



Notes to the Financial Statements

For the year ended 31st December, 2003

1. GENERAL

The Company is incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law (Revised) of the Cayman Islands ("Companies Law"). Its ordinary shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company is an investment holding company. The principal activities of its principal subsidiaries are set out in note 33.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has adopted, for the first time, the following Hong Kong Financial Reporting Standards (the "HKFRS(s)") issued by the Hong Kong Society of Accountants (the "HKSA"), the term of HKFRSs is inclusive of Statements of Standard Accounting Practice ("SSAP(s)") and Interpretations approved by the HKSA:

SSAP 12 (Revised) "Income Taxes"

SSAP 12 (Revised) "Income Taxes" comes into effect for the accounting period beginning on or after 1st January, 2003. The principal effect of the implementation of SSAP 12 (Revised) is in relation to deferred tax. In previous years, a liability was recognised in respect of timing differences arising, except where those timing differences were not expected to reverse in the foreseeable future, i.e. partial provision was made for deferred tax using the income statement liability method. SSAP 12 (Revised) requires the adoption of a balance sheet liability method, whereby deferred tax is recognised in respect of all temporary differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, with limited exceptions. In the absence of any specific transitional requirements in SSAP 12 (Revised), the new accounting policy has been applied retrospectively. Comparative amounts for 2002 have been restated accordingly. As a result of the change in policy, the balance on the negative goodwill and minority interest at 1st January, 2002 has been reduced by approximately HK\$6,556,000 and HK\$8,160,000 respectively, representing the additional deferred tax liability arising on the acquisition of subsidiaries in previous years. The balance on the contractual reimbursement from related companies at 1st January, 2002 has been increased by approximately HK\$17,821,000 accordingly. The aggregate effect of the balance on the deferred tax liability has been increased by approximately HK\$32,537,000 as at 1st January, 2002. The effect of the change is a decrease in the profit of approximately HK\$901,000 for the year ended 31st December, 2002.



3. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention as modified for the revaluation of investment properties.

The financial statements have been prepared in accordance with accounting principles generally accepted in Hong Kong. The principal accounting policies adopted are as follows:

Basis of consolidation

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

Goodwill

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

Goodwill arising on acquisitions of subsidiaries prior to 1st January, 2001 continues to be held in reserves, and will be charged to the income statement at the time of disposal of the relevant subsidiary, or at such time as the goodwill is determined to be impaired.

Goodwill arising on acquisitions of subsidiaries after 1st January, 2001 is capitalised as a separate asset on the balance sheet and amortised on a straight-line basis over its useful economic life.

Negative goodwill

Negative goodwill represents the excess of the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary at the date of acquisition over the cost of acquisition.

Negative goodwill arising on acquisitions of subsidiaries is presented as a deduction from assets. To the extent that such negative goodwill is attributable to losses or expenses anticipated at the date of acquisition, it is released to income in the period in which those losses or expenses arise. The remaining negative goodwill is recognised as income on a straight-line basis over the remaining average useful life of the identifiable acquired depreciable assets. To the extent that such negative goodwill exceeds the aggregate fair value of the acquired identifiable non-monetary assets, it is recognised as income immediately.



Notes to the Financial Statements

For the year ended 31st December, 2003

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Investment properties

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

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

On disposal of an investment property, the balance on the investment property revaluation reserve attributable to that property is transferred to the income statement.

No depreciation is provided on investment properties except where the unexpired term of the relevant lease is 20 years or less.

Property, plant and equipment

Property, plant and equipment are stated at cost less depreciation and amortisation and accumulated impairment losses.

Depreciation and amortisation are provided to write off the cost of items of property, plant and equipment over their estimated useful lives, from the date on which they become fully operational, using the straight-line method, as follows:

Leasehold land	50 years or, if shorter, over the term of the relevant lease
Buildings	20 – 30 years
Leasehold improvements	Over the term of the relevant lease
Plant and machinery	3 – 15 years
Furniture and fixtures	3 – 5 years
Motor vehicles	3 – 5 years

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets.

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



3. SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

Assets held under finance leases

Leases are classified as finance leases when the terms of the leases transfer substantially all the risks and rewards of ownership of the assets concerned to the Group.

Assets held under finance leases are capitalised at their fair values at the date of acquisition. The corresponding liability to the lessor, net of interest charges, is included in the balance sheet as obligations under finance leases. Finance costs, which represent the difference between the total finance lease and the original outstanding principal at the inception of the finance lease, are charged to the income statement over the period of the respective leases so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

All other leases are classified as operating leases and the rentals payable are charged to the income statement on a straight-line basis over the term of the relevant lease.

Investments in subsidiaries

Investments in subsidiaries are included in the Company's balance sheet at cost less any identified impairment loss.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average cost method. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Impairment

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

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



Notes to the Financial Statements

For the year ended 31st December, 2003

3. SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

Revenue recognition

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

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

Rental income, including rentals invoiced in advance from properties let under operating leases, is recognised on a straight-line basis over the term of the relevant lease.

Taxation

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

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

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

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

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



3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Foreign currencies

Transactions in currencies other than Hong Kong dollars are translated into Hong Kong dollars at the rates ruling on the dates of the transactions or at the contracted settlement rate. Monetary assets and liabilities denominated in currencies other than Hong Kong dollars are re-translated into Hong Kong dollars at the rates ruling on the balance sheet date. Gains and losses arising on exchange are dealt with in the income statement.

On consolidation, the assets and liabilities of subsidiaries which are denominated in currencies other than Hong Kong dollar and which operate outside Hong Kong are translated into Hong Kong dollars at the approximate rates ruling on the balance sheet date. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising, if any, are classified as equity and are recognised as income or as expenses in the period in which the operations are disposed of.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, 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 an expense in the period in which they are incurred.

Retirement benefit costs

Payments to the Mandatory Provident Fund Scheme (the "MPF Scheme") are charged as an expense as they fall due.

For defined benefit retirement plans, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at each balance sheet date. Actuarial gains and losses which exceed 10 per cent of the greater of the present value of the Group's defined benefit obligations and the fair value of plan assets are amortised over the expected average remaining working lives of the employees participating in the plan. Past service cost is recognised immediately to the extent that the benefits are already vested, and otherwise is amortised on a straight-line basis over the average period until the amended benefits become vested.

The amount recognised in the balance sheet represents the present value of the defined benefit obligation as adjusted for unrecognised actuarial gains and losses and unrecognised transitional liability on initial adoption of SSAP 34 "Employee Benefits", and as reduced by the fair value of plan assets. Any asset resulting from this calculation is limited to unrecognised actuarial losses and past service cost, plus the present value of available refunds and reductions in future contributions to the plan.



Notes to the Financial Statements

For the year ended 31st December, 2003

4. SEGMENT INFORMATION

During the year, the management have reassessed the primary source of the Group's risks and return and redesignated business segments as the Group's primary reporting format.

Business segments

The Group is currently operating in two business segments, namely printing and property investment. Turnover of the Group represents net amounts received and receivable for goods sold by the Group to outside customers, less returns and allowances and property rental income during the year. Segmental information about these businesses is presented below.

2003

CONSOLIDATED INCOME STATEMENT

	Printing <i>HK\$'000</i>	Property investment <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
TURNOVER – external	<u>660,361</u>	<u>14,876</u>	<u>675,237</u>
SEGMENT RESULTS	<u>54,488</u>	<u>11,860</u>	66,348
Unallocated corporate income			1,202
Unallocated corporate expenses			<u>(1,620)</u>
Profit from operations			65,930
Finance costs			<u>(6,257)</u>
Profit before taxation			59,673
Income tax expenses			<u>(6,704)</u>
Profit before minority interest			<u>52,969</u>



4. SEGMENT INFORMATION *(cont'd)*
2003 *(cont'd)*

CONSOLIDATED BALANCE SHEET

	Printing <i>HK\$'000</i>	Property investment <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
ASSETS			
Segment assets	495,847	420,251	916,098
Unallocated corporate assets			169,028
			<hr/>
Consolidated total assets			1,085,126
			<hr/>
LIABILITIES			
Segment liabilities	224,444	130,538	354,982
Unallocated corporate liabilities			117,806
			<hr/>
Consolidated total liabilities			472,788
			<hr/>

OTHER INFORMATION

	Printing <i>HK\$'000</i>	Property investment <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Capital expenditure	74,387	715	75,102
Depreciation and amortisation	34,401	207	34,608
Loss on disposal of property, plant and equipment	86	–	86
			<hr/>



Notes to the Financial Statements

For the year ended 31st December, 2003

4. SEGMENT INFORMATION (cont'd) 2002

CONSOLIDATED INCOME STATEMENT

	Printing <i>HK\$'000</i>	Property investment <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
TURNOVER – external	<u>569,375</u>	<u>4,715</u>	<u>574,090</u>
SEGMENT RESULTS	<u>53,693</u>	<u>4,868</u>	58,561
Unallocated corporate income			2,504
Unallocated corporate expenses			<u>(5,111)</u>
Profit from operations			55,954
Finance costs			<u>(4,104)</u>
Profit before taxation			51,850
Income tax expenses			<u>(1,937)</u>
Profit before minority interest			<u>49,913</u>

CONSOLIDATED BALANCE SHEET

	Printing <i>HK\$'000</i>	Property investment <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
ASSETS			
Segment assets	403,257	443,945	847,202
Unallocated corporate assets			<u>182,129</u>
Consolidated total assets			<u>1,029,331</u>
LIABILITIES			
Segment liabilities	174,780	133,673	308,453
Unallocated corporate liabilities			<u>86,703</u>
Consolidated total liabilities			<u>395,156</u>



4. SEGMENT INFORMATION (cont'd)

2002 (cont'd)

OTHER INFORMATION

	Printing <i>HK\$'000</i>	Property investment <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Capital expenditure	11,472	73,278	84,750
Depreciation and amortisation	33,366	163	33,529
Gain on disposal of property, plant and equipment	214	–	<u>214</u>

Geographical segments

The Group's printing business is located in both Hong Kong and the People's Republic of China (the "PRC"), while the property business is located in the PRC.

The following table provides an analysis of the Group's turnover by geographical market, irrespective of the origin of the goods and the services.

	Turnover by geographical market	
	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
Hong Kong	193,540	180,636
Europe	176,018	151,023
North America	167,381	131,592
Australia and New Zealand	92,444	88,776
The PRC	45,060	21,587
Others	794	476
	<u>675,237</u>	<u>574,090</u>



Notes to the Financial Statements

For the year ended 31st December, 2003

4. SEGMENT INFORMATION (cont'd)

The following is an analysis of the carrying amount of segment assets and capital expenditure, analysed by the geographical area in which the assets are located:

	Carrying amount of segment assets		Capital expenditure	
	2003 HK\$'000	2002 HK\$'000 (restated)	2003 HK\$'000	2002 HK\$'000
Hong Kong	346,983	382,808	2,352	528
The PRC	738,143	646,523	72,750	88,516
	1,085,126	1,029,331	75,102	89,044

5. OTHER OPERATING INCOME

Included in other operating income is investment income as follows:

	2003 HK\$'000	2002 HK\$'000
Dividend from investments in securities	-	1
Interest earned on bank deposits	1,202	2,038

Notes to the Financial Statements

For the year ended 31st December, 2003



6. PROFIT FROM OPERATIONS

	2003 HK\$'000	2002 HK\$'000 (restated)
Profit from operations has been arrived at after charging:		
Directors' remuneration (<i>note 7</i>)	5,531	6,077
Other staff costs	81,888	81,228
Pension scheme contribution, excluding contributions for directors	2,358	2,206
Total staff costs	89,777	89,511
Auditors' remuneration:		
Current year	830	798
Overprovision in prior year	–	(150)
	830	648
Cost of inventories recognised as an expense	466,580	396,265
Depreciation and amortisation	34,608	33,529
Less: Amount capitalised in properties under development	–	(139)
	34,608	33,390
Loss on disposal property, plant and equipment	86	–
Loss on disposal of investments in securities	–	2
Rental of premises under operating leases	5,604	4,217
and after crediting:		
Gain on disposal of property, plant and equipment	–	214
Release of negative goodwill	3,502	2,979
Rental income from investment properties, net of outgoings of HK\$3,277,000 (2002: HK\$2,612,000)	11,599	2,103



Notes to the Financial Statements

For the year ended 31st December, 2003

7. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

Particulars of the emoluments of directors and the five highest paid employees are as follows:

(a) Directors' emoluments

	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
Fees:		
Executive	110	110
Non-executive	20	20
Independent non-executive	160	160
	290	290
Other emoluments:		
Executive		
Salaries and other benefits	2,580	2,340
Bonus	2,625	3,411
Pension scheme contributions	36	36
	5,241	5,787
	5,531	6,077

Emoluments of the directors are within the following bands:

	Number of directors	
	2003	2002
HK\$1,000,000 or below	5	6
HK\$1,000,001 to HK\$1,500,000	–	–
HK\$1,500,001 to HK\$2,000,000	3	3
	8	9



7. DIRECTORS' AND EMPLOYEES' EMOLUMENTS *(cont'd)*

(b) Employees' emoluments

During the year, the five highest paid individuals included three directors (2002: three directors), details of whose emoluments are set out in note 7(a) above.

The emoluments of the remaining two individuals (2002: two individuals) are as follows:

	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
Salaries and other benefits	1,594	1,594
Bonus	2,350	1,909
Pension scheme contributions	24	24
	<hr/> 3,968 <hr/>	<hr/> 3,527 <hr/>

Emoluments of the employees are within the following bands:

	Number of employees	
	2003	2002
HK\$1,000,001 to HK\$1,500,000	1	1
HK\$2,000,001 to HK\$2,500,000	1	1
	<hr/> 2 <hr/>	<hr/> 2 <hr/>

During the years ended 31st December, 2003 and 2002, no emoluments were paid by the Group to the five highest paid individuals, including directors, as an inducement to join or upon joining the Group or as compensation for loss of office. In addition, during the years ended 31st December, 2003 and 2002, no director waived any emoluments.



Notes to the Financial Statements

For the year ended 31st December, 2003

8. FINANCE COSTS

	2003 HK\$'000	2002 HK\$'000
Finance charge on obligations under finance leases	76	175
Interest on borrowings wholly repayable within five years:		
Bank borrowings	3,371	3,901
Amount due to a minority shareholder	2,810	4,322
	6,257	8,398
Less: Interest capitalised in properties under development	-	(4,294)
	6,257	4,104

9. INCOME TAX EXPENSES

	2003 HK\$'000	2002 HK\$'000
The charge (credit) represents:		
Current tax:		
Hong Kong Profits Tax	5,572	3,900
PRC income tax	1,459	1,173
	7,031	5,073
Under(over)provision in prior years:		
Hong Kong Profits Tax	324	(165)
PRC income tax	(216)	-
	108	(165)
Deferred tax (<i>note 23</i>):		
Current year	(747)	(1,120)
Overprovision in prior years	-	(1,851)
Attributable to a change in tax rate	312	-
	(435)	(2,971)
	6,704	1,937

Notes to the Financial Statements

For the year ended 31st December, 2003



9. INCOME TAX EXPENSES (cont'd)

Hong Kong Profits Tax is calculated at 17.5% (2002: 16%) on the estimated assessable profit for the year. In June 2003, the Hong Kong Profits Tax rate was increased from 16% to 17.5% with effect from the year of assessment of 2003/2004. The effect of this increase has been reflected in the calculation of current and deferred tax balances at 31st December, 2003.

PRC income tax is calculated at the applicable rates relevant to the PRC subsidiaries.

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

	2003 HK\$'000	2002 HK\$'000
Profit before taxation	59,673	51,850
Tax at the domestic income tax rate of 17.5% (2002: 16%)	10,443	8,296
Tax effect of expenses not deductible for tax purpose	825	1,517
Tax effect of income not taxable for tax purpose	(1,427)	(878)
Under(over)provision in prior years	108	(2,016)
Tax effect of additional tax losses not recognised	–	1,346
Utilisation of tax losses previously not recognised	(181)	(329)
Effect of tax holidays granted to a PRC subsidiary	(219)	(267)
Increase in opening deferred tax liability resulting from an increase in applicable tax rate	312	–
Effect of different tax rates of subsidiaries operating in other jurisdictions	(3,157)	(5,732)
Income tax expenses for the year	6,704	1,937



Notes to the Financial Statements

For the year ended 31st December, 2003

10. DIVIDENDS

	2003 HK\$'000	2002 HK\$'000
Dividends paid to ordinary shareholders:		
2001 final dividend of HK2.0 cents per share	–	7,786
2002 final dividend of HK2.8 cents per share	10,928	–
2003 special dividend of HK1.2 cents per share	4,684	–
2003 interim dividend of HK1.0 cent per share	5,343	–
Dividends paid to preference shareholders:		
Dividends to Series A preference shareholders	–	1,128
Dividends to Series B preference shareholders	3,801	5,014
Total dividends paid during the year	24,756	13,928

The final dividend of HK3.0 cents (2002: HK2.8 cents) per share to ordinary shareholders on the register of members on 20th May, 2004 amounting to approximately HK\$16,029,000 (2002: HK\$10,928,000), has been proposed by the directors and is subject to approval by shareholders in general meeting.

Subject to the Companies Law, the holders of preference shares are entitled to receive dividends semi-annually at 2.5 percent per annum on the issue price of HK\$0.60 per preference share in arrears on a daily basis.

On 22nd May, 2003, the Company and Gold Throne Finance Limited (“Gold Throne”), a substantial shareholder of the Company and the holder of Series A and Series B preference shares, entered into an agreement (the “Concession Agreement”) pursuant to which Gold Throne, among other things, would exercise the conversion right of converting 72,000,000 Series A preference shares of HK\$0.01 each into 144,000,000 new ordinary shares in the Company of HK\$0.10 each and waive any dividend payable on Series A preference shares for the period from 1st January, 2003 to 30th June, 2003. In addition, a special dividend of HK1.2 cents per share to ordinary shareholders on the register of members on 30th June, 2003 (the date of an extraordinary general meeting of shareholders of the Company approving the aforesaid transactions, “EGM”) had been proposed by the directors pursuant to the Concession Agreement. The Concession Agreement became unconditional upon approval by independent shareholders of the Company at the EGM, and accordingly the special dividend based on an aggregate of 390,290,068 ordinary shares, amounting to approximately HK\$4,684,000, was distributed in July 2003.

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11. EARNINGS PER SHARE

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

	2003 HK\$'000	2002 HK\$'000 (restated)
Net profit for the year	52,362	49,772
Dividends on preference shares	(3,801)	(6,142)
Earnings for the purposes of basic earnings per share	48,561	43,630
Effect of dilutive potential ordinary shares:		
– Dividends on convertible preference shares	–	1,128
Earnings for the purposes of diluted earnings per share	48,561	44,758
	Number of shares	
	2003	2002
Weighted average number of ordinary shares for the purposes of basic earnings per share	462,821,575	382,780,479
Effect of dilutive potential ordinary shares:		
– Convertible preference shares	71,408,219	150,509,589
– Share options	10,818	6,292
Weighted average number of ordinary shares for the purposes of diluted earnings per share	534,240,612	533,296,360

12. INVESTMENT PROPERTIES

The Group's investment properties are held under long leases in the PRC for rental income under operating leases. There were no movements in the investment properties of the Group during the year.

Legal title to certain investment properties amounting to approximately HK\$143,700,000 (2002: HK\$143,700,000) still rests in the name of the vendor even though the Group has the right to execute the transfer at anytime at their discretion. As substantially all the risks and rewards of ownership of the properties have been transferred to the Group upon execution of sales agreement, the Group has recognised the properties as its assets.

At 31st December, 2003, these investment properties were revalued by DTZ Debenham Tie Leung Limited, a firm of independent professional valuers, on an open market value basis. There was no surplus or deficit arising on the revaluation.



Notes to the Financial Statements

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13. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings <i>HK\$'000</i>	Leasehold improve- ments <i>HK\$'000</i>	Plant and machinery <i>HK\$'000</i>	Furniture and fixtures <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Total <i>HK\$'000</i>
THE GROUP						
COST						
At 1st January, 2003	57,214	1,083	301,563	31,697	4,906	396,463
Additions	7,219	2,074	58,217	6,093	1,499	75,102
Disposals	-	-	(95)	(25)	(390)	(510)
At 31st December, 2003	64,433	3,157	359,685	37,765	6,015	471,055
DEPRECIATION AND AMORTISATION						
At 1st January, 2003	5,831	1,083	164,350	24,429	3,497	199,190
Provided for the year	2,367	276	27,592	3,593	780	34,608
Eliminated on disposals	-	-	(42)	(17)	(275)	(334)
At 31st December, 2003	8,198	1,359	191,900	28,005	4,002	233,464
NET BOOK VALUES						
At 31st December, 2003	56,235	1,798	167,785	9,760	2,013	237,591
At 31st December, 2002	51,383	-	137,213	7,268	1,409	197,273

THE GROUP

2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
55,684	50,782
551	601
56,235	51,383

The net book value of the properties comprises:

Leasehold land and buildings situated in:

- the PRC under medium-term land use right
- Hong Kong under long leases

The net book value of property, plant and equipment of the Group at 31st December, 2003 included an amount of approximately HK\$5,623,000 (2002: HK\$6,387,000) in respect of assets held under finance leases.



14. CONTRACTUAL REIMBURSEMENT FROM RELATED COMPANIES

	THE GROUP	
	2003	2002
	HK\$'000	HK\$'000 (restated)
Reimbursement of construction costs of properties under development (<i>note a</i>)	41,718	41,718
Less: Reimbursement entitled up to the balance sheet date	(37,967)	(16,966)
	3,751	24,752
Reimbursement of deferred taxation liabilities (<i>note b</i>)	28,968	28,968
	32,719	53,720

Notes:

- (a) Pursuant to a sale and purchase agreement dated 29th October, 2001 entered into with Chuang's China Commercial Limited ("CCC") in respect of the acquisition of the entire issued share capital of, and shareholder's loan to, AsianWisdom.Com Limited ("Acquisition Agreement"), CCC had agreed and undertaken in favour of the Company to bear 51% of all the construction costs from the date of completion of the Acquisition Agreement up to completion of the construction works of the properties under development ("Completion Costs"). Accordingly, the relevant portion of the estimated Completion Costs amounting to approximately HK\$41,718,000 had been presented as a reimbursement of outstanding construction costs due from CCC and Chuang's China Investments Limited ("Chuang's China") at the time of acquisition of the properties under development by the Group. CCC is a wholly owned subsidiary of Chuang's China, a substantial shareholder of the Company, of which Mr. CHAN Sheung Chiu, Ms. LI Mee Sum, Ann and Mr. LEE Sai Wai are also directors. Chuang's China also joined as a party to the Acquisition Agreement in order to guarantee the due and full performance of the obligations of CCC under the Acquisition Agreement.
- (b) The amount represents a reimbursement due from CCC and Chuang's China in respect of certain deferred taxation liabilities arising from the properties of subsidiaries at the date of acquisition by the Group pursuant to the Acquisition Agreement.



Notes to the Financial Statements

For the year ended 31st December, 2003

15. NEGATIVE GOODWILL

	THE GROUP HK\$'000
GROSS AMOUNT	
At 1st January, 2002	
– as previously reported	8,477
– adjustment on adoption of SSAP 12 (Revised)	(6,556)
	<hr/>
– as restated	1,921
Adjustments to fair values of net assets acquired and estimated guaranteed rental income	1,705
	<hr/>
At 31st December, 2002	3,626
Adjustment to estimated guaranteed rental income	2,855
	<hr/>
At 31st December, 2003	6,481
	<hr/>
RELEASED TO INCOME	
Released in the year ended 31st December, 2002	
– as previously reported	3,880
– adjustment on adoption of SSAP 12 (Revised)	(901)
	<hr/>
– as restated and balance at 31st December, 2002	2,979
Released in the year ended 31st December, 2003	3,502
	<hr/>
At 31st December, 2003	6,481
	<hr/>
CARRYING AMOUNT	
At 31st December, 2003	–
	<hr/>
At 31st December, 2002	647
	<hr/>

Notes to the Financial Statements

For the year ended 31st December, 2003



16. INTERESTS IN SUBSIDIARIES

	THE COMPANY	
	2003	2002
	HK\$'000	HK\$'000
Unlisted shares, at cost	92,963	92,963
Amounts due from subsidiaries	300,307	347,996
	393,270	440,959

The amounts due from subsidiaries are unsecured, interest-free and have no fixed repayment terms. The amounts will not be repayable within twelve months from the balance sheet date and are therefore shown as a non-current asset.

Particulars of the Company's principal subsidiaries at 31st December, 2003 are set out in note 33.

17. INVENTORIES

	THE GROUP	
	2003	2002
	HK\$'000	HK\$'000
Raw materials	41,256	30,728
Work in progress	13,863	10,251
Finished goods	5,896	3,555
	61,015	44,534

Included above are raw materials of approximately HK\$962,000 (2002: HK\$275,000) which are carried at net realisable value.



Notes to the Financial Statements

For the year ended 31st December, 2003

18. TRADE RECEIVABLES

The Group has a policy of allowing credit periods ranging from 30 days to 180 days (2002: 30 days to 120 days) to its trade customers. The aged analysis of trade receivables prepared on the basis of sales invoice date is stated as follows:

	THE GROUP	
	2003 HK\$'000	2002 HK\$'000
0 to 30 days	46,350	43,072
31 to 60 days	35,925	34,502
61 to 90 days	46,185	33,100
91 to 120 days	28,986	28,270
More than 120 days	35,163	16,294
	<u>192,609</u>	<u>155,238</u>

19. TRADE PAYABLES

The aged analysis of trade payables prepared on the basis of supplier invoice date is stated as follows:

	THE GROUP	
	2003 HK\$'000	2002 HK\$'000
0 to 30 days	23,226	26,831
31 to 60 days	28,125	19,968
61 to 90 days	28,222	20,421
91 to 120 days	22,372	22,771
More than 120 days	52,970	25,502
	<u>154,915</u>	<u>115,493</u>

Notes to the Financial Statements

For the year ended 31st December, 2003



20. BORROWINGS

	THE GROUP	
	2003 HK\$'000	2002 HK\$'000
Borrowings comprise:		
Bank loans	110,492	66,542
Import loans	5,777	16,833
	<u>116,269</u>	<u>83,375</u>
Analysed as:		
Secured	38,192	59,942
Unsecured	78,077	23,433
	<u>116,269</u>	<u>83,375</u>
Bank borrowings are repayable as follows:		
Within one year or on demand	44,969	46,025
More than one year but not exceeding two years	22,500	14,950
More than two years but not exceeding five years	48,800	22,400
Total	116,269	83,375
Less: Amount repayable within one year or on demand and shown under current liabilities	(44,969)	(46,025)
Amount due after one year	<u>71,300</u>	<u>37,350</u>



Notes to the Financial Statements

For the year ended 31st December, 2003

21. AMOUNT DUE TO A MINORITY SHAREHOLDER

The amount is unsecured and repayable as follows:

	THE GROUP	
	2003 HK\$'000	2002 HK\$'000
Within one year	–	32,546
More than one year but not exceeding two years	54,076	3,381
More than two years but not exceeding five years	–	15,339
	<hr/>	<hr/>
Total	54,076	51,266
Less: Amount repayable within one year and shown under current liabilities	–	(32,546)
	<hr/>	<hr/>
	54,076	18,720
	<hr/>	<hr/>
Analysed as:		
Interest bearing at approximately 0.6% (2002: 0.6%) per month	40,724	40,724
Interest-free	13,352	10,542
	<hr/>	<hr/>
	54,076	51,266
	<hr/>	<hr/>



22. OBLIGATIONS UNDER FINANCE LEASES

	THE GROUP			
	Minimum lease payments		Present value of minimum lease payments	
	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
The maturity of obligations under finance leases is as follows:				
Within one year	1,553	1,878	1,537	1,788
In the second to fifth year inclusive	-	1,565	-	1,540
	<u>1,553</u>	<u>3,443</u>	<u>1,537</u>	<u>3,328</u>
Less: Future finance charges	(16)	(115)		
Present value of lease obligations	<u>1,537</u>	<u>3,328</u>	<u>1,537</u>	<u>3,328</u>
Less: Amount due for settlement within one year and shown under current liabilities			<u>(1,537)</u>	<u>(1,788)</u>
Amount due after one year			<u>-</u>	<u>1,540</u>

It is the Group's policy to lease certain of its plant and machinery under finance leases. The average lease term is 3 years. All leases are on a fixed repayment basis in Hong Kong dollars and no arrangement has been entered into for contingent rental payments.

The Group's obligations under finance leases are secured by the lessor's charge over the leased assets.



Notes to the Financial Statements

For the year ended 31st December, 2003

23. DEFERRED TAXATION

The major deferred tax liabilities (assets) recognised and movements thereon during the current and prior years are summarised below:

	Tax losses <i>HK\$'000</i>	Accelerated tax depreciation <i>HK\$'000</i>	Excess of fair value over historical cost of assets of certain subsidiaries at the date of acquisition by the Group <i>HK\$'000</i>	Others <i>HK\$'000</i>	Total <i>HK\$'000</i>
THE GROUP					
Balance at 1st January, 2002					
– as previously reported	–	6,200	15,304	89	21,593
– adjustment on adoption of SSAP 12 (Revised)	–	–	32,537	–	32,537
	–	6,200	47,841	89	54,130
Credit to income statement for the year	–	(2,900)	–	(71)	(2,971)
Balance at 31st December, 2002	–	3,300	47,841	18	51,159
(Credit) charge to income statement for the year	(2,406)	1,679	–	(20)	(747)
Effect of change in tax rate charged to income	–	310	–	2	312
Balance at 31st December, 2003	(2,406)	5,289	47,841	–	50,724

For the purposes of balance sheet presentation, certain deferred tax assets and liabilities have been offset in accordance with the conditions set out in SSAP 12 (Revised). The following is the analysis of the deferred tax balances for financial reporting purposes:

	2003 HK\$'000	2002 <i>HK\$'000</i>
Deferred tax liabilities	53,130	51,159
Deferred tax assets	(2,406)	–
	50,724	51,159



23. DEFERRED TAXATION *(cont'd)*

At 31st December, 2003, the Group has unused tax losses of HK\$31.5 million (2002: HK\$16.6 million) available for offset against future profits. A deferred tax asset amounting to HK\$2,406,000 (2002: Nil) has been recognised in respect such losses of HK\$15.4 million (2002: Nil). No deferred tax asset has been recognised in respect of the remaining HK\$16.1 million (2002: HK\$16.6 million) due to the unpredictability of future profit streams.

24. RETIREMENT BENEFITS PLANS

Defined contribution plan

The Group operates a Mandatory Provident Fund Scheme ("MPF Scheme") for its qualifying employees. The assets of the MPF Scheme are held separately from those of the Group, in funds under the control of trustees. The Group contributes at the lower of HK\$1,000 or 5% of relevant payroll costs to the MPF Scheme, which contribution is matched by employees.

The total cost charged to the consolidated income statement of approximately HK\$909,000 (2002: HK\$756,000) represents contributions payable to the MPF Scheme by the Group in respect of the current accounting period. As at 31st December, 2003, contributions of approximately HK\$79,000 (2002: HK\$66,000) due in respect of the reporting period had not been paid over to the MPF Scheme.

Defined benefit plan

The Group also operates a defined benefit plan (the "Plan") for its qualifying employees in Hong Kong. Under the Plan, the employees are entitled to retirement benefits varying between 30% and 170% of final salary multiplied by the pensionable service on attainment of a retirement age of 60. No other post-retirement benefits are provided.

SSAP 34 Accounting Valuation

Actuarial valuation has been conducted as of 31st December, 2003 based on requirements of SSAP 34 by Watson Wyatt Hong Kong Limited. The present value of the defined benefit obligation, the related current service costs and past service costs were measured using the Projected Unit Credit method.

The main actuarial assumptions used were as follows:

	2003 per annum	2002 per annum
Discount rate	5.50%	5.25%
Expected return on plan assets	6.00%	7.00%
Expected rate of salary increases	3.00%	3.00%



Notes to the Financial Statements

For the year ended 31st December, 2003

24. RETIREMENT BENEFITS PLANS (cont'd)

The actuarial valuation showed that the market value of plan assets was approximately HK\$516,000 (2002: HK\$4,160,000) and that the actuarial value of these assets represented 18% (2002: 57%) of the benefits that had accrued to members. The shortfall of approximately HK\$2,251,000 (2002: HK\$3,175,000) is to be cleared over the estimated remaining service period of the current membership of approximately 15 years.

The Group has adopted SSAP 34 with effect from 1st January, 2002. At the date of transition, the Group determined the transitional liability for the Plan at 1st January, 2002 as approximately HK\$1,417,000 more than the liability that would have been recognised at the same date using the previous accounting policy. This amount is being recognised on a straight line basis over five years from 1st January, 2002. A charge of approximately HK\$283,000 (2002: HK\$283,000) was recognised in the current year. As at 31st December, 2003, approximately HK\$361,000 remained unrecognised.

In May 2003, the Group closed down a factory in Hong Kong and 37 members had been affected and all of them left the Plan on 1st May, 2003. Hence, a curtailment arose and resulting in a curtailment loss of approximately HK\$831,000.

Total expenses recognised in the consolidated income statement in respect of the Plan are as follows:

	2003 HK\$'000	2002 HK\$'000
Current service cost	207	1,155
Interest cost	380	386
Expected return on plan assets	(310)	(374)
Amortisation of the transitional liability upon first adoption of SSAP 34	283	283
Net actuarial loss recognised	94	–
Loss on curtailment and settlement	831	–
	<hr/>	<hr/>
Total, included in staff costs	1,485	1,450

The actual return on plan assets was approximately HK\$329,000 (2002: loss of HK\$837,000).

Notes to the Financial Statements

For the year ended 31st December, 2003



24. RETIREMENT BENEFITS PLANS *(cont'd)*

The amount included in the balance sheet arising from the Group's obligation in respect of the Plan is as follows:

	2003 HK\$'000	2002 <i>HK\$'000</i>
Present value of funded obligations	2,767	7,335
Fair value of plan assets	(516)	(4,160)
Unrecognised actuarial losses	(877)	(1,758)
Unrecognised transitional liability on initial adoption of SSAP 34	(361)	(1,134)
	<hr/>	<hr/>
Total, included in non-current liabilities	<u>1,013</u>	<u>283</u>

No equity shares of the Group and property occupied by the Group were included in the fair value of plan assets.

Movements in the net liability in the current year were as follows:

	2003 HK\$'000	2002 <i>HK\$'000</i>
At 1st January	283	–
Amounts charged to income statement	1,485	1,450
Contributions	(755)	(1,167)
	<hr/>	<hr/>
At 31st December	<u>1,013</u>	<u>283</u>



Notes to the Financial Statements

For the year ended 31st December, 2003

25. SHARE CAPITAL

	Number of shares	Amount HK\$'000
Authorised:		
Ordinary shares of HK\$0.10 each		
Balance at 1st January, 2002, 31st December, 2002 and 2003	<u>1,000,000,000</u>	<u>100,000</u>
Preference shares of HK\$0.01 each		
Series A preference shares		
Balance at 1st January, 2002, 31st December, 2002 and 2003	1,000,000,000	10,000
Series B preference shares		
Balance at 1st January, 2002, 31st December, 2002 and 2003	<u>1,000,000,000</u>	<u>10,000</u>
	<u>2,000,000,000</u>	<u>20,000</u>
Issued and fully paid:		
Ordinary shares of HK\$0.10 each		
Balance at 1st January, 2002	365,290,068	36,529
Conversion from Series A preference shares	<u>24,000,000</u>	<u>2,400</u>
Balance at 31st December, 2002	389,290,068	38,929
Issue of shares on exercise of share options	1,000,000	100
Conversion from Series A preference shares	<u>144,000,000</u>	<u>14,400</u>
Balance at 31st December, 2003	<u>534,290,068</u>	<u>53,429</u>
Preference shares of HK\$0.01 each (<i>note</i>)		
Series A preference shares		
Balance at 1st January, 2002	84,000,000	840
Conversion to ordinary shares	<u>(12,000,000)</u>	<u>(120)</u>
Balance at 31st December, 2002	72,000,000	720
Conversion to ordinary shares	<u>(72,000,000)</u>	<u>(720)</u>
Balance at 31st December, 2003	<u>-</u>	<u>-</u>
Series B preference shares		
Balance at 1st January, 2002 and 31st December, 2002	337,500,000	3,375
Redemption of shares	<u>(90,000,000)</u>	<u>(900)</u>
Balance at 31st December, 2003	<u>247,500,000</u>	<u>2,475</u>



25. SHARE CAPITAL *(cont'd)*

Note:

On 14th December, 2001, the Company issued 84 million Series A preference shares and 337.5 million Series B preference shares at a subscription price of HK\$0.60 per share. The preference shares are non-voting, redeemable and their holders are entitled to a fixed cumulative preferential dividend payable semi-annually at a rate of 2.5% per annum on the issue price of HK\$0.60 of each preference share. In addition, the preference shares rank in priority to the ordinary shares in the Company as to dividend and return of capital. Subject to adjustment in accordance with the terms of Series A preference shares, each of the Series A preference shares is convertible into two ordinary shares in the Company of HK\$0.10 each ("Conversion Shares") at the option of the holders at any time from 14th December, 2001 prior to the fifth anniversary from the date of their issue. The Conversion Shares shall, when issued, rank *pari passu* in all respects with the then existing ordinary shares of the Company. Subject to the Companies Law, unless previously converted, the preference shares are redeemable by the Company at any time prior to the fifth anniversary from 14th December, 2001 at their outstanding subscription amount together with any unpaid dividend in cash. Further, the Company shall redeem all outstanding preference shares which have not been previously redeemed or converted on the fifth anniversary from 14th December, 2001 at their outstanding subscription amount together with any unpaid dividend in cash.

During the year, the following changes in the ordinary and preference share capital of the Company took place:

- (a) Pursuant to a resolution in writing of all the directors of the Company passed on 6th January, 2003, a written request was made by the Company to the holder of Series B preference shares of the Company to redeem 83,333,333 Series B preference shares at a redemption price of HK\$0.60 each with an aggregate value of HK\$50,000,000. The redemption of the shares took place on 27th January, 2003.
- (b) Pursuant to the Concession Agreement, 72,000,000 Series A preference shares of HK\$0.01 each, which were originally issued at a price of HK\$0.60 per preference share, were deemed to have been converted into 144,000,000 new ordinary shares in the Company of HK\$0.10 each on the same date. The new ordinary shares rank *pari passu* in all respects with the then existing issued ordinary shares of the Company. In addition, 6,666,667 Series B preference shares with an aggregate value of HK\$4,000,000 were redeemed at a nominal consideration of HK\$1 during the year, resulting in recognition of a reserve in the Company of approximately HK\$4,000,000.
- (c) 1,000,000 ordinary shares of HK\$0.10 each in the Company were issued at HK\$0.32 per share upon the exercise of share options granted under the share option scheme of the Company. The ordinary shares issued rank *pari passu* in all respects with the then existing issued ordinary shares of the Company.



Notes to the Financial Statements

For the year ended 31st December, 2003

26. SHARE OPTION SCHEME

The share option scheme of the Company adopted on 22nd May, 1996 (the "1996 Scheme") was for the primary purpose of providing incentives to directors and eligible employees, and would be valid and effective for a period of ten years from the date of its adoption. Under the 1996 Scheme, the directors of the Company might grant options to any executive director or employee of the Company and its subsidiaries (the "Group") to subscribe for ordinary shares in the Company at a price notified by the directors and should not be less than 80% of the average of the closing prices of the Company's ordinary shares as stated in the daily quotation sheets issued by the Stock Exchange ("Daily Quotation Sheets") for the five trading days immediately preceding the date of the offer of the option or the nominal value of the ordinary shares, whichever is the higher. The number of ordinary shares in respect of which options might be granted to any individual at any time was not permitted to exceed 2.5% of the issued ordinary share capital of the Company at any point in time and the maximum number of ordinary shares in respect of which options might be granted under the 1996 Scheme should not exceed 10% of the issued ordinary share capital of the Company from time to time.

Options granted under the 1996 Scheme should be taken up within 28 days from the date of grant of share options and were exercisable at any time after the date of options were accepted ("Acceptance Date") to the third anniversary of the Acceptance Date, subject to certain restrictions contained in the offer letters. Consideration received by the Company for the options granted was nominal.

A summary of the movements during the years ended 31st December, 2002 and 2003 in the share options granted under the 1996 Scheme, which were all granted to employees of the Group, is as follows:

Date of grant	Exercise price per ordinary share HK\$	Exercisable period	Number of ordinary shares to be issued upon exercise of the share options				
			Balance at 1.1.2002	Lapsed during the year ended 31.12.2002 (Note a)	Balance at 31.12.2002	Exercised during the year ended 31.12.2003 (Note b)	Balance at 31.12.2003
1.3.1999	0.175	1.3.1999 to 28.2.2002	500,000	500,000	-	-	-
3.2.2000	0.320	3.2.2000 to 2.2.2003	1,000,000	-	1,000,000	1,000,000	-

Notes:

- (a) These options lapsed upon expiration of the exercisable period.
- (b) The closing price of the Company's ordinary shares immediately before the date on which the options were exercised was HK\$0.40 per share.



26. SHARE OPTION SCHEME *(cont'd)*

The financial impact of share options granted is not recorded in the Company's or the Group's balance sheet until such time as the options are exercised, and no charge is recognised in the income statement in respect of the value of options granted in the year. Upon the exercise of the share options, the resulting shares issued are recorded by the Company as additional share capital at the nominal value of the shares, and the excess of the exercise price per share over the nominal value of the shares is recorded by the Company in the share premium account. Options which lapsed or cancelled prior to their exercise date are deleted from the register of outstanding options.

Pursuant to an extraordinary general meeting held on 13th December, 2001, a new share option scheme (the "2001 Scheme") was adopted by the Company in place of the 1996 Scheme. The termination of the 1996 Scheme did not affect the rights of the holders of the share options granted prior thereto and such options granted continue to remain valid and exercisable in accordance with the 1996 Scheme.

The purpose of the 2001 Scheme is to recognise the significant contribution of the employees of the Group, including directors of the Company (the "Eligible Persons"), to the growth of the Group and to further motivate the Eligible Persons to continue to contribute to the Group's long term prosperity.

Under the 2001 Scheme which is valid and effective for a term of ten years from the date of its adoption, the directors of the Company may grant options to the Eligible Persons to subscribe for ordinary shares in the Company at a price to be notified by the directors and to be no less than the higher of: (i) the closing price of the Company's ordinary shares as stated in the Daily Quotation Sheets on the day of offer; (ii) the average of the closing prices of the Company's ordinary shares as stated in the Daily Quotation Sheets for the five trading days immediately preceding the date of offer; and (iii) the nominal value of the Company's ordinary shares. The number of ordinary shares in respect of which options may be granted to any individual in any one year is not permitted to exceed 1% of the issued ordinary share capital of the Company at any point in time, without prior approval from the Company's shareholders. The maximum number of ordinary shares in respect of which options may be granted under the 2001 Scheme shall not exceed 10% of the issued ordinary share capital of the Company from time to time.

Options granted under the 2001 Scheme must be taken up within 28 days from the date of grant, upon payment of a nominal price. Options may be exercised at any time after the Acceptance Date, but none of them can be exercised later than ten years from the Acceptance Date.

No options have been granted under the 2001 Scheme since its adoption.



Notes to the Financial Statements

For the year ended 31st December, 2003

27. CAPITAL COMMITMENTS

At 31st December, 2003, the Group had commitments of approximately HK\$2,160,000 (2002: HK\$43,890,000) for capital expenditure contracted for but not provided in the financial statements in respect of the acquisition of property, plant and equipment.

The Company had no significant capital commitments at the balance sheet date.

28. OPERATING LEASES

(a) Operating lease commitments

At the balance sheet date, the Group was committed to make minimum lease payments under non-cancellable operating leases for land and buildings which fall due as follows:

	THE GROUP	
	2003	2002
	HK\$'000	HK\$'000
Within one year	4,254	5,607
More than one year but within five years	9,355	11,543
	13,609	17,150

Operating lease payments represent rental payable by the Group for certain of its office and warehouse properties with fixed monthly rentals for an average term of three years.

The Company had no operating lease commitment at the balance sheet date.

(b) Operating lease arrangements

Property rental income earned during the year was HK\$14,876,000 (2002: HK\$4,715,000).

At 31st December, 2003, the Group had contracted with tenants for the following future minimum lease payments in respect of its investment properties:

	THE GROUP	
	2003	2002
	HK\$'000	HK\$'000
Within one year	17,059	14,557
More than one year but within five years	69,235	66,309
More than five years	71,286	84,154
	157,580	165,020

The Company had no operating lease arrangement at the balance sheet date.

Notes to the Financial Statements

For the year ended 31st December, 2003



29. CONTINGENT LIABILITIES

	THE GROUP		THE COMPANY	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Guarantees given to banks and other financial institutions on facilities utilised by subsidiaries in respect of				
– credit facilities	–	–	97,577	64,684
– finance leases	–	–	1,537	3,328
	<u>–</u>	<u>–</u>	<u>99,114</u>	<u>68,012</u>

30. PLEDGE OF ASSETS

At the balance sheet date, certain assets of the Group with the following net book values had been pledged to secure borrowings granted to the Group:

	THE GROUP	
	2003 HK\$'000	2002 HK\$'000
Investment properties	71,562	71,562
Leasehold land and buildings	29,086	30,573
Plant and machinery	5,623	6,387
	<u>106,271</u>	<u>108,522</u>



Notes to the Financial Statements

For the year ended 31st December, 2003

31. RELATED PARTY TRANSACTIONS

During the year, the Group entered into the following related party transactions:

- (a) Pursuant to the Acquisition Agreement, CCC has given an undertaking in favour of the Group that in the event the annual rental income of certain of the investment properties acquired by the Group under the Acquisition Agreement for each of the two years after the date of completion of the Acquisition Agreement shall be less than HK\$3,880,000, CCC and Chuang's China will indemnify the Group for an amount of the shortfall on a dollar for dollar basis. Such guaranteed income received for the year ended 31st December, 2003 was approximately HK\$3,502,000 (2002: HK\$3,880,000).

The Group also leased certain of the acquired properties to Yuen Sang Hardware Co. (1988) Limited, a wholly owned subsidiary of Chuang's China, at an aggregate annual rental of approximately HK\$1,067,000 which is based on market rate of similar properties. The lease agreement is for a duration of 2 years expiring on 31st March, 2003 with an option to renew for an additional term of 2 years and such option to renew has been exercised by Yuen Sang Hardware Co. (1988) Limited during the year. Rental income received by the Group under this agreement for the year ended 31st December, 2003 was approximately HK\$1,067,000 (2002: HK\$1,067,000).

Details of other transactions entered into in association with the Acquisition Agreement are set out in note 14.

- (b) During the year, the Group paid building management fee amounting to approximately HK\$802,000 (2002: HK\$841,000) to Chuang's Development (China) Limited, a wholly owned subsidiary of Chuang's China. This transaction was carried out in accordance with market rate of similar properties.

32. POST BALANCE SHEET EVENTS

Pursuant to two resolutions in writing of all the directors of the Company passed on 7th January, 2004 and 2nd February, 2004 respectively, written requests were made by the Company to the holder of Series B preference shares of the Company to redeem an aggregate of 83,333,332 Series B preference shares at a redemption price of HK\$0.60 each with an aggregate value of approximately HK\$50,000,000. The redemption of the shares were completed by February 2004.

Notes to the Financial Statements

For the year ended 31st December, 2003



33. SUBSIDIARIES

Particulars of the principal subsidiaries of the Company as at 31st December, 2003 are as follows:

Name of subsidiary	Place of incorporation or registration	Issued and fully paid share capital/ registered capital	Proportion of equity interest indirectly held by the Company	Principal activities (note a)
成都莊士中心開發有限公司 Chengdu Chuang's Centre Development Company Limited	PRC (note b)	RMB20,000,000	51%	Properties investment
Dah Hua International Printing Press Company Limited	Hong Kong	HK\$1,600,000 ordinary shares	100%	Trading of printed products
Dah Hua Printing Press Company Limited	Hong Kong	HK\$600,000 ordinary shares	100%	Investment holding
東莞勤達印刷有限公司 Dongguan Midas Printing Company Limited	PRC (note c)	HK\$112,150,000	100%	Manufacturing and trading of packaging printed products
Lever Printing Factory Limited	Hong Kong	HK\$150,000 founders' shares HK\$350,000 ordinary shares	100%	Manufacturing and trading of packaging printed products
Midas Packaging Printing Limited	Hong Kong	HK\$2 ordinary shares	100%	Trading of packaging printed products
Midas Printing (Asia) Limited	Hong Kong	HK\$100 ordinary shares	100%	Trading of printed products
Midas Printing (HK) Limited	Hong Kong	HK\$2 ordinary shares	100%	Trading of printed products
Midas Printing International Limited	Hong Kong	HK\$7,000 ordinary shares	100%	Trading of printed products



Notes to the Financial Statements

For the year ended 31st December, 2003

33. SUBSIDIARIES (cont'd)

Name of subsidiary	Place of incorporation or registration	Issued and fully paid share capital/ registered capital	Proportion of equity interest indirectly held by the Company	Principal activities (note a)
Midas Printing Limited	Hong Kong	HK\$100 ordinary shares HK\$10,000,000 non-voting deferred shares (note d)	100%	Investment holding
Riverside Trinity Limited	Hong Kong	HK\$2 ordinary shares	100%	Property investment
Sino Stream Limited	Hong Kong	HK\$2 ordinary shares	100%	Property investment
廣東省博羅縣圓洲勤達印務有限公司	PRC (note c)	US\$7,500,000	100%	Book binding and printing

Notes:

- All subsidiaries carry out their operations principally in their respective place of incorporation or registration.
- The company is registered in the form of an equity joint venture.
- The company is registered in the form of a wholly owned foreign investment enterprises.
- The deferred shares practically carry no rights to dividends or to receive notice of attend or vote at any general meeting of the company or to participate in any distribution on winding up.

The above table lists the subsidiaries of the Group which, in the opinion of the directors, principally affected the results of the Group for the year or formed a substantial portion of the net assets of the Group at the end of the year. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

None of the subsidiaries had any debt securities subsisting at the end of the year or at any time during the year.