



Notes to the Consolidated Financial Statements

For the year ended 31 March 2006

1. GENERAL

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

The Company acts as an investment holding company. The principal activities of the Group are the manufacture and sales of consumer electronic products and upstream accessories, and property holding. Details of the principal activities of the principal subsidiaries and jointly controlled entities are set out in notes 47 and 21 respectively.

The addresses of the registered office and the principal place of business of the Company are disclosed in the corporate information of the annual report.

The consolidated financial statements are presented in Hong Kong dollar which is the functional currency of the Company. The functional currencies of the companies comprising the Group operating in Hong Kong, the PRC and elsewhere are Hong Kong dollar, Renminbi and the foreign currencies in which those companies operate, respectively.

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS/CHANGES IN ACCOUNTING POLICIES

Financial reporting standards which are effective for the Group's financial year ended 31 March 2006

In the current year, the Group has applied, for the first time, a number of new Hong Kong Financial Reporting Standards ("HKFRSs"), Hong Kong Accounting Standards ("HKASs") and Interpretations (hereinafter collectively referred to as "new HKFRSs") issued by Hong Kong Institute of Certified Public Accountants ("HKICPA") that are effective for accounting periods beginning on or after 1 January 2005. The application of the new HKFRSs has resulted in a change in the presentation of the consolidated income statement, consolidated balance sheet and consolidation statement of changes in equity. In particular, the presentation of minority interests has been changed. The changes in presentation have been applied retrospectively. The adoption of the new HKFRSs has also resulted in changes to the Group's accounting policies in the following areas that have an effect on how the results for the current and/or prior accounting years are prepared and presented:



Notes to the Consolidated Financial Statements

For the year ended 31 March 2006

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS/CHANGES IN ACCOUNTING POLICIES *(continued)*

Financial reporting standards which are effective for the Group's financial year ended 31 March 2006 *(continued)*

Share-based Payments

In the current year, the Group has applied HKFRS 2 "Share-based Payments" which requires an expense to be recognised where the Group buys goods or obtains services in exchange for shares or rights over shares ("equity-settled transactions"), or in exchange for other assets equivalent in value to a given number of shares or rights over shares. The principal impact of HKFRS 2 on the Group is in relation to the expensing of the fair value of share options granted to directors and employees of the Company, determined at the date of grant of the share options, over the vesting period. Prior to the application of HKFRS 2, the Group did not recognise the financial effect of these share options until they were exercised. In accordance with the relevant transitional provision, the Group has applied HKFRS 2 retrospectively to share options that were granted after 7 November 2002 and had not yet vested on 1 April 2005. Comparative figures for 2005 have been restated (see note 3 for the financial impact).

Business Combinations

In the current year, the Group has applied HKFRS 3 "Business Combinations", which is effective for business combinations for which the agreement date is on or after 1 January 2005 and for goodwill and negative goodwill existed on 1 January 2005. The principal effects of the application of HKFRS 3 to the Group are summarised below:

Excess of the Group's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost of acquisition (previously known as "negative goodwill")

In accordance with HKFRS 3, any excess of the Group's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over the cost of acquisition ("discount on acquisition") is recognised immediately in income statement in the period in which the acquisition takes place. In previous years, negative goodwill arising on acquisition prior to 1 April 2001 continued to be held in reserves and would be credited to income at the time of disposal of the relevant subsidiaries. The Group has derecognised all negative goodwill at 1 April 2005 with a corresponding increase to accumulated profits at 1 April 2005 (see note 3 for the financial impact).



Notes to the Consolidated Financial Statements

For the year ended 31 March 2006

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS/CHANGES IN ACCOUNTING POLICIES *(continued)*

Financial reporting standards which are effective for the Group's financial year ended 31 March 2006 *(continued)*

Leases

Owner-occupied leasehold interest in land

In previous years, owner-occupied leasehold land and buildings were included in property, plant and equipment and measured using the cost model. In the current year, the Group has applied HKAS 17 "Leases". Under HKAS 17, the land and buildings elements of a lease of land and buildings are considered separately for the purposes of lease classification, unless the lease payments cannot be allocated reliably between the land and buildings elements, in which case, the entire lease is generally treated as a finance lease. To the extent that the allocation of the lease payments between the land and buildings elements can be made reliably, the leasehold interests in land are reclassified to "prepaid lease payments", which are carried at cost and amortised over the lease term on a straight-line basis. This change in accounting policy has been applied retrospectively. Alternatively, where the allocation between the land and buildings elements cannot be made reliably, the leasehold interests in land continue to be accounted for as property, plant and equipment. (See note 3 for the financial impact).

Financial Instruments

In the current year, the Group has applied HKAS 32 "Financial Instruments: Disclosure and Presentation" and HKAS 39 "Financial Instruments: Recognition and Measurement". HKAS 32 requires retrospective application. The application of HKAS 32 has had no material effect on how the presentation of financial instruments in the consolidated financial statements of the Group. HKAS 39, which is effective for annual periods beginning on or after 1 January 2005, generally does not permit to recognise, derecognise or measure financial assets and liabilities on a retrospective basis. The principal effects resulting from the implementation of HKAS 39 are summarised below:

Classification and measurement of financial assets and financial liabilities

The Group has applied the relevant transitional provisions in HKAS 39 with respect to classification and measurement of financial assets and financial liabilities that are within the scope of HKAS 39.



Notes to the Consolidated Financial Statements

For the year ended 31 March 2006

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS/CHANGES IN ACCOUNTING POLICIES *(continued)*

Financial reporting standards which are effective for the Group's financial year ended 31 March 2006 *(continued)*

Financial Instruments *(continued)*

Classification and measurement of financial assets and financial liabilities (continued)

By 31 March 2005, the Group classified and measured its equity securities in accordance with the alternative treatment of Statement of Standard Accounting Practice ("SSAP") 24 "Accounting for Investments in Securities". Under SSAP 24, investments in equity securities are classified as "trading securities", "non-trading securities" or "held-to-maturity investments" as appropriate. Both "trading securities" and "non-trading securities" are measured at fair value. Unrealised gains or losses of "trading securities" are reported in income statement for the period in which gains or losses arise. Unrealised gains or losses of "non-trading securities" are reported in equity until the securities are sold or determined to be impaired, at which time the cumulative gain or loss previously recognised in equity is included in income statement for that period. From 1 April 2005 onwards, the Group classifies and measures its equity securities in accordance with HKAS 39. Under HKAS 39, financial assets are classified as "financial assets at fair value through profit or loss", "available-for-sale financial assets", "loans and receivables", or "held-to-maturity financial assets". The classification depends on the purpose for which the assets are acquired. "Financial assets at fair value through profit or loss" and "available-for-sale financial assets" are carried at fair value, with changes in fair values recognised in income statement and equity respectively. For available-for-sale equity investments that do not have quoted market prices in an active market and whose fair value cannot be reliably measured, they are measured at cost less impairment after initial recognition. "Loans and receivables" and "held-to-maturity financial assets" are measured at amortised cost using the effective interest method.

On 1 April 2005, the Group classified and measured its equity securities in accordance with the requirements of HKAS 39 (see note 3 for the financial impact).



Notes to the Consolidated Financial Statements

For the year ended 31 March 2006

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS/CHANGES IN ACCOUNTING POLICIES *(continued)*

Financial reporting standards which are effective for the Group's financial year ended 31 March 2006 *(continued)*

Financial Instruments *(continued)*

Financial assets and financial liabilities other than equity securities

From 1 April 2005 onwards, the Group classifies and measures its financial assets and financial liabilities other than equity securities (which were previously outside the scope of SSAP 24) in accordance with the requirements of HKAS 39. As mentioned above, financial assets under HKAS 39 are classified as "financial assets at fair value through profit or loss", "available-for-sale financial assets", "loans and receivables" or "held-to-maturity financial assets". Financial liabilities are generally classified as "financial liabilities at fair value through profit or loss" or "financial liabilities other than financial liabilities at fair value through profit or loss (other financial liabilities)". "Financial liabilities at fair value through profit or loss" are measured at fair value, with changes in fair value being recognised in income statement directly. "Other financial liabilities" are carried at amortised cost using the effective interest method after initial recognition. This change has had no material effect on the results to the current and prior years.

Investment Properties

In previous years, the Group had applied SSAP 13 "Accounting for Investment Properties" and SSAP 17 "Property, Plant and Equipment" to account for a property separately as investment property for the portion held to earn rentals or for capital appreciation, and as property, plant and equipment for the portion held for administrative purposes respectively. Under SSAP 13, investment properties were measured at open market values, with revaluation surplus or deficits credited or charged to investment property revaluation reserve unless the balance on this reserve was insufficient to cover a revaluation decrease, in which case the excess of the revaluation decrease over the balance on the investment property revaluation reserve was charged to the income statement. Where a decrease had previously been charged to the income statement and revaluation subsequently arose, that increase was credited to the income statement to the extent of the decrease previously charged.

In the current year, SSAP 13 was superseded by HKAS 40 "Investment Property". Under HKAS 40 if a property comprises a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes and these portions could not be sold separately (or leased out separately under a finance lease), the entire property does not qualify as investment property if the portion held for use in the production or supply of goods or services or for administrative purposes is more than insignificant. Based on these requirements, the properties of the Group were no longer to be accounted for as investment properties and were accounted for under HKAS 16 "Property, Plant and Equipment". The adoption of HKAS 16 has resulted in a change in accounting policy and retrospective application is required (see note 3 for the financial impact).



Notes to the Consolidated Financial Statements

For the year ended 31 March 2006

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS/CHANGES IN ACCOUNTING POLICIES *(continued)*

Financial reporting standard which is early adopted by the Group for the financial year ended 31 March 2006

In January 2006, the HKICPA has issued HKAS 21 (Amendment) "Net Investment in a Foreign Operation" which is effective for accounting periods beginning on or after 1 January 2006. The Group has early adopted this standard in the preparation of the financial statements for the year ended 31 March 2006.

Net Investment in a Foreign Operation

In the interim period for the six months ended 30 September 2005, the Group had applied HKAS 21 "The Effects of Changes in Foreign Exchange Rates" to account for the exchange differences that arose on translating the monetary item which formed part of the Group's net investment in a foreign operation. Under HKAS 21, a monetary item that forms part of the reporting entity's net investment in a foreign operation and is denominated in a currency other than the functional currency of either the reporting entity or the foreign operation, the exchange differences that arise on translating the monetary item into the functional currencies of the reporting entity and the foreign operation in their individual financial statements are recognised in profit or loss in the period in which they arise, and are not reclassified to the separate component of equity (the exchange reserve) in the consolidated financial statements that include the reporting entity and the foreign operation.

HKAS 21 (Amendment) sets out amendments to HKAS 21. Under the amendment, exchange differences arising from the translation of a monetary item that forms part of the reporting entity's net investment in a foreign operation and is denominated in any currency are reclassified to the separate component of equity (the exchange reserve) in the consolidated financial statements that include the reporting entity and the foreign operation. As no specific transition requirements are included in the amendment, the Group has applied HKAS 21 (Amendment) retrospectively. The adoption of HKAS 21 has had no material impact on results of the Group for prior years and comparative figures for 2005 have not been restated. This change in policy has resulted in a decrease of HK\$41 million in the Group's profit for the current year and an increase of HK\$41 million in the Group's exchange reserve as at 31 March 2006.



Notes to the Consolidated Financial Statements

For the year ended 31 March 2006

3. SUMMARY OF THE EFFECTS OF THE CHANGES IN ACCOUNTING POLICIES

The effects of changes in the accounting policies described in note 2 on the results for the current and prior year are as follows:

Consolidated Income Statement for the year ended 31 March 2006

	HKFRS 2	HKAS 40	HKAS 21	Total effect
	HK\$ million	HK\$ million	(Amendment)	on adoption
			HK\$ million	of HKFRSs
				and HKASs
				HK\$ million
Increase in cost of sales				
– increase in depreciation	–	6	–	6
Decrease in other income				
– decrease in exchange gain	–	–	41	41
Increase in general and administrative expenses				
– increase in share-based payment expenses	28	–	–	28
Total decrease in profit	28	6	41	75
Decrease in basic earnings per share (HK cents)	1.24	0.26	1.81	3.31
Decrease in diluted earnings per share (HK cents)	1.22	0.26	1.78	3.26



Notes to the Consolidated Financial Statements

For the year ended 31 March 2006

3. SUMMARY OF THE EFFECTS OF THE CHANGES IN ACCOUNTING POLICIES

(continued)

Consolidated Income Statement for the year ended 31 March 2005

	HKFRS 2 HK\$ million	HKAS 40 HK\$ million	Total effect on adoption of HKFRSs and HKASs HK\$ million
Increase in cost of sales			
– increase in depreciation	–	5	5
Increase in general and administrative expenses			
– increase in share-based payment expenses	22	–	22
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Total decrease in profit	22	5	27
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Decrease in basic earnings per share (HK cents)	0.98	0.22	1.20
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Decrease in diluted earnings per share (HK cents)	0.84	0.22	1.06
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Notes to the Consolidated Financial Statements

For the year ended 31 March 2006

3. SUMMARY OF THE EFFECTS OF THE CHANGES IN ACCOUNTING POLICIES

(continued)

The cumulative effects of the application of the new HKFRSs as at 31 March 2005 and 1 April 2005 are summarised below:

	Retrospective adjustments			As at 31 March 2005 (originally stated) HK\$ million	As at 31 March 2005 (restated) HK\$ million	Adjustments on 1 April 2005		As at 1 April 2005 (restated) HK\$ million
	HKFRS 2 HK\$ million	HKAS 17 HK\$ million	40 HKAS HK\$ million			HKFRS 3 HK\$ million	HKAS 39 HK\$ million	
Balance sheet items								
Property, plant and equipment	552	-	(72)	114	594	-	-	594
Investment properties	130	-	-	(130)	-	-	-	-
Investments in securities								
- non-current assets	24	-	-	-	24	-	(24)	-
- current assets	20	-	-	-	20	-	(20)	-
Available-for-sale investments	-	-	-	-	-	-	24	24
Held-for-trading investments	-	-	-	-	-	-	20	20
Prepaid lease payments on land use rights								
- non-current assets	-	-	70	-	70	-	-	70
- current assets	-	-	2	-	2	-	-	2
Deferred taxation	(6)	-	-	1	(5)	-	-	(5)
Total effects on assets and liabilities	720	-	-	(15)	705	-	-	705
Share option reserve	-	29	-	-	29	-	-	29
Investment property revaluation reserve	5	-	-	(5)	-	-	-	-
Capital reserve	31	-	-	-	31	(24)	-	7
Accumulated profits	1,384	(29)	-	(10)	1,345	24	-	1,369
Total effects on equity	1,420	-	-	(15)	1,405	-	-	1,405



Notes to the Consolidated Financial Statements

For the year ended 31 March 2006

3. SUMMARY OF THE EFFECTS OF THE CHANGES IN ACCOUNTING POLICIES

(continued)

The financial effects of the application of the new HKFRSs to the Group's equity at 1 April 2004 were to increase the share option reserve by HK\$7 million, decrease the investment property revaluation reserve by HK\$3 million and decrease the accumulated profits by HK\$12 million due to the application of HKFRS 2 and HKAS 40.

Other than the adoption of HKAS 21 (Amendment) "Net Investment in a Foreign Operation" as mentioned in note 2, the Group has not early applied the following standards, amendments and interpretations that have been issued but are not yet effective. The directors of the Company are in the process of making an assessment of the potential impact of these standards, amendments and interpretations and so far concluded that the application of these standards, amendments and interpretations will have no material impact on the consolidated financial statements of the Group.

HKAS 1 (Amendment)	Capital disclosure ¹
HKAS 19 (Amendment)	Actuarial gains and losses, group plans and disclosures ²
HKAS 39 (Amendment)	Cash flow hedge accounting of forecast intragroup transactions ²
HKAS 39 (Amendment)	The fair value option ²
HKAS 39 & HKFRS 4 (Amendments)	Financial guarantee contracts ²
HKFRS 6	Exploration for and evaluation of mineral resources ²
HKFRS 7	Financial instruments: Disclosures ¹
HK(IFRIC) – INT 4	Determining whether an arrangement contains a lease ²
HK(IFRIC) – INT 5	Rights to interests arising from decommissioning, restoration and environmental rehabilitation funds ²
HK(IFRIC) – INT 6	Liabilities arising from participating in a specific market – waste electrical and electronic equipment ³
HK(IFRIC) – INT 7	Applying the restatement approach under HKAS 29 "Financial Reporting in Hyperinflationary Economies" ⁴
HK(IFRIC) – INT 8	Scope of HKFRS 2 ⁵
HK(IFRIC) – INT 9	Reassessment of embedded derivatives ⁶

1 Effective annual periods beginning on or after 1 January 2007.

2 Effective annual periods beginning on or after 1 January 2006.

3 Effective annual periods beginning on or after 1 December 2005.

4 Effective annual periods beginning on or after 1 March 2006.

5 Effective annual periods beginning on or after 1 May 2006.

6 Effective annual periods beginning on or after 1 June 2006.



Notes to the Consolidated Financial Statements

For the year ended 31 March 2006

4. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared under the historical cost basis except for certain financial instruments, which are measured at fair values as explained in the accounting policies set out below.

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements included applicable disclosures required by the Rules Governing the List of Securities on the Stock Exchange (the "Listing Rules") and by the Hong Kong Companies Ordinances. The principal accounting policies adopted are as follows:

Basis of consolidation

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

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

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

Minority interests in the net assets of consolidated subsidiaries are presented separately from the Group's equity therein. Minority interests consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except that the minority has a binding obligation and is able to make an additional investment to cover the losses.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts and related turnover taxes.

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

Service income is recognised when services are provided.



Notes to the Consolidated Financial Statements

For the year ended 31 March 2006

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Revenue recognition *(continued)*

Interest income from a financial asset is accrued on a time basis by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

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

Property, plant and equipment

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

Depreciation is provided to write off the cost of items of property, plant and equipment, other than construction in progress, over their estimated useful lives and after taking into account their estimated residual value, using the straight line method, at the following rates per annum:

Leasehold land and buildings	Over the shorter of the terms of the leases or 50 years
Plant and machinery	20% – 50%
Furniture, equipment and motor vehicles	20% – 50%

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

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on de-recognition of the assets (calculated as the difference between the net disposal proceeds and the carrying amount of the items) is included in the income statement in the year in which the item is derecognised.



Notes to the Consolidated Financial Statements

For the year ended 31 March 2006

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Interests in jointly controlled entities

Joint venture arrangements that involve the establishment of a separate entity in which ventures have joint control over the economic activity of the entity are referred to as jointly controlled entities.

The results and assets and liabilities of jointly controlled entities are incorporated in the consolidated financial statements using the equity method of accounting. Under the equity method, interests in jointly controlled entities are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of the profit or loss and of changes in equity of the jointly controlled entities, less any identified impairment loss. When the Group's share of losses of a jointly controlled entity equals or exceeds its interest in that jointly controlled entity (which includes any long-term interests that, in substance, form part of the Group's net investment in the jointly controlled entity), the Group discontinues recognising its share of further losses. An additional share of losses is provided for and a liability is recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that jointly controlled entity.

When a group entity transacts with a jointly controlled entity of the Group, unrealised profits or losses are eliminated to the extent of the Group's interests in the jointly controlled entity, except to the extent that unrealised losses provide evidence of an impairment of the asset transferred, in which case, the full amount of losses is recognised.

Impairment

At each balance sheet date, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment losses are 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.



Notes to the Consolidated Financial Statements

For the year ended 31 March 2006

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Inventories

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

Financial instrument

Financial assets and financial liabilities are recognised on the balance sheet when the Group becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Group's financial assets are classified into one of the three categories, including financial assets at fair value through profit or loss, available-for-sale financial assets and loans and receivables. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace. The accounting policies adopted in respect of each category of financial assets are set out below.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss has two subcategories, including financial assets held for trading and those designated at fair value through profit or loss on initial recognition. At each balance sheet date subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value, with changes in fair value recognised directly in profit or loss in the period in which they arise.



Notes to the Consolidated Financial Statements

For the year ended 31 March 2006

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instrument *(continued)*

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as any of the other categories of financial assets. At each balance sheet date subsequent to initial recognition, available-for-sale financial assets are measured at fair value. Changes in fair value are recognised in equity, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously recognised in equity is removed from equity and recognised in profit or loss. Any impairment losses on available-for-sale financial assets are recognised in profit or loss. Impairment losses on available-for-sale equity investment will not reverse in profit or loss in subsequent periods. For available-for-sale debt investments, impairment losses are subsequently reversed if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, they are measured at cost less any identified impairment losses at each balance date subsequent to initial recognition. An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired. The amount of the impairment loss is measured as the difference between the carrying amount of the asset and the present value of the estimated future cash flows discounted at the current market rate of return for similar financial asset. Such impairment losses will not reverse in subsequent periods.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each balance sheet date subsequent to initial recognition, loans and receivables (including trade, bills and other receivables, amounts due from jointly controlled entities, pledged bank deposits, and bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses. An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.



Notes to the Consolidated Financial Statements

For the year ended 31 March 2006

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instrument *(continued)*

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits.

Financial liabilities and equity

Financial liabilities and equity instruments issued by the Group are classified according to the substance of the contractual arrangements entered into and the definition of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities.

Bank borrowings

Bank borrowings and overdrafts are subsequently measured at amortised cost, using the effective interest method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the Group's accounting policy for borrowing costs.

Other financial liabilities

Other financial liabilities including trade, bills and other payables, amounts due to jointly controlled entities and secured bank borrowings are subsequently measured at amortised cost, using the effective interest method.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and the cumulative gain or loss that had been recognised directly in equity is recognised in profit or loss.



Notes to the Consolidated Financial Statements

For the year ended 31 March 2006

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instrument *(continued)*

Derecognition (continued)

For financial liabilities, they are removed from the Group's balance sheet when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in profit or loss.

Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation. Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the balance sheet date, and are discounted to present value where the effect is material.

Government grants

Government grants are recognised as income over the periods necessary to match them with the related costs. Grants related to depreciable assets are presented as deferred income and are released to income over the useful lives of the assets. Grants related to expense items are recognised in the same period as those expenses are charged in the income statement and are reported separately as other income.

Leases

Leases are classified as finance leases when the terms of the lease transfer substantially all the risks and rewards of ownership of the assets to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognised in the income statement on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on a straight-line basis over the lease term.



Notes to the Consolidated Financial Statements

For the year ended 31 March 2006

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Leases *(continued)*

The Group as lessee

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight-line basis.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale.

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

Research and development expenditure

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

An internally-generated intangible asset arising from development expenditure is recognised only if it is anticipated that the development costs incurred on a clearly-defined project will be recovered through future commercial activity. The resultant asset is amortised on a straight-line basis over its useful life, and carried at cost less subsequent amortisation and any accumulated impairment losses.

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



Notes to the Consolidated Financial Statements

For the year ended 31 March 2006

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in its functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise, except for exchange differences arising on a monetary item that forms part of the Group's net investment in a foreign operation, in which case, such exchange differences are recognised in equity in the consolidated financial statements. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity, in which cases, the exchange differences are also recognised directly in equity.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Company (i.e. Hong Kong dollars) at the rate of exchange prevailing at the balance sheet date, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised as a separate component of equity (the exchange reserve). Such exchange differences are recognised in profit or loss, in the period in which the foreign operation is disposed of.

Taxation

Taxation 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 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 income statement items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.



Notes to the Consolidated Financial Statements

For the year ended 31 March 2006

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Taxation *(continued)*

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the consolidated 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 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 interests in jointly controlled entities 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 profits 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.

Retirement benefit schemes contributions

Payments to the Group's defined contribution retirement benefit plans, state-managed retirement schemes and mandatory provident fund schemes are charged as expenses when they fall due.

Equity-settled share-based payment transactions

For share options granted to the directors and employees of the Group, the fair value of services received determined by reference to the fair value of share options granted at the grant date is expensed on a straight-line basis over the vesting period with a corresponding increase in equity (share option reserve).



Notes to the Consolidated Financial Statements

For the year ended 31 March 2006

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Equity-settled share-based payment transactions *(continued)*

All the time when the share options are exercised, the amount previously recognised in share option reserve will be transferred to share premium. When the share options are forfeited after vesting date or are still not exercised at the expiry date, the amount previously recognised in share option reserve will be transferred to accumulated profits.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The consolidated financial statements are prepared in accordance with HKFRSs as described in note 4. In connection with the preparation of the Group's consolidated financial statements, the management is required to make assumptions and estimates about future events, and apply judgements that affect the reported amounts of assets, liabilities, revenue and expenses and the related disclosure. Based on historical experience, current trends and other factors, the management makes assumptions and best estimates which are relevant at the time when the consolidated financial statements are prepared. Management believes that the following assumptions and accounting estimates are the most critical to aid in fully understanding and evaluating the results of the Group.

Allowance for inventories

Inventories are stated at the lower of costs and net realisable values. At 31 March 2006, allowance of HK\$243 million is made to write down the cost of inventories to their net realisable values. The amount of allowance contains uncertainties because the assessment of net realisable values of inventories requires management to make assumptions and to apply judgement regarding forecast consumer demand, the promotional environment, inventory aging, subsequent sales information and technological obsolescence. There is no reason to believe that there will be a material change in the future estimates or assumptions which are used in the assessment of net realisable values of inventories. However, if estimates regarding consumer demand are inaccurate and changes in technology affect demand for certain products in an unforeseen manner, allowance for inventories may increase or decrease accordingly.



Notes to the Consolidated Financial Statements

For the year ended 31 March 2006

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(continued)*

Impairment of trade receivables

Impairment loss of trade receivables is made when there is objective evidence that the recoverability of trade receivables due from customers becomes doubtful. At 31 March 2006, impairment loss of HK\$70 million is made on trade receivables. The impairment loss calculations contain uncertainties because management is required to make assumptions and to apply judgement regarding historical settlement experience, debt aging, financial status of customers and general economic conditions. There is no reason to believe that there will be a material change in the future estimates or assumptions which are used in the calculations of impairment loss of trade receivables. However, when the actual outcome or expectation in future is different from the original estimates, the carrying value of trade receivables and impairment loss may change.

Provision for warranty

Being an industry practice, the Group provides product warranty ranging from one to three years to its customers depending on product type, under which faulty products are repaired or replaced. At 31 March 2006, provision for warranty of HK\$73 million is made for the products sold up to 31 March 2006. The amount of the provision for the warranty contains uncertainties because it requires management to make assumptions and to apply judgement regarding past defective rate of products sold. As the Group continues to develop new technologies and upgrade its product quality, it is possible that the past defective rate of products is not a good indicator of future claims by customers in respect of past sales. Any increase or decrease in the actual claims will affect profit or loss in future years.

Share-based payment expenses

As mentioned in note 2, the Group has applied HKFRS 2 "Share-based Payment" to account for its share options in the current year. In accordance with HKFRS 2, the fair value of the share options granted to the directors and employees of the Group determined at the date of grant of the respective share options is expensed over the vesting period, with a corresponding adjustment to the Company's share option reserve. During the year, an amount of share option expense of HK\$28 million (2005: HK\$22 million) has been recognised in the consolidated income statement.



Notes to the Consolidated Financial Statements

For the year ended 31 March 2006

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(continued)*

Share-based payment expenses *(continued)*

In assessing the fair value of the share options at their respective dates of grants, the Black-Scholes option pricing model (the "Black-Scholes Model") was used. The Black-Scholes Model is one of the generally accepted methodologies used to calculate the value of share options and is one of the recommended option pricing models set out in Chapter 17 of the Listing Rules. The Black-Scholes Model requires the input of highly subjective assumptions, including the expected volatility of share price, expected life of share options and expected dividend yield. Because changes in subjective input assumptions can materially affect the fair value estimate, in the opinion of the directors, the existing model does not necessarily provide a reliable measure of the fair value of the share options. Any change in input assumptions can materially affect the fair value estimate.

6. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's major financial instruments include equity investments, borrowings, bank balances and cash, pledged bank deposits, trade receivables, bills receivables and trade and other payables. Details of these financial instruments are disclosed in the respective notes. The risks associated with these financial instruments and the policies applied by the Group to mitigate these risks are set out below. The management of the Group manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Currency risk

The Group's sales in the PRC represents over 80% of the Group's total turnover. All of these sales are conducted in Renminbi. The Group needs to convert revenue in Renminbi into foreign currencies from time to time in order to meet its ongoing obligations and payment of dividends. Although Renminbi is not a freely convertible currency, the Group did not experience any difficulties in such conversion.

The Group's borrowings are predominantly denominated in Renminbi. The Group generally endeavors to naturally hedge the foreign currency assets of the overseas subsidiaries by having the subsidiaries to arrange borrowings in their local currencies, whenever appropriate.



Notes to the Consolidated Financial Statements

For the year ended 31 March 2006

6. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Credit risk

The Group's maximum exposure to credit risk in the event of the counter parties failure to perform their obligations at the balance sheet date in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated balance sheet. In order to minimise the credit risk, the management of the Group has monitoring procedures to ensure that follow-up action is taken to recover overdue debts, including to secure a third party guarantee. In addition, the Group reviews the recoverable amount of each individual debt at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regards, the directors of the Company consider that the Group's credit risk is significantly reduced.

The bank balances are placed in a number of counterparties, most of which are licensed banks with high credit ratings. As such, the credit risk on liquid funds is limited.

The Group has no significant concentration of credit risk, with exposure spread over a number of counterparties and customers.

Interest rate risk

The Group has exposures to cash flow interest rate risk as its borrowings are subject to floating interest rates. Currently, the Group does not have an interest rate hedging policy. However, the management monitors closely the interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

Liquidity risk

The objective of the Group is to maintain a balance between the continuity of funding and the flexibility through the use of bank borrowings. In addition, banking facilities have been put in place for general funding purposes.



Notes to the Consolidated Financial Statements

For the year ended 31 March 2006

7. TURNOVER AND SEGMENT INFORMATION

Turnover represents the aggregate value of goods sold after goods returns, trade discounts and related turnover taxes, together with rental income from leasing of properties for the year, and is analysed as follows:

	2006 <i>HK\$ million</i>	2005 <i>HK\$ million</i>
Sales of goods	10,660	10,431
Property rental income	39	35
	10,699	10,466

Business segments

The Group is principally engaged in the design, manufacture and sales of colour televisions and audio visual products and property holding. The management considers that the revenue and result of the Group is mainly contributed by the design, manufacture and sales of colour televisions and audio visual products and accordingly, no business segment analysis is presented.



Notes to the Consolidated Financial Statements

For the year ended 31 March 2006

7. TURNOVER AND SEGMENT INFORMATION *(continued)*

Geographical segments

The Group's operations and assets are located in Hong Kong and elsewhere in the PRC. These geographical locations are the basis on which the Group reports its primary segment information.

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

Consolidated income statement for the year ended 31 March 2006

	PRC <i>HK\$ million</i>	Asia region (Other than PRC) <i>HK\$ million</i>	Other regions <i>HK\$ million</i>	Consolidated <i>HK\$ million</i>
Turnover				
External sales and rental income	9,265	512	922	10,699
Result				
Segment results	350	(40)	(45)	265
Interest income				10
Unallocated corporate income less expenses				(21)
Finance costs				(3)
Gain on disposal of subsidiaries	3	-	-	3
Share of results of jointly controlled entities	1	-	-	1
Profit before taxation				255
Taxation charge				(39)
Profit for the year				216



Notes to the Consolidated Financial Statements

For the year ended 31 March 2006

7. TURNOVER AND SEGMENT INFORMATION *(continued)*

Geographical segments *(continued)*

Consolidated balance sheet at 31 March 2006

	PRC HK\$ million	Asia region (Other than PRC) HK\$ million	Other regions HK\$ million	Consolidated HK\$ million
Assets				
Segment assets	6,133	198	358	6,689
Interests in jointly controlled entities	27	–	–	27
Unallocated corporate assets				857
Total consolidated assets				7,573
Liabilities				
Segment liabilities	3,746	118	222	4,086
Unallocated corporate liabilities				399
Total liabilities				4,485

Other information for the year ended 31 March 2006

	PRC HK\$ million	Asia region (Other than PRC) HK\$ million	Other regions HK\$ million	Consolidated HK\$ million
Amortisation of prepaid lease payments on land use rights	2	–	–	2
Less: amounts capitalised	(1)	–	–	(1)
Addition to property, plant and equipment	410	5	8	423
Depreciation of property, plant and equipment	100	8	12	120
Impairment loss on trade receivables	5	1	1	7
Write down of inventories	44	10	14	68



Notes to the Consolidated Financial Statements

For the year ended 31 March 2006

7. TURNOVER AND SEGMENT INFORMATION *(continued)*

Geographical segments *(continued)*

Consolidated income statement for the year ended 31 March 2005 (restated)

	PRC <i>HK\$ million</i>	Asia region (Other than PRC) <i>HK\$ million</i>	Other regions <i>HK\$ million</i>	Consolidated <i>HK\$ million</i>
Turnover				
External sales and rental income	8,952	858	656	10,466
Result				
Segment results	291	(21)	7	277
Interest income				25
Unallocated corporate income less expenses				(14)
Finance costs				(22)
Write off of interest in an associate				(10)
Share of results of jointly controlled entities	(11)	–	–	(11)
Profit before taxation				245
Taxation credit				130
Profit for the year				375



Notes to the Consolidated Financial Statements

For the year ended 31 March 2006

7. TURNOVER AND SEGMENT INFORMATION (continued)

Geographical segments (continued)

Consolidated balance sheet at 31 March 2005 (restated)

	PRC HK\$ million	Asia region (Other than PRC) HK\$ million	Other regions HK\$ million	Consolidated HK\$ million
Assets				
Segment assets	5,275	270	203	5,748
Interests in jointly controlled entities	11	–	–	11
Unallocated corporate assets				<u>1,986</u>
Total consolidated assets				<u>7,745</u>
Liabilities				
Segment liabilities	3,629	186	141	3,956
Unallocated corporate liabilities				<u>865</u>
Total consolidated liabilities				<u>4,821</u>

Other information for the year ended 31 March 2005 (restated)

	PRC HK\$ million	Asia region (Other than PRC) HK\$ million	Other regions HK\$ million	Consolidated HK\$ million
Amortisation of prepaid lease payments on land use rights	2	–	–	2
Less: amounts capitalised	(1)	–	–	(1)
Addition to property, plant and equipment	120	10	6	136
Depreciation of property, plant and equipment	88	12	9	109
Impairment loss on trade receivables	8	–	–	8
Write down of inventories	62	6	4	<u>72</u>



Notes to the Consolidated Financial Statements

For the year ended 31 March 2006

8. COST OF SALES

The following items were included in cost of sales for the year ended 31 March 2005.

- (a) Adjustment of an accounting error amounted to HK\$26 million which was in relation to certain cash volume discounts received in prior year. In May 2001, cash volume discounts in an aggregate amount of approximately HK\$26 million were received from three of the Group's raw material suppliers in the PRC. These purchase discounts were related to the Group's purchase in the year ended 31 March 2001 and were recorded as a reduction of the Group's cost of sales for the year ended 31 March 2001.

According to the PRC tax laws, the three raw material suppliers were required to issue credit value added tax ("VAT") invoices to the Group for the cash volume discounts. In May 2002, these three raw material suppliers, upon approval by the relevant tax authorities, issued credit VAT invoices to the Group. After receiving the credit VAT invoices, the Group committed an accounting error by recording, once again, the same amount of HK\$26 million as a reduction of cost of sales. To correct this accounting error, the same amount was, accordingly, charged to cost of sales of the Group during the year ended 31 March 2005.

- (b) An underprovision of accrued purchases amounted to HK\$29 million as at 31 March 2004. The underprovision was resulted from the delay, for more than one year, in the issuance of invoices for raw materials provided by a supplier in respect of purchases took place in the year ended 31 March 2003.



Notes to the Consolidated Financial Statements

For the year ended 31 March 2006

9. OTHER INCOME

	2006 <i>HK\$ million</i>	2005 <i>HK\$ million</i>
Other income comprises:		
Change in fair value of held-for-trading investments	7	–
Dividend income	–	3
Interest income	10	25
Net foreign exchange gain	20	2
Refund of VAT	19	–
Write back of amount due to an associate	–	12
Others	64	34
	120	76

10. REVERSAL OF PROVISION AGAINST VALUE ADDED TAX

During the financial year ended 31 March 2003, certain input VAT invoices were utilised to set off against the output VAT invoices. However, due to the uncertainty of the impact resulting from a change of a local tax policy, a provision was made as if such set off could not be made pending clarifications from the relevant tax authorities.

Following the consultation with the relevant tax authorities about the appropriateness of such set off, the directors of the Company were of an opinion that the Group could utilise such input VAT invoices without incurring further liability and therefore had recognised the full amount of HK\$161 million as income in the year ended 31 March 2005. The amount was included in other payables in the financial statements for previous years.

11. REVERSAL OF PROVISION AGAINST THE PATENT RIGHTS LITIGATION

In previous years, the Group had made a provision in an aggregate amount of HK\$33 million for an alleged infringement of certain patent rights in the manufacture and sales of certain exported colour television. Details of the litigation on such alleged infringement had been set out in the Company's prospectus dated 28 March 2000.

In the year ended 31 March 2005, the Group applied to the court for dismissing and striking out the claims and the matter was settled by a consent order to the effect that the relevant court action be dismissed with an award of agreed costs of HK\$100,000 to the Group. As a result, the Group had written back the associated provision of HK\$33 million during the year ended 31 March 2005.



Notes to the Consolidated Financial Statements

For the year ended 31 March 2006

12. FINANCE COSTS

	2006 HK\$ million	2005 <i>HK\$ million</i>
Interest on bank borrowings wholly repayable within five years	8	22
Less: Amount capitalised to construction in progress	(5)	–
	3	22

Borrowing costs capitalised during the year arose on a specific borrowing for construction of production plant and a capitalisation rate of 5.2% is applied to expenditure on qualifying assets.

13. PROFIT BEFORE TAXATION

	2006 HK\$ million	2005 <i>HK\$ million</i> (restated)
Profit before taxation has been arrived at after charging:		
Amortisation of prepaid lease payments on land use rights	2	2
Less: Amount capitalised to construction in progress	(1)	(1)
	1	1
Auditors' remuneration:		
Current year	8	7
Underprovision for prior years	1	1
Depreciation of property, plant and equipment	120	109
Loss on disposal of property, plant and equipment	1	1
Operating lease rentals in respect of land and buildings	62	50
Impairment losses on trade receivables	7	8
Write down of inventories	68	72
Net realised loss on disposal of investments in securities	–	2
Provision for surcharge in respect of VAT	–	24
Staff costs:		
Directors' emoluments (<i>note 14</i>)	22	17
Research and development related staff costs	51	28
Others	521	531



Notes to the Consolidated Financial Statements

For the year ended 31 March 2006

14. DIRECTORS' EMOLUMENTS

	2006 HK\$ million	2005 HK\$ million (restated)
Directors' fees	1	1
Other emoluments:		
Basic salaries and allowances	12	13
Retirement benefits scheme contribution/ pension costs in the PRC	1	1
Performance related incentive payment (<i>Note</i>)	4	–
	18	15
Share-based payments	2	2
	20	17

Note: The performance related incentive payments are based on the results of the Group.

No director waived any emoluments during each of the two years ended 31 March 2006.



Notes to the Consolidated Financial Statements

For the year ended 31 March 2006

14. DIRECTORS' EMOLUMENTS (continued)

The emoluments paid or payable to each of the directors of the Company for the year ended 31 March 2006, calculated with reference to their employment as directors of the Company, are set out below:

	Directors' fees <i>HK\$'000</i>	Basic salaries and allowances <i>HK\$'000</i>	Retirement benefits scheme contributions/ Pension costs in the PRC <i>HK\$'000</i>	Performance related incentive payments <i>HK\$'000</i>	Total <i>HK\$'000</i>
Executive directors:					
Wang Dianfu	–	1,761	–	430	2,191
Zhang Xuebin	–	1,209	1	3,298	4,508
Ding Kai	–	567	–	–	567
Leung Chi Ching, Frederick	–	1,407	12	407	1,826
Yang Dongwen	–	168	–	–	168
Lin Weiping	–	105	4	–	109
	–	5,217	17	4,135	9,369
Non-executive director:					
Wong Wang Sang, Stephen	–	7,544	320	–	7,864
	–	7,544	320	–	7,864
Independent non-executive directors:					
So Hon Cheung, Stephen	480	–	–	–	480
Li Weibin	480	–	–	–	480
Xie Zhengcai	172	–	–	–	172
	1,132	–	–	–	1,132
Total directors' emoluments	1,132	12,761	337	4,135	18,365



Notes to the Consolidated Financial Statements

For the year ended 31 March 2006

14. DIRECTORS' EMOLUMENTS (continued)

During the year, Ms. Ding Kai, Mr. Yang Dongwen and Mr. Wong Wang Sang, Stephen have exercised certain share options of the Company during their respective term as directors of the Company and the deemed benefits arising from the exercise of those share options are HK\$754,000, HK\$2,101,000 and HK\$9,675,000 respectively. Deemed benefits arising from exercise of share options of the Company, calculated as the difference between the market price of the Company's share at the date of exercise of share options and the exercise price of the outstanding share options.

15. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, three (2005: two) were directors of the Company, whose emoluments are included in note 14 above. The emoluments of all of the five individuals with the highest emoluments for each of the two years ended 31 March 2006 were as follows:

	2006 <i>HK\$ million</i>	2005 <i>HK\$ million</i>
Basic salaries, allowances and benefits in kind	15	23
Retirement benefit scheme contributions/ pension costs in the PRC	1	1
Performance related incentive payments (<i>Note</i>)	5	2
	21	26

Note: The performance related incentive payments are based on the results of the Group.

The above employees' emoluments were within the following bands:

	Number of individuals	
	2006	2005
HK\$2,000,001 to HK\$2,500,000	2	–
HK\$3,000,001 to HK\$3,500,000	–	1
HK\$3,500,001 to HK\$4,000,000	–	1
HK\$4,000,001 to HK\$4,500,000	1	1
HK\$4,500,001 to HK\$5,000,000	1	–
HK\$5,000,001 to HK\$5,500,000	–	1
HK\$7,500,001 to HK\$8,000,000	1	–
HK\$8,500,001 to HK\$9,000,000	–	1



Notes to the Consolidated Financial Statements

For the year ended 31 March 2006

15. EMPLOYEES' EMOLUMENTS *(continued)*

Save as disclosed in notes 14 and 15 above, no emoluments were paid by the Group to the directors or the five highest paid individuals (including directors and employees) as an inducement to join or upon joining the Group or as compensation for loss of office during each of the two years ended 31 March 2006.

16. TAXATION (CHARGE) CREDIT

	2006 <i>HK\$ million</i>	2005 <i>HK\$ million</i>
The (charge) credit comprises:		
Hong Kong Profits Tax		
Current year	–	(1)
Overprovision for previous years	–	2
	–	1
PRC income tax		
Current year	(36)	(10)
Underprovision for previous years	–	(6)
	(36)	(16)
Other PRC taxes		
Current year	(8)	(17)
Overprovision for previous years	1	165
	(7)	148
Deferred taxation <i>(note 35)</i>		
Current year	4	(3)
	(39)	130

No provision for Hong Kong Profits Tax has been made as the relevant entities incurred tax losses for the year. Hong Kong Profits Tax for the year ended 31 March 2005 was calculated at the rate of 17.5% on the estimated assessable profits for that year.

PRC income tax is calculated at the rate prevailing in the areas which the Group operates.



Notes to the Consolidated Financial Statements

For the year ended 31 March 2006

16. TAXATION (CHARGE) CREDIT *(continued)*

Other PRC taxes are calculated at the applicable rates of tax prevailing in the areas in which the Group operates, based on existing legislation, interpretations and practices in respect thereof, on the intra-group technical and other services related fees (the "Fees") charged to a subsidiary of the Company registered in the PRC. During the year ended 31 March 2005, the Group had agreed the basis of assessment with the PRC tax authority on various PRC taxes in connection with such Fees and HK\$28 million had been settled. Judging from the agreed basis of assessment and following the completion of the Tax Inspections during the year as defined as below, the management was of the view that the Group had overprovision of tax liabilities for such Fees and, therefore, had reversed the related provision with a net amount of HK\$165 million in the financial statements for the year ended 31 March 2005.

Certain subsidiaries of the Group operating in the PRC are eligible for certain tax holidays and concessions and were exempted from PRC income taxes for the year.

On 29 March 2005, the tax authorities of the PRC (the "Tax Authorities") visited certain major subsidiaries of the Company in the PRC (the "Inspected PRC Subsidiaries") to carry out tax inspection (the "Tax Inspections"). The Tax Authorities have finalised the Tax Inspections and issued their tax inspection reports on all the Inspected PRC Subsidiaries. Taking into account the results of the finalised tax inspection reports and the provision made previously by the Group, no further provision is considered necessary to be made for the year ended 31 March 2006.



Notes to the Consolidated Financial Statements

For the year ended 31 March 2006

16. TAXATION (CHARGE) CREDIT *(continued)*

The taxation (charge) credit for the year can be reconciled to the profit before taxation as follows:

	2006 HK\$ million	2005 <i>HK\$ million</i> (restated)
Profit before taxation	255	245
Tax charge at the applicable rate of 15% (2005: 17.5%)	(38)	(43)
Tax effect of expenses not deductible for tax purpose	(43)	(50)
Tax effect of income not taxable for tax purpose	22	5
Overprovision in respect of prior years	1	161
Tax effect of tax losses not recognised	(28)	(18)
Utilisation of tax losses previously not recognised	16	13
Effect of tax exemptions granted by the PRC tax authorities	31	48
Effect of different tax rates of subsidiaries operating in other jurisdictions	2	12
Others	(2)	2
Tax (charge) credit for the year	(39)	130

17. DIVIDENDS

(a) Dividends paid during the year

	2006 HK\$ million	2005 <i>HK\$ million</i>
Interim dividend paid for the year ended 31 March 2005: HK2.2 cents (2004: HK nil) per share	50	–
Final dividend paid for the year ended 31 March 2005: HK3.3 cents (2004: HK5.5 cents) per share		
– cash payment	74	52
– scrip dividend	–	70
Interim dividend paid for the year ended 31 March 2006: HK1 cent (2005: nil) per share	23	–
	147	122



Notes to the Consolidated Financial Statements

For the year ended 31 March 2006

17. DIVIDENDS (continued)

(b) Dividends attributable to the year

	2006 <i>HK\$ million</i>	2005 <i>HK\$ million</i>
Interim dividend declared and paid of HK1 cent (2005: HK2.2 cents) per share	23	50
Final dividend proposed after the balance sheet date of HK2.8 cents (2005: HK3.3 cents) per share	64	74
	87	124

The proposed final dividend of HK2.8 cents per share is declared on 24 July 2006. As the final dividend is declared after the balance sheet date, such dividend is not recognised as a liability as at 31 March 2006.

18. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to the equity holders of the Company is based on the following data:

	2006 <i>HK\$ million</i>	2005 <i>HK\$ million</i> (restated)
Earnings for the purposes of basic and diluted earnings per share – profit for the year	216	376

	Number of shares (restated)	
Weighted average number of ordinary shares for the purpose of basic earnings per share	2,265,419,125	2,239,706,133
Effect of dilutive potential ordinary shares: Share options	37,315,720	66,098,757
Weighted average number of ordinary shares for the purpose of diluted earnings per share	2,302,734,845	2,305,804,890



Notes to the Consolidated Financial Statements

For the year ended 31 March 2006

18. EARNINGS PER SHARE (continued)

In the calculation of the weighted average number of ordinary shares for the purposes of basic earnings per share in 2005, the number of shares has been adjusted for the shares issued under the share option schemes and the scrip dividend shares issued during the year ended 31 March 2005 in respect of the final dividend for the year ended 31 March 2004.

The computation of diluted earnings per share does not assume the exercise of certain of the Company's outstanding share options as the exercise prices are higher than the average fair value per share.

Impact of changes in accounting policies

Change in Group's accounting policies during the year are described in details in note 2. To the extent that changes have had an impact on results reported for 2006 and 2005, they have had an impact on the amounts reported for earning per share. The following table summarises that impact on both basic and diluted earnings per share:

	Impact on basic earnings per share		Impact on diluted earnings per share	
	2006 <i>HK cents</i>	2005 <i>HK cents</i>	2006 <i>HK cents</i>	2005 <i>HK cents</i>
Figures before changes in accounting policies	12.84	17.99	12.64	17.37
Effect of changes in accounting policies	(3.31)	(1.20)	(3.26)	(1.06)
Figures after changes in accounting policies	9.53	16.79	9.38	16.31



Notes to the Consolidated Financial Statements

For the year ended 31 March 2006

19. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings	Construction in progress	Plant and machinery	Furniture, equipment and motor vehicles	Total
	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>
COST					
At 1 April 2004					
As originally stated	262	96	454	75	887
Effect of changes in accounting policies (notes 2 and 3)	104	(56)	–	–	48
As restated	366	40	454	75	935
Additions	3	37	48	48	136
Amortisation of prepaid lease payments capitalised	–	1	–	–	1
Disposals	–	–	(14)	(6)	(20)
At 31 March 2005	369	78	488	117	1,052
Exchange realignment	12	5	14	4	35
Additions	–	329	57	37	423
Amortisation of prepaid lease payments capitalised	–	1	–	–	1
Disposals of subsidiaries	–	(42)	–	–	(42)
Disposals	–	–	(2)	(6)	(8)
At 31 March 2006	381	371	557	152	1,461



Notes to the Consolidated Financial Statements

For the year ended 31 March 2006

19. PROPERTY, PLANT AND EQUIPMENT (continued)

	Leasehold land and buildings	Construction in progress	Plant and machinery	Furniture, equipment and motor vehicles	Total
	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>
DEPRECIATION					
At 1 April 2004					
As originally stated	43	–	286	36	365
Effect of changes in accounting policies (notes 2 and 3)	2	–	–	–	2
As restated	45	–	286	36	367
Provided for the year	15	–	76	18	109
Eliminated on disposals	–	–	(13)	(5)	(18)
At 31 March 2005	60	–	349	49	458
Exchange realignment	2	–	11	2	15
Provided for the year	16	–	70	34	120
Eliminated on disposals	–	–	(1)	(5)	(6)
At 31 March 2006	78	–	429	80	587
CARRYING VALUES					
At 31 March 2006	303	371	128	72	874
At 31 March 2005 (as restated)	309	78	139	68	594

Leasehold land and buildings with carrying value of approximately HK\$125 million (2005: HK\$131 million) were held for use under operating leases.



Notes to the Consolidated Financial Statements

For the year ended 31 March 2006

19. PROPERTY, PLANT AND EQUIPMENT (continued)

The carrying values of leasehold land and buildings and construction in progress shown above comprises:

	2006 HK\$ million	2005 HK\$ million (restated)
Leasehold land and buildings:		
In the PRC held under		
– long term leases	22	21
– medium-term leases	6	2
	28	23
In Hong Kong held under long term leases	31	32
	59	55
Buildings:		
In the PRC held under medium term leases	244	254
Construction in progress:		
In the PRC held under medium term leases	371	78
	674	387



Notes to the Consolidated Financial Statements

For the year ended 31 March 2006

20. PREPAID LEASE PAYMENTS ON LAND USE RIGHTS

	2006 HK\$ million	2005 HK\$ million (restated)
Carrying amount at 1 April		
As originally stated	–	–
Effect of adopting HKAS 17 (note 2)	72	74
<hr/>		
As restated	72	74
Additions	21	–
Amortised during the year	(2)	(2)
Exchange realignment	3	–
<hr/>		
Carrying amount at 31 March	94	72
<hr/>		
Analysed for reporting purposes as:		
Non-current assets	92	70
Current assets	2	2
<hr/>		
	94	72
<hr/>		

The Group's prepaid lease payments on land use rights represents the land situated in the PRC and held under medium-term leases.

At 31 March 2006, the Group has paid the cost of land use right, amounting to HK\$21 million, for a piece of land located in the PRC pending the issuance of the certificate of land use right.



Notes to the Consolidated Financial Statements

For the year ended 31 March 2006

21. INTERESTS IN JOINTLY CONTROLLED ENTITIES

	2006 <i>HK\$ million</i>	2005 <i>HK\$ million</i>
Cost of unlisted investments	60	45
Share of post-acquisition losses	(33)	(34)
	27	11

As at 31 March 2006, the Group had interests in the following jointly controlled entities:

Name of entity	Form of business structure	Place of registration and operation	Paid up registered capital	Effective interest held by the Group	Principal business
深圳市創維群欣安防 科技有限公司	Equity joint venture	PRC	RMB6,000,000	50%	Manufacture and sales of monitor system
廣州喜馬拉雅廣告 有限公司	Limited company	PRC	RMB1,100,000	50%	Liaison of advertising services
深圳大雁科技實業 有限公司	Equity joint venture	PRC	RMB30,000,000	50%	Manufacture and sales of electronic components
江蘇國安創維信息 產業有限責任公司	Equity joint venture	PRC	RMB50,000,000	45%	Development of internet technology and related products



Notes to the Consolidated Financial Statements

For the year ended 31 March 2006

21. INTERESTS IN JOINTLY CONTROLLED ENTITIES *(continued)*

The summarised financial information in respect of the Group's jointly controlled entities is as follows:

Share of assets and liabilities attributable to the Group

	2006 <i>HK\$ million</i>	2005 <i>HK\$ million</i>
Non-current assets	47	39
Current assets	47	23
Current liabilities	(65)	(45)
Non-current liabilities	(2)	(6)
	27	11

Share of results attributable to the Group

	2006 <i>HK\$ million</i>	2005 <i>HK\$ million</i>
Total revenue	46	21
Total expenses	(45)	(32)
	1	(11)

The Group has discontinued recognition of its share of losses of certain jointly controlled entities. The amount of unrecognised share of those jointly controlled entities, both for the year and cumulatively, are as follows:

	2006 <i>HK\$ million</i>	2005 <i>HK\$ million</i>
Unrecognised share of losses of jointly controlled entities for the year	10	–
Accumulated unrecognised share of losses of jointly controlled entities	10	–



Notes to the Consolidated Financial Statements

For the year ended 31 March 2006

22. AMOUNT DUE FROM A JOINTLY CONTROLLED ENTITY

	2006 <i>HK\$ million</i>	2005 <i>HK\$ million</i>
Amount due from a jointly controlled entity	12	19
Less: Amount due within one year or on demand included in current assets	(12)	(10)
<hr/>		
Amount due after one year	–	9

The amount due from a jointly controlled entity is unsecured, interest free and is repayable on demand, except for the amount of HK\$9 million as at 31 March 2005 which should be repaid by April 2006 by reference to the terms of agreement.

The directors consider that the fair value of the amount as at 31 March 2006 approximates the corresponding carrying amount. The fair value at 31 March 2006 was determined based on the present value at the estimated future cash flows discounted using the prevailing market rate at the balance sheet date.

23. AVAILABLE-FOR-SALE INVESTMENTS/INVESTMENTS IN SECURITIES

	2006 <i>HK\$ million</i>	2005 <i>HK\$ million</i>
Equity securities		
– unlisted in the PRC	19	16
– unlisted in overseas	16	8
Less: Impairment loss recognised	(8)	(5)
<hr/>		
	27	19
Equity securities		
– listed in Hong Kong	6	5
<hr/>		
	33	24
<hr/>		
Analysed for reporting purposes as:		
Investments in securities		
– other securities	–	24
Available-for-sale investments	33	–
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	33	24



Notes to the Consolidated Financial Statements

For the year ended 31 March 2006

23. AVAILABLE-FOR-SALE INVESTMENTS/INVESTMENTS IN SECURITIES *(continued)*

The equity securities listed in Hong Kong are stated at the fair values which are determined based on the quoted market bid prices available on the relevant exchange market.

The equity securities unlisted in the PRC are not stated at fair value but at cost less any impairment loss because they do not have a quoted market price in an active market and the fair value cannot be reliably measured.

The directors conducted a review of the Group's available-for-sale investments during the year and determined that the recoverable amounts of certain investments in unlisted equity securities in the PRC were less than their carrying amounts. Accordingly, further impairment loss of HK\$3 million (2005: HK\$3 million) has been recognised to consolidated income statement in respect of these investments during the year.

Upon the application of HKAS 39 on 1 April 2005, other securities were reclassified to available-for-sale investments (see note 2 for details).

24. INVENTORIES

	2006 <i>HK\$ million</i>	2005 <i>HK\$ million</i>
Raw materials	496	394
Work in progress	188	150
Finished goods	1,063	1,135
	1,747	1,679



Notes to the Consolidated Financial Statements

For the year ended 31 March 2006

25. TRADE AND OTHER RECEIVABLES

Sales in the PRC are generally made by payment on delivery or against bills issued by banks with maturity dates ranging from 30 to 180 days. Sales to certain wholesalers in the PRC are settled within one to two months after sales. Certain district sales managers in the PRC are authorised to make credit sales for payment at 30 to 60 days up to a limited amount which is determined on the basis of the sales volume of the respective offices.

Export sales of the Group are mainly settled by letters of credit with credit term ranging from 30 to 90 days.

In view of the aforementioned and that the Group's trade receivables related to a large number of diversified customers, there is no significant concentration of credit risk. Trade receivables are non-interest bearing.

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

	2006 <i>HK\$ million</i>	2005 <i>HK\$ million</i>
Within 30 days	243	194
31 to 60 days	89	109
61 to 90 days	95	28
91 days or over	90	26
<hr/>		
Trade receivables	517	357
Deposits, prepayments and other receivables	264	199
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	781	556

The fair value of the Group's trade and other receivables at 31 March 2006 approximates the corresponding carrying amount.



Notes to the Consolidated Financial Statements

For the year ended 31 March 2006

26. BILLS RECEIVABLE

The maturity dates of bills receivable at the balance sheet date are analysed as follows:

	2006 <i>HK\$ million</i>	2005 <i>HK\$ million</i>
Within 30 days	141	124
31 to 60 days	125	57
61 to 90 days	183	105
91 days or over	781	1,108
Bills endorsed to suppliers	1,800	669
Bills discounted with recourse	151	765
	3,181	2,828

The maturity dates of bills endorsed to suppliers and bills discounted with recourse are less than 6 months.

The fair value of the Group's bills receivable at 31 March 2006 approximates the corresponding carrying amount.

27. HELD-FOR-TRADING INVESTMENTS/INVESTMENTS IN SECURITIES

	2006 <i>HK\$ million</i>	2005 <i>HK\$ million</i>
Unit trust funds unlisted in overseas	24	20
Analysed for reporting purposes as:		
Investments in securities		
– trading securities	–	20
Held-for-trading investments	24	–
	24	20

The unit trust funds unlisted in overseas are stated at the fair values which are determined based on the quoted market bid prices of the underlying listed securities available on the relevant exchange market.

Upon the application of HKAS 39 on 1 April 2005, trading securities were reclassified to held-for-trading investments (see note 2 for details).



Notes to the Consolidated Financial Statements

For the year ended 31 March 2006

28. BANK BALANCES AND CASH

Bank balances and cash comprise cash held by the Group and short-term bank deposits with an original maturity of three months or less. The fair value of the Group's bank balance and cash at 31 March 2006 approximates the corresponding carrying amount.

29. TRADE AND OTHER PAYABLES

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

	2006 <i>HK\$ million</i>	2005 <i>HK\$ million</i>
Within 30 days	436	405
31 to 60 days	198	239
61 to 90 days	197	274
91 days or over	107	206
Trade payables under endorsed bills	1,800	669
<hr/>		
Trade payables	2,738	1,793
Deposits in advance, accruals and other payables	1,224	1,127
<hr/>		
	3,962	2,920

The fair value of the Group's trade and other payables at 31 March 2006 approximates the corresponding carrying amount.

30. BILLS PAYABLE

The maturity dates of bills payable at the balance sheet date are analysed as follows:

	2006 <i>HK\$ million</i>	2005 <i>HK\$ million</i>
Within 30 days	2	330
31 to 60 days	6	236
61 to 90 days	–	199
91 days or over	–	216
<hr/>		
	8	981

The fair value of the Group's bills payable at 31 March 2006 approximates the corresponding carrying amount.



Notes to the Consolidated Financial Statements

For the year ended 31 March 2006

31. PROVISION

	Product Warranty
	<i>HK\$ million</i>
Balance at 1 April 2005	43
Additional provision	110
Unused amounts reversed	(14)
Utilised	(68)
Exchange adjustments	2
	<hr/>
Balance at 31 March 2006	73

The Group provides product warranty ranging from one to three years to its customers depending on the product type, under which faulty products are repaired or replaced. The estimate of the provision for the warranty is based on sales volumes and past experience of the level of repairs and returns. The estimation is reviewed on an ongoing basis and revised as and when appropriate.

32. AMOUNT DUE TO A JOINTLY CONTROLLED ENTITY

The amount due to a jointly controlled entity is unsecured, interest free and repayable on demand.

The fair value of the amount due to a jointly controlled entity at 31 March 2006 approximates the corresponding carrying amount.



Notes to the Consolidated Financial Statements

For the year ended 31 March 2006

33. SECURED BANK BORROWINGS

	2006 HK\$ million	2005 <i>HK\$ million</i>
Secured bank borrowings comprise the following:		
Mortgage loans	3	4
Other bank loans	314	765
	317	769
The bank borrowings are repayable as follows:		
Within one year or on demand	153	766
More than one year, but not exceeding two years	1	2
More than two years, but not exceeding five years	163	1
	317	769
Less: Amount due within one year or on demand included in current liabilities	(153)	(766)
Amount due after one year	164	3

The average effective borrowing rates are ranging from 3% to 7.25% (2005: 3% to 4.25%) per annum.

The receipts and payments of all above secured bank borrowings are denominated in the functional currencies of the relevant group entities.

All of the Group's borrowings are at floating rates. The directors consider that the current interest rates represent prevailing market interest rates and, therefore, the fair value of secured bank borrowings as at 31 March 2006 estimated by discounting their future cash flows at the prevailing market borrowing rates approximates the corresponding carrying amount.



Notes to the Consolidated Financial Statements

For the year ended 31 March 2006

34. DEFERRED INCOME

	2006 HK\$ million	2005 HK\$ million
Deferred income	42	10
Less: Amount to be recognised as income within one year included in current liabilities	(21)	(10)
Amount to be recognised as income after one year	21	–

Deferred income represents government grants provided by the relevant PRC government authorities for the purposes of financing the development of new products or the construction of production plant. The amounts are recognised as income to match with related expenses or on systematic basis over the useful lives of the relevant assets. The policy has resulted in a credit to income in the current year of HK\$2 million (2005: HK\$5 million).

35. DEFERRED TAXATION

The following are the major deferred tax liabilities (assets) recognised and movements thereon during the current and prior reporting periods:

	Revaluation of properties HK\$ million	Accelerated tax depreciation HK\$ million	Tax losses HK\$ million	Total HK\$ million
At 1 April 2004				
As originally stated	1	3	(1)	3
Effect of adopting HKAS 40 (note 2)	(1)	–	–	(1)
As restated	–	3	(1)	2
Charge to consolidated income statement for the year	–	3	–	3
At 31 March 2005	–	6	(1)	5
Credit to consolidated income statement for the year	–	(4)	–	(4)
At 31 March 2006	–	2	(1)	1



Notes to the Consolidated Financial Statements

For the year ended 31 March 2006

35. DEFERRED TAXATION *(continued)*

At the balance sheet date, the Group has unutilised tax losses of HK\$392 million (2005: HK\$309 million) available for offset against future profits. A deferred tax asset has been recognised in respect of HK\$3 million (2005: HK\$3 million) of such losses. No deferred tax asset has been recognised in respect of the remaining unutilised tax losses of HK\$389 million (2005: HK\$306 million) due to the unpredictability of future profit streams. Unrecognised tax losses will expire as follows:

	2006 <i>HK\$ million</i>	2005 <i>HK\$ million</i>
Unrecognised tax losses will expire in:		
2005	–	1
2006	2	39
2007	1	12
2008	24	80
2009	21	21
2010	101	–
Carried forward indefinitely	240	153
	389	306



Notes to the Consolidated Financial Statements

For the year ended 31 March 2006

36. SHARE CAPITAL

	Number of shares	Share capital <i>HK\$ million</i>
Ordinary shares of HK\$0.1 each:		
<i>Authorised</i>		
At 1 April 2004, 31 March 2005 and 31 March 2006	10,000,000,000	1,000
<i>Issued and fully paid</i>		
At 1 April 2004	2,215,208,170	222
Issue of shares under share option schemes	14,241,000	1
Issue of shares pursuant to scrip dividend scheme for 2003/04 final dividends	33,123,221	3
At 31 March 2005	2,262,572,391	226
Issue of shares under share option schemes	22,112,000	2
At 31 March 2006	2,284,684,391	228

Details of the exercise of share options during the two years ended 31 March 2006 are set out in note 37.

On 30 September 2004, the Company issued and allotted 33,123,221 ordinary shares to the shareholders who are eligible for the final scrip dividend of HK5.5 cents per share for the year ended 31 March 2004 and did not elect to receive cash in lieu of the scrip dividend. These shares rank *pari passu* in all respects with other shares in issue.



Notes to the Consolidated Financial Statements

For the year ended 31 March 2006

37. SHARE OPTIONS

The Company adopted two share option schemes mainly for the purpose of providing incentives to directors and eligible employees. Particulars of the share option schemes are detailed below:

- (i) Pursuant to a resolution passed on 27 March 2000, the Company adopted a share option scheme under which the directors of the Company may grant options to eligible employees, including executive directors of the Company, any of its subsidiaries and associates, to subscribe for shares in the Company (the "Old Scheme").

Options granted must be taken up within a period of 30 days from the date of grant, upon payment of HK\$1 per grant. Options may be exercised in portions and in the exercisable period determined by the directors of the Company at the date of grant. All of the options, if not otherwise exercised, amended or cancelled, will lapse on 27 March 2010.

Under the Old Scheme, the exercise price is determined by the directors of the Company at a price not less than 80% of the average of the closing prices of the shares of the Company on the Stock Exchange on the five trading days immediately preceding the date of offer of the options or the nominal value of the shares of the Company, whichever is the higher.

With effect from 1 September 2001, in accordance with the amended Chapter 17 of the Listing Rules, the exercise price of any share options granted by the Company must be at least the higher of the closing price of the shares of the Company on the date of grant, and the average closing prices of the shares of the Company for the five business days immediately preceding the date of grant. Unless the grants of share options under the Old Scheme complies with the amended rules in the Listing Rules governing share option schemes, no further option can be granted under the Old Scheme from 1 September 2001. Nevertheless, options previously granted under the Old Scheme will continue to be exercisable in accordance with the Old Scheme.



Notes to the Consolidated Financial Statements

For the year ended 31 March 2006

37. SHARE OPTIONS *(continued)*

- (ii) Pursuant to a special resolution passed on 28 August 2002, the Company adopted a new share option scheme under which the directors of the Company may grant options to eligible person, including any directors, whether executive or non-executive (including any independent non-executive directors), and any employee, whether full time or part time, of any member of the Group (the "New Scheme").

Options granted must be taken up within a period of 30 days from the date of grant, upon payment of HK\$1 per grant. Options may be exercised in portions and in the exercisable period determined by the directors of the Company at the date of grant. All of the options, if not otherwise exercised, amended or cancelled, will lapse on 28 August 2012.

Each grant of an option to a director, chief executive or substantial shareholder of the Company (or any of their respective associates) must be approved by the independent non-executive directors, excluding any independent non-executive director who is the grantee of the option.

Under the New Scheme, the maximum number of shares issuable upon exercise of all options to be granted under the New Scheme and any other share option schemes of the Company as from the commencement of the scheme period, excluding those options which have lapsed in accordance with the terms of the New Scheme or any other share option schemes of the Company, must not in aggregate exceed 10% of the Company's shares in issue as at the date of adoption of the New Scheme or exceed any of the refreshed limit.

No Option shall be granted to an eligible person which would cause the aggregate number of shares already issued and to be issued upon exercise of options granted to such eligible person under the New Scheme and any other share option schemes of the Company (including cancelled, exercised and outstanding options) in any 12-month period up to the date of grant exceeding 1% of the shares in issue. Any further grant of options in excess of this limit may be made only with the separate approval of the shareholders in general meeting with that eligible person and his associates abstaining from voting.

The total number of shares available for grant under the share option schemes of the Company is approximately 197,025,000 representing approximately 8.61% of the issued share capital of the Company as at the date of this report.



Notes to the Consolidated Financial Statements

For the year ended 31 March 2006

37. SHARE OPTIONS (continued)

2006

The following table shows the movements in the Company's share options granted under the Old Scheme during the year ended 31 March 2006:

Date of grant	Exercise price HK\$	Vesting period	Exercisable period	Outstanding at 1 April 2005	Reclassified during the year (note b)	Exercised during the year (note c)	Cancelled during the year	Outstanding at 31 March 2006
25 November 2000	0.336	25 November 2000 to 24 November 2001	25 November 2001 to 27 March 2010	430,000	34,000	-	(180,000)	284,000
		25 November 2000 to 24 November 2002	25 November 2002 to 27 March 2010	540,000	(82,000)	-	(52,000)	406,000
		25 November 2000 to 24 November 2003	25 November 2003 to 27 March 2010	36,000	2,000	-	-	38,000
		25 November 2000 to 24 November 2004	25 November 2004 to 27 March 2010	29,685,000	46,000	(17,353,000)	(2,000)	12,376,000
2 April 2001	0.292	2 April 2001 to 1 April 2005	2 April 2005 to 27 March 2010	500,000	-	-	-	500,000
23 January 2002	0.420	23 January 2002 to 22 January 2005	23 January 2005 to 27 March 2010	3,750,000	-	(750,000)	-	3,000,000
		23 January 2002 to 22 January 2006	23 January 2006 to 27 March 2010	3,750,000	-	(750,000)	-	3,000,000
25 March 2002	0.520	25 March 2002 to 24 March 2005	25 March 2005 to 27 March 2010	868,000	-	(668,000)	(100,000)	100,000
8 August 2002	0.750	8 August 2002 to 7 August 2005	8 August 2005 to 27 March 2010	500,000	-	-	-	500,000
		8 August 2002 to 7 August 2006	8 August 2006 to 27 March 2010	500,000	-	-	-	500,000
				40,559,000	-	(19,521,000)	(334,000)	20,704,000

Notes:

- (a) No share option was granted under the Old Scheme during the year ended 31 March 2006.
- (b) During the year ended 31 March 2006, the exercisable period of certain share options granted had been restated.
- (c) The weighted average closing prices of the Company's shares immediately before the dates of which the share options were exercised during the year ended 31 March 2006 was HK\$1.28. The Company's shares were suspended from 30 November 2004 to 10 January 2006 (the "Suspension Period"). The closing share price of the Company's share immediately before the dates on which share options were exercised during the Suspension Period is deemed as HK\$1.09, the closing share price of the Company's share on the day of resumption of trading of the shares of the Company on 11 January 2006.



Notes to the Consolidated Financial Statements

For the year ended 31 March 2006

37. SHARE OPTIONS (continued)

During the year ended 31 March 2003, the Old Scheme of the Company was replaced by the New Scheme pursuant to a special resolution passed on 28 August 2002. The following table shows the movements in the Company's share options granted under the New Scheme during the year ended 31 March 2006:

Date of grant	Exercise price HK\$	Vesting period	Exercisable period	Outstanding at 1 April 2005	Granted during the year (note d)	Exercised during the year (note e)	Cancelled during the year	Outstanding at 31 March 2006
5 October 2002	0.840	5 October 2002 to 4 October 2004	5 October 2004 to 28 August 2012	4,100,000	-	(2,000,000)	-	2,100,000
		5 October 2002 to 4 October 2005	5 October 2005 to 28 August 2012	11,900,000	-	(75,000)	(1,999,000)	9,826,000
		5 October 2002 to 4 October 2006	5 October 2006 to 28 August 2012	11,900,000	-	-	(2,074,000)	9,826,000
14 February 2003	0.874	14 February 2003 to 13 February 2005	14 February 2005 to 28 August 2012	366,000	-	(266,000)	-	100,000
		14 February 2003 to 13 February 2006	14 February 2006 to 28 August 2012	368,000	-	-	-	368,000
18 March 2003	0.800	18 March 2003 to 17 March 2005	18 March 2005 to 28 August 2012	250,000	-	(250,000)	-	-
		18 March 2003 to 17 March 2006	18 March 2006 to 28 August 2012	250,000	-	-	(250,000)	-
		18 March 2003 to 17 March 2007	18 March 2007 to 28 August 2012	250,000	-	-	(250,000)	-
28 March 2003	0.776	28 March 2003 to 27 March 2005	28 March 2005 to 28 August 2012	76,000	-	-	-	76,000
		28 March 2003 to 27 March 2006	28 March 2006 to 28 August 2012	76,000	-	-	-	76,000
		28 March 2003 to 27 March 2007	28 March 2007 to 28 August 2012	72,000	-	-	-	72,000
9 June 2003	0.752	9 June 2003 to 8 June 2005	9 June 2005 to 28 August 2012	500,000	-	-	-	500,000
		9 June 2003 to 8 June 2006	9 June 2006 to 28 August 2012	500,000	-	-	-	500,000
		9 June 2003 to 8 June 2007	9 June 2007 to 28 August 2012	500,000	-	-	-	500,000



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For the year ended 31 March 2006

37. SHARE OPTIONS (continued)

Date of grant	Exercise price HK\$	Vesting period	Exercisable period	Outstanding at 1 April 2005	Granted during the year (note d)	Exercised during the year (note e)	Cancelled during the year	Outstanding at 31 March 2006
27 June 2003	0.742	27 June 2003 to 26 June 2005	27 June 2005 to 28 August 2012	250,000	-	-	-	250,000
		27 June 2003 to 26 June 2006	27 June 2006 to 28 August 2012	250,000	-	-	-	250,000
		27 June 2003 to 26 June 2007	27 June 2007 to 28 August 2012	250,000	-	-	-	250,000
16 October 2003	1.660	16 October 2003 to 15 October 2004	16 October 2004 to 28 August 2012	29,747,000	-	-	(1,537,000)	28,210,000
		16 October 2003 to 15 October 2005	16 October 2005 to 28 August 2012	32,330,000	-	-	(2,370,000)	29,960,000
		16 October 2003 to 15 October 2006	16 October 2006 to 28 August 2012	35,430,000	-	-	(2,370,000)	33,060,000
		16 October 2003 to 15 October 2007	16 October 2007 to 28 August 2012	42,030,000	-	-	(2,370,000)	39,660,000
		16 October 2003 to 15 October 2008	16 October 2008 to 28 August 2012	11,000,000	-	-	-	11,000,000
26 February 2004	2.575	26 February 2004 to 25 February 2005	26 February 2005 to 28 August 2012	2,600,000	-	-	(2,500,000)	100,000
		26 February 2004 to 25 February 2006	26 February 2006 to 28 August 2012	2,600,000	-	-	(2,500,000)	100,000
		26 February 2004 to 25 February 2007	26 February 2007 to 28 August 2012	2,600,000	-	-	(2,500,000)	100,000
		26 February 2004 to 25 February 2008	26 February 2008 to 28 August 2012	2,600,000	-	-	(2,500,000)	100,000
16 April 2004	2.740	16 April 2004 to 15 April 2005	16 April 2005 to 28 August 2012	132,500	-	-	-	132,500
		16 April 2004 to 15 April 2006	16 April 2006 to 28 August 2012	132,500	-	-	-	132,500
		16 April 2004 to 15 April 2007	16 April 2007 to 28 August 2012	132,500	-	-	-	132,500
		16 April 2004 to 15 April 2008	16 April 2008 to 28 August 2012	132,500	-	-	-	132,500



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For the year ended 31 March 2006

37. SHARE OPTIONS (continued)

Date of grant	Exercise price HK\$	Vesting period	Exercisable period	Outstanding at 1 April 2005	Granted during the year (note d)	Exercised during the year (note e)	Cancelled during the year	Outstanding at 31 March 2006
28 July 2004	2.275	N/A	28 July 2004 to 28 August 2012	1,000,000	-	-	-	1,000,000
		28 July 2004 to 27 July 2005	28 July 2005 to 28 August 2012	5,000,000	-	-	-	5,000,000
		28 July 2004 to 27 July 2006	28 July 2006 to 28 August 2012	5,000,000	-	-	-	5,000,000
		28 July 2004 to 27 July 2007	28 July 2007 to 28 August 2012	5,000,000	-	-	-	5,000,000
		28 July 2004 to 27 July 2008	28 July 2008 to 28 August 2012	5,000,000	-	-	-	5,000,000
30 September 2004	2.175	30 September 2004 to 29 September 2005	30 September 2005 to 28 August 2012	80,000	-	-	(50,000)	30,000
		30 September 2004 to 29 September 2006	30 September 2006 to 28 August 2012	80,000	-	-	(50,000)	30,000
		30 September 2004 to 29 September 2007	30 September 2007 to 28 August 2012	80,000	-	-	(50,000)	30,000
		30 September 2004 to 29 September 2008	30 September 2008 to 28 August 2012	80,000	-	-	(50,000)	30,000
5 October 2004	2.200	5 October 2004 to 4 October 2005	5 October 2005 to 28 August 2012	1,250,000	-	-	-	1,250,000
		5 October 2004 to 4 October 2006	5 October 2006 to 28 August 2012	1,250,000	-	-	-	1,250,000
		5 October 2004 to 4 October 2007	5 October 2007 to 28 August 2012	1,250,000	-	-	-	1,250,000
		5 October 2004 to 4 October 2008	5 October 2008 to 28 August 2012	1,250,000	-	-	-	1,250,000
11 October 2004	2.225	11 October 2004 to 10 October 2005	11 October 2005 to 28 August 2012	250,000	-	-	-	250,000
		11 October 2004 to 10 October 2006	11 October 2006 to 28 August 2012	250,000	-	-	-	250,000
		11 October 2004 to 10 October 2007	11 October 2007 to 28 August 2012	250,000	-	-	-	250,000
		11 October 2004 to 10 October 2008	11 October 2008 to 28 August 2012	250,000	-	-	-	250,000



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37. SHARE OPTIONS (continued)

Date of grant	Exercise price HK\$	Vesting period	Exercisable period	Outstanding at 1 April 2005	Granted during the year (note d)	Exercised during the year (note e)	Cancelled during the year	Outstanding at 31 March 2006
25 January 2006	1.136	25 January 2006 to 24 January 2007	25 January 2007 to 28 August 2012	-	4,875,000	-	-	4,875,000
		25 January 2006 to 24 January 2008	25 January 2008 to 28 August 2012	-	4,875,000	-	-	4,875,000
		25 January 2006 to 24 January 2009	25 January 2009 to 28 August 2012	-	4,875,000	-	-	4,875,000
		25 January 2006 to 24 January 2010	25 January 2010 to 28 August 2012	-	3,875,000	-	-	3,875,000
				<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
				220,645,000	18,500,000	(2,591,000)	(23,420,000)	213,134,000

Notes:

- (d) During the year ended 31 March 2006, 18,500,000 share options were granted to eligible persons as defined in the New Scheme. The closing share price of the Company's shares on 24 January 2006, the trading day preceding the date of grant of the share options were HK\$1.11.
- (e) The weighted average closing prices of the Company's shares immediately before the dates of which the share options were exercised during the year ended 31 March 2006 was HK\$1.20. The Company's shares were suspended from 30 November 2004 to 10 January 2006 (the "Suspension Period"). The closing share price of the Company's share immediately before the dates on which share options were exercised during the Suspension Period is deemed as HK\$1.09, the closing share price of the Company's share on the day of resumption of trading of the shares of the Company on 11 January 2006.

Other than the options stated above, no options had been granted by the Company to the other participants pursuant to the New Scheme.



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For the year ended 31 March 2006

37. SHARE OPTIONS (continued)

2005

The following table shows the movements in the Company's share options granted under the Old Scheme during the year ended 31 March 2005:

Date of grant	Exercise price HK\$	Vesting period	Exercisable period	Outstanding at 1 April 2004	Exercised during the year (note b)	Cancelled during the year	Outstanding at 31 March 2005
25 November 2000	0.336	25 November 2000 to 24 November 2001	25 November 2001 to 27 March 2010	484,000	(54,000)	-	430,000
		25 November 2000 to 24 November 2002	25 November 2002 to 27 March 2010	648,000	(108,000)	-	540,000
		25 November 2000 to 24 November 2003	25 November 2003 to 27 March 2010	690,000	(654,000)	-	36,000
		25 November 2000 to 24 November 2004	25 November 2004 to 27 March 2010	29,685,000	-	-	29,685,000
2 April 2001	0.292	2 April 2001 to 1 April 2004	2 April 2004 to 27 March 2010	500,000	(500,000)	-	-
		2 April 2001 to 1 April 2005	2 April 2005 to 27 March 2010	500,000	-	-	500,000
23 January 2002	0.420	23 January 2002 to 22 January 2005	23 January 2005 to 27 March 2010	3,750,000	-	-	3,750,000
		23 January 2002 to 22 January 2006	23 January 2006 to 27 March 2010	3,750,000	-	-	3,750,000
25 March 2002	0.520	25 March 2002 to 24 March 2004	25 March 2004 to 27 March 2010	966,000	(966,000)	-	-
		25 March 2002 to 24 March 2005	25 March 2005 to 27 March 2010	868,000	-	-	868,000
8 August 2002	0.750	8 August 2002 to 7 August 2004	8 August 2004 to 27 March 2010	500,000	(500,000)	-	-
		8 August 2002 to 7 August 2005	8 August 2005 to 27 March 2010	500,000	-	-	500,000
		8 August 2002 to 7 August 2006	8 August 2006 to 27 March 2010	500,000	-	-	500,000
				43,341,000	(2,782,000)	-	40,559,000

Notes:

- (a) No share option was granted under the Old Scheme during the year ended 31 March 2005.
- (b) The weighted average closing prices of the Company's shares immediately before the dates of which the share options were exercised during the year ended 31 March 2005 was HK\$2.60.



Notes to the Consolidated Financial Statements

For the year ended 31 March 2006

37. SHARE OPTIONS (continued)

The following table shows the movements in the Company's share options granted under the New Scheme during the year ended 31 March 2005:

Date of grant	Exercise price HK\$	Vesting period	Exercisable period	Outstanding at 1 April 2005	Granted during the year (note c)	Exercised during the year (note d)	Cancelled during the year	Outstanding at 31 March 2006
5 October 2002	0.840	5 October 2002 to 4 October 2004	5 October 2004 to 28 August 2012	11,900,000	-	(7,800,000)	-	4,100,000
		5 October 2002 to 4 October 2005	5 October 2005 to 28 August 2012	11,900,000	-	-	-	11,900,000
		5 October 2002 to 4 October 2006	5 October 2006 to 28 August 2012	11,900,000	-	-	-	11,900,000
14 February 2003	0.874	14 February 2003 to 13 February 2005	14 February 2005 to 28 August 2012	366,000	-	-	-	366,000
		14 February 2003 to 13 February 2006	14 February 2006 to 28 August 2012	368,000	-	-	-	368,000
18 March 2003	0.800	18 March 2003 to 17 March 2004	18 March 2004 to 28 August 2012	250,000	-	(250,000)	-	-
		18 March 2003 to 17 March 2005	18 March 2005 to 28 August 2012	250,000	-	-	-	250,000
		18 March 2003 to 17 March 2006	18 March 2006 to 28 August 2012	250,000	-	-	-	250,000
		18 March 2003 to 17 March 2007	18 March 2007 to 28 August 2012	250,000	-	-	-	250,000
28 March 2003	0.776	28 March 2003 to 27 March 2004	28 March 2004 to 28 August 2012	76,000	-	(76,000)	-	-
		28 March 2003 to 27 March 2005	28 March 2005 to 28 August 2012	76,000	-	-	-	76,000
		28 March 2003 to 27 March 2006	28 March 2006 to 28 August 2012	76,000	-	-	-	76,000
		28 March 2003 to 27 March 2007	28 March 2007 to 28 August 2012	72,000	-	-	-	72,000



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For the year ended 31 March 2006

37. SHARE OPTIONS (continued)

Date of grant	Exercise price HK\$	Vesting period	Exercisable period	Outstanding at 1 April 2005	Granted during the year (note c)	Exercised during the year (note d)	Cancelled during the year	Outstanding at 31 March 2006
9 June 2003	0.752	9 June 2003 to 8 June 2004	9 June 2004 to 28 August 2012	500,000	-	(500,000)	-	-
		9 June 2003 to 8 June 2005	9 June 2005 to 28 August 2012	500,000	-	-	-	500,000
		9 June 2003 to 8 June 2006	9 June 2006 to 28 August 2012	500,000	-	-	-	500,000
		9 June 2003 to 8 June 2007	9 June 2007 to 28 August 2012	500,000	-	-	-	500,000
27 June 2003	0.742	27 June 2003 to 26 June 2004	27 June 2004 to 28 August 2012	250,000	-	(250,000)	-	-
		27 June 2003 to 26 June 2005	27 June 2005 to 28 August 2012	250,000	-	-	-	250,000
		27 June 2003 to 26 June 2006	27 June 2006 to 28 August 2012	250,000	-	-	-	250,000
		27 June 2003 to 26 June 2007	27 June 2007 to 28 August 2012	250,000	-	-	-	250,000
16 October 2003	1.660	16 October 2003 to 15 October 2004	16 October 2004 to 28 August 2012	32,330,000	-	(2,583,000)	-	29,747,000
		16 October 2003 to 15 October 2005	16 October 2005 to 28 August 2012	32,330,000	-	-	-	32,330,000
		16 October 2003 to 15 October 2006	16 October 2006 to 28 August 2012	35,430,000	-	-	-	35,430,000
		16 October 2003 to 15 October 2007	16 October 2007 to 28 August 2012	42,030,000	-	-	-	42,030,000
		16 October 2003 to 15 October 2008	16 October 2008 to 28 August 2012	11,000,000	-	-	-	11,000,000
26 February 2004	2.575	26 February 2004 to 25 February 2005	26 February 2005 to 28 August 2012	2,600,000	-	-	-	2,600,000
		26 February 2004 to 25 February 2006	26 February 2006 to 28 August 2012	2,600,000	-	-	-	2,600,000
		26 February 2004 to 25 February 2007	26 February 2007 to 28 August 2012	2,600,000	-	-	-	2,600,000
		26 February 2004 to 25 February 2008	26 February 2008 to 28 August 2012	2,600,000	-	-	-	2,600,000



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For the year ended 31 March 2006

37. SHARE OPTIONS (continued)

Date of grant	Exercise price HK\$	Vesting period	Exercisable period	Outstanding at 1 April 2005	Granted during the year (note c)	Exercised during the year (note d)	Cancelled during the year	Outstanding at 31 March 2006
16 April 2004	2.740	16 April 2004 to 15 April 2005	16 April 2005 to 28 August 2012	-	132,500	-	-	132,500
		16 April 2004 to 15 April 2006	16 April 2006 to 28 August 2012	-	132,500	-	-	132,500
		16 April 2004 to 15 April 2007	16 April 2007 to 28 August 2012	-	132,500	-	-	132,500
		16 April 2004 to 15 April 2008	16 April 2008 to 28 August 2012	-	132,500	-	-	132,500
28 July 2004	2.275	N/A	28 July 2004 to 28 August 2012	-	1,000,000	-	-	1,000,000
		28 July 2004 to 27 July 2005	28 July 2005 to 28 August 2012	-	5,000,000	-	-	5,000,000
		28 July 2004 to 27 July 2006	28 July 2006 to 28 August 2012	-	5,000,000	-	-	5,000,000
		28 July 2004 to 27 July 2007	28 July 2007 to 28 August 2012	-	5,000,000	-	-	5,000,000
		28 July 2004 to 27 July 2008	28 July 2008 to 28 August 2012	-	5,000,000	-	-	5,000,000
30 September 2004	2.175	30 September 2004 to 29 September 2005	30 September 2005 to 28 August 2012	-	80,000	-	-	80,000
		30 September 2004 to 29 September 2006	30 September 2006 to 28 August 2012	-	80,000	-	-	80,000
		30 September 2004 to 29 September 2007	30 September 2007 to 28 August 2012	-	80,000	-	-	80,000
		30 September 2004 to 29 September 2008	30 September 2008 to 28 August 2012	-	80,000	-	-	80,000
5 October 2004	2.200	5 October 2004 to 4 October 2005	5 October 2005 to 28 August 2012	-	1,250,000	-	-	1,250,000
		5 October 2004 to 4 October 2006	5 October 2006 to 28 August 2012	-	1,250,000	-	-	1,250,000
		5 October 2004 to 4 October 2007	5 October 2007 to 28 August 2012	-	1,250,000	-	-	1,250,000
		5 October 2004 to 4 October 2008	5 October 2008 to 28 August 2012	-	1,250,000	-	-	1,250,000



Notes to the Consolidated Financial Statements

For the year ended 31 March 2006

37. SHARE OPTIONS (continued)

Date of grant	Exercise price HK\$	Vesting period	Exercisable period	Outstanding at 1 April 2005	Granted during the year (note c)	Exercised during the year (note d)	Cancelled during the year	Outstanding at 31 March 2006
11 October 2004	2.225	11 October 2004 to 10 October 2005	11 October 2005 to 28 August 2012	-	250,000	-	-	250,000
		11 October 2004 to 10 October 2006	11 October 2006 to 28 August 2012	-	250,000	-	-	250,000
		11 October 2004 to 10 October 2007	11 October 2007 to 28 August 2012	-	250,000	-	-	250,000
		11 October 2004 to 10 October 2008	11 October 2008 to 28 August 2012	-	250,000	-	-	250,000
				204,254,000	27,850,000	(11,459,000)	-	220,645,000

Notes:

- (c) During the year ended 31 March 2005, 27,850,000 share options were granted to eligible persons as defined in the New Scheme. The closing share prices of the Company on 15 April 2004, 27 July 2004, 28 September 2004, 4 October 2004 and 8 October 2004, the trading days preceding the date of grant of the share options were HK\$2.7, HK\$2.275, HK\$2.1, HK\$2.125 and HK\$2.225 respectively.
- (d) The weighted average closing prices of the Company's shares immediately before the dates of which the share options were exercised during the year ended 31 March 2005 was HK\$2.32.

Other than the options stated above, no options had been granted by the Company to the other participants pursuant to the New Scheme during the year ended 31 March 2005.

At the balance sheet date, outstanding share options of 44,000,000 (2005: 38,500,000) above are held by the directors of the Company. Details of the share options held by the directors are disclosed in the section headed "Directors' interests in shares and share options" of the report of the directors.



Notes to the Consolidated Financial Statements

For the year ended 31 March 2006

38. SHARE-BASED PAYMENTS

The particulars of the share option schemes of the Company, and the details of and the movements in share options during the years ended 31 March 2006 are disclosed in note 37, a summary of which is presented below:

	2006		2005	
	Number of share options	Weighted average exercise price HK\$	Number of share options	Weighted average exercise price HK\$
Outstanding at the beginning of the year	261,204,000	1.459	247,595,000	1.338
Granted during the year	18,500,000	1.136	27,850,000	2.267
Exercised during the year	(22,112,000)	0.406	(14,241,000)	0.910
Cancelled during the year	(23,754,000)	1.873	–	
Outstanding at the end of the year	233,838,000	1.491	261,204,000	1.459
Exercisable at the end of the year	99,532,500		73,448,000	

The weighted average share price at the date of exercise for share options exercised during the year was HK\$1.33 (2005: HK\$2.37). The share options outstanding as at 31 March 2006 have a weighted average remaining contractual life of 6.28 years (2005: 7.11 years) and the exercise prices of which range from HK\$0.292 to HK\$2.740 (2005: HK\$0.292 to HK\$2.740).

As mentioned in note 2, the Company has applied HKFRS 2 “Share-based Payment” to account for its share options in the current year. An amount of share option expense of HK\$28 million (2005: HK\$22 million) has been recognised in the current year, with a corresponding adjustment recognised in the Company’s share option reserve for those share options that were granted after 7 November 2002 and had not yet vested on 1 April 2005.



Notes to the Consolidated Financial Statements

For the year ended 31 March 2006

38. SHARE-BASED PAYMENTS *(continued)*

The variables used in the Black-Scholes Model for calculating fair value of the share options granted after 7 November 2002 and not yet vested on 1 April 2005 are summarised as follows:

Date of grant of the share options	Expected life of the share options	Risk-free interest rate	Expected volatility of share prices	Expected dividend yield
14 February 2003	5 years	3.11%	34% – 40%	3.5%
18 March 2003	5 years	3.17%	34% – 40%	3.5%
28 March 2003	5 years	3.18%	34% – 40%	3.5%
9 June 2003	5 years	2.44%	34% – 40%	3.5%
27 June 2003	5 years	2.67%	34% – 40%	3.5%
16 October 2003	5 years	3.27%	34% – 40%	3.5%
26 February 2004	5 years	2.59%	34% – 40%	3.5%
16 April 2004	5 years	3.05%	34% – 40%	3.5%
28 July 2004	5 years	3.81%	34% – 40%	3.5%
30 September 2004	5 years	3.05%	34% – 40%	3.5%
5 October 2004	5 years	3.08%	34% – 40%	3.5%
11 October 2004	5 years	2.99%	34% – 40%	3.5%
25 January 2006	5 years	3.96%	34% – 40%	3.5%

- (a) The expected life of the share options is determined as five years, which represents the expected years of services of the employees with the Group from the date of grant up to the date of exercise of the share option.
- (b) The risk-free interest rate applied to the Black-Scholes Model represents the yield of the Hong Kong Exchange Fund Notes closest to the fifth anniversary day of the date of grant of the share options as at that date of grant.
- (c) The expected volatility of share prices applied to the Black-Scholes Model is derived with reference to the annualised average standard deviation of the daily closing share prices of the Company since 7 April 2000 (the date of initial share dealing of the Company in the Stock Exchange) to the respective dates of grant and management's expectation on the future movements in share prices.
- (d) The expected dividend yield is derived with reference to the expected annual dividend to the expected share prices of the Company.



Notes to the Consolidated Financial Statements

For the year ended 31 March 2006

38. SHARE-BASED PAYMENTS (continued)

The fair value of share options granted determined using the Black-Scholes Model as at the respective dates of grant with the above variables are summarised as follows:

Date of grant of the share options	Number of share options granted after 7 November 2002 and not yet vested on 1 April 2005	Estimated fair value per share option <i>HK\$</i>	Total estimated fair value of corresponding share options granted <i>HK\$</i>
14 February 2003	368,000	0.24	88,320
18 March 2003	500,000	0.22	110,000
28 March 2003	148,000	0.22	32,560
9 June 2003	1,500,000	0.20	300,000
27 June 2003	750,000	0.22	165,000
16 October 2003	120,790,000	0.46	55,563,400
26 February 2004	7,800,000	0.71	5,538,000
16 April 2004	530,000	0.77	408,100
28 July 2004	20,000,000	0.65	13,000,000
30 September 2004	320,000	0.59	188,800
5 October 2004	5,000,000	0.62	3,100,000
11 October 2004	1,000,000	0.63	630,000
25 January 2006	18,500,000	0.33	6,105,000
			<hr/>
			85,229,180

The weighted average fair value of share options granted during the year was HK\$0.33 (2005: HK\$0.65).

For the purpose of the calculation of the fair value of share options, no adjustment has been made in respect of share options expected to be forfeited, due to lack of historical data.



Notes to the Consolidated Financial Statements

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39. DISPOSAL OF SUBSIDIARIES

	2006 <i>HK\$ million</i>	2005 <i>HK\$ million</i>
Net assets disposed of:		
Property, plant and equipment	42	–
Other receivables	2	–
Other payables	(36)	–
Net assets disposed of	8	–
Gain on disposal of subsidiaries	3	–
Total consideration	11	–
Satisfied by and cash inflow arising on disposal:		
Cash consideration	11	–

The subsidiaries disposed of during the year have no significant impact on the results and cash flows of the Group for the year.

40. PLEDGE OF ASSETS

At 31 March 2006, the Group's bank borrowings were secured by the following:

- (a) charges over prepaid lease payments on land use rights and leasehold land and buildings with carrying value of HK\$17 million (2005: nil) and HK\$137 million (2005: HK\$19 million) respectively;
- (b) bills receivable of HK\$405 million (2005: nil); and
- (c) bank deposits of HK\$38 million (2005: HK\$1,055 million).

In addition, there were other bills receivable endorsed to suppliers and discounted with recourse of HK\$1,800 million (2005: HK\$669 million) and HK\$151 million (2005: HK\$765 million) respectively as disclosed in note 26.

The pledged bank deposits carry annual interest ranging from 1.2% to 2.7%. The fair value of bank deposits as at 31 March 2006 approximates to the corresponding carrying amount.



Notes to the Consolidated Financial Statements

For the year ended 31 March 2006

41. OPERATING LEASE ARRANGEMENTS

The Group as lessee

At the balance sheet date, the Group had outstanding commitments for future minimum lease payments under non-cancelable operating leases in respect of land and building which fall due as follows:

	2006 <i>HK\$ million</i>	2005 <i>HK\$ million</i>
Within one year	17	22
In the second to fifth year inclusive	21	33
Over five years	5	8
	43	63

Operating lease payments represent rentals payable by the Group for certain of its offices and factory premises. Leases are negotiated for terms ranging from one to five years and rentals are fixed over the term of the relevant leases.

The Group as lessor

During the year, the Group earned rental income of HK\$39 million (2005: HK\$35 million) from the lease of the Group's properties. The leased properties have committed tenants for terms ranging from one to five years.

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

	2006 <i>HK\$ million</i>	2005 <i>HK\$ million</i>
Within one year	39	27
In the second to fifth year inclusive	16	21
	55	48



Notes to the Consolidated Financial Statements

For the year ended 31 March 2006

42. CAPITAL COMMITMENTS

At the balance sheet date, the Group had the following capital commitments:

	2006 <i>HK\$ million</i>	2005 <i>HK\$ million</i>
Contracted but not provided for, in respect of:		
Purchase of property, plant and equipment	7	6
Investment in unlisted equity securities in the PRC	–	4
Factory buildings under development	89	258
	96	268
Authorised but not contracted for, in respect of:		
Purchase of property, plant and equipment	101	–
Factory buildings under development	162	57
	263	57

43. CONTINGENT LIABILITIES

Up to the date of this report, there are individual patent disputes which arise from time to time in the ordinary course of the business of the Group. The Group is in the course of processing these matters. While it is in an early stage of those disputes, the directors of the Company are of the view that these patent disputes will not have a material adverse impact on the consolidated financial statements of the Group.



Notes to the Consolidated Financial Statements

For the year ended 31 March 2006

44. RETIREMENT BENEFITS SCHEMES

The Group participates in both a defined contribution scheme which is registered under the Occupational Retirement Scheme Ordinance (the "ORSO Scheme") and a Mandatory Provident Fund Scheme (the "MPF Scheme") established under the Mandatory Provident Fund Ordinance in December 2000. The assets of the schemes are held separately from those of the Group, in funds under the control of trustees. Certain employees who were members of the ORSO Scheme prior to the establishment of the MPF Scheme remained with the ORSO Scheme, whereas all new employees joining the Group on or after 1 December 2000 are required to join the MPF Scheme.

Under the rule of the MPF Scheme, the employer and its employees are each required to make contributions to the scheme at rate specified in the rules. The ORSO Scheme is funded by monthly contributions from both employees and the Group at 5% of the employee's basic salary. The pension costs charged to the income statement represent contributions payable to the funds by the Group at rates specified in the rules of the schemes.

The employees of the Company's PRC subsidiaries are members of the state-managed retirement benefits scheme operated by the PRC government. The Company's PRC subsidiaries are required to contribute a certain percentage of their payroll to the retirement benefits scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefits scheme is to make the required contributions under the scheme.

The aggregate retirement benefit scheme contributions and pension costs for the Group's employees, net of forfeited contributions, which have been dealt with in the income statement of the Group, are as follows:

	2006 <i>HK\$ million</i>	2005 <i>HK\$ million</i>
Retirement benefit scheme contributions in Hong Kong	1	1
Pension costs in the PRC	9	8
Total retirement benefit scheme contributions	10	9

At 31 March 2006, there were no forfeited contributions available to offset future employers' contributions to the schemes.



Notes to the Consolidated Financial Statements

For the year ended 31 March 2006

45. RELATED PARTY TRANSACTIONS

Trading transactions

During the year, the Group has the following transactions with jointly controlled entities:

	2006 <i>HK\$ million</i>	2005 <i>HK\$ million</i>
Sub-contracting charges paid	4	2
Sales of raw materials	5	5
Purchase of finished goods	3	–
Advertising and promotional expenses	29	31
Transfer of plant and equipment	–	1

Compensation of key management personnel

The remuneration of directors and other members of key management during the year was as follows:

	2006 <i>HK\$ million</i>	2005 <i>HK\$ million</i>
Short-term benefits	28	27
Post-employment benefits	1	1
Share-based payments	5	5
	34	33

The remuneration of directors and key management is reviewed by the remuneration committee having regard to the performance of individuals and market trends.



Notes to the Consolidated Financial Statements

For the year ended 31 March 2006

46. OTHER MATTERS

Reference is made to:

1. the background to the incident which occurred on 30 November 2004 and the related charges (the "Charges") and allegation by the Independent Commission Against Corruption that the company chairman might have secured the corrupt assistance of a former accountant of a certified public accountant firm in falsifying accounting records to assist the listing of the Company with the Stock Exchange (the "Allegation"), and the measures taken by the Company in response to the incident disclosed in note 43(a) to the consolidated financial statements of the Group for the year ended 31 March 2005 (the "Note") as set out in the Company's annual report 2005; and
2. the progress of the same disclosed in note 23(a) to the condensed financial statements of the Group for the six months ended 30 September 2005 as set out in the Company's interim report 2005/06.

The Charges

On 7 July 2006, the Board noted that each of Mr. Wong Wang Sang, Stephen ("Mr. Stephen Wong"), the then non-executive Chairman of the Board, and Mr. Wong Pui Sing, a former executive director of the Company, had been convicted in the District Court of the Hong Kong Special Administrative Region (the "Court") of the Charges as defined in the Note.

Based on the information available to the Company up to the date of this report, the Board has conducted a review of the internal records of the Group in respect of the subjects of the Charges (the "Review"). The findings of the Review reveal that the amounts that are the subject of three of the Charges totaling approximately HK\$51 million, had been recorded in the income statement of the Group in the previous financial years as expenses. The findings of the Review also revealed that the cash received in respect of the total exercise price for the exercise of the share options granted under the share options scheme of the Company, the remaining subject of the Charges, was recorded in the share capital and share premium accounts of the Company in the relevant financial years. The share options in question are not within the scope of the HKFRS 2 "Share-based Payment" because their date of grant was before 7 November 2002, accordingly the share options in question will not affect the income statement in any period of time under the accounting standard mentioned above.

Taking into account the above findings of the Review, the Board is of the view that it is not necessary for the Group to make any provision for any of the amounts referred to in the Charges.



Notes to the Consolidated Financial Statements

For the year ended 31 March 2006

46. OTHER MATTERS *(continued)*

The Allegation

In respect of the Allegation, the Company is not aware of any legal proceedings that might involve or concern the Company, nor its present or past officers. Based on the information available to the Company up to the date of this report, the Board is not aware of the existence of any evidence to substantiate the Allegation.

In the absence of further information about the Allegation, the directors of the Company are however unable to determine, on a reasonable and proper basis, the financial impact that might arise in respect of the Allegation.

Specific actions taken by the Company

Further to the measures taken by the Company in response to the incident disclosed in the Note, the Board would like to report the specific actions taken by the Company during the year and up to the date of this report as follows:

1. *Independent Committee*

The Independent Committee, comprising Mr. Cheong Ying Chew, Henry, Mr. Ip Shing Hing and Mr. Heng Kwo Seng, was constituted in December 2004 (the "Independent Committee"), and delegated with duties and power to deal with certain corporate affairs of the Group as set out in the Company's announcement dated 22 December 2004.

Up to the date of this report, the Independent Committee reviewed the Financial Monitoring Report (as defined below) issued by Grant Thornton, a firm of certified public accountants ("Grant Thornton"). Based on the findings and conclusions of the Financial Monitoring Report and other information available to the Independent Committee, the Independent Committee is in the process of finalising the conclusions of their work to the Company.



Notes to the Consolidated Financial Statements

For the year ended 31 March 2006

46. OTHER MATTERS *(continued)*

Specific actions taken by the Company *(continued)*

2. *Financial Monitoring Report issued by Grant Thornton*

In December 2004, the Company appointed Grant Thornton as a financial monitor to provide assistance to the Independent Committee to safeguard and control the assets of the Group. The scope of work of Grant Thornton includes, among others, reviewing the current internal control procedures of the Company by way of walk-through test and the additional internal control procedures in monitoring daily cash disbursements, inventory movements, extraordinary movements of funds and other major cash and/or assets transfer arrangements.

Grant Thornton completed their field work as financial monitor during the year and issued the financial monitoring report to the Company on 24 April 2006 (the "Financial Monitoring Report"), which covers their review of the Company and its major subsidiaries for a period from 1 December 2004 to 31 December 2005.

3. *Extracts provided by the Stock Exchange relating to certain allegations*

The Stock Exchange provided the Company a copy of extracts of specific allegations that certain previous financial information of the Group during 1999 to 2001 was either been improperly compiled and/or inaccurate or misleading (the "Extracts").

Upon the receipt of the Extracts, the management of the Company performed certain procedures to verify the allegations contained in the Extracts. In addition, the Company has, in March 2006, engaged Grant Thornton to perform certain agreed upon procedures to independently verify the findings of the Company on the allegations contained in the Extracts. Based on the results of the procedures performed by the management and by Grant Thornton, the Company has concluded that such allegations are unfounded. The Company does not consider it in the best interests of the Company and its shareholders to devote any further time, money and resources to further investigate the allegations contained in the Extracts.



Notes to the Consolidated Financial Statements

For the year ended 31 March 2006

47. PARTICULARS OF PRINCIPAL SUBSIDIARIES

The following lists the subsidiaries of the Company as at 31 March 2006 which, in the opinion of the directors, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

Name of subsidiary	Place of incorporation/ establishment/ operation	Issued and fully paid share capital/Paid up registered capital	Effective interest held by the Company % (note c)	Principal activities
深圳創維 – RGB電子有限公司 Shenzhen Chuangwei – RGB Electronics Co., Ltd.	PRC (note a)	Registered capital RMB200,000,000	100	Manufacture and sale of consumer electronic products
創維數字技術(深圳)有限公司	PRC (note b)	Registered capital USD1,500,000	100	Manufacture and sale of consumer electronic products and research and products development
創維光電科技(深圳)有限公司	PRC (note b)	Registered capital US\$1,500,000	100	Manufacture and sale of consumer electronic products and research and products development
創維汽車電子(深圳)有限公司	PRC (note b)	Registered capital HK\$4,700,000	100	Manufacture and sale of automobile electronic products
Skyworth Digital Group Limited	British Virgin Islands	Ordinary shares HK\$893 Preference shares HK\$990	100	Investment holding



Notes to the Consolidated Financial Statements

For the year ended 31 March 2006

47. PARTICULARS OF PRINCIPAL SUBSIDIARIES (continued)

Name of subsidiary	Place of incorporation/ establishment/ operation	Issued and fully paid share capital/Paid up registered capital	Effective interest held by the Company %	Principal activities
新創維電器(深圳)有限公司 Skyworth Electrical Appliances (Shenzhen) Co., Ltd.	PRC (note b)	Registered capital US\$21,180,000	100	Manufacture of consumer electronic products and property holding
Skyworth TV Holdings Limited 創維電視控股有限公司	Hong Kong	Ordinary shares HK\$30,600,000 Non-voting deferred shares HK\$2,500,000 (note d)	100	Procurement of raw materials and investment holding
創維網絡通訊(深圳)有限公司	PRC (note b)	Registered capital HK\$50,000,000	100	Investment holding
Skyworth Multimedia International Limited 創維多媒體國際有限公司	Hong Kong	Ordinary shares HK\$10,000	100	Manufacture and sale of consumer electronic products
Skyworth Overseas Development Limited 創維海外發展有限公司	Hong Kong	Ordinary shares HK\$10,000	100	Manufacture and sale of consumer electronic products
Skyworth Moulds Industrial Company Limited	British Virgin Islands	Ordinary shares US\$10	100	Investment holding
創維多媒體(深圳)有限公司	PRC (note b)	Registered capital US\$3,500,000	100	Manufacture and sale of consumer electronic products
Skyworth Sales (Hong Kong) Co., Limited 創維集團香港銷售有限公司	Hong Kong	Ordinary shares HK\$2	100	Trading of consumer electronic products



Notes to the Consolidated Financial Statements

For the year ended 31 March 2006

47. PARTICULARS OF PRINCIPAL SUBSIDIARIES (continued)

Name of subsidiary	Place of incorporation/ establishment/ operation	Issued and fully paid share capital/Paid up registered capital	Effective interest held by the Company % (note c)	Principal activities
Skyworth Macao Commercial Offshore Company Limited 創維澳門離岸商業服務有限公司	Macau	Ordinary shares MOP\$100,000	100	Research and development
Winform Inc.	British Virgin Islands/ Hong Kong	Ordinary share US\$1	100	Property holding
創維平面顯示科技(深圳)有限公司	PRC (note b)	Registered capital US\$12,000,000	100	Property holding
Skyworth Mobile Communication Limited	British Virgin Islands	Ordinary share US\$1	100	Trading of mobile communication related products and investment holding
創維移動通信技術(深圳)有限公司	PRC (note b)	Registered capital US\$1,500,000	100	Research and product development
創維液晶器件(深圳)有限公司	PRC (note b)	Registered capital HK\$10,830,000	100	Manufacture and sale of consumer electronic products and research and products development
創維應用電子(深圳)有限公司	PRC (note b)	Registered capital US\$1,200,000	94	Trading of consumer electronic products
創維電子(內蒙古)有限公司	PRC (note a)	Registered capital US\$10,000,000	100	Manufacture and sale of consumer electronic products



Notes to the Consolidated Financial Statements

For the year ended 31 March 2006

47. PARTICULARS OF PRINCIPAL SUBSIDIARIES (continued)

Name of subsidiary	Place of incorporation/ establishment/ operation	Issued and fully paid share capital/Paid up registered capital	Effective interest held by the Company %	Principal activities
			(note c)	
Skyworth Intellectual Property Holdings Limited	British Virgin Islands	Ordinary share US\$1	100	Intellectual property holding
Skyworth Electronics Inc.	The United States of America	Ordinary share US\$100,000	100	Trading of consumer electronic products

Notes:

- (a) The subsidiary is a sino-foreign equity joint venture registered in the PRC.
- (b) The subsidiaries are wholly foreign owned enterprises registered in the PRC.
- (c) The Company directly holds the entire interest in Skyworth Digital Group Limited. The interests of all other companies are indirectly held by the Company.
- (d) The non-voting deferred shares carry practically no rights to dividends nor receive notice of nor to attend or vote at any general meeting of the relevant company nor to participate in any distribution on winding up.

東莞市創維電器發展有限公司 (“東莞創維”), a limited company established in the PRC, is principally engaged in the trading of consumer electronic products supplied by the Group. The Company does not, directly or indirectly, own any of the registered capital of 東莞創維. However, since both the business activities and decision making of 東莞創維 are managed and determined by the Group and the Group retains the majority of the residual or ownership risks or the assets related to 東莞創維 in order to obtain benefits from the activities of 東莞創維, in the opinion of the directors, 東莞創維 is considered as a special purpose entity of the Group. Accordingly, 東莞創維 was consolidated in the consolidated financial statements of the Group for each of the two years ended 31 March 2006.

None of the subsidiaries had any debt securities outstanding at 31 March 2006 or at any time during the year.



Notes to the Consolidated Financial Statements

For the year ended 31 March 2006

48. SUMMARISED BALANCE SHEET OF THE COMPANY

	2006 <i>HK\$ million</i>	2005 <i>HK\$ million</i>
Investments in subsidiaries	1,144	1,144
Amounts due from subsidiaries	1,289	1,281
Other current assets	1	1
Other current liabilities	(4)	(6)
	2,430	2,420
Share capital	228	226
Share premium	1,192	1,186
Reserves	1,010	1,008
	2,430	2,420