

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER 2003

1. GENERAL

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

The principal activities of the Group are the design, manufacture and sale of toys.

2. CHANGE IN ACCOUNTING POLICY

In the current year, the Group has adopted, for the first time, the revised Statement of Standard Accounting Practice No. 12 ("SSAP 12 (Revised)") "Income Taxes". The principal effect of the implementation of SSAP 12 (Revised) is in relation to deferred tax. In previous years, partial provision was made for deferred tax using the income statement liability method, i.e. a liability was recognised in respect of timing differences arising, except where those timing differences were not expected to reverse in the foreseeable future. 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 this change in policy, the balance of retained profits of the Group at 1st January 2002 has been increased by HK\$5,783,000, representing the cumulative effect of such change in accounting policy on the results for periods prior to 1st January 2002. The balance on the Group's assets revaluation reserve at 1st January 2002 has been decreased by HK\$1,380,000, representing the deferred tax liability attributable to the surplus on revaluation of the Group's properties recognised. The change has resulted in an increase in the profit and asset valuation reserve of the Group in respect of the year ended 31st December 2003 of HK\$835,000 (2002: HK\$1,205,000) and HK\$201,000 (2002: a decrease of HK\$59,000) respectively.

3. SIGNIFICANT ACCOUNTING POLICIES

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

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.

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

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

FOR THE YEAR ENDED 31ST DECEMBER 2003

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Goodwill/negative goodwill

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

Goodwill arising on acquisitions prior to 1st January 2001 continues to be held in reserves. Goodwill 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 on or after 1st January 2001 is capitalised and amortised on a straight-line basis over its useful economic life. Goodwill arising on the acquisition of subsidiaries is presented separately in the balance sheet.

Negative goodwill arising on acquisitions on or after 1st January 2001 is presented as a deduction from assets and will be released to income based on an analysis of the circumstances from which the balance resulted.

To the extent that the negative goodwill is attributable to losses or expenses anticipated at the date of acquisition, it is released to income in the year 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 in income immediately.

Investments in subsidiaries

Investments in subsidiaries are included in the Company's balance sheet at cost less any identified impairment loss. The results of subsidiaries are accounted for by the Company on the basis of dividends received or receivable during the year.

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 based on independent professional valuations at the balance sheet date. Any revaluation increase or decrease arising on the revaluation of investment properties is credited or charged to the investment property revaluation reserve unless the balance on this reserve is insufficient to cover a revaluation decrease, in which case the excess of the revaluation decrease over the balance on the investment property revaluation reserve is charged to the income statement. Where a decrease has previously been charged to the income statement and a revaluation increase subsequently arises, this increase is credited to the income statement to the extent of the decrease previously charged.

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

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

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

FOR THE YEAR ENDED 31ST DECEMBER 2003

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Property, plant and equipment

Property, plant and equipment, other than land and buildings, are stated at cost less accumulated depreciation and impairment loss, if any. The cost of an asset comprises its purchase price and any directly attributable cost of bringing the asset to its present working condition and location for its intended use. Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance and overhaul costs, is normally charged to the income statement in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the asset, the expenditure is capitalised as an additional cost of the asset.

Land and buildings are stated in the balance sheet at their revalued amount, being the fair value at the date of revaluation less subsequent accumulated depreciation and impairment loss, if any. Revaluations are performed with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair values at the balance sheet date.

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

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

Depreciation is provided to write off the cost or valuation of property, plant and equipment, over their estimated useful lives using the straight-line method as follows:

Category of assets	Estimated useful lives
Leasehold land	Over the remaining term of the lease
Buildings	20 to 25 years or over the term of the land lease, if shorter
Plant and machinery	5 years
Moulds and tools	3 years
Other tangible fixed assets	4 to 5 years

Inventories

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

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.

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 FINANCIAL STATEMENTS (Cont'd)

FOR THE YEAR ENDED 31ST DECEMBER 2003

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Impairment

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible 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 loss is recognised as an expense immediately, unless the relevant asset is carried at revalued amount under another Standard, in which case the impairment loss is treated as a revaluation decrease under that Standard.

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, unless the relevant asset is carried at a revalued amount under another Standard, in which case the reversal of the impairment loss is treated as a revaluation increase under that Standard.

Investments in securities

Investments in securities are recognised on a trade-date basis and are initially measured at cost.

At subsequent reporting dates, debt securities that the Group has the expressed intention and ability to hold to maturity (held-to-maturity securities) are measured at amortised cost, less any impairment loss recognised to reflect irrecoverable amounts. Any discount or premium on the acquisition of a held-to-maturity security is aggregated with other investment income receivable over the term of the instrument so that the revenue recognised in each period represents a constant yield on the investment.

Other securities, being securities acquired for dealing purposes, are measured at fair value with unrealised gains and losses included in net profit or loss for the year.

Operating leases

Operating leases are leases whereby substantially all the risks and rewards of ownership of the assets remain with the lessors. Rentals payable (receivable) under operating leases are charged (credited) to the income statement on a straight-line basis over the relevant lease terms.

Retirement benefit costs

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

Taxation

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

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

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

FOR THE YEAR ENDED 31ST DECEMBER 2003

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Taxation (Cont'd)

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.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

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

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset 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.

Foreign currencies

Transactions in foreign currencies are translated at the exchange rates prevailing on the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are re-translated at the exchange rates prevailing on the balance sheet date. Profits and losses arising on exchange are included in net profit or loss for the period.

On consolidation, the assets and liabilities of foreign subsidiaries are translated at the exchange rates prevailing 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 transferred to the Group's exchange translation reserve. Such translation differences are recognised as income or as expenses in the period in which the subsidiary is disposed of.

Revenue recognition

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

Sales of investments are recognised when the sale agreements become unconditional and it is probable that the economic benefits associated with the sales will flow to the Group.

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

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

Rental income in respect of properties is recognised on a straight-line basis over the term of the lease.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

FOR THE YEAR ENDED 31ST DECEMBER 2003

4. TURNOVER, BUSINESS AND GEOGRAPHICAL SEGMENTS

Business segments

The Group is principally engaged in the design, manufacture and sales of toys. Turnover represents the net amounts received and receivable for goods sold by the Group to outside customers during the year. The businesses based upon which the Group reports its primary segment information are as follows:

Own Brand	—	Manufacture of toys designed/developed by the Group and sold under the Group's brand name or the labels of licensors.
OEM/ODM	—	Manufacture of toys with design originated from customers and where the toolings are owned by customers.
Moulds	—	Manufacture of moulds for sale to customers.

Segment information about these businesses is presented below.

RESULTS AND REVENUE

Year ended 31st December 2003

	Own Brand HK\$'000	OEM/ ODM HK\$'000	Moulds HK\$'000	Consolidated HK\$'000
TURNOVER				
External sales	<u>516,610</u>	<u>56,374</u>	<u>721</u>	<u>573,705</u>
RESULT				
Segment result	<u>125,439</u>	<u>7,203</u>	<u>63</u>	132,705
Interest and other income				8,654
Decrease on revaluation of properties				(127)
Unallocated corporate expenses				<u>(41,593)</u>
Profit from operations				99,639
Finance costs				<u>(9)</u>
Profit before taxation				99,630
Income tax expense				<u>(11,586)</u>
Net profit for the year				<u>88,044</u>

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

FOR THE YEAR ENDED 31ST DECEMBER 2003

4. TURNOVER, BUSINESS AND GEOGRAPHICAL SEGMENTS (Cont'd)

BALANCE SHEET

At 31st December 2003

	Own Brand HK\$'000	OEM/ ODM HK\$'000	Moulds HK\$'000	Consolidated HK\$'000
ASSETS				
Segment assets	166,879	14,354	2,065	183,298
Investment properties				4,400
Investments in securities				82,823
Unallocated corporate assets				372,281
				<u>642,802</u>
LIABILITIES				
Segment liabilities	20,703	2,615	766	24,084
Unallocated corporate liabilities				54,097
				<u>78,181</u>

OTHER INFORMATION

Year ended 31st December 2003

	Own Brand HK\$'000	OEM/ ODM HK\$'000	Moulds HK\$'000	Unallocated HK\$'000	Total HK\$'000
ASSETS					
Capital additions	7,576	—	—	48,955	56,531
Depreciation of property, plant and equipment	30,700	2,705	762	4,023	38,190
Loss on disposal of property, plant and equipment	—	—	—	2,039	2,039
Allowance for doubtful trade receivables	5,000	—	—	—	5,000
Net unrealised holding gain on dealing securities	—	—	—	(117)	(117)
Decrease on revaluation of properties	—	—	—	127	127

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

FOR THE YEAR ENDED 31ST DECEMBER 2003

4. TURNOVER, BUSINESS AND GEOGRAPHICAL SEGMENTS (Cont'd)

RESULTS AND REVENUE

Year ended 31st December 2002

	Own Brand HK\$'000	OEM/ ODM HK\$'000	Moulds HK\$'000	Consolidated HK\$'000
TURNOVER				
External sales	<u>516,842</u>	<u>86,849</u>	<u>1,714</u>	<u>605,405</u>
RESULT				
Segment result	<u>125,358</u>	<u>14,244</u>	<u>204</u>	139,806
Interest and other income				5,952
Decrease on revaluation of properties				(538)
Unallocated corporate expenses				<u>(40,935)</u>
Profit from operations				104,285
Finance costs				<u>(48)</u>
Profit before taxation				104,237
Income tax expense				<u>(6,840)</u>
Net profit for the year				<u>97,397</u>

BALANCE SHEET

At 31st December 2002

	Own Brand HK\$'000	OEM/ ODM HK\$'000	Moulds HK\$'000	Consolidated HK\$'000
ASSETS				
Segment assets	124,582	21,487	2,793	148,862
Investment properties				4,400
Investments in securities				56,521
Unallocated corporate assets				<u>437,387</u>
Consolidated total assets				<u>647,170</u>
LIABILITIES				
Segment liabilities	23,252	11,083	432	34,767
Unallocated corporate liabilities				<u>57,131</u>
Consolidated total liabilities				<u>91,898</u>

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

FOR THE YEAR ENDED 31ST DECEMBER 2003

4. TURNOVER, BUSINESS AND GEOGRAPHICAL SEGMENTS (Cont'd)

OTHER INFORMATION

Year ended 31st December 2002

	Own Brand HK\$'000	OEM/ ODM HK\$'000	Moulds HK\$'000	Unallocated HK\$'000	Total HK\$'000
ASSETS					
Capital additions	17,959	—	198	22,560	40,717
Depreciation of property, plant and equipment	31,277	4,124	946	3,171	39,518
Loss on disposal of property, plant and equipment	—	—	—	71	71
Allowance for doubtful trade receivables	503	—	—	—	503
Net unrealised holding loss on dealing securities	—	—	—	555	555
Decrease on revaluation of properties	—	—	—	538	538
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>

Geographical segments

The marketing of the Group's products is substantially carried out in Hong Kong while the Group's manufacturing activities are carried out in other regions in the People's Republic of China (the "PRC").

The following table provides an analysis of the Group's sales by geographical market, irrespective of the origin of the goods:

	2003 HK\$'000	2002 HK\$'000
North America		
United States of America	249,261	263,663
Canada	24,535	44,026
Europe	226,768	219,445
Asia	32,630	43,884
Other locations	40,511	34,387
	<u>573,705</u>	<u>605,405</u>

The following is an analysis of the carrying amount of segment assets and additions to property, plant and equipment, analysed by the geographical area in which the assets are located:

	Carrying amount of segment assets		Additions to property, plant and equipment	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Hong Kong	255,841	280,378	30,544	194
The PRC	293,367	300,518	25,961	40,385
Other locations	93,594	66,274	26	138
	<u>642,802</u>	<u>647,170</u>	<u>56,531</u>	<u>40,717</u>

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

FOR THE YEAR ENDED 31ST DECEMBER 2003

5. OTHER OPERATING INCOME

	2003 HK\$'000	2002 HK\$'000
Other operating income includes:		
Interest on bank deposits	1,278	1,925
Yield on held-to-maturity securities	3,786	2,635
Dividends from listed securities	23	36
Rentals from investment properties	339	312
	<u> </u>	<u> </u>

6. DECREASE ON REVALUATION OF PROPERTIES

	2003 HK\$'000	2002 HK\$'000
Decrease on revaluation of properties		
Land and buildings for own use	127	338
Investment properties	—	200
	<u> </u>	<u> </u>
	<u>127</u>	<u>538</u>

7. PROFIT FROM OPERATIONS

	2003 HK\$'000	2002 HK\$'000
Profit from operations has been arrived at after charging (crediting):		
Auditors' remuneration	932	800
Allowance for doubtful trade receivables	5,000	503
Depreciation of property, plant and equipment	38,190	39,518
Loss on disposal of property, plant and equipment	2,039	71
Research and development expenditure	9,357	9,386
Staff costs including directors' remuneration (see note below)	108,478	102,303
Net realised (gain) loss on dealing securities	(17)	49
Net unrealised holding (gain) loss on dealing securities	(117)	555
Net exchange loss	353	268
	<u> </u>	<u> </u>

Note: The staff costs disclosed above include the Group's contributions to retirement benefit schemes amounting to HK\$2,522,000 (2002: HK\$2,305,000).

8. FINANCE COSTS

	2003 HK\$'000	2002 HK\$'000
Interest on bank overdrafts	9	48
	<u> </u>	<u> </u>

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

FOR THE YEAR ENDED 31ST DECEMBER 2003

9. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

(a) Directors' emoluments

	2003 HK\$'000	2002 HK\$'000
Directors' fees	742	752
Other emoluments		
Basic salaries, allowances and benefits-in-kind	5,370	5,250
Performance related incentive payments	3,630	3,980
Retirement benefit scheme contributions	268	266
	<u>10,010</u>	<u>10,248</u>

The amounts disclosed above include directors' fees of HK\$250,000 (2002: HK\$250,000) and HK\$492,000 (2002: HK\$502,000) paid or payable to two (2002: two) independent non-executive directors and three (2002: three) non-executive directors respectively.

The emoluments of the directors are within the following bands:

HK\$	Number of directors 2003	Number of directors 2002
4,500,001 – 5,000,000	1	1
1,000,001 – 1,500,000	4	4
Nil – 1,000,000	<u>5</u>	<u>5</u>

(b) Emoluments of highest paid employees

The emoluments of the five highest paid employees which included three (2002: four) directors are set out below:

	2003 HK\$'000	2002 HK\$'000
Basic salaries, allowances and other benefits-in-kind	4,969	5,016
Performance related incentive payments	4,282	4,449
Retirement benefit scheme contributions	192	225
	<u>9,443</u>	<u>9,690</u>

Their emoluments are within the following bands:

HK\$	Number of employees 2003	Number of employees 2002
4,500,001 – 5,000,000	1	1
1,000,001 – 1,500,000	<u>4</u>	<u>4</u>

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

FOR THE YEAR ENDED 31ST DECEMBER 2003

10. INCOME TAX EXPENSE

	2003 HK\$'000	2002 HK\$'000
Current tax:		
Hong Kong	5,374	3,449
The PRC	6,871	5,944
Other jurisdictions	37	8
	<u>12,282</u>	<u>9,401</u>
Overprovision		
Hong Kong	—	(1,498)
The PRC	—	(1,000)
Other jurisdictions	—	(513)
	<u>—</u>	<u>(3,011)</u>
Deferred taxation (note 24)		
Current year	(835)	450
Attributable to a change in tax rate	139	—
	<u>(696)</u>	<u>450</u>
	<u>11,586</u>	<u>6,840</u>

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

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

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

	2003 HK\$'000	2002 HK\$'000
Profit before taxation	<u>99,630</u>	<u>104,237</u>
Tax at the domestic income tax rate of 17.5% (2002: 16%)	17,435	16,678
Tax effect of expenses not deductible	1,237	1,117
Tax effect of income not taxable	(1,883)	(1,782)
Income tax on concessionary rate	(3,035)	(4,306)
Effect of different tax rates of subsidiaries operating in other jurisdictions	(2,811)	(3,158)
Effect of a change in applicable tax rate on deferred tax assets brought forward	139	—
Tax effect of deferred tax assets not recognised	2,317	1,048
Utilisation of deferred tax assets previously not recognised	(1,385)	(97)
Overprovision in respect of prior year	—	(3,011)
Others	(428)	351
Income tax expense for the year	<u>11,586</u>	<u>6,840</u>

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

FOR THE YEAR ENDED 31ST DECEMBER 2003

11. DIVIDENDS

	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
Interim dividend paid HK5 cents (2002: HK5 cents) per ordinary share	18,386	18,416
Final dividend proposed HK10 cents (2002: HK10 cents) per ordinary share	36,936	36,800
Special cash dividend proposed HK5 cents (2002: HK5 cents) per ordinary share	18,468	18,400
	<u>73,790</u>	<u>73,616</u>

The final dividend of HK10 cents per ordinary share and the special cash dividend of HK5 cents per ordinary share have been proposed by the directors and are subject to approval by the shareholders in general meeting.

The amounts of final dividend and special cash dividend proposed are calculated based on the number of shares in issue as at the date of approval of these financial statements.

12. EARNINGS PER SHARE

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

	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
Earnings for the purposes of basic and diluted earnings per share	<u>88,044</u>	<u>97,397</u>
	Number of shares '000	'000
Weighted average number of ordinary shares for the purpose of basic earnings per share	367,850	368,446
Effect of dilutive potential shares in respect of share options	<u>2,608</u>	<u>1,916</u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u>370,458</u>	<u>370,362</u>

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

FOR THE YEAR ENDED 31ST DECEMBER 2003

12. EARNINGS PER SHARE (Cont'd)

The adjustments to comparative basic and diluted earnings per share, arising from the change in accounting policy shown in note 2 above, are as follows:

	Basic HK Cents	Diluted HK Cents
Reconciliation of 2002 earnings per share		
Reported figures before adjustments	26.1	26.0
Adjustments arising from adoption of SSAP 12 (Revised)	0.3	0.3
	<u>26.4</u>	<u>26.3</u>
Restated	<u>26.4</u>	<u>26.3</u>

13. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings HK\$'000	Plant and machinery HK\$'000	Moulds and tools HK\$'000	Leasehold improvements, furniture, fixtures and equipment HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
THE GROUP						
COST OR VALUATION						
At 1st January 2003	169,800	112,475	116,060	59,165	6,844	464,344
Additions	26,616	15,710	7,551	6,654	—	56,531
Disposals	(38,231)	(137)	(10)	(7,954)	—	(46,332)
Revaluation decrease	(9,885)	—	—	—	—	(9,885)
	<u>148,300</u>	<u>128,048</u>	<u>123,601</u>	<u>57,865</u>	<u>6,844</u>	<u>464,658</u>
At 31st December 2003						
Comprising:						
At cost	—	128,048	123,601	57,865	6,844	316,358
At 2003 valuation	148,300	—	—	—	—	148,300
	<u>148,300</u>	<u>128,048</u>	<u>123,601</u>	<u>57,865</u>	<u>6,844</u>	<u>464,658</u>
DEPRECIATION						
At 1st January 2003	—	79,877	101,940	39,250	5,608	226,675
Provided for the year	7,527	13,961	10,373	5,866	463	38,190
Eliminated on disposals	(1,052)	(84)	(10)	(7,928)	—	(9,074)
Eliminated on revaluation	(6,475)	—	—	—	—	(6,475)
	<u>—</u>	<u>93,754</u>	<u>112,303</u>	<u>37,188</u>	<u>6,071</u>	<u>249,316</u>
At 31st December 2003						
NET BOOK VALUES						
At 31st December 2003	<u>148,300</u>	<u>34,294</u>	<u>11,298</u>	<u>20,677</u>	<u>773</u>	<u>215,342</u>
At 31st December 2002	<u>169,800</u>	<u>32,598</u>	<u>14,120</u>	<u>19,915</u>	<u>1,236</u>	<u>237,669</u>

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

FOR THE YEAR ENDED 31ST DECEMBER 2003

13. PROPERTY, PLANT AND EQUIPMENT (Cont'd)

An analysis of the net book value of the Group's land and buildings is set out below:

	2003 HK\$'000	2002 HK\$'000
In Hong Kong		
On long lease	29,300	39,200
On medium-term lease	1,100	1,100
In the PRC		
On medium-term lease	117,900	129,500
	<u>148,300</u>	<u>169,800</u>

The Group's land and buildings are carried at their open market value, on 31st December 2003, as valued by RHL Appraisal Ltd., a firm of independent property valuers. The revaluation gave rise to a decrease of HK\$3,410,000 (2002: net decrease of HK\$162,000), of which a decrease of HK\$3,283,000 (2002: an increase of HK\$176,000), has been dealt with in the asset revaluation reserve and the remaining balance of the decrease of HK\$127,000 (2002: HK\$338,000) has been charged to the income statement.

At 31st December 2003 had the Group's land and buildings been carried at cost less accumulated depreciation, the carrying amount of such assets included in the financial statements would have been HK\$136,374,000 (2002: HK\$170,030,000).

14. INVESTMENT PROPERTIES

	Land and buildings in Hong Kong on long lease	
	2003 HK\$'000	2002 HK\$'000
THE GROUP		
VALUATION		
At beginning of the year	4,400	4,600
Revaluation decrease	—	(200)
At end of the year	<u>4,400</u>	<u>4,400</u>

The Group's investment properties are carried at their open market value on 31st December 2003, as valued by RHL Appraisal Ltd., a firm of independent property valuers.

All of the Group's investment properties are rented out under operating leases.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

FOR THE YEAR ENDED 31ST DECEMBER 2003

15. INTERESTS IN SUBSIDIARIES

	THE COMPANY	
	2003	2002
	HK\$'000	HK\$'000
Unlisted shares	107,146	107,146
Amount due from a subsidiary	171,217	186,346
	<u>278,363</u>	<u>293,492</u>

The amount due from a subsidiary is unsecured, interest free and is not repayable within twelve months from the balance sheet date.

The carrying amount of the unlisted shares is based on the book value of the underlying net assets of the subsidiaries attributable to the Group as at the date on which the Company became the holding company of the Group under the group reorganisation implemented in 1995, less dividends distributed from pre-reorganisation reserves of the subsidiaries.

The table below lists the subsidiaries of the Company at 31st December 2003, which, in the opinion of the directors, principally affect 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.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

FOR THE YEAR ENDED 31ST DECEMBER 2003

15. INTERESTS IN SUBSIDIARIES (Cont'd)

Details of the principal subsidiaries which are operating in the place in which they are incorporated or registered, unless otherwise indicated, are as follows:—

Name of subsidiary	Place/country of incorporation or registration	Paid-up issued/registered capital	Principal activities
Wholly-owned subsidiary directly held:			
RBI International Investment Limited ⁽ⁱ⁾	British Virgin Islands	Ordinary US\$30,000	Investment holding and trading of securities
Wholly-owned subsidiaries indirectly held:			
Dongguan Tai Fat Toy Factory Ltd. (a foreign wholly-owned enterprise)	The PRC	Registered HK\$32,286,280	Manufacture and sale of toys
Dongguan Tungfat Toy Factory Co. Ltd. (a foreign wholly-owned enterprise)	The PRC	Registered HK\$45,666,846	Manufacture and sale of toys
Hung Fat Toy Factory Limited ⁽ⁱⁱ⁾	Hong Kong	Ordinary HK\$1,000,000	Manufacture and sale of toys
Motormax Toy Factory Limited	Hong Kong	Ordinary HK\$100,000	Trading of toys
RBI Industries (Shenzhen) Co. Ltd. (a foreign wholly-owned enterprise)	The PRC	Registered HK\$44,963,930	Manufacture and sale of toys
RBI Distributors Ltd.	United Kingdom	Ordinary £2	Trading of toys
RBI Toys Inc.	United States of America	Common Stock US\$10,000	Trading of toys
Red Box Toy Factory Limited	Hong Kong	Ordinary HK\$1,000 Non-voting deferred ⁽ⁱⁱⁱ⁾ HK\$12,000,000	Design, trading and marketing of toys and investment holding
Tai Fat Toy Factory (China) Limited (ii)	Hong Kong	Ordinary HK\$2,900,000 Non-voting deferred ⁽ⁱⁱⁱ⁾ HK\$5,100,000	Manufacture and sale of toys

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

FOR THE YEAR ENDED 31ST DECEMBER 2003

15. INTERESTS IN SUBSIDIARIES (Cont'd)

- (i) Operating principally in Hong Kong.
- (ii) Operating principally in the PRC.
- (iii) The non-voting deferred shares, which are held by RBI International Investment Limited, practically carry no rights to dividends or to receive notice of or to attend or vote at any general meetings of the respective companies or to participate in any distributions on winding up.

None of the subsidiaries had any debt securities outstanding during the year and at the end of the year.

16. AMOUNT DUE FROM A SUBSIDIARY

The amount due from a subsidiary is unsecured, interest free and has no fixed repayment terms.

17. INVESTMENTS IN SECURITIES

	THE GROUP	
	2003	2002
	HK\$'000	HK\$'000
Held-to-maturity securities, unlisted	81,905	55,707
Dealing equity securities listed in Hong Kong	918	814
	<u>82,823</u>	<u>56,521</u>
Less: Securities included in current assets	(35,988)	(814)
	<u>46,835</u>	<u>55,707</u>
Market value of listed securities	<u>918</u>	<u>814</u>

18. DEPOSITS HELD AT BANKS

The deposits of the Group represent funds placed with banks which can only be withdrawn when the interest income accrued on each deposit reaches certain pre-determined amounts.

19. INVENTORIES

	THE GROUP	
	2003	2002
	HK\$'000	HK\$'000
Raw materials	28,516	25,265
Work in progress	40,489	28,996
Finished goods	47,546	42,549
	<u>116,551</u>	<u>96,810</u>

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

FOR THE YEAR ENDED 31ST DECEMBER 2003

20. TRADE AND OTHER RECEIVABLES

The Group allows a credit period of 30 to 90 days to its trade customers.

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

	THE GROUP	
	2003 HK\$'000	2002 HK\$'000
0 – 30 days	15,852	17,486
31 – 60 days	6,709	8,613
61 – 90 days	9,076	9,014
Over 90 days	5,366	3,994
	<u>37,003</u>	<u>39,107</u>

21. TRADE AND OTHER PAYABLES

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

	THE GROUP	
	2003 HK\$'000	2002 HK\$'000
0 – 30 days	23,498	31,526
31 – 60 days	7,603	9,290
61 – 90 days	2,219	2,746
Over 90 days	11	179
	<u>33,331</u>	<u>43,741</u>

22. SHARE CAPITAL

	Number of shares		Nominal value	
	2003 '000	2002 '000	2003 HK\$'000	2002 HK\$'000
Ordinary shares of HK\$0.1 each				
Authorised	<u>800,000</u>	<u>800,000</u>	<u>80,000</u>	<u>80,000</u>
Issued and fully paid:				
At beginning of the year	368,320	361,756	36,832	36,176
Issued pursuant to exercise of share options	—	7,040	—	704
Repurchased and cancelled	<u>(908)</u>	<u>(476)</u>	<u>(91)</u>	<u>(48)</u>
At end of the year	<u>367,412</u>	<u>368,320</u>	<u>36,741</u>	<u>36,832</u>

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

FOR THE YEAR ENDED 31ST DECEMBER 2003

22. SHARE CAPITAL (Cont'd)

Issue of shares

On 2nd January 2002, the Company issued a total of 7,040,000 ordinary shares of HK0.1 each at an issue price of HK\$1.3636 per share pursuant to the exercise of the share options previously granted to a director. The market price of the Company's shares at the close of business on the date of issue was HK\$1.3.

Repurchase of shares

During the year, the Company repurchased 908,000 ordinary shares of the Company on the Stock Exchange, all of which have been cancelled upon purchase, as follows:

Month	Number of ordinary shares of HK\$0.10 each	Purchase price		Total consideration paid HK\$
		Highest HK\$	Lowest HK\$	
2003				
January	50,000	1.950	1.950	97,500
March	270,000	2.000	2.000	540,000
April	100,000	2.025	2.025	202,500
May	30,000	2.200	2.200	66,000
July	40,000	2.300	2.300	92,000
August	60,000	2.400	2.400	144,000
October	308,000	2.500	2.425	762,000
December	50,000	2.450	2.450	122,500
	<u>908,000</u>			<u>2,026,500</u>

These repurchases were effected by the directors pursuant to the mandate from shareholders, with a view to benefiting shareholders as a whole by the enhancement of the earnings per share of the Company.

None of the Company's subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year.

Share option scheme

The Company's share option scheme ("the Scheme") was adopted on 21st December 1995 for the primary purpose of providing incentives to directors and eligible employees, and will expire on 20th December 2005. Under the Scheme, the Board of Directors of the Company may grant options to eligible employees, including directors of the Company and its subsidiaries, to subscribe for shares in the Company.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

FOR THE YEAR ENDED 31ST DECEMBER 2003

22. SHARE CAPITAL (Cont'd)

Share option scheme (Cont'd)

The following table discloses details of the Company's share options, all of which were held by the directors and other key management of the Company and movements in such holdings:

Date of grant	Exercisable period	Subscription price per share HK\$	Outstanding at 1st January 2002	Number of shares under options granted				Outstanding at 31st December 2002
				Granted	Movements during the year Exercised	Lapsed	Cancelled	
11th August 1997	11th August 1997 – 10th August 2007	1.3636	7,040,000	–	(7,040,000)	–	–	–
2nd January 2002	1st January 2004 – 31st December 2013	1.1	–	5,100,000	–	(100,000)	–	5,000,000
			<u>7,040,000</u>	<u>5,100,000</u>	<u>(7,040,000)</u>	<u>(100,000)</u>	<u>–</u>	<u>5,000,000</u>

The share options to subscribe for 5,000,000 shares in the Company outstanding at 31st December 2002, which were granted on 2nd January 2002 at no consideration to the directors and other key management of the Company under the Scheme, had remained outstanding at 31st December 2003. No options were granted, exercised, cancelled or lapsed during the year ended 31st December 2003. The vesting period of the share options granted on 2nd January 2002 is the period from 2nd January 2002 to 31st December 2003.

Details of the share options held by the directors included in the share options disclosed above are as follows:

	Outstanding at 1st January	Number of shares under options granted				Outstanding at 31st December
		Granted	Movements during the year Exercised	Lapsed	Cancelled	
2003	<u>1,300,000</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>1,300,000</u>
2002	<u>7,040,000</u>	<u>1,300,000</u>	<u>(7,040,000)</u>	<u>–</u>	<u>–</u>	<u>1,300,000</u>

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 are cancelled prior to their exercise date are deleted from the register of outstanding options.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

FOR THE YEAR ENDED 31ST DECEMBER 2003

23. RESERVES

	Share premium account HK\$'000	Capital redemption reserve HK\$'000	Asset revaluation reserve HK\$'000	Capital reserve HK\$'000	Goodwill reserve HK\$'000	Dividend reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
THE GROUP								
At 1st January 2002								
– as previously stated	121,977	1,979	12,605	17,653	(5,720)	36,856	278,282	463,632
– prior year adjustment (note 2)	–	–	(1,380)	–	–	–	5,783	4,403
– as restated	121,977	1,979	11,225	17,653	(5,720)	36,856	284,065	468,035
2001 final dividend paid	–	–	–	–	–	(36,856)	–	(36,856)
Issue of shares	8,896	–	–	–	–	–	–	8,896
Repurchase of shares	(433)	48	–	–	–	–	(348)	(733)
Revaluation increase	–	–	176	–	–	–	–	176
Deferred tax liability arising on revaluation of properties	–	–	(59)	–	–	–	–	(59)
Net profit for the year	–	–	–	–	–	–	97,397	97,397
Amounts set aside for dividend payments (note 11)	–	–	–	–	–	73,616	(73,616)	–
2002 interim dividend paid	–	–	–	–	–	(18,416)	–	(18,416)
Other appropriations	–	–	–	1,466	–	–	(1,466)	–
At 31st December 2002	130,440	2,027	11,342	19,119	(5,720)	55,200	306,032	518,440
2002 final and special dividend paid	–	–	–	–	–	(55,200)	–	(55,200)
Repurchase of shares	(845)	91	–	–	–	–	(1,182)	(1,936)
Revaluation decrease	–	–	(3,283)	–	–	–	–	(3,283)
Reversal of deferred tax liability arising on revaluation of properties	–	–	201	–	–	–	–	201
Net profit for the year	–	–	–	–	–	–	88,044	88,044
Amounts set aside for dividend payments (note 11)	–	–	–	–	–	73,790	(73,790)	–
2003 interim dividend paid	–	–	–	–	–	(18,386)	–	(18,386)
Other appropriations	–	–	–	2,362	–	–	(2,362)	–
At 31st December 2003	<u>129,595</u>	<u>2,118</u>	<u>8,260</u>	<u>21,481</u>	<u>(5,720)</u>	<u>55,404</u>	<u>316,742</u>	<u>527,880</u>

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

FOR THE YEAR ENDED 31ST DECEMBER 2003

23. RESERVES (Cont'd)

	Share premium account HK\$'000	Capital redemption reserve HK\$'000	Contributed surplus HK\$'000	Dividend reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
THE COMPANY						
At 1st January 2002	121,977	1,979	100,635	36,856	22,757	284,204
2001 final dividend paid	—	—	—	(36,856)	—	(36,856)
Issue of shares	8,896	—	—	—	—	8,896
Repurchase of shares	(433)	48	—	—	(348)	(733)
Net profit for the year	—	—	—	—	60,377	60,377
Amounts set aside for dividend payments (note 11)	—	—	—	73,616	(73,616)	—
2002 interim dividend paid	—	—	—	(18,416)	—	(18,416)
At 31st December 2002	130,440	2,027	100,635	55,200	9,170	297,472
2002 final and special dividend paid	—	—	—	(55,200)	—	(55,200)
Repurchase of shares	(845)	91	—	—	(1,182)	(1,936)
Net profit for the year	—	—	—	—	80,657	80,657
Amounts set aside for dividend payments (Note 11)	—	—	—	73,790	(73,790)	—
2003 interim dividend paid	—	—	—	(18,386)	—	(18,386)
At 31st December 2003	<u>129,595</u>	<u>2,118</u>	<u>100,635</u>	<u>55,404</u>	<u>14,855</u>	<u>302,607</u>

Notes:

The capital reserve of the Group includes enterprise reserve fund in respect of PRC subsidiaries appropriated from retained profits.

The contributed surplus of the Company represents the excess value of the subsidiaries acquired over the nominal value of the Company's shares issued which, under the Companies Act of Bermuda, is available for distribution to the shareholders of the Company. However, the Company cannot declare or pay a dividend, or make a distribution out of contributed surplus if

- (i) it is, or would after the payment be, unable to pay its liabilities as they become due; or
- (ii) the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium account.

In the opinion of the directors, the Company's reserves available for distribution at 31st December 2003 consisted of contributed surplus of HK\$100,635,000 (2002: HK\$100,635,000), dividend reserve of HK\$55,404,000 (2002: HK\$55,200,000) and retained profits of HK\$14,855,000 (2002: HK\$9,170,000).

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

FOR THE YEAR ENDED 31ST DECEMBER 2003

24. DEFERRED TAX ASSETS (LIABILITIES)

The following are the major deferred tax assets and liabilities recognised by the Group and movements thereon during the current and prior years:

	Revaluation of properties HK\$'000	Accelerated tax depreciation HK\$'000	Unrealised profit on intra-group transfer of assets HK\$'000	Other temporary differences HK\$'000	Total HK\$'000
At 1st January 2002					
— as previously stated	—	(3,168)	—	—	(3,168)
— prior year adjustment (note 2)	(1,380)	3,363	1,437	983	4,403
— as restated	(1,380)	195	1,437	983	1,235
Credit (charge) to income for the year	—	(801)	556	(205)	(450)
Charge to equity	(59)	—	—	—	(59)
At 1st January 2003	(1,439)	(606)	1,993	778	726
Credit (charge) to income for the year	—	(912)	1,575	172	835
Credit to equity	233	—	—	—	233
Effect of change in tax rate					
— credit (charge) to income statement	—	(391)	226	26	(139)
— charge to equity	(32)	—	—	—	(32)
At 31st December 2003	<u>(1,238)</u>	<u>(1,909)</u>	<u>3,794</u>	<u>976</u>	<u>1,623</u>
				2003	2002
				HK\$'000	HK\$'000
Deferred tax assets				5,300	4,106
Deferred tax liabilities				(3,677)	(3,380)
				<u>1,623</u>	<u>726</u>

At 31st December 2003, the Group had unprovided deferred tax assets of HK\$3,873,000 (2002: HK\$2,953,000) in respect of unused tax losses available for offset against future profits. No deferred tax asset has been recognised in respect of such assets due to the unpredictability of future profit streams. Included in unrecognised tax losses are losses of HK\$3,761,000 (2002: HK\$2,652,000) which will expire from 2006 to 2023. Others unused tax losses may be carried forward indefinitely.

At 31st December 2003, the Group also had unprovided deferred tax assets of HK\$3,684,000 (2002: HK\$3,672,000) in respect of other deductible temporary differences. No deferred tax asset has been recognised in relation to such temporary differences due to the unpredictability of future profit streams.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

FOR THE YEAR ENDED 31ST DECEMBER 2003

25. RETIREMENT BENEFIT PLANS

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. The assets of the schemes are held separately from those of the Group in funds under the control of trustees.

The ORSO Scheme is funded by monthly contributions from both employees and the Group calculated at 5% of the employee's basic salary.

For members of the MPF Scheme, the Group contributes 5% of relevant payroll costs to the MPF Scheme, which contribution is matched by the employees.

According to the relevant laws and regulations in the PRC and other countries, the subsidiaries in the PRC and other countries are required to contribute a certain percentage of salaries and wages of their employees to the retirement benefits schemes to fund the retirement benefits of their employees.

Where there are employees who leave the ORSO Scheme prior to vesting fully in the contributions, the contributions payable by the Group are reduced by the amount of forfeited contributions. No forfeited contributions were utilised in this manner during the year. At 31st December 2003 there were no forfeited employer's contributions available to reduce the contributions payable in future years (2002: Nil).

26. OPERATING LEASES

The Group as lessee

	THE GROUP	
	2003	2002
	HK\$'000	HK\$'000
Minimum lease payments paid under operating leases in respect of land and buildings during the year	<u>3,085</u>	<u>2,688</u>

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

	THE GROUP	
	2003	2002
	HK\$'000	HK\$'000
Within one year	2,535	2,293
In the second to fifth year inclusive	<u>2,061</u>	<u>4,217</u>
	<u>4,596</u>	<u>6,510</u>

Operating lease payments represent rentals payable by the Group for overseas offices and warehouses. Leases are negotiated for an average term of two to three years and rentals are fixed during such period.

At 31st December 2003 and 2002, the Company had no commitments under non-cancellable operating leases.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

FOR THE YEAR ENDED 31ST DECEMBER 2003

26. OPERATING LEASES (Cont'd)

The Group as lessor

Property rental income earned during the year was HK\$339,000 (2002: HK\$312,000). The properties held have committed tenants for less than two years.

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

	THE GROUP	
	2003	2002
	HK\$'000	HK\$'000
Within one year	198	339
In the second to fifth year inclusive	—	198
	<u>198</u>	<u>537</u>

27. CAPITAL COMMITMENTS

	THE GROUP	
	2003	2002
	HK\$'000	HK\$'000
Capital expenditure in respect of the acquisition of property, plant and equipment contracted but not provided for	<u>164</u>	<u>687</u>

At 31st December 2003 and 2002, the Company had no significant capital commitments.

28. CONTINGENCIES AND PLEDGE OF ASSETS

At 31st December 2003, the Company had given guarantees to banks amounting to HK\$26,500,000 (2002: HK\$38,500,000) in respect of general banking facilities granted to the Group.

At 31st December 2002, the Group had pledged its land and buildings having a net book value of HK\$23,100,000 to a bank to secure the general banking facilities granted to the Group. Such security was released during the year ended 31st December 2003.