

For the year ended 31 March 2005

## 1. GENERAL

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

The principal activity of the Company is investment holding. The principal activities of the Company's subsidiaries 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 Group reported a loss attributable to shareholders of approximately HK\$18,326,000 and a net cash outflow from operating activities of approximately HK\$2,929,000 for the year ended 31 March 2005. The financial statements have been prepared on a going concern basis. The continuation of the Group's business depends upon the following:

- (a) term loan facility of HK\$20 million granted in July 2005;
- (b) continuing financial supports from the term loan lenders who have already expressed intentions to renew the term loans upon maturity (note 20(a)); and
- (c) future profitable operations of the Group.

In the opinion of the directors of the Company (the "Directors"), the Group will have sufficient working capital for its future operational requirements.

The financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which includes all applicable Statements of Standard Accounting Practice and Interpretations, issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and accounting principles generally accepted in Hong Kong. The financial statements also comply with the applicable disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"). The financial statements have been prepared under the historical cost convention as modified by revaluation of fixed assets as explained in the accounting policies set out below.

HKICPA has issued a number of new and revised HKFRSs and Hong Kong Accounting Standards ("new HKFRSs") which are effective for accounting periods beginning on or after 1 January 2005.

The Group has not early adopted these new HKFRSs in the financial statements for the year ended 31 March 2005. The Group has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a significant impact on its results of operations and financial position.

### 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 each year.

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

All significant intercompany transactions and balances within the Group 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 by the Company on the basis of dividends received and receivable.

#### **Long term investments**

Long term investments, which are investments held for an identified long-term strategic purpose, are stated at cost less impairment losses, if any. The carrying amounts of individual investments are reviewed at each balance sheet date to assess whether the fair values have declined below the carrying amounts. When a decline other than temporary has occurred, the carrying amount of such investments is reduced to its fair value. The amount of the reduction is recognised as an expense in the income statement. The reduction is written back to income statement when the circumstances and events that led to the write-downs or write-offs cease to exist and there is persuasive evidence that the new circumstances and events will persist for the foreseeable future.

For the year ended 31 March 2005

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

#### Fixed assets

Fixed assets are stated in the balance sheet at their revalued amounts, 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.

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%

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 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. Profits tax is provided at the rate prevailing for the year based on the assessable profit for the year less allowable losses, if any, brought forward.

Deferred taxation is provided in full, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Taxation rates enacted or substantively enacted by the balance sheet date are used to determine deferred taxation. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred taxation is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred taxation is charged or credited to the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred taxation is also dealt with in equity.

#### **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.

For the year ended 31 March 2005

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

#### **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 contributions to retirement scheme are expensed as incurred.

#### **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.

On consolidation, the balance sheets of subsidiaries expressed in foreign currencies are translated at the rates of exchange ruling at the balance sheet date whilst the income statements are translated at average rates. Exchange differences are dealt with as a movement in reserves.

For the purpose of the consolidated cash flow statement, the cash flows of subsidiaries expressed in foreign currencies are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of subsidiaries expressed in foreign currencies which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

#### **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.

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

#### **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.

#### **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**

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

Inter-segment pricing is charged based on terms mutually agreed between the segments.

Segment revenue, expenses, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to that segment. Segment revenue, expenses, assets and liabilities are determined before intra-group balances and intra-group transactions are eliminated as part of the consolidation process, except to the extent that such intra-group balances and transactions are between group enterprises within a single segment.

Segment capital expenditure is the total cost incurred during the year to acquire segment assets (both tangible and intangible) that are expected to be used for more than one year.

Unallocated items mainly comprise financial and corporate assets, borrowings, corporate and financing expenses, and corporate revenue.

For the year ended 31 March 2005

#### 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"). An analysis of the Group's turnover and revenue is as follows:

	2005 HK\$'000	2004 HK\$'000
Turnover		
LCD products	61,836	50,628
LCD consumer products	39,308	42,202
	<b>101,144</b>	92,830
Other revenue		
Interest income	21	3
Sundry income	104	216
	<b>125</b>	219
	<b>101,269</b>	93,049

#### 5. LOSS FROM OPERATIONS

The Group's loss from operations is stated after charging the following:

	2005 HK\$'000	2004 HK\$'000
Auditors' remuneration	380	345
Bad debt written off	–	30
Cost of inventories sold (note)	98,178	85,244
Depreciation and amortisation	7,539	5,415
Operating lease rentals in respect of land and buildings	1,582	1,167
Staff costs including directors' emoluments		
Salaries and other costs	22,427	18,879
Retirement benefit scheme contributions	340	211
	<b>22,767</b>	19,090

Note: Cost of inventories sold includes staff costs, depreciation and amortisation, and operating lease rentals of approximately HK\$9,506,000, HK\$7,462,000 and HK\$1,265,000 (2004: HK\$7,530,000, HK\$5,385,000 and HK\$896,000) respectively which are included in the respective amounts disclosed separately above for the year.

For the year ended 31 March 2005

## 6. FINANCE COSTS

	2005 HK\$'000	2004 HK\$'000
Bank interest	–	19
Loan interest	1,323	1,075
	<b>1,323</b>	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	
	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000
Fees	–	–	229	204
Other emoluments				
Basic salaries, allowances and benefits in kind	5,355	5,567	–	–
Discretionary bonus	–	–	–	–
Retirement benefit scheme contributions	58	24	–	–
	<b>5,413</b>	5,591	<b>229</b>	204

The emoluments of the Directors fell within the following bands:

	Number of Directors	
	2005	2004
Nil to HK\$1,000,000	6	4
HK\$1,000,001 to HK\$1,500,000	3	3
	<b>9</b>	7

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 or upon joining the Group, or as compensation for loss of office.



For the year ended 31 March 2005

**7. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS** *(continued)***(b) Five highest paid individuals**

The five highest paid individuals in the Group during the year included four (2004: five) Directors, details of whose emoluments are set out in note 7(a) above. Details of the emoluments of the remaining one (2004: Nil) non-director, highest paid individual during the year are set out below:

	2005 HK\$'000	2004 HK\$'000
Basic salaries, allowances and benefits in kind	780	–
Discretionary bonus	–	–
Retirement benefit scheme contributions	12	–
	<b>792</b>	–

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

	Number of individual	
	2005	2004
Nil to HK\$1,000,000	1	–

During the year, no emoluments were paid by the Group to the highest paid individual as an inducement to join or upon joining the Group, or as compensation for loss of office.

**8. RETIREMENT BENEFIT 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 People's Republic of China (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 benefit schemes is to make the required contributions under the respective schemes.

The total costs charged to the consolidated income statement of approximately HK\$340,000 (2004: HK\$211,000) represents contributions payable to the retirement benefit schemes in Hong Kong and the PRC by the Group for the year at rates specified in the rules of the relevant schemes. At 31 March 2005, contributions due in respect of the current year had not been paid over the relevant schemes was approximately HK\$30,000 (2004: HK\$2,000).

For the year ended 31 March 2005

## 9. TAXATION

- (a) No provision for Hong Kong and overseas profits tax has been made as the Group has no assessable profit for the year (2004: Nil).
- (b) The taxation charge can be reconciled to the loss before taxation as reported in the consolidated income statement as follows:

	2005 HK\$'000	2004 HK\$'000
Loss before taxation	<b>(18,326)</b>	(10,631)
Tax at the applicable tax rate of 17.5%	<b>(3,207)</b>	(1,860)
Tax effect of expenses that are not deductible in determining taxable profit	<b>822</b>	1,565
Tax effect of income that are not assessable in determining taxable profit	<b>(26)</b>	(158)
Tax effect of net deferred tax assets not recognised	<b>2,411</b>	531
Increase in the opening unrecognised net deferred tax assets resulting from an increase in the tax rate	–	(78)
<b>Taxation charge per consolidated income statement</b>	<b>–</b>	<b>–</b>

- (c) There was no material unprovided deferred taxation. The Group has unused tax losses of approximately HK\$47.8 million (2004: HK\$31.5 million) at 31 March 2005 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 ATTRIBUTABLE TO SHAREHOLDERS

The Group's loss attributable to shareholders of approximately HK\$18,326,000 (2004: HK\$10,631,000) included a loss of approximately HK\$53,159,000 (2004: HK\$4,061,000) 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 (2004: Nil).

## 12. LOSS PER SHARE

Basic loss per share is calculated based on the Group's loss attributable to shareholders for the year of approximately HK\$18,326,000 (2004: HK\$10,631,000) and the weighted average number of approximately 508,889,000 ordinary shares (2004: 120,258,000 shares (restated), adjusted to reflect the bonus issues during the year).

No diluted loss per share figures have been presented as the Company did not have any dilutive potential shares for the years ended 31 March 2005 and 2004.

For the year ended 31 March 2005

**13. FIXED ASSETS**

The Group	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
<b>Cost or valuation</b>						
At 1 April 2004						
– At valuation	42,596	15,183	24,923	73,024	74	155,800
Additions	–	72	2,018	5,724	–	7,814
Adjustment on revaluation	(1,392)	(887)	(1,293)	(3,956)	(11)	(7,539)
<b>At 31 March 2005</b>						
– At valuation	<b>41,204</b>	<b>14,368</b>	<b>25,648</b>	<b>74,792</b>	<b>63</b>	<b>156,075</b>
<b>Depreciation and amortisation</b>						
Charge for the year	1,392	887	1,293	3,956	11	7,539
Adjustment on revaluation	(1,392)	(887)	(1,293)	(3,956)	(11)	(7,539)
<b>At 31 March 2005</b>	–	–	–	–	–	–
<b>Net book value</b>						
<b>At 31 March 2005</b>	<b>41,204</b>	<b>14,368</b>	<b>25,648</b>	<b>74,792</b>	<b>63</b>	<b>156,075</b>
At 31 March 2004	42,596	15,183	24,923	73,024	74	155,800

- (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 an open market value basis at 31 March 2005. 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\$156,075,000 (2004: HK\$155,800,000) had they been carried at historical cost less accumulated depreciation and amortisation.

For the year ended 31 March 2005

## 14. INVESTMENTS IN SUBSIDIARIES

	The Company	
	2005 HK\$'000	2004 HK\$'000
Unlisted shares, at cost	8	8
Amount due from a subsidiary	–	39,855
	<b>8</b>	<b>39,863</b>

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

Particulars of the subsidiaries are as follows:

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

Note: Dongguan Kepo is a wholly foreign-owned enterprise with an operating period of 25 years commencing from 13 November 1998. The financial statements of Dongguan Kepo are not audited by RSM Nelson Wheeler.

For the year ended 31 March 2005

**15. LONG TERM INVESTMENT**

	<b>The Group and the Company</b>	
	<b>2005</b>	2004
	<b>HK\$'000</b>	HK\$'000
Unlisted investment, at cost	<b>1,280,986</b>	–

At 31 March 2005 the carrying amounts of the Company's holding in the following company exceeded 10% of the total assets of the Company:

<b>Name</b>	<b>Place of incorporation/ operation</b>	<b>Class of shares</b>	<b>Attributable equity interest held by the Company</b>	<b>Principal activities</b>
Greek Mythology (Macau) Entertainment Group Corporation Limited ("Greek Mythology") (Formerly known as Greek Mythology (Macau) Entertainment Group Limited)	Macau	Ordinary	13.79%	Gaming and entertainment

**16. INVENTORIES**

	<b>The Group</b>	
	<b>2005</b>	2004
	<b>HK\$'000</b>	HK\$'000
Raw materials	<b>7,488</b>	6,667
Work in progress	<b>2,838</b>	1,486
Finished goods	<b>3,593</b>	2,767
	<b>13,919</b>	10,920

All inventories are stated at cost.

For the year ended 31 March 2005

## 17. 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	
	2005 HK\$'000	2004 HK\$'000
Current – 30 days	6,187	6,145
31 – 60 days	2,104	3,878
61 – 90 days	1,060	550
Over 90 days	3,660	1,326
	<b>13,011</b>	11,899

## 18. BANK AND CASH BALANCES – THE GROUP

Included in bank and cash balances of the Group amounting to a total of approximately HK\$6,072,000 is an amount of approximately HK\$1,130,000 (2004: HK\$2,441,000) denominated in Renminbi ("RMB") as at 31 March 2005. Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations.

## 19. TRADE AND OTHER PAYABLES

Trade and other payables included trade payables of approximately HK\$20,136,000 (2004: HK\$12,957,000). The aged analysis of trade payables is as follows:

	The Group	
	2005 HK\$'000	2004 HK\$'000
Current – 30 days	4,016	4,712
31 – 60 days	5,374	4,125
61 – 90 days	4,035	547
Over 90 days	6,711	3,573
	<b>20,136</b>	12,957

For the year ended 31 March 2005

**20. LONG TERM BORROWINGS**

	Note	The Group		The Company	
		2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000
Other loans – unsecured	(a)	22,364	28,092	–	–
Amounts due to directors	(b)	7,767	–	3,900	–
		<b>30,131</b>	28,092	<b>3,900</b>	–

Notes:

- (a) Other loans represent unsecured loans from unrelated parties, which bear interest ranging from 5% to 6% (2004: 5% to 6%) per annum and are not repayable within the next twelve months. However, the Group has option to repay the borrowings before maturities.
- (b) The amounts due to directors represent emoluments due to certain directors and are not repayable within the next twelve months.

**21. CONVERTIBLE NOTES**

	The Group and the Company	
	2005 HK\$'000	2004 HK\$'000
At 31 March	<b>4,200</b>	14,600

The movements of the convertible notes during the year are summarised as follows:

	Note	HK\$'000
At 1 April 2004		14,600
Convertible notes issued during the year	(a)	1,280,000
Conversion of the convertible notes into 2,492,947,935 ordinary shares at an average conversion price of approximately HK\$0.518 per share		
– Amount transferred to share capital	(b)	(2,493)
– Amount transferred to share premium	(b)	(1,287,907)
		(1,290,400)
<b>At 31 March 2005</b>		<b>4,200</b>

Notes:

- (a) Pursuant to a subscription agreement dated 30 November 2004, the Company issued the convertible notes in the aggregate amount of HK\$1,280,000,000 in respect of the acquisition of Greek Mythology (notes 15 and 24(b)). The convertible notes was non-interest bearing and can be converted into new ordinary shares during the period from 30 November 2004 to 29 November 2009 at the conversion price of HK\$3.527 per share for each convertible note. The shares so converted will rank pari passu in all respect with all other ordinary shares in issue on the date of allotment.
- (b) During the year, an aggregate amount of HK\$1,290,400,000 was converted which resulted in an increase in the issued share capital of HK\$2,492,948 (representing 2,492,947,935 ordinary shares) (notes 22(a) and 24(a)) and share premium of HK\$1,287,907,052.

Subsequent to the balance sheet date, there were further movements in the convertible notes, details of which are set out in note 30(a) to the financial statements.

For the year ended 31 March 2005

**22. SHARE CAPITAL**

	<b>2005</b>	2004
	<b>HK\$'000</b>	HK\$'000
Authorised:		
40,000,000,000 ordinary shares of HK\$0.001 each	<b>40,000</b>	40,000
Issued and fully paid:		
2,664,838,010 (2004: 71,409,600) ordinary shares of HK\$0.001 each	<b>2,665</b>	71

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

	Note	Number of shares	Issued share capital HK\$'000
At 1 April 2004		71,409,600	71
Conversion of the convertible notes	(a)	2,492,947,935	2,493
Issue of bonus shares	(b)	100,480,475	101
<b>At 31 March 2005</b>		<b>2,664,838,010</b>	<b>2,665</b>

Notes:

(a) Conversion of the convertible notes

2,492,947,935 shares of HK\$0.001 each were issued pursuant to the conversion of HK\$1,290,400,000 convertible notes at an average conversion price of approximately HK\$0.518 per share (notes 21(b) and 24(a)).

(b) Issue of bonus shares

100,480,475 shares of HK\$0.001 each were issued on the basis of one share for every one existing share then held by the shareholders of the Company.

Subsequent to the balance sheet date, there were further movements in the issued share capital, details of which are set out in note 30(a) to the financial statements.



For the year ended 31 March 2005

## 23. 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, 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 share options under the Share Option Scheme were granted up to 31 March 2005.

## 24. MAJOR NON-CASH TRANSACTIONS

- (a) During the year, convertible notes of HK\$1,290,400,000 (2004: HK\$20,500,000) was converted into 2,492,947,935 (2004: 5,125,000,000) ordinary shares of HK\$0.001 each (notes 21(b) and 22(a)).
- (b) During the year, the Company acquired 13.79% equity interests in Greek Mythology at a total consideration, before expenses, of HK\$1,280,000,000, which was satisfied by the issuance of convertible notes (notes 15 and 21(a)).
- (c) During the year, a total amount of HK\$7,767,000 due to directors was reclassified to long term loans advanced from directors (note 20(b)).

For the year ended 31 March 2005

## 25. BANKING FACILITIES

As at 31 March 2005, the Group had unsecured banking facilities totalling HK\$6 million.

## 26. COMMITMENTS

As at 31 March 2005 the Group had the following commitments:

### (a) Operating lease commitments

Total future minimum lease payments under non-cancellable operating leases in respect of office premises are as follows:

	The Group	
	2005 HK\$'000	2004 HK\$'000
Within one year	260	240
In the second to fifth years	960	960
After five years	710	950
	<b>1,930</b>	2,150

### (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 in respect of the land use right until the year of 2048. An analysis of the management fee commitment is as follows:

	The Group	
	2005 HK\$'000	2004 HK\$'000
Within one year	1,265	1,265
In the second to fifth years	5,387	5,260
After five years	77,458	78,849
	<b>84,110</b>	85,374

Save as disclosed above, the Group and the Company did not have any other significant capital or financial commitments as at 31 March 2005 (2004: Nil).

For the year ended 31 March 2005

## 27. CONTINGENT LIABILITIES

At 31 March 2005, there were contingent liabilities in respect of guarantees issued by the Company in favour of third parties to an extent of approximately HK\$22,364,000 in respect of term loans borrowed by the third parties to subsidiaries (2004: Nil). The term loans were utilised by the subsidiaries of the Company.

Save as disclosed above, the Group and the Company did not have any significant contingent liabilities as at 31 March 2005 (2004: Nil).

## 28. RELATED PARTY TRANSACTIONS

During the year, consultancy fee of HK\$282,000 was paid to a spouse of a director of the Company.

Save as disclosed above, the Group did not enter into any material related party transactions during the year (2004: Nil).

## 29. 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 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.

For the year ended 31 March 2005

**29. SEGMENT INFORMATION** (continued)**(a) Business segments**

	LCD products		LCD consumer products		Eliminations		Consolidated	
	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000
<b>REVENUE</b>								
External revenue	61,836	50,628	39,308	42,202	-	-	101,144	92,830
Inter-segment revenue*	2,423	2,873	-	-	(2,423)	(2,873)	-	-
Total revenue	64,259	53,501	39,308	42,202	(2,423)	(2,873)	101,144	92,830
<b>RESULTS</b>								
Segment results	(13,276)	(8,486)	(5,260)	1,403	60	(113)	(18,476)	(7,196)
Other revenue							4	-
Unallocated corporate expenses							(4)	(4,332)
Reduction in provision for litigations							-	626
Reduction in provision for other payables							150	271
Loss before taxation							(18,326)	(10,631)
Taxation							-	-
Loss for the year							(18,326)	(10,631)

\* Inter-segment revenue is charged based on terms mutually agreed between the segments.

For the year ended 31 March 2005

**29. SEGMENT INFORMATION** (continued)**(a) Business segments** (continued)

	LCD products		LCD consumer products		Eliminations		Consolidated	
	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000
<b>ASSETS</b>								
Segment assets	<b>131,564</b>	128,683	<b>58,232</b>	60,084	-	(383)	<b>189,796</b>	188,384
Long term investment							<b>1,280,986</b>	-
Unallocated corporate assets							<b>386</b>	14,605
Consolidated total assets							<b>1,471,168</b>	202,989
<b>LIABILITIES</b>								
Segment liabilities	<b>31,971</b>	29,100	<b>20,037</b>	16,895	-	(383)	<b>52,008</b>	45,612
Unallocated corporate liabilities							<b>10,649</b>	20,743
Consolidated total liabilities							<b>62,657</b>	66,355
Other segment information:								
Capital expenditure	<b>1,981</b>	1,810	<b>5,833</b>	20,724	-	-	<b>7,814</b>	22,534
Depreciation and amortisation	<b>4,230</b>	2,900	<b>3,309</b>	2,515	-	-	<b>7,539</b>	5,415
Non-cash expenses other than depreciation and amortisation	-	30	-	-	-	-	-	30

For the year ended 31 March 2005

**29. SEGMENT INFORMATION** (continued)**(b) Geographical segments**

	Hong Kong		PRC		Japan		Others		Consolidated	
	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue	<b>57,908</b>	76,472	<b>15,830</b>	4,879	<b>24,432</b>	4,209	<b>2,974</b>	7,270	<b>101,144</b>	92,830
Other segment information:										
Segment assets	<b>19,020</b>	15,800	<b>170,776</b>	172,584	-	-	-	-	<b>189,796</b>	188,384
Capital expenditure	<b>487</b>	260	<b>7,327</b>	22,274	-	-	-	-	<b>7,814</b>	22,534

**30. EVENTS AFTER THE BALANCE SHEET DATE**

- (a) In April 2005, the convertible notes in aggregate of HK\$1,400,000 were converted into 1,084,856,676 new ordinary shares.
- (b) Subsequent to the balance sheet date, the Company's interest in Greek Mythology was increased from 13.79% (note 15) to 16% after the completion of the repurchase of shares in Greek Mythology from its shareholder.

**31. COMPARATIVE FIGURES**

For the consolidated balance sheet at 31 March 2005, provision for litigations of HK\$1,600,000 has been reclassified to trade and other payables to conform to the current year's presentation.

**32. APPROVAL OF THE FINANCIAL STATEMENTS**

The financial statements were approved by the Board of Directors on 27 July 2005.