

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March 2005

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 Company is an investment holding company. Details of the principal activities of the Company's principal subsidiaries and associates are set out in notes 15 and 17, respectively.

2. POTENTIAL IMPACT ARISING FROM THE RECENTLY ISSUED ACCOUNTING STANDARDS

In 2004, the Hong Kong Institute of Certified Public Accountants (the "HKICPA") issued a number of new or revised Hong Kong Accounting Standards and Hong Kong Financial Reporting Standards (hereinafter collectively referred to as "new HKFRSs") which are effective for accounting periods beginning on or after 1st January, 2005 except for HKFRS 3 Business Combinations. The Group has not early adopted these new HKFRSs in the financial statements for the year ended 31st March, 2005.

HKFRS 3 is applicable to business combinations for which the agreement date is on or after 1st January, 2005. The Group has not entered into any business combination for which the agreement date is on or after 1st January, 2005. Therefore HKFRS 3 did not have any impact on the Group for the year ended 31st March, 2005.

The Group has commenced considering the potential impact of other new HKFRSs but is not yet in a position to determine whether these new HKFRSs will have a significant impact on how its results of operations and financial position are prepared and presented. These new HKFRSs may result in changes in the future as to how the results and financial position are prepared and presented.

3. SIGNIFICANT ACCOUNTING POLICIES

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March 2005

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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.

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 non-trading 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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March 2005

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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:

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

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

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

Investment properties

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

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

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

For the year ended 31st March 2005

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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 assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

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

Derivative financial instruments

Derivative financial instruments are initially measured at fair value on contract dates, and are re-measured to fair value at subsequent reporting dates. Changes in fair value are recognised in the income statement as they arise.

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 payments have been established.

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March 2005

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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.

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 is 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.

Operating leases

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March 2005

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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 foreign 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 where 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.

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 – liquid crystal displays ("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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March 2005

5. BUSINESS AND GEOGRAPHICAL SEGMENTS *(continued)*

Business segments *(continued)*

Segmental information about these businesses is presented below:

2005

	LCDs HK\$'000	Investment property holding HK\$'000	Others HK\$'000	Consolidated HK\$'000
<i>Segment revenue</i>				
External sales	326,457	–	48,745	375,202
Rental income	–	12,091	–	12,091
	326,457	12,091	48,745	387,293
<i>Result</i>				
Segment result	15,876	8,536	(5,966)	18,446
Dividend income				1,605
Interest income				427
Gain on disposal of investment properties		193,905		193,905
Revaluation increase in investment properties		300		300
Realised gain on derivative financial instruments				654
Unrealised loss on derivative financial instruments				(7,779)
Transfer of previously recognised revaluation decrease of investment properties from investment property revaluation reserve		(1,478)		(1,478)
Unrealised loss on investments in trading securities				(448)
Unallocated corporate expenses				(4,685)
Profit from operations				200,947
Finance costs				(2,436)
Share of results of associates			(5,087)	(5,087)
Profit before income tax				193,424
Income tax expense				930
Profit for the year				192,494

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March 2005

5. BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)**Business segments (Continued)****2005**

Consolidated balance sheet

	LCDs HK\$'000	Investment property holding HK\$'000	Others HK\$'000	Consolidated HK\$'000
Assets				
Segment assets	351,107	1,200	40,882	393,189
Interests in associates			34,033	34,033
Tax recoverable				456
Unallocated corporate assets				251,182
Consolidated total assets				678,860
Liabilities				
Segment liabilities	84,586	4,580	5,859	95,025
Derivative financial instruments				8,223
Deferred taxation				18
Consolidated total liabilities				103,266
Other information				
Additions to property, plant and equipment	47,323	-	11,907	59,230
Allowance for doubtful debts	6,357	-	-	6,357
Depreciation and amortisation	24,846	-	2,432	27,278
(Loss) gain on disposal of property, plant and equipment	(188)	-	30	(158)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March 2005

5. BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)

Business segments (Continued)

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
	277,465	14,491	16,231	308,187
<i>Result</i>				
Segment result	11,957	12,172	(1,135)	22,994
Dividend income				1,737
Interest income				56
Gain on disposal of investments in trading securities				17,899
Unrealised gain on investments in trading securities				22,682
Unallocated corporate expenses				(6,216)
Profit from operations				59,152
Finance costs				(3,376)
Share of results of associates			(819)	(819)
Profit before income tax				54,957
Income tax expense				738
Profit for the year				54,219

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March 2005

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	39,172
Unallocated corporate assets				58,054
				<hr/>
Consolidated total assets				699,582
Liabilities				
Segment liabilities	79,522	1,664	3,812	84,998
Borrowings				158,063
Taxation payable				1,244
Deferred taxation				120
				<hr/>
Consolidated total liabilities				244,425
Other information				
Additions to property, plant and equipment	46,900	–	823	47,723
Allowance for doubtful debts	1,251	–	–	1,251
Depreciation and amortisation	22,600	–	595	23,195
Gain on disposal of property, plant and equipment	74	–	–	74
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NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March 2005

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	
	2005	2004
	HK\$'000	HK\$'000
Hong Kong, the PRC	290,585	266,866
Other regions of the PRC	31,223	17,599
Other countries	65,485	23,722
	387,293	308,187

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	
	2005	2004	2005	2004
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong, the PRC	357,628	460,337	1,992	602
Other regions of the PRC	321,232	239,245	57,238	47,121
	678,860	699,582	59,230	47,723

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March 2005

6. PROFIT FROM OPERATIONS

	2005	2004
	HK\$'000	HK\$'000

Profit from operations has been arrived at after charging:

Auditors' remuneration	600	600
Cost of inventories recognised as expenses	321,891	257,066
Depreciation and amortisation	27,278	23,195
Loss on disposals of property, plant and equipment	158	–
Staff costs, including directors' emoluments (<i>note 8</i>)	88,934	74,000
Allowance for doubtful debts	6,357	1,251

and after crediting:

Dividend income from listed securities	1,605	1,737
Gain on disposals of property, plant and equipment	–	74
Interest income on bank deposits	427	25
Interest income from an associate	–	31

7. FINANCE COSTS

	2005	2004
	HK\$'000	HK\$'000

Interest on:

Bank borrowings wholly repayable within five years	2,436	792
Bank borrowings not wholly repayable within five years	–	2,584
	2,436	3,376

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March 2005

8. DIRECTORS' EMOLUMENTS

	2005 HK\$'000	2004 HK\$'000
Fees:		
Independent non-executive directors	300	200
Other emoluments:		
Salaries and other benefits	2,985	3,438
Retirement benefit scheme contributions	77	160
Total emoluments	3,362	3,798

The emoluments of the directors were within the following bands:

	Number of directors	
	2005	2004
Up to HK\$1,000,000	4	3
HK\$1,000,001 to HK\$1,500,000	2	2

9. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, two (2004: three) were directors of the Company whose emoluments are included in note 8 above. The emoluments of the remaining three (2004: two) individuals were as follows:

	2005 HK\$'000	2004 HK\$'000
Salaries and other benefits	2,300	1,200
Retirement benefit scheme contributions	98	60
Total emoluments	2,398	1,260

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March 2005

10. INCOME TAX EXPENSE

	2005	2004
	HK\$'000	HK\$'000
The income tax expense comprises:		
Current tax		
Hong Kong	495	1,253
Other region in the PRC	543	–
	1,038	1,253
Overprovision in prior years		
Hong Kong	(6)	–
Deferred taxation (<i>note 26</i>)		
Current year	(102)	(574)
Attributable to a change in tax rate	–	59
	(102)	(515)
	930	738

Hong Kong Profits Tax is calculated at 17.5% (2004: 17.5%) 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 had been reflected in the calculation of current tax and deferred tax balance at 31st March, 2004.

No provision for Hong Kong Profits Tax has been made in the financial statements for the year ended 31st March, 2005 in respect of the gain on disposal of investment properties of HK\$193,905,000 as in the opinion of the directors, the gain is of capital nature and thus the amount is not subject to Hong Kong Profits Tax.

The PRC income tax for the year is calculated at the rate prevailing in the relevant jurisdiction. No provision for PRC income tax had been made in the financial statements for 31st March, 2004 as the operations in the PRC had no assessable profit for the year.

Details of deferred taxation are set out in note 26.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March 2005

10. INCOME TAX EXPENSE (continued)

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

	2005	2004
	HK\$'000	HK\$'000
Profit before income tax	193,424	54,957
Tax at Hong Kong Profits Tax rate of 17.5% (2004: 17.5%)	33,849	9,618
Tax effect of tax losses not recognised in the current year	3,336	100
Tax effect of share of results of associates	890	143
Tax effect of expenses that are not deductible for tax purpose	279	82
Tax effect of income not taxable for tax purpose	(37,406)	(2,818)
Overprovision in prior year	(6)	–
Utilisation of tax losses previously not recognised	(12)	(6,446)
Increase in opening deferred tax liability resulting from an increase in Hong Kong Profits Tax rate	–	59
Income tax expense for the year	930	738

11. DIVIDEND

	2005	2004
	HK\$'000	HK\$'000
Final proposed – HK1.5 cent per ordinary share	15,653	10,436

The final dividend of HK1.5 cent (2004: HK1 cent) per ordinary share has been proposed by the directors and is subject to approval by the shareholders in the general meeting.

12. EARNINGS PER SHARE

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

	2005	2004
	HK\$'000	HK\$'000
Earnings for the purposes of basic earnings per share	192,494	54,219

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March 2005

12. EARNINGS PER SHARE (continued)

	Number of shares	
	2005 '000	2004 '000
Number of ordinary shares for the purposes of basic earnings per share	1,043,564	1,043,564

No diluted earnings per share have been presented for both years as there were no potential ordinary shares in issue.

13. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings HK\$'000	Furniture and fixtures HK\$'000	Office equipment HK\$'000	Plant and machinery HK\$'000	Motor vehicles HK\$'000	Machinery under installation HK\$'000	Total HK\$'000
THE GROUP							
COST							
At 1st April, 2004	13,784	22,429	7,687	213,523	4,605	37,237	299,265
Additions	3,874	2,578	2,875	37,951	699	11,253	59,230
Disposals	–	(4)	(450)	(5,913)	(1,323)	–	(7,690)
Transfers	–	3,381	–	23,081	–	(26,462)	–
At 31st March, 2005	17,658	28,384	10,112	268,642	3,981	22,028	350,805
DEPRECIATION AND AMORTISATION							
At 1st April, 2004	2,756	13,110	3,114	124,342	3,137	–	146,459
Provided for the year	837	2,622	1,255	22,078	486	–	27,278
Eliminated on disposals	–	(4)	(431)	(5,744)	(1,323)	–	(7,502)
At 31st March, 2005	3,593	15,728	3,938	140,676	2,300	–	166,235
NET BOOK VALUES							
At 31st March, 2005	14,065	12,656	6,174	127,966	1,681	22,028	184,570
At 31st March, 2004	11,028	9,319	4,573	89,181	1,468	37,237	152,806

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March 2005

13. PROPERTY, PLANT AND EQUIPMENT *(continued)*

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

	2005 HK\$'000	2004 HK\$'000
Land and buildings in Hong Kong held under medium-term leases	4,242	4,421
Land and buildings outside Hong Kong held under:		
Freehold	546	–
Long lease	–	24
Medium-term lease	9,277	6,583
	14,065	11,028

14. INVESTMENT PROPERTIES

	THE GROUP	
	2005 HK\$'000	2004 HK\$'000
At beginning of the year	254,900	193,000
Revaluation increase credited to investment property revaluation reserve	126,000	61,292
Revaluation increase credited to consolidated income statement	300	608
Disposals	(380,000)	–
At end of the year	1,200	254,900

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.

For the year ended 31st March, 2005

On 23rd November, 2004, the Group entered into a provisional sale and purchase agreement with an independent third party to dispose of certain of its investment properties with a carrying value of HK\$380,000,000 (the "Investment Properties") for a consideration of HK\$390,000,000. The Investment Properties were revalued at 31st October, 2004 by Dudley Surveyors Limited ("Dudley"), a firm of independent valuers, on an open market value basis, for inclusion in a circular dated 17th December, 2004 in respect of such disposal. The revaluation gave rise to a revaluation increase of HK\$126,000,000 being credited to investment property revaluation reserve. The disposal was completed on 1st February, 2005 with a net gain of HK\$193,905,000, net of relevant expenses, being credited to the consolidated income statement upon the release of the investment property revaluation reserve of HK\$188,770,000.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March 2005

14. INVESTMENT PROPERTIES *(continued)*

For the year ended 31st March, 2005 *(continued)*

The remaining investment properties (the "Remaining Properties") were revalued at 31st March, 2005 by Dudley on an open market value basis. The revaluation gave rise to a revaluation increase of HK\$300,000 being credited to the consolidated income statement to reverse previously recognised revaluation decrease. Upon the disposal of the Investment Properties, the previously recognised revaluation decrease of the Remaining Properties amounting to HK\$1,478,000 was transferred to the consolidated income statement from the investment property revaluation reserve.

For the year ended 31st March, 2004

The investment properties were revalued at 31st March, 2004 by Dudley on an open market value basis. The revaluation gave rise to a revaluation increase of HK\$61,900,000, of which HK\$608,000 had been credited to the consolidated income statement, the remaining HK\$61,292,000 had been credited to investment property revaluation reserve.

At 31st March, 2004, certain of the Group's investment properties with a carrying value of HK\$254,000,000 were pledged to a bank to secure banking facilities granted to the Group. All the bank borrowings were fully repaid during the current year upon the disposal of the investment properties.

15. INVESTMENTS IN SUBSIDIARIES

	THE COMPANY	
	2005	2004
	HK\$'000	HK\$'000
Unlisted shares, at cost	83,384	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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March 2005

15. INVESTMENTS IN SUBSIDIARIES *(continued)*

Details of the Company's principal subsidiaries at 31st March, 2005 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 share/registered capital held by the Company	Principal activities
Dongguan Yeedu Semiconductor Co., Ltd. <i>(Note)</i>	Sino-foreign corporate joint venture	The PRC	US\$1,496,000 registered capital	85% <i>(Note)</i>	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 ("LCM")
Jiangmen Yeebo Semiconductor Co., Ltd. <i>(Note)</i>	Sino-foreign corporate joint venture	The PRC	US\$9,307,000 registered capital	80% <i>(Note)</i>	Manufacture of LCDs
LCD Industries Limited	Incorporated	British Virgin Islands/ The PRC	US\$1	100%	Development and trading of LCDs and LCMs
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 and LCMs and investment holding
Yeebo Technology Limited	Incorporated	Hong Kong	HK\$10,000	100%	Investment and 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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March 2005

15. 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.

16. AMOUNTS DUE FROM SUBSIDIARIES

	THE COMPANY	
	2005	2004
	HK\$'000	HK\$'000
Amounts due from subsidiaries	669,929	671,034
Less: Allowances	(381,290)	(381,290)
	288,639	289,744

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

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

17. INTERESTS IN ASSOCIATES

	THE GROUP		THE COMPANY	
	2005	2004	2005	2004
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Unlisted shares, at cost	–	–	40,000	40,000
Share of net assets	31,797	36,683	–	–
Goodwill of associates	2,236	2,489	–	–
	34,033	39,172	40,000	40,000

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March 2005

17. INTERESTS IN ASSOCIATES (continued)

Details of the Group's principal associates as at 31st March, 2005 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 for the year ended 31st March, 2004. In the current year, an amortisation of goodwill amounting to HK\$253,000 (2004: HK\$42,000) 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 consolidated financial statements of Crown Capital:

Results for the year

	2005 HK\$'000	2004 HK\$'000
Turnover	1,393	24
Loss before income tax	(10,274)	(1,651)
Loss before income tax attributable to the Group	(4,834)	(777)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March 2005

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

	2005	2004
	HK\$'000	HK\$'000
Non-current assets	85,160	86,298
Current assets	19,931	27,387
Current liabilities	(9,230)	(2,607)
Non-current liabilities	(28,279)	(33,111)
Net assets	67,582	77,967
Net assets attributable to the Group	31,797	36,683

18. INVESTMENTS IN SECURITIES

	THE GROUP					
	Trading securities		Non-trading securities		Total	
	2005	2004	2005	2004	2005	2004
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Equity securities listed in						
Hong Kong at market value	89,318	56,595	10,550	–	99,868	56,595
Carrying amount analysed for reporting purposes as:						
Current	89,318	56,595	–	–	89,318	56,595
Non-current	–	–	10,550	–	10,550	–
	89,318	56,595	10,550	–	99,868	56,595

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March 2005

19. CLUB DEBENTURES

	THE GROUP	
	2005	2004
	HK\$'000	<i>HK\$'000</i>
At cost	2,659	2,659
Less: Impairment losses	(1,200)	(1,200)
	<hr/>	<hr/>
Carrying amount	1,459	1,459
	<hr/>	<hr/>

In the opinion of the directors, the club debentures were worth at least their carrying values as at 31st March, 2005 with reference to the current market value.

20. INVENTORIES

	THE GROUP	
	2005	2004
	HK\$'000	<i>HK\$'000</i>
Raw materials	64,385	44,753
Work in progress	2,434	5,099
Finished goods	32,928	27,302
	<hr/>	<hr/>
	99,747	77,154
	<hr/>	<hr/>

Included above are raw materials of approximately HK\$9,974,000 (2004: HK\$10,077,000) which are carried at net realisable value.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March 2005

21. TRADE AND OTHER RECEIVABLES/BILLS RECEIVABLES

The Group allows a credit period of 30 – 120 days to its trade customers.

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

	THE GROUP	
	2005 HK\$'000	2004 HK\$'000
Up to 30 days	35,999	35,016
31 – 60 days	23,278	24,950
61 – 90 days	9,064	9,494
91 – 120 days	4,740	9,307
Over 120 days	5,643	5,932
	78,724	84,699
Other receivables	7,205	13,641
	85,929	98,340
Amount analysed for reporting purposes as:		
Trade and other receivables	85,621	93,736
Bills receivables	308	4,604
	85,929	98,340

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March 2005

22. TRADE AND OTHER PAYABLES/BILLS PAYABLE

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

	THE GROUP	
	2005	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
Up to 30 days	11,864	16,296
31 – 60 days	6,140	12,347
61 – 90 days	7,243	5,473
91 – 120 days	5,473	4,412
Over 120 days	7,525	2,601
	38,245	41,129
Other payables	53,267	39,952
	91,512	81,081
Amount analysed for reporting purposes as:		
Trade and other payables	90,599	78,533
Bills payable	913	2,548
	91,512	81,081

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

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

24. DERIVATIVE FINANCIAL INSTRUMENTS

	THE GROUP	
	2005	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
Forward equity contracts, at fair value	6,679	–
Debenture options, at fair value	1,544	–
	8,223	–

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March 2005

24. DERIVATIVE FINANCIAL INSTRUMENTS *(continued)*

At the balance sheet date, the maximum notional amount of outstanding forward equity contracts to which the Group committed is approximately HK\$130,376,000 (2004: Nil).

Subsequent to year end, commitments amounting to HK\$64,678,000 of the outstanding forward equity contracts have been relieved as certain market conditions which have been met to revert those outstanding forward equity contracts.

In addition, the Group had sold an option to sell a corporate debenture with a notional amount of approximately HK\$78,000,000. Subsequent to the balance sheet date, the Group closed its position in respect of the option and the financial impact to the Group is not material.

Decrease in fair value of derivative financial instruments amounting to HK\$7,779,000 (2004: Nil) has been charged to the consolidated income statement.

25. BANK BORROWINGS

	THE GROUP	
	2005	2004
	HK\$'000	HK\$'000
Bank loans	-	157,765
Bank overdrafts	-	298
Trust receipt loans	-	-
	-	158,063
Analysed as:		
Secured	-	112,765
Unsecured	-	45,298
	-	158,063
Repayable as follows:		
Within one year or on demand	-	22,094
More than one year, but not exceeding two years	-	22,085
More than two years, but not exceeding five years	-	63,063
More than five years	-	50,821
	-	158,063
Less: Amounts due within one year, included under current liabilities	-	(22,094)
Amounts due after one year	-	135,969

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March 2005

26. DEFERRED TAXATION

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

THE GROUP

	Accelerated tax depreciation <i>HK\$'000</i>	Tax losses <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 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
At 31st March, 2004 and 1st April, 2004	592	(472)	120
Charge (credit) to consolidated income statement for the year	106	(208)	(102)
At 31st March, 2005	698	(680)	18

At the balance sheet date, the Group had unused tax losses of HK\$49.4 million (2004: HK\$29.3 million) available for offset against future profits. A deferred tax asset has been recognised in respect of approximately HK\$3.9 million (2004: HK\$2.7 million) of such losses. No deferred tax asset has been recognised in respect of the remaining tax losses of HK\$45.5 million (2004: HK\$26.6 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\$7.3 million (2004: HK\$5.9 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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March 2005

27. SHARE CAPITAL

	Number of shares	2005 & 2004
	<i>'000</i>	<i>HK\$'000</i>
Ordinary shares of HK\$0.20 each		
Authorised	2,000,000	400,000
Issued and fully paid	1,043,564	208,713

28. RESERVES

	Share premium	Capital redemption reserve	Contributed surplus	Retained profit (deficit)	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
THE COMPANY					
At 1st April, 2004	147,303	1,347	49,259	(93,362)	104,547
Profit for the year	–	–	–	99,490	99,490
At 31st March, 2004 and 1st April, 2004	147,303	1,347	49,259	6,128	204,037
Profit for the year	–	–	–	9,076	9,076
Dividend paid	–	–	–	(10,436)	(10,436)
At 31st March, 2005	147,303	1,347	49,259	4,768	202,677

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, 2005, the Company's reserves available for distribution to shareholders comprised the retained profit of approximately HK\$4,768,000 (2004: HK\$6,128,000) and contributed surplus of approximately HK\$49,259,000 (2004: HK\$49,259,000).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March 2005

29. CAPITAL COMMITMENT

	THE GROUP	
	2005	2004
	HK\$'000	HK\$'000
Capital expenditure in respect of acquisition of plant and machinery contracted for but not provided in the financial statements	1,386	12,799

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

30. OPERATING LEASE ARRANGEMENTS

The Group as lessee

Minimum lease payments paid under operating leases for rented premises during the year amounted to approximately HK\$4,120,000 (2004: HK\$2,929,000).

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

	THE GROUP	
	2005	2004
	HK\$'000	HK\$'000
Within one year	2,399	2,272
In the second to fifth year inclusive	3,327	981
	5,726	3,253

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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March 2005

30. OPERATING LEASE ARRANGEMENTS *(continued)*

The Group as lessor

Property rental income net of outgoings of approximately HK\$34,000 (2004: HK\$40,000) earned from renting out the investment properties during the year was approximately HK\$12,057,000 (2004: HK\$14,451,000). The properties held have committed tenants for one year.

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

	THE GROUP	
	2005 HK\$'000	2004 HK\$'000
Within one year	46	14,446
In the second to fifth year inclusive	-	9,600
	46	24,046

The Company had no commitments under non-cancellable operating leases at the balance sheet dates.

31. CONTINGENT LIABILITIES

At 31st March, 2005, 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, 2005 amounted to approximately HK\$913,000 (2004: HK\$160,611,000).

The Group had no contingent liabilities the balance sheet dates.

32. SHARE OPTION SCHEME

The Company's share option 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 it was expired on 8th August, 2003. Under the Scheme, the Board of Directors of the Company may grant options to eligible employees, including executive directors of the Company or any of its subsidiaries, to subscribe for shares in the Company.

No share option was granted or exercised in both years and no share option was outstanding at 31st March, 2004 and 2005.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March 2005

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 formed 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 approximately HK\$4,836,000 (2004: HK\$2,602,000) after forfeited contributions utilised in the Defined Contribution Scheme of approximately HK\$75,000 (2004: HK\$194,000) represents contributions payable to these schemes by the Group in respect of the current year.

34. POST BALANCE SHEET EVENT

On 15th June, 2005, the Group entered into a debenture transfer agreement and a warrant transfer agreement to acquire certain convertible unsecured subordinated debentures and certain common share purchase warrants in Ascalade Communication Inc. for a consideration of approximately HK\$32,121,000 from an independent third party.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March 2005

35. RELATED PARTY TRANSACTIONS

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

Associate	Nature of transactions	Notes	2005 HK\$'000	2004 HK\$'000
Crown capital	Interest income received	(1)	-	31
	Accountancy service income	(2)	360	90

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.