting profit and taxable profit. The adoption of SSAP 12 (revised) represents a change in accounting policy, which has been applied retrospectively. The revised SSAP has had no material effect on the results for the current year or prior accounting years.

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31 March.

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

All significant intercompany transactions and balances within the Group are 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 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, 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 as a separate intangible asset.

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

Subsidiaries

A subsidiary is a company controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of a company so as to obtain benefits from its activities.

The Company's investments in subsidiaries are stated at cost less impairment losses, if any. The results of subsidiaries are accounted for on the basis of dividends received and receivable.

Fixed assets

Fixed assets are stated in the balance sheet at their revalued amount, being the fair value on the basis of their existing use at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses, as determined by the Directors. Revaluations are performed with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair values at the balance sheet date.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Fixed assets *(Continued)*

Any revaluation increase arising on revaluation of fixed assets is credited to the revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised as an expense, in which case the increase is credited to the income statement to the extent of the decrease previously charged. A decrease in net carrying amount arising on revaluation of an asset is charged as an expense to the income statement to the extent that it exceeds the balance, if any, on the revaluation reserve relating to a previous revaluation of that asset. On the subsequent sale or retirement of a revalued asset, the attributable revaluation surplus is transferred to accumulated profits/losses.

Depreciation is provided to write off the cost or valuation of fixed assets, over their estimated useful lives and after taking into account their estimated residual values, using the straight-line method, at the following annual rates:

Leasehold land	Over the term of the relevant lease
Buildings	4%
Leasehold improvements	20%
Equipment, furniture and fixtures	20%
Plant and machinery	20%
Motor vehicles	20%

On 1 April 2003, the Group changed its accounting estimate in respect of residual values of fixed assets to more realistically reflect their carrying values. The change in the residual values of fixed assets has decreased the depreciation charge for the year by approximately HK$17.7 million.

Major costs incurred in restoring fixed assets to their normal working condition are charged to the income statement. Improvements are capitalised and depreciated over their expected useful lives to the Group.

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.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on a first-in, first-out basis, and in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads.

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment of assets

The carrying amounts of assets are reviewed at each balance sheet date to assess whether there is any indication of impairment. If any such indication exists, the recoverable amount of the asset is estimated and where relevant, an impairment loss is recognised to reduce the asset to its recoverable amount. Such impairment losses are recognised in the income statement.

Reversal of impairment losses recognised in prior years is recorded when there is an indication that the impairment no longer exists or has decreased. The reversal is recorded in the income statement.

Revenue recognition

Revenue from the sales of goods is recognised on the transfer of risks and rewards of ownership, which generally coincides with the time when the goods are delivered and the title has been passed to the customers.

Interest income is recognised on a time proportion basis, taking into account the principal amounts outstanding and the interest rates applicable.

Taxation

The charge for taxation is based on the results for the year as adjusted for items which are non-assessable or disallowable.

Deferred taxation is accounted for using the balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax basis used in the computation of taxable profit. In principle, deferred taxation liabilities are recognised for all taxable temporary differences and deferred taxation assets are recognised to the extent that it is probable that taxable profit 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 which affects neither the taxable profit nor the accounting profit.

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

Deferred taxation assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Operating leases

Leases where substantially all the risks and rewards of ownership of assets remain with the leasing company are accounted for as operating leases. Rentals applicable to such operating leases are charged to the income statement on a straight-line basis over the lease terms.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Foreign currency translation

Transactions in foreign currencies are translated into Hong Kong dollars at the applicable rates of exchange ruling on the transaction dates. Monetary assets and liabilities in foreign currencies at the balance sheet date are translated at the rates of exchange ruling at that date. Profits and losses resulting from this translation policy are dealt with in the income statement.

The balance sheet of subsidiaries expressed in foreign currencies is translated at the rates of exchange ruling at the balance sheet date whilst the income statement is translated at an average rate. Exchange differences are dealt with as a movement in reserves.

Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow is remote.

Event after the balance sheet date

Post-year-end events that provide additional information about the Group's position at the balance sheet date or those that indicate the going concern assumption is not appropriate are adjusting events and are reflected in the financial statements. Post-year-end events that are not adjusting events are disclosed in the notes to the financial statements when material.

Employee benefits

(i) Employee leave entitlements

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity or paternity leave are not recognised until the time of leave.

(ii) Retirement benefit costs

The Group's contribution to retirement scheme are expensed as incurred.

(iii) Termination benefits

Termination benefits are recognised when, and only when, the Group demonstrably commits itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Related parties

Two parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities.

Cash and cash equivalents

Cash and cash equivalents represent cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term highly liquid investments which are readily convertible into known amounts of cash and subject to an insignificant risk of change in value, having been within three months of maturity at acquisition. For the purpose of the cash flow statement, bank overdrafts which are repayable on demand and form an integral part of an enterprise's cash management are also included as a component of cash and cash equivalents.

Segment reporting

In accordance with the Group's internal financial reporting the Group has determined that business segments be presented as the primary reporting format and geographical segments as the secondary reporting format.

Unallocated costs represent corporate expenses. Segment assets consist primarily of fixed assets, inventories, receivables, operating cash, and exclude amounts due from related parties. Segment liabilities comprise operating liabilities and exclude items such as taxation, certain provision and corporate borrowings. Capital expenditure comprises additions to fixed assets, including additions resulting from acquisitions through purchases of subsidiaries.

In respect of geographical segment reporting, sales are based on the country in which the customer is located. Total assets and capital expenditure are where the assets are located.

4. TURNOVER AND REVENUE

The Group is principally engaged in manufacturing and sale of LCD and LCD modules (together "LCD products") and electronic consumer products ("LCD consumer products"). The Group's turnover and revenue are as follows:

	2004	2003
	HK$'000	HK$'000
Turnover		
LCD products	50,628	4,462
LCD consumer products	42,202	5,764
	92,830	10,226
Other revenue		
Interest income	3	9
Sundry income	216	56
	219	65
	93,049	10,291

5. (LOSS)/PROFIT FROM OPERATIONS

(Loss)/profit from operations has been arrived at after charging:

	2004	2003
	HK$'000	HK$'000
Auditors' remuneration	345	280
Bad debt written off	30	–
Cost of inventories sold *(note)*	85,244	7,363
Depreciation and amortisation	5,415	16,545
Operating lease rentals in respect of land and buildings	1,167	369
Staff costs including directors' emoluments		
Salaries and other benefits	18,879	3,147
Retirement benefits scheme contributions	211	50
	19,090	3,197

Note: Cost of inventories sold includes approximately HK$13,811,000 (2003: Nil) relating to staff costs, depreciation and amortisation, and operating lease rentals, which are also included in the respective total amounts disclosed separately above for each of these types of expenses.

6. FINANCE COSTS

	2004	2003
	HK$'000	HK$'000
Bank interest	19	–
Loan interest	1,075	–
	1,094	–

7. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) Directors' emoluments

Directors' emoluments disclosed pursuant to the Listing Rules and Section 161 of the Hong Kong Companies Ordinance are as follows:

	Executive Directors		Independent non-executive Directors	
	2004	2003	2004	2003
	HK$'000	HK$'000	HK$'000	HK$'000
Fees	–	–	204	109
Other emoluments				
Basic salaries, allowances and benefits in kind	5,567	35	–	–
Discretionary bonus	–	–	–	–
Retirement benefits scheme contributions	24	1	–	–
	5,591	36	204	109

The emoluments of the Directors fell within the following bands:

	Number of Directors	
	2004	2003
Nil to HK$1,000,000	4	12
HK$1,000,001 to HK$1,500,000	3	–
	7	12

There was no arrangement under which a Director waived or agreed to waive any emoluments during the year. In addition, no emoluments were paid by the Group to the Directors as an inducement to join the Group or as compensation for loss of office.

7. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS *(Continued)*

(b) Five highest paid employees

The five highest paid employees during the year included five (2003: Nil) Directors, details of whose emoluments are set out in note 7(a) above. Details of the emoluments of the five non-director, highest paid employees for 2003 are as follows:

	2004	2003
	HK$'000	*HK$'000*
Basic salaries, allowances and benefits in kind	–	1,286
Discretionary bonus	–	–
Retirement benefits scheme contributions	–	33
	–	1,319

The emoluments of the non-director, highest paid employees fell within the following band:

	Number of employees	
	2004	2003
Nil to HK$1,000,000	–	5

During the year, no emoluments were paid by the Group to any of the five highest paid employees as an inducement to join the Group or as compensation for loss of office.

8. RETIREMENT BENEFITS SCHEMES

The Group operates a Mandatory Provident Fund scheme (the "MPF Scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to the income statement as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with employees when contributed into the MPF Scheme.

In addition to the participation in the MPF Scheme, the Group is required to contribute to a defined contribution retirement scheme for its employees in the PRC based on the applicable basis and rates with the relevant government regulations.

The only obligation of the Group with respect to the retirement benefits schemes is to make the required contributions under the respective schemes.

The total costs charged to the income statement of approximately HK$211,000 (2003: approximately HK$50,000) represents contributions payable to the retirement schemes in Hong Kong and the PRC by the Group at rates specified in the rules of the relevant schemes. As at 31 March 2004, contributions of approximately HK$2,000 (2003: approximately HK$5,000) due in respect of the current year had not been paid over the relevant schemes.

9. TAXATION

(a) No provisions for Hong Kong profits tax and overseas tax have been made as the Group did not have any assessable profit for the year (2003: Nil).

(b) The taxation charge was reconciled to the (loss)/profit before taxation as reported in the consolidated income statement as follows:

	2004	2003
	HK$'000	*HK$'000*
(Loss)/profit before taxation	**(10,631)**	321,658
Tax at the applicable tax rate of 17.5% (2003: 16%)	**(1,860)**	51,465
Tax effect of expenses that are not deductible in determining taxable profit	**1,565**	16,293
Tax effect of income that are not assessable in determining taxable profit	**(158)**	(68,495)
Tax effect of net deferred tax assets not recognised	**531**	737
Increase in the opening unrecognised net deferred tax assets resulting from an increase in the tax rate	**(78)**	–
Taxation charge per consolidated income statement	**–**	–

(c) There was no material unprovided deferred taxation. The Group has unused tax losses of approximately HK$31.5 million at 31 March 2004 (2003: approximately HK$9.6 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.

10. (LOSS)/PROFIT ATTRIBUTABLE TO SHAREHOLDERS

The Group's loss attributable to shareholders of approximately HK$10,631,000 (2003: profit of approximately HK$321,658,000) included a loss of approximately HK$4,061,000 (2003: profit of approximately HK$185,193,000) which has been dealt with in the financial statements of the Company.

11. DIVIDENDS

No dividends have been paid or declared by the Company during the year (2003: Nil).

12. (LOSS)/EARNINGS PER SHARE

The calculation of the basic (loss)/earnings per share is based on the Group's loss attributable to shareholders for the year of approximately HK$10,631,000 (2003: profit of approximately HK$321,658,000) and the weighted average number of approximately 60,129,000 ordinary shares (2003: approximately 15,977,000 shares (restated), adjusted to reflect the share consolidation during the year).

The calculation of the diluted (loss)/earnings per share is based on the Group's loss attributable to shareholders for the year of approximately HK$10,631,000 (2003: profit of approximately HK$321,658,000) and the weighted average number of approximately 66,698,000 ordinary shares (2003: approximately 27,309,000 shares (restated), adjusted to reflect the share consolidation during the year), as further stated below.

A reconciliation of the weighted average number of shares used in the basic (loss)/earnings per share calculation to that used in the diluted (loss)/earnings per share calculation is as follows:

	Number of shares	
	2004	2003
	'000	*'000*
		(Restated)
Weighted average number of shares used in the basic (loss)/earnings per share calculation	**60,129**	15,977
Weighted average number of shares assumed to have been issued on the deemed exercise of all convertible notes outstanding during the year	**6,569**	11,332
Weighted average number of shares used in the diluted (loss)/earnings per share calculation	**66,698**	27,309

13. FIXED ASSETS

	Leasehold land and buildings HK$'000	Leasehold improvements HK$'000	Equipment, furniture and fixtures HK$'000	Plant and machinery HK$'000	Motor vehicles HK$'000	Total HK$'000
The Group						
Cost or valuation						
At 1 April 2003						
– At valuation	43,988	15,223	25,140	54,330	–	138,681
Additions	–	787	873	20,794	80	22,534
Adjustment on revaluation	(1,392)	(827)	(1,090)	(2,100)	(6)	(5,415)
At 31 March 2004						
– At valuation	**42,596**	**15,183**	**24,923**	**73,024**	**74**	**155,800**
Depreciation and amortisation						
Charge for the year	1,392	827	1,090	2,100	6	5,415
Adjustment on revaluation	(1,392)	(827)	(1,090)	(2,100)	(6)	(5,415)
At 31 March 2004	**–**	**–**	**–**	**–**	**–**	**–**
Net book value						
At 31 March 2004	**42,596**	**15,183**	**24,923**	**73,024**	**74**	**155,800**
At 31 March 2003	43,988	15,223	25,140	54,330	–	138,681

(a) The Group's leasehold land and buildings are situated in the PRC and held under medium term leases (unexpired period between 10 years to 50 years).

(b) The Group's fixed assets were revalued by the Directors, with reference to a valuation report prepared by an independent qualified valuer, on existing use basis at 31 March 2004. The Directors' valuation did not give rise to a revaluation surplus or deficit.

(c) The carrying amount of the fixed assets would have been approximately HK$155,800,000 (2003: approximately HK$138,681,000) had they been carried at historical cost less accumulated depreciation and amortisation.

14. INVESTMENTS IN SUBSIDIARIES

	The Company	
	2004	2003
	HK$'000	*HK$'000*
Unlisted shares, at cost	**8**	8
Amount due from a subsidiary	**39,855**	–
	39,863	8

The amount due is unsecured, interest free and has no fixed terms of repayment.

Particulars of the subsidiaries at 31 March 2004 are as follows:

Name	Place of incorporation/ operation	Issued and fully paid share capital/ registered capital	Attributable equity interest held by the Company Direct	Attributable equity interest held by the Company Indirect	Principal activities
Profit Goal Holdings Limited	British Virgin Islands ("BVI")	US$1,000	100%	–	Investment holding
A-Max Kepo Display Limited	Hong Kong	HK$100	–	100%	Sale of LCD, LCD modules and LCD consumer products
A-Max Global Products Limited	Hong Kong	HK$100	–	100%	Sale of LCD consumer products
Chesford Group Limited	BVI	US$100	–	100%	Not yet commenced business
Keview Technology (BVI) Limited	BVI	US$1,000	–	100%	Investment holding
Dongguan Kepo Electronics Limited ("Dongguan Kepo")	PRC	HK$76,120,000	–	100% *(note)*	Manufacturing of LCD, LCD modules and electronics consumer products

Note: Dongguan Kepo is a wholly foreign-owned enterprise established in the PRC with an operating period of 25 years commencing from 13 November 1998.

15. INVENTORIES

	The Group	
	2004	2003
	HK$'000	*HK$'000*
Raw materials	**6,667**	2,023
Work in progress	**1,486**	87
Finished goods	**2,767**	246
	10,920	2,356

All inventories are stated at cost.

16. TRADE RECEIVABLES

The Group allows an average credit period of 30 days to 60 days to its trade customers. The aged analysis of trade receivables is as follows:

	The Group	
	2004	2003
	HK$'000	*HK$'000*
Current – 30 days	**6,145**	2,460
31 – 60 days	**3,878**	183
61 – 90 days	**550**	634
Over 90 days	**1,326**	188
	11,899	3,465

17. BANK AND CASH BALANCES

Included in bank and cash balances of the Group is an amount of approximately HK$2,441,000 as at 31 March 2004 (2003: approximately HK$605,000) denominated in Renminbi ("RMB"). RMB is not freely convertible into foreign currencies. Under the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for foreign currencies through banks authorised to conduct foreign exchange business.

18. TRADE AND OTHER PAYABLES

The aged analysis of trade payables is as follows:

	The Group		The Company	
	2004	2003	**2004**	2003
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Trade payables				
Current – 30 days	**4,712**	2,094	**–**	–
31 – 60 days	**4,125**	538	**–**	–
61 – 90 days	**547**	146	**–**	–
Over 90 days	**3,573**	7	**–**	–
	12,957	2,785	**–**	–
Other payables	**9,106**	4,318	**4,543**	1,997
	22,063	7,103	**4,543**	1,997

Included in other payables of the Group and the Company are emoluments due to certain Directors of approximately HK$4,470,000 (2003: HK$89,000).

19. LONG TERM BORROWINGS

Long term borrowings represent unsecured loans from unrelated parties, which are interest-bearing at 5%-6% (2003: 6%) per annum and are not repayable within the next twelve months. However, the Group has option to repay the borrowings before maturities.

20. CONVERTIBLE NOTES

	2004	2003
	HK$'000	*HK$'000*
At 31 March	**14,600**	20,500

The movements of the convertible notes (the "Notes") during the year are summarised as follows:

	Notes	*HK$'000*
At 1 April 2003		20,500
Conversion of the Notes into 5,125,000,000 ordinary shares at a price of HK$0.004 per share		
– Amount transferred to share capital	*21(i), (a) & (b)*	(5,125)
– Amount transferred to share premium	*(a) & (b)*	(15,375)
Notes issued during the year	*(c)*	14,600
At 31 March 2004		**14,600**

20. CONVERTIBLE NOTES *(Continued)*

Notes:

(a) On 3 April 2003, an aggregate of HK$5.5 million was converted by an unrelated party which resulted in an increase in the issued share capital of HK$1,375,000 (representing 1,375,000,000 ordinary shares) and share premium of HK$4,125,000 respectively.

(b) On 7 April 2003, an aggregate of HK$15 million was converted by another unrelated party which resulted in an increase in the issued share capital of HK$3,750,000 (representing 3,750,000,000 ordinary shares) and share premium of HK$11,250,000 respectively.

(c) Pursuant to the Convertible Note Subscription Agreement dated 20 February 2004, the Company issued the Notes in the aggregate amount of HK$14.6 million (comprising 73 notes of HK$200,000 each) to Firstcom Technology Limited to raise working capital for the repayment of certain term loans due to lenders and for the general working capital of the Group. The Notes bear 1.5% per annum and can be converted into new ordinary shares during the period from 31 March 2004 to 30 March 2009 at the conversion ratio of 5% of the then issued share capital of the Company at the time of conversion for each note in the principal amount of HK$200,000. The shares so converted will rank pari passu in all respect with all other ordinary shares in issue on the date of allotment.

Certain outstanding Notes were converted into share capital subsequent to the balance sheet date, details of which are set out in note 29 to the financial statements.

21. SHARE CAPITAL

	2004	2003
	HK$	*HK$*
Authorised:		
40,000,000,000 ordinary shares of HK$0.001 each	**40,000,000**	40,000,000
Issued and fully paid:		
71,409,600 (2003: 12,655,000,000) ordinary shares of HK$0.001 each	**71,410**	12,655,000

21. SHARE CAPITAL *(Continued)*

The movements of the share capital during the year are summarised as follows:

	Note	**Number of shares**	**Issued share capital** *HK$*
At 1 April 2003			
Ordinary shares of HK$0.001 each		12,655,000,000	12,655,000
Conversion of the convertible notes	*(i)*	5,125,000,000	5,125,000
Issue of new shares	*(ii)*	2,056,000,000	2,056,000
		19,836,000,000	19,836,000
Reduced due to share consolidation	*(iii)*	(19,786,410,000)	–
Ordinary shares of HK$0.4 each		49,590,000	19,836,000
Reduced due to capital reduction	*(iv)*	–	(19,786,410)
Ordinary shares of HK$0.001 each		49,590,000	49,590
Issue of new shares	*(v)*	9,918,000	9,918
Issue of new shares	*(vi)*	11,901,600	11,902
At 31 March 2004			
Ordinary shares of HK$0.001 each		**71,409,600**	**71,410**

Notes:

(i) Conversion of the convertible notes
5,125,000,000 shares of HK$0.001 each were issued pursuant to the conversion of the remaining balance of HK$20.5 million convertible notes at HK$0.004 per share.

(ii) Issue of new shares
Pursuant to the subscription agreement dated 3 June 2003, 2,056,000,000 new shares of HK$0.001 each were issued at HK$0.003 per share for cash consideration of HK$6,168,000.

(iii) Share consolidation
Every 400 shares were consolidated into 1 share of HK$0.4 each.

21. SHARE CAPITAL *(Continued)*

Notes: (Continued)

(iv) Capital reduction
The par value of each of the consolidated shares was reduced by HK$0.399 to HK$0.001. The total credit arising from the capital reduction was credited to the reserve account to reduce the accumulated losses of the Company.

(v) Issue of new shares
Pursuant to the subscription agreement dated 19 August 2003, 9,918,000 new shares of HK$0.001 each were issued at HK$0.4 per share for cash consideration of HK$3,967,200.

(vi) Issue of new shares
Pursuant to the subscription agreement dated 29 September 2003, 11,901,600 new shares of HK$0.001 each were issued at HK$0.2 per share for cash consideration of HK$2,380,320.

In addition to the above movements, subsequent to the balance sheet date, there were further movements in the Company's issued share capital, details of which are set out in note 29 to the financial statements.

22. SHARE OPTION SCHEME

The Company's share option scheme (the "Share Option Scheme") was adopted on 12 August 2002 with a purpose to recognise the contribution of certain employees, Directors, executive or officers, suppliers, consultants and agents of the Group to the growth of the Group.

Under the terms of the Share Option Scheme, the Board of Directors may, at its discretion, grant options to employees, Directors, executives or officers of the Group, and any suppliers, consultants or agents who have provided services to the Group at a price not less than the average of the closing prices of the shares on the Stock Exchange on the five trading days immediately preceding the offer date or the nominal value of the shares, whichever is the higher.

The maximum number of shares in respect of which options may be granted under the Share Option Scheme will not exceed 10% of the issued share capital of the Company and the maximum number of shares in respect of which options may be granted to any one participant will not exceed 30% of the maximum number of shares in issues from time to time. At the date of report, the total number of shares of the Company which may be allotted and issued upon the exercise of all options to be granted under the Share Option Scheme must not exceed 4,959,000 shares, adjusted to reflect the share consolidation during the year and represents 10% of the shares in issue as at 18 June 2003, the date of the special general meeting approving the refreshment of the 10% limit on the grant of options.

A nominal consideration of HK$1 is payable within 30 days from the offer date for each lot of share option granted. An option may be exercised in accordance with the terms of the Share Option Scheme during a period to be notified by the Board of Directors. Each grantee is entitled to exercise the options at any time after the expiry of one year from the date of the grant of the options, and in each case, not later than 10 years from the date of the grant of the options.

The Share Option Scheme is valid for a period of 10 years commencing from 12 August 2002. No options under the Share Option Scheme were granted up to 31 March 2004.

23. MAJOR NON-CASH TRANSACTION

During the year, convertible notes of HK$20.5 million (2003: HK$9.5 million) was converted into 5,125,000,000 (2003: 2,375,000,000) ordinary shares at HK$0.004 per share (note 20).

24. BANKING FACILITIES

As at 31 March 2004, the Group had unsecured banking facilities totalling HK$6 million (2003: Nil).

25. COMMITMENTS

As at 31 March 2004 the Group had the following commitments:

(a) Operating lease commitments

At 31 March 2004, the Group's total future minimum lease payments under non-cancellable operating leases in respect of office premises are payable as follows:

	2004	2003
	HK$'000	*HK$'000*
Within one year	**240**	240
In the second to fifth years	**960**	960
After five years	**950**	1,190
	2,150	2,390

(b) Other commitments

Pursuant to a contract entered into between one of the Company's subsidiaries and an independent party in the PRC whereby the Group's factory is located, the Group is committed to pay to the independent party an annual management fee. An analysis of the management fee commitment is as follows:

	2004	2003
	HK$'000	*HK$'000*
		(Restated)
Within one year	**1,265**	1,212
In the second to fifth years	**5,260**	5,134
After five years	**78,849**	80,241
	85,374	86,587

Save as disclosed above, the Group and the Company did not have any significant commitments as at 31 March 2004 (2003: Nil). No information in respect of the commitments of the Group and the Company for the period from 1 April 2002 to 21 August 2002 is available.

26. CONTINGENT LIABILITIES

The Group and the Company did not have any significant contingent liabilities as at 31 March 2004 (2003: Nil). No information in respect of the contingent liabilities of the Group and the Company for the period from 1 April 2002 to 21 August 2002 is available.

27. RELATED PARTY TRANSACTIONS

During the year, the Group did not enter into any material related party transactions. Details of the material related party transactions for 2003 are as follows:

	2004	2003
	HK$'000	*HK$'000*
Sales of goods to a related party	–	1,873
Purchase of goods from a related party	–	2,337
Write off of amount due from a related party	–	1,955
Provision for loss arising from a loan commitment to a related party	–	1,881
Issue of convertible notes to related parties	–	30,000

No information in respect of the related party transactions of the Group for the period from 1 April 2002 to 21 August 2002 is available.

28. SEGMENT INFORMATION

Segment information is presented by way of two segment formats: (i) on a primary segment reporting basis, by business segment; and (ii) on a secondary segment reporting basis, by geographical segment.

The Group's operating businesses are structured and managed separately, according to the nature of their operations and the products and services they provide. Each of the Group's business segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of other business segments. Summary details of the business segments are as follows:

(i) the LCD products segment consists of the manufacture and sale of LCD and LCD modules; and

(ii) the LCD consumer products segment consists of the manufacture and sale of calculators, and other electronic consumer products.

In determining the Group's geographical segment, revenue is attributed to the segments based on the location of the customers, and assets are attributed to the segments based on the location of the assets.

28. SEGMENT INFORMATION *(Continued)*

(a) Business segments

An analysis of the Group's revenue, results, assets, liabilities, capital expenditure, depreciation and amortisation by business segments is as follows:

	LCD products		LCD consumer products		Eliminations		Consolidated	
	2004	2003	**2004**	2003	**2004**	2003	**2004**	2003
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
REVENUE								
External revenue	**50,628**	4,462	**42,202**	5,764	**–**	–	**92,830**	10,226
Inter-segment revenue*	**2,873**	–	**–**	–	**(2,873)**	–	**–**	–
Total revenue	**53,501**	4,462	**42,202**	5,764	**(2,873)**	–	**92,830**	10,226
RESULTS								
Segment results	**(8,486)**	(23,673)	**1,403**	1,039	**(113)**	–	**(7,196)**	(22,634)
Other revenue							**–**	65
Unallocated corporate expenses							**(4,332)**	(1,998)
Reduction in provision for/ (provision for) litigations							**626**	(3,235)
Reduction in provision for other payables							**271**	29,781
Reduction in provision for net amounts due to subsidiaries not consolidated							**–**	148,366
Reduction in provision for indemnified liabilities of subsidiaries not consolidated							**–**	180,734
Write off of trade and other receivables							**–**	(296)
Write off of bank and cash balances							**–**	(1,458)
Write off of fixed assets							**–**	(3,831)
Write off of amount due from a fellow subsidiary							**–**	(1,955)
Provision for loss arising from a loan commitment							**–**	(1,881)
(Loss)/profit before taxation							**(10,631)**	321,658
Taxation							**–**	–
(Loss)/profit attributable to shareholders							**(10,631)**	321,658

* Inter-segment revenue is charged with reference to prevailing market prices

28. SEGMENT INFORMATION *(Continued)*

(a) Business segments *(Continued)*

	LCD products		LCD consumer products		Eliminations		Consolidated	
	2004	2003	**2004**	2003	**2004**	2003	**2004**	2003
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment assets	**128,683**	153,737	**60,084**	2,817	**(383)**	–	**188,384**	156,554
Unallocated corporate assets							**14,605**	–
Consolidated total assets							**202,989**	156,554
Segment liabilities	**29,100**	33,308	**16,895**	1,633	**(383)**	–	**45,612**	34,941
Unallocated corporate liabilities							**20,743**	7,114
Consolidated total liabilities							**66,355**	42,055
Other segment information:								
Capital expenditure	**1,810**	17,648	**20,724**	–	**–**	–	**22,534**	17,648
Depreciation and amortisation	**2,900**	16,545	**2,515**	–	**–**	–	**5,415**	16,545
Non-cash expenses other than depreciation and amortisation	**30**	–	**–**	–	**–**	–	**30**	–

(b) Geographical segments

An analysis of the Group's revenue, assets and capital expenditure by geographical location is as follows:

	Hong Kong		PRC		Others		Consolidated	
	2004	2003	**2004**	2003	**2004**	2003	**2004**	2003
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue	**76,472**	9,480	**4,879**	67	**11,479**	679	**92,830**	10,226
Other segment information:								
Segment assets	**30,406**	8,664	**172,583**	147,890	**–**	–	**202,989**	156,554
Capital expenditure	**260**	68	**22,274**	17,580	**–**	–	**22,534**	17,648

29. EVENTS AFTER THE BALANCE SHEET DATE

(a) On 11 June 2004, the convertible notes of HK$1,400,000 were converted into 29,070,875 new ordinary shares at an average conversion price of HK$0.048 per share.

(b) Subsequent to 31 March 2004, the Directors proposed a bonus issue of shares of HK$0.001 each, on the basis of 1 share for every 1 share held by the shareholders whose names appear on the register of members of the Company on 11 September 2004.

30. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved by the Board of Directors on 26 July 2004.