

## Notes to the Accounts

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### 1 PRINCIPAL ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these accounts are set out below:

#### (a) Basis of preparation

The accounts have been prepared in accordance with accounting principles generally accepted in Hong Kong and comply with accounting standards issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), including applicable Statements of Standard Accounting Practice and certain Hong Kong Accounting Standards ("HKASs") and Hong Kong Financial Reporting Standards ("HKFRSs") as described further below. They have been prepared under the historical cost convention except that, as disclosed in the accounting policies below, investment properties and investments in securities, other than held-to-maturity securities, are stated at fair value.

The HKICPA has issued a number of new and revised HKASs and HKFRSs which are effective for accounting periods beginning on or after 1 January 2005. In preparing the consolidated accounts, the Group has early adopted HKAS 36 "Impairment of Assets", HKAS 38 "Intangible Assets", HKAS 40 "Investment Property" and HKFRS 3 "Business Combinations". The effect of adopting the above accounting standards is set out in note 1(b)(ii), note 1(c)(i), note 1(d) and note 1(f) to the accounts.

The Group has commenced an assessment of the financial impact of adopting the remaining new and revised HKASs and HKFRSs but is not yet in a position to state whether these new accounting standards would have a significant impact on its results of operations and financial position.

#### (b) Group accounting

##### (i) Basis of consolidation

The consolidated accounts include the accounts of the Company and all its subsidiaries made up to 31 December 2004.

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

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

Minority interests represent the interests of outside shareholders in the operating results and net assets of subsidiaries.

## Notes to the Accounts

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### 1 PRINCIPAL ACCOUNTING POLICIES (Continued)

#### (b) Group accounting (Continued)

##### (ii) *Subsidiaries*

Subsidiaries are those entities in which the Company, directly or indirectly, controls more than half of the voting power; has the power to govern the financial and operating policies; to appoint or remove the majority of the members of the board of directors; or to cast majority of votes at the meetings of the board of directors.

In the Company's balance sheet the investments in subsidiaries are stated at cost less provision for impairment losses. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

In prior years, gain or loss on the disposal of a subsidiary represented the difference between the sales proceeds and the Group's share of its net assets together with any unamortised goodwill or negative goodwill and exchange differences taken to reserves and which was not previously recognised in the consolidated profit and loss account.

Pursuant to the adoption of HKFRS 3 with effect from 1 January 2004, goodwill previously taken directly to reserves is no longer recognised in the consolidated profit and loss account on the disposal of a subsidiary to which that goodwill relates. The adoption of HKFRS 3 did not have any material financial impact to the Group's profit attributable to shareholders and net assets as of and for the year ended 31 December 2004.

##### (iii) *Associates*

An associate is a company, not being a subsidiary, in which an equity interest of not less than 20% is held for the long-term and significant influence is exercised in its management.

The consolidated profit and loss account includes the Group's share of the results of associates for the year, and the consolidated balance sheet includes the Group's share of the net assets of the associates and goodwill which remains unamortised but does not include any attributable goodwill previously written off against reserves.

##### (iv) *Translation of foreign currencies*

Transactions in foreign currencies are translated at exchange rates ruling at the transaction dates. Monetary assets and liabilities expressed in foreign currencies are translated at rates of exchange ruling at the balance sheet date. Exchange differences are dealt with in the profit and loss account.

The accounts of the subsidiaries and associates expressed in foreign currencies are translated at the rates of exchange ruling at the balance sheet date for the balance sheet items whilst the profit and loss items are translated at an average rate for the year. The resulting exchange differences are dealt with as a movement in reserves. Upon disposal of subsidiaries and associates, the related accumulated exchange differences are included in the consolidated profit and loss account as part of the gain or loss on disposal.

## Notes to the Accounts

### 1 PRINCIPAL ACCOUNTING POLICIES (Continued)

#### (c) Fixed assets

##### (i) Investment properties

Investment properties are interests in land and buildings in respect of which construction work and development have been completed and which are held for their investment potential. Investment properties are carried in the balance sheet at fair value, representing open market value determined annually by independent professional valuers, and are not depreciated.

In prior years, investment properties were stated in the balance sheet at fair value and where they were held on leases with unexpired periods of 20 years or less, were depreciated over the remaining period of the leases. Surplus or deficits arising from the revaluation of investment properties were recognised on a portfolio basis with increases in valuation credited to the investment properties revaluation reserve and decreases in valuation first set off against increases on earlier valuations on a portfolio basis and thereafter charged to the profit and loss account. Any subsequent increases were credited to the profit and loss account up to the amount previously charged. Upon the disposal of an investment property, the relevant portion of the revaluation reserve realised in respect of previous valuations was released from the investment properties revaluation reserve to the profit and loss account.

Pursuant to the adoption of HKAS 40, changes in fair values of investment properties are recognised in the profit and loss account. The adoption of HKAS 40 represents a change in accounting policy, which has been applied retrospectively so that the comparatives presented have been restated to conform with the changed policy. The change in accounting policy has resulted in an increase of HK\$3,317,000 and HK\$14,471,000 in profit attributable to shareholders for the years ended 31 December 2004 and 2003 respectively. The opening retained profits at 1 January 2004 have been increased by HK\$14,471,000 and there is no effect on the opening retained profits at 1 January 2003.

##### (ii) Other fixed assets

Other fixed assets, comprising properties other than investment properties, leasehold improvements, plant and machinery, furniture, fixtures and equipment and motor vehicles, are stated at cost less accumulated depreciation and accumulated impairment losses.

Leasehold land is depreciated over the period of the lease while other fixed assets are depreciated at rates sufficient to write off their cost less accumulated impairment losses over their estimated useful lives on a straight-line basis as follows:

Other properties	21 to 50 years
Leasehold improvements	3 to 10 years or over the term of the relevant leases, whichever is shorter
Plant and machinery	5 to 10 years
Furniture, fixtures and equipment	5 to 10 years
Motor vehicles	5 years

## Notes to the Accounts

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### 1 PRINCIPAL ACCOUNTING POLICIES (Continued)

#### (c) Fixed assets (Continued)

##### (ii) Other fixed assets (Continued)

The gain or loss on disposal of a fixed asset other than investment properties is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in the profit and loss account.

#### (d) Goodwill/negative goodwill

Goodwill represents the excess of the cost of an acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquired subsidiary or associate at the date of acquisition. Negative goodwill represents the excess of the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities acquired over the cost of acquisition.

In prior years, goodwill on acquisitions occurred on or after 1 January 2001 was reported in the balance sheet as a separate asset or, as applicable, included within investments in associates, and was amortised using the straight-line method over its estimated useful life. Goodwill/negative goodwill on acquisitions which occurred prior to 1 January 2001 was taken directly to reserves.

Pursuant to the adoption of HKFRS 3 with effect from 1 January 2004, goodwill arising on acquisitions is no longer amortised but retained at the carrying amount in the balance sheet as a separate asset or, as applicable, included within investments in associates, and is tested annually for impairment. Negative goodwill on acquisitions is recognised immediately in the consolidated profit and loss account. In accordance with the transitional provisions under HKFRS 3, no adjustment is required to be made in respect of goodwill or negative goodwill previously taken to reserves and such goodwill or negative goodwill will not be recognised in the profit and loss account upon disposal of subsidiaries or cash generating units to which the goodwill relates. The adoption of HKFRS 3 did not have any material financial impact to the Group's profit attributable to shareholders and net assets as of and for the year ended 31 December 2004.

#### (e) Investments in securities

##### (i) Held-to-maturity securities

Held-to-maturity securities are stated in the balance sheet at cost plus/less any discount/premium amortised to date. The discount or premium is amortised over the period to maturity and included as interest income/expense in the profit and loss account.

## Notes to the Accounts

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### 1 PRINCIPAL ACCOUNTING POLICIES (Continued)

#### (e) Investments in securities (Continued)

##### (ii) *Non-trading securities*

Securities which are held for non-trading purposes are stated at fair value at the balance sheet date. Changes in the fair value of individual securities are credited or debited to the investment revaluation reserve until the investment is sold, or is determined to be impaired. Upon disposal, the cumulative gain or loss representing the difference between the net sales proceeds and the carrying amount of the relevant investment, together with any surplus/deficit transferred from the investment revaluation reserve, is dealt with in the profit and loss account.

##### (iii) *Trading securities*

Trading securities are carried at fair value. At each balance sheet date, the net unrealised gains or losses arising from the changes in fair value of trading securities are recognised in the profit and loss account. Profit or loss on disposal of trading securities, representing the difference between the net sales proceeds and the carrying amounts, are recognised in the profit and loss account as they arise.

#### (f) Impairment of assets

In prior years, intangible and tangible assets, except investment properties, were tested for impairment when an event that might affect asset values had occurred. A provision for impairment in value was recognised to the extent that the carrying amount could not be recovered either by selling the asset or by discounting future earnings from operating the asset. Such provision was recognised in the profit and loss account except where the asset was carried at valuation and the provision did not exceed the revaluation surplus for that same asset, in which case it was treated as a revaluation decrease.

Pursuant to the adoption of HKAS 36 with effect from 1 January 2004, assets that have an indefinite useful life are no longer subject to amortisation and are tested for impairment annually. All assets are subject to review for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable. The adoption of HKAS 36 did not have any financial impact to the Group's profit attributable to shareholders and net assets as of and for the year ended 31 December 2004.

#### (g) Inventories

Inventories are carried at the lower of cost and net realisable value. Cost is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Net realisable value is 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.

## Notes to the Accounts

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### 1 PRINCIPAL ACCOUNTING POLICIES (Continued)

#### (h) Accounts receivable

Provision is made against accounts receivable to the extent they are considered to be doubtful. Accounts receivable in the balance sheet are stated net of such provision.

#### (i) Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held at call with banks, cash investments with a maturity of three months or less from date of investment and bank overdrafts.

#### (j) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Where the Group expects a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

#### (k) Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the accounts. When a change in the probability of an outflow occurs so that the outflow becomes probable, it will then be recognised as a provision.

#### (l) Income tax

- (i) Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in the profit and loss account except to the extent that they relate to items recognised directly in equity, in which case they are recognised in equity.
- (ii) Current tax is expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

## Notes to the Accounts

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### 1 PRINCIPAL ACCOUNTING POLICIES (Continued)

#### (l) Income tax (Continued)

- (iii) Deferred taxation is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the accounts. Taxation rates enacted or substantively enacted at the balance sheet date are used to determine deferred taxation. Deferred taxation is not discounted.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

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

#### (m) Operating lease charges

Leases where substantially all the risks and rewards of ownership of assets remain with the leasing company are accounted for as operating leases. Payments made under operating leases net of any incentives received from the leasing company are charged to the profit and loss account on a straight-line basis over the lease periods.

#### (n) Employee benefits

- (i) Salaries, bonus, paid annual leave and the cost of other benefits to the Group are accrued in the year in which the associated services are rendered by employees of the Group.
- (ii) The Group operates two defined contribution schemes, the assets of which are held in separate administered funds. The Group's contributions to the defined contribution schemes are expensed as incurred and are not reduced by contributions forfeited by those employees who leave the schemes prior to vesting fully in the contributions.

The Group also contributes on a monthly basis to various defined contribution retirement benefit plans organised by relevant municipal and provincial governments in the PRC. The municipal and provincial governments undertake to assume the retirement benefit obligations payable to all existing and future retired employees for post-retirement benefits beyond the contributions made. The assets of these plans are held separately from those of the Group in independently administered funds managed by the PRC government. Contributions to these plans are expensed as incurred.

- (iii) Termination benefits are recognised when, and only when, the Group demonstrably commits itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal.

## Notes to the Accounts

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### 1 PRINCIPAL ACCOUNTING POLICIES (Continued)

#### (o) Revenue recognition

##### (i) *Sale of goods*

Revenue is recognised when goods are delivered to customers which is taken to be the point in time when the customer has accepted the goods and the related risks and rewards of ownership. Revenue excludes value added or other sales taxes and is after deduction of any trade discounts.

##### (ii) *Rental income from operating leases*

Rental income receivable under operating leases is recognised in the profit and loss account in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives granted are recognised in the profit and loss account as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognised as income in the year in which they are earned.

##### (iii) *Dividends*

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

##### (iv) *Interest income*

Interest income is recognised on a time proportion basis, taking into account the principal amounts outstanding and the interest rates applicable.



## Notes to the Accounts

### 2 TURNOVER, REVENUE AND SEGMENT INFORMATION

The principal activity of the Company is investment holding. The principal activities of the subsidiaries are set out in note 34(a) to the accounts.

Turnover represents sales of toys, consumer electronic products and accessories and rental income. The amount of each category of revenue recognised during the year is as follows:

	<b>Group</b>	
	<b>2004</b>	2003
	<b>HK\$'000</b>	HK\$'000
Turnover		
Sales of goods	<b>2,555,102</b>	2,147,861
Rental and service income from investment properties	<b>46,915</b>	44,450
	<b>2,602,017</b>	2,192,311
Other revenues		
Interest income	<b>59,210</b>	46,991
Dividend income from trading securities	–	84
	<b>59,210</b>	47,075
Total revenues	<b>2,661,227</b>	2,239,386

Segment information is presented in respect of the Group's business and geographical segments. Business segment information is chosen as the primary reporting format. The Group's core business segments are toy operation, technology operation, licensing and sourcing operation and property operation. Other corporate income and expenses, held-to-maturity securities and cash held for non-operating purposes are not allocated to the above segments. An analysis by principal business and geographical location of the operations of the Group is set out on pages 58 to 63.

## Notes to the Accounts

### 2 TURNOVER, REVENUE AND SEGMENT INFORMATION (Continued)

#### Primary segment information by business:

	Year ended 31 December 2004					Group HK\$'000
	Toy operation HK\$'000	Technology operation HK\$'000	Licensing and sourcing operation HK\$'000	Property operation HK\$'000	Elimination HK\$'000	
Turnover						
Company and subsidiaries						
– External sales	1,780,645	636,939	137,518	46,915	–	2,602,017
– Inter-segment sales	29,445	4,177	768	–	(34,390)	–
	1,810,090	641,116	138,286	46,915	(34,390)	2,602,017
Share of associates	8,501	–	–	–	–	8,501
	1,818,591	641,116	138,286	46,915	(34,390)	2,610,518
Segment results						
Company and subsidiaries	63,828	51,969	1,557	64,900		182,254
Other corporate income and expenses						15,430
Operating profit						197,684
Share of profits less losses of associates	440	–	–	(269)		171
Earnings before interest expense and taxation	64,268	51,969	1,557	64,631		197,855
Finance costs						(8,061)
Taxation						(18,616)
Minority interests						(8,295)
Profit attributable to shareholders						162,883

## Notes to the Accounts

### 2 TURNOVER, REVENUE AND SEGMENT INFORMATION (Continued)

#### Primary segment information by business (Continued):

	Year ended 31 December 2004				Group HK\$'000
	Toy operation HK\$'000	Technology operation HK\$'000	Licensing and sourcing operation HK\$'000	Property operation HK\$'000	
Segment assets	1,005,774	263,164	29,375	806,837	2,105,150
Investments in associates	(3,197)	-	-	7,041	3,844
Deferred tax assets	9,867	-	1,250	-	11,117
Unallocated assets					1,633,274
Total assets					3,753,385
Segment liabilities	360,552	148,660	12,031	56,703	577,946
Loans from minority shareholders	7,035	-	-	39,326	46,361
Taxation	(168)	3,179	786	21,992	25,789
Deferred tax liabilities	747	235	-	47,321	48,303
Unallocated liabilities					12,983
Total liabilities					711,382
Capital expenditure	39,284	12,689	609	84	52,666
Depreciation and impairment	36,198	9,343	218	769	46,528
Gain on disposal of investment properties	-	-	-	(6,227)	(6,227)

## Notes to the Accounts

### 2 TURNOVER, REVENUE AND SEGMENT INFORMATION (Continued)

#### Primary segment information by business (Continued):

	Year ended 31 December 2003 (Restated)				
	Toy operation HK\$'000	Technology operation HK\$'000	Property operation HK\$'000	Elimination HK\$'000	Group HK\$'000
Turnover					
Company and subsidiaries					
– External sales	1,805,379	342,482	44,450	–	2,192,311
– Inter-segment sales	45,105	–	–	(45,105)	–
	1,850,484	342,482	44,450	(45,105)	2,192,311
Share of associates	7,384	–	8,667	–	16,051
	1,857,868	342,482	53,117	(45,105)	2,208,362
Segment results					
Company and subsidiaries	90,200	17,842	62,512		170,554
Other corporate income and expenses					4,924
Operating profit					175,478
Share of profits less losses of associates	558	–	(452)		106
Earnings before interest expense and taxation	90,758	17,842	62,060		175,584
Finance costs					(199)
Taxation					(23,632)
Minority interests					(9,062)
Profit attributable to shareholders					142,691

## Notes to the Accounts

### 2 TURNOVER, REVENUE AND SEGMENT INFORMATION (Continued)

#### Primary segment information by business (Continued):

	Year ended 31 December 2003			Group HK\$'000
	Toy operation HK\$'000	Technology operation HK\$'000	Property operation HK\$'000	
Segment assets	952,464	203,341	781,360	1,937,165
Investments in associates	(2,010)	–	10,827	8,817
Deferred tax assets	9,289	3,020	–	12,309
Unallocated assets				1,697,563
Total assets				<u>3,655,854</u>
Segment liabilities	385,906	96,693	61,619	544,218
Loans from minority shareholders	7,026	–	39,326	46,352
Taxation	2,306	3,703	25,691	31,700
Deferred tax liabilities	3,231	–	40,102	43,333
Unallocated liabilities				11,620
Total liabilities				<u>677,223</u>
Capital expenditure	21,970	19,906	443	42,319
Depreciation and impairment	53,233	4,723	595	58,551
Gain on disposal of subsidiaries	(10,679)	–	–	(10,679)

## Notes to the Accounts

### 2 TURNOVER, REVENUE AND SEGMENT INFORMATION (Continued)

#### Secondary segment information by geographical location:

In presenting information of geographical segments, segment turnover is based on the geographical destination of delivery of goods. Segment assets and capital expenditure are based on the geographical location of the assets.

	Turnover 2004 HK\$'000	Segment results 2004 HK\$'000	Total assets 2004 HK\$'000	Capital expenditure 2004 HK\$'000
United States	1,084,302	26,317	289,655	–
Europe	466,564	19,801	24,604	–
Mainland China	103,518	69,499	1,359,613	48,500
Hong Kong	190,628	16,821	348,465	4,038
Japan	448,740	33,773	45,823	128
Korea	117,580	10,008	28,115	–
Other regions	190,685	6,035	8,875	–
	<b>2,602,017</b>	<b>182,254</b>	<b>2,105,150</b>	<b>52,666</b>
Other corporate income and expenses		<b>15,430</b>		
Operating profit		<b>197,684</b>		
Investments in associates			<b>3,844</b>	
Deferred tax assets			<b>11,117</b>	
Unallocated assets			<b>1,633,274</b>	
Total assets			<b>3,753,385</b>	

## Notes to the Accounts

### 2 TURNOVER, REVENUE AND SEGMENT INFORMATION (Continued)

#### Secondary segment information by geographical location (Continued):

	Turnover 2003 HK\$'000	Restated Segment results 2003 HK\$'000	Total assets 2003 HK\$'000	Capital expenditure 2003 HK\$'000
United States	1,113,731	46,579	56,686	–
Europe	320,510	13,156	11,649	–
Mainland China	65,888	76,463	1,293,568	39,450
Hong Kong	139,899	7,035	494,139	2,830
Japan	370,658	19,866	75,844	39
Korea	5,965	245	–	–
Other regions	175,660	7,210	5,279	–
	<u>2,192,311</u>	<u>170,554</u>	<u>1,937,165</u>	<u>42,319</u>
Other corporate income and expenses		4,924		
Operating profit		<u>175,478</u>		
Investments in associates			8,817	
Deferred tax assets			12,309	
Unallocated assets			1,697,563	
Total assets			<u>3,655,854</u>	

## Notes to the Accounts

### 3 OPERATING PROFIT

	Group	
	2004 HK\$'000	2003 HK\$'000
Operating profit is stated after crediting and charging the following:		
<i>Crediting</i>		
Rental from investment properties less outgoings of HK\$8,640,000 (2003: HK\$8,627,000)	36,209	33,726
Gain on disposal of subsidiaries	–	10,679
Gain on disposal of investment properties	6,227	–
Gain on disposal of fixed assets other than investment properties	592	893
Gain on disposal of non-trading securities	4,000	–
Gain on fair value adjustments of investment properties	11,490	23,888
Reversal of over accruals arising from settlement of a legal dispute	–	6,303
Net realised and unrealised gains on trading securities	–	496
Recovery of bad debts provision	6,335	441
<i>Charging</i>		
Cost of inventories sold ( <i>Note a</i> )	2,263,080	1,885,987
Staff costs ( <i>Note 9</i> )	401,908	371,492
Depreciation and impairment	46,528	58,551
Operating lease charges in respect of properties	34,463	32,357
Auditors' remuneration	2,765	1,769
Net exchange losses	1,420	3,913

*Note:*

- (a) Cost of inventories sold includes certain portion of staff costs, depreciation and operating lease charges totalling HK\$369,702,000 (2003: HK\$354,533,000), which are also included in the respective amounts of expenses disclosed separately.



## Notes to the Accounts

### 4 FINANCE COSTS

	Group	
	2004 HK\$'000	2003 HK\$'000
Interest on bank overdrafts	255	199
Interest on minority shareholder's loan (not wholly repayable within five years) (Note 24)	7,806	–
	<b>8,061</b>	199

### 5 TAXATION

	Group			Current taxation HK\$'000	Deferred taxation HK\$'000	Restated 2003 Total HK\$'000
	Current taxation HK\$'000	Deferred taxation HK\$'000	2004 Total HK\$'000			
Hong Kong Subsidiaries	8,554	1,597	10,151	5,552	(716)	4,836
Outside Hong Kong Subsidiaries	3,788	4,565	8,353	4,756	13,973	18,729
Associates	112	–	112	67	–	67
	<b>12,454</b>	<b>6,162</b>	<b>18,616</b>	10,375	13,257	23,632

Hong Kong profits tax has been provided at the rate of 17.5% (2003: 17.5%) on the estimated assessable profit for the year. Taxation outside Hong Kong has been provided for on the estimated assessable profits at applicable rate ruling in relevant countries.

## Notes to the Accounts

### 5 TAXATION (Continued)

The differences between the Group's expected tax charges calculated at the domestic rates and the Group's tax charge for the years are as follows:

	Group	
	2004 HK\$'000	2003 HK\$'000
Profit before taxation	189,794	175,385
Tax calculated at the domestic rates applicable to the profits in the countries concerned	26,352	30,031
Income not subject to taxation	(5,052)	(6,795)
Expenses not deductible for taxation purposes	3,091	2,202
Utilisation of previously unrecognised tax losses	(34)	(583)
Over provision in prior years	(7,933)	(2,966)
Other temporary differences	2,192	2,268
Effect of change in tax rate	–	(525)
Total taxation	18,616	23,632

### 6 PROFIT ATTRIBUTABLE TO SHAREHOLDERS

The profit attributable to shareholders is dealt with in the accounts of the Company to the extent of HK\$223,475,000 (2003: HK\$208,473,000).

### 7 DIVIDEND

	Group and Company	
	2004 HK\$'000	2003 HK\$'000
Final dividend proposed – HK2.0 cents per ordinary share (2003: HK1.7 cents)	134,100	113,985

At a meeting held on 21 March 2005, the directors declared a final dividend of HK2.0 cents per ordinary share. The amount of proposed final dividend for 2004 is based on 6,705,000,263 shares issued at 31 December 2004. This proposed dividend is not reflected as a dividend payable in these accounts but will be reflected as an appropriation of retained profits for the year ending 31 December 2005.

The amount of proposed final dividend for 2003 was based on 6,705,000,263 shares issued at 31 December 2003 and the amount paid of HK\$113,985,000 was based on 6,705,000,263 shares issued and recorded on the Register of Members of the Company on 20 May 2004.

## Notes to the Accounts

### 8 EARNINGS PER SHARE

The calculation of earnings per share is based on the Group's profit attributable to shareholders of HK\$162,883,000 (2003: HK\$142,691,000, as restated) and 6,705,000,263 (2003: weighted average number of 6,366,000,263) ordinary shares in issue during the year.

### 9 STAFF COSTS (INCLUDING DIRECTORS' EMOLUMENTS)

	Group	
	2004 HK\$'000	2003 HK\$'000
Wages and salaries	361,408	326,460
Other allowances and benefits	35,408	39,740
Pension costs	5,092	5,292
	<b>401,908</b>	<b>371,492</b>

### 10 RETIREMENT BENEFITS SCHEMES

The Group has two defined contribution schemes for all qualified employees.

- (i) Hong Kong employees who commenced employment before 1 September 2000 and qualified employees from operations outside Hong Kong are members of the first defined contribution scheme. The assets of the defined contribution scheme are held separately under a provident fund managed by an independent trustee. Pursuant to the rules of the scheme, the employer and its employees are each required to make contributions to the scheme calculated at 5% of the employees' basic salaries on a monthly basis. The employees are entitled to 100% of the employer's contributions and accrued investment return after 10 years' service, or at an increasing scale of between 20% to 90% after completion of 2 to 9 years' service.

When there are employees who leave the scheme prior to vesting fully in the contributions, in accordance with the rules of the scheme, the forfeited employer's contributions arising from members terminating employment before becoming fully vested are allocated to the benefit of the remaining members instead of being used to reduce the future contributions of the employer.

- (ii) All qualified Hong Kong employees who commenced employment on or after 1 September 2000 are members of the second defined contribution scheme which has been set up in accordance with the guidelines of Mandatory Provident Fund. Both the employers and employees contribute 5% of relevant income (limited to HK\$1,000) to the scheme each month.

## Notes to the Accounts

### 11 DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

#### (a) Directors' emoluments

Directors' emoluments comprise payments to directors by the Company and its subsidiaries in connection with the management of the affairs of the Company and its subsidiaries. The emoluments of the directors of the Company are as follows:

Name of Director	2004				2004 Total emoluments HK\$'000	2003 Total emoluments HK\$'000
	Fees HK\$'000	Basic salaries, allowances and benefits- in-kind HK\$'000	Discretionary bonus HK\$'000	Provident fund contributions HK\$'000		
Fok Kin-ning, Canning	70	-	-	-	70	38
Lai Kai Ming, Dominic	70	-	-	-	70	38
Luk Tei, Lewis	70	2,285	950	97	3,402	3,062
Ko Yuet Ming	70	2,520	1,680	108	4,378	4,008
Chow Woo Mo Fong, Susan	70	-	-	-	70	38
Chow Wai Kam, Raymond	70	-	-	-	70	38
Edith Shih	70	-	-	-	70	38
Chan Wen Mee, May (Michelle)	70	-	-	-	70	38
Endo Shigeru	70	-	-	-	70	38
Cheung Wing Han, Miranda	70	2,296	610	148	3,124	3,004
Tam Yue Man	70	2,316	950	99	3,435	3,094
Ronald Joseph Arculli	140	-	-	-	140	50
Cheng Ming Fun, Paul *	140	-	-	-	140	50
Kwai Kai Cheong *	37	-	-	-	37	-
Lam Lee G. *	37	-	-	-	37	-
<b>Total – 2004</b>	<b>1,124</b>	<b>9,417</b>	<b>4,190</b>	<b>452</b>	<b>15,183</b>	
Total – 2003	366	9,377	3,339	452	-	13,534

\* Independent non-executive directors

## Notes to the Accounts

### 11 DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS (Continued)

#### (b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include four (2003: four) directors whose emoluments are reflected in the analysis presented in note 11(a). The emoluments payable to the remaining individual (2003: one individual) during the year and which fell within the band of between HK\$1,500,001 and HK\$2,000,000 are as follows:

	<b>2004</b> <b>HK\$'000</b>	2003 HK\$'000
Basic salaries, allowances and benefits-in-kind	<b>1,570</b>	1,560
Discretionary bonus	<b>240</b>	360
Provident fund contributions	<b>72</b>	72
	<b>1,882</b>	1,992

## Notes to the Accounts

### 12 FIXED ASSETS

#### Group

	Investment properties HK\$'000	Other properties HK\$'000	Leasehold improvements HK\$'000	Plant and machinery HK\$'000	Furniture, fixtures and equipment HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
<b>Cost or valuation</b>							
At 1 January 2004	680,140	214,453	123,133	197,546	44,952	9,957	1,270,181
Exchange translation differences	-	64	135	228	17	(3)	441
Additions	-	10,262	7,519	26,477	6,882	1,526	52,666
Disposals	(10,500)	(238)	(4,487)	(6,518)	(1,006)	(985)	(23,734)
Fair value adjustments	11,490	-	-	-	-	-	11,490
At 31 December 2004	681,130	224,541	126,300	217,733	50,845	10,495	1,311,044
<b>Accumulated depreciation and impairment</b>							
At 1 January 2004	-	102,398	100,351	115,297	31,551	7,284	356,881
Exchange translation differences	-	(3)	33	96	10	(4)	132
Charge for the year	-	8,280	11,500	20,243	4,639	1,106	45,768
Impairment	-	760	-	-	-	-	760
Disposals	-	(238)	(4,487)	(5,013)	(974)	(905)	(11,617)
At 31 December 2004	-	111,197	107,397	130,623	35,226	7,481	391,924
<b>Net book value</b>							
At 31 December 2004	681,130	113,344	18,903	87,110	15,619	3,014	919,120
At 31 December 2003	680,140	112,055	22,782	82,249	13,401	2,673	913,300

## Notes to the Accounts

### 12 FIXED ASSETS (Continued)

The analysis of the cost or valuation at 31 December 2004 of the above assets is as follows:

	Investment properties HK\$'000	Other properties HK\$'000	Leasehold improvements HK\$'000	Plant and machinery HK\$'000	Furniture, fixtures and equipment HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
At cost	-	224,541	126,300	217,733	50,845	10,495	629,914
At valuation	681,130	-	-	-	-	-	681,130
	<b>681,130</b>	<b>224,541</b>	<b>126,300</b>	<b>217,733</b>	<b>50,845</b>	<b>10,495</b>	<b>1,311,044</b>

The analysis of the cost or valuation at 31 December 2003 of the above assets is as follows:

At cost	-	214,453	123,133	197,546	44,952	9,957	590,041
At valuation	680,140	-	-	-	-	-	680,140
	<b>680,140</b>	<b>214,453</b>	<b>123,133</b>	<b>197,546</b>	<b>44,952</b>	<b>9,957</b>	<b>1,270,181</b>

- (a) The Group's interests in investment properties and other properties at their net book values are analysed as follows:

	2004		2003	
	Investment properties HK\$'000	Other properties HK\$'000	Investment properties HK\$'000	Other properties HK\$'000
Leases of between 10 to 50 years				
Hong Kong	<b>7,380</b>	<b>54,185</b>	6,030	55,688
Outside Hong Kong	<b>673,750</b>	<b>59,159</b>	674,110	56,367
	<b>681,130</b>	<b>113,344</b>	680,140	112,055

- (b) The investment properties are revalued at 31 December 2004 on an open market value basis by independent professional valuers, DTZ Debenham Tie Leung Limited.
- (c) There is no pledge of fixed assets at 31 December 2004 (2003: Nil).

## Notes to the Accounts

### 13 INVESTMENTS IN SUBSIDIARIES

	<b>Company</b>	
	<b>2004</b>	2003
	<b>HK\$'000</b>	HK\$'000
Unlisted investments, at cost	<b>659,099</b>	659,099
Amounts due from subsidiaries	<b>2,187,953</b>	2,143,258
Amounts due to subsidiaries	<b>(76,138)</b>	(101,007)
	<b>2,770,914</b>	2,701,350

- (a) The amounts due from/to subsidiaries are unsecured, interest-free and have no fixed terms of repayment.
- (b) Particulars of the principal subsidiaries at 31 December 2004 are set out in note 34(a) to the accounts.

### 14 INVESTMENTS IN ASSOCIATES

	<b>Group</b>	
	<b>2004</b>	2003
	<b>HK\$'000</b>	HK\$'000
Unlisted investments, at cost	<b>23,384</b>	25,443
Share of post acquisition reserves	<b>(10,681)</b>	(9,097)
Amounts due to associates	<b>(8,859)</b>	(7,529)
	<b>3,844</b>	8,817

- (a) The amounts due to associates are unsecured, interest-free and have no fixed terms of repayment.
- (b) Particulars of the principal associates at 31 December 2004 are set out in note 34(b) to the accounts.



## Notes to the Accounts

### 15 HELD-TO-MATURITY SECURITIES, LISTED

	Group	
	2004 HK\$'000	2003 HK\$'000
Listed, overseas		
Held-to-maturity securities, at cost	1,488,090	1,568,547
Less: amortisation	(30,056)	(9,567)
	<b>1,458,034</b>	1,558,980

At 31 December 2004, the market value of held-to-maturity securities is approximately HK\$1,461,809,000 (2003: HK\$1,587,141,000).

### 16 NON-TRADING SECURITIES

	Group		Company	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Unlisted shares, Hong Kong	273	273	–	–
Unlisted securities, overseas				
Equity securities	65,912	73,668	62,979	106,803
Convertible notes	19,500	19,500	19,500	19,500
	<b>85,685</b>	93,441	<b>82,479</b>	126,303
Less: impairment provision	<b>(85,412)</b>	(93,168)	<b>(82,479)</b>	(126,303)
	<b>273</b>	273	–	–

The Group's investments in unlisted non-trading securities are mainly in entities engaged in internet business-to-business e-commerce activities. The directors have reviewed the carrying value of these investments and considered it appropriate to make an impairment provision against these investments.

## Notes to the Accounts

### 17 LOANS RECEIVABLE

	<b>Group</b>	
	<b>2004</b>	2003
	<b>HK\$'000</b>	HK\$'000
Gross loans receivable	<b>11,532</b>	14,430
Less: amount due within one year	<b>(2,770)</b>	(2,770)
	<b>8,762</b>	11,660

The gross loans receivable of HK\$11,532,000 at 31 December 2004 (2003: HK\$14,430,000) represented the net amount of unsecured loans advanced by the Group to a third party (the "Third Party") to finance the Third Party to construct certain factory buildings in the PRC. The Third Party leased the factory buildings back to the Group and used the rent derived thereon to repay the principal and the related interest. The loans bear interest at a range of Hong Kong dollar prime rate to 2% above Hong Kong dollar prime rate.

### 18 INVENTORIES

	<b>Group</b>	
	<b>2004</b>	2003
	<b>HK\$'000</b>	HK\$'000
Raw materials	<b>162,478</b>	105,172
Work in progress	<b>75,964</b>	71,688
Finished goods	<b>52,227</b>	47,981
	<b>290,669</b>	224,841

At 31 December 2004 and 31 December 2003, all inventories were carried at cost.

## Notes to the Accounts

### 19 TRADE RECEIVABLES

The Group's average credit period granted to trade debtors mainly ranges from 30 to 60 days. At 31 December, the aging analysis of trade receivables, net of provision, based on the date of invoice is as follows:

	Group	
	2004 HK\$'000	2003 HK\$'000
0 – 30 days	175,498	168,695
31 – 60 days	97,838	78,764
61 – 90 days	50,820	12,121
Over 90 days	27,426	29,507
	<b>351,582</b>	289,087

### 20 TRADING SECURITIES

	Group	
	2004 HK\$'000	2003 HK\$'000
Equity securities at market value, listed – Overseas	7	104

### 21 CASH AND BANK DEPOSITS

	Group		Company	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Deposits with banks	419,046	343,168	130,854	88,587
Cash at banks and in hand	166,225	145,229	1,541	2,715
	<b>585,271</b>	488,397	<b>132,395</b>	91,302

## Notes to the Accounts

### 22 TRADE PAYABLES

The aging analysis of trade payables at 31 December is as follows:

	Group	
	2004 HK\$'000	2003 HK\$'000
0 – 30 days	184,396	217,486
31 – 60 days	108,400	56,891
61 – 90 days	19,091	11,664
Over 90 days	26,333	16,642
	<b>338,220</b>	302,683

### 23 DEFERRED TAXATION

- (a) The components of deferred tax assets or liabilities recognised in the consolidated balance sheet and the movements during the year are as follows:

#### Deferred tax liabilities

	Group					
	Accelerated tax depreciation		Revaluation of investment properties and others		Total	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
At 1 January	29,218	22,379	14,115	5,314	43,333	27,693
Charged/(credited) to consolidated profit and loss account	12,606	7,009	(7,636)	8,801	4,970	15,810
Disposal of subsidiaries	–	(170)	–	–	–	(170)
At 31 December	<b>41,824</b>	29,218	<b>6,479</b>	14,115	<b>48,303</b>	43,333

## Notes to the Accounts

### 23 DEFERRED TAXATION (Continued)

(a) (Continued)

#### Deferred tax assets

	Group							
	Accelerated tax depreciation		Impairment of assets and provisions		Tax losses		Total	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
At 1 January	(1,834)	114	(4,982)	(4,803)	(5,493)	(5,067)	(12,309)	(9,756)
Charged/(credited) to consolidated profit and loss account	(522)	(1,948)	(77)	(179)	1,791	(426)	1,192	(2,553)
At 31 December	(2,356)	(1,834)	(5,059)	(4,982)	(3,702)	(5,493)	(11,117)	(12,309)

(b) The utilisation of unused tax losses depends on future taxable profit in excess of the profits arising from the reversal of existing taxable temporary differences. The unused tax losses carried forwards amounted to HK\$104,589,000 (2003: HK\$107,649,000). Of these, HK\$87,717,000 (2003: HK\$83,768,000) can be carried forward indefinitely. The remaining HK\$16,872,000 (2003: HK\$23,881,000) expires in the following years:

	Group	
	2004 HK\$'000	2003 HK\$'000
2004	–	7,203
2005	3,832	4,860
2006	10,598	10,598
2007	2,442	628
2008	–	592
	<b>16,872</b>	<b>23,881</b>

(c) No provision for deferred taxation has been made for taxes which would arise on the remittance of retained profits of an overseas company to Hong Kong as it is not anticipated that these amounts will be remitted in the foreseeable future. The unremitted earnings at 31 December 2004 amounted to HK\$9,277,000 (2003: HK\$7,292,000).

## Notes to the Accounts

### 24 MINORITY INTERESTS

	Group	
	2004 HK\$'000	2003 HK\$'000
Equity interests	91,311	82,817
Loans from minority shareholders		
– interest bearing	39,326	–
– interest free	7,035	46,352
	<b>137,672</b>	129,169

At 31 December 2004, the interest bearing loans from minority shareholders are advanced by a minority shareholder of the Group's two PRC property equity joint ventures. During the year, the Group agreed to pay interest at 3% per annum on the loans from that minority shareholder with effect from the first date the loans were provided to the property joint ventures. Prior to such agreement, all the loans from minority shareholders were interest free.

At 31 December 2004, the loans from minority shareholders are unsecured and have no fixed terms of repayment.

### 25 SHARE CAPITAL

	2004		2003	
	Number of shares	Amount HK\$'000	Number of shares	Amount HK\$'000
Authorised:				
Ordinary shares of HK\$0.1 each	20,000,000,000	2,000,000	20,000,000,000	2,000,000
Issued and fully paid:				
At 1 January	6,705,000,263	670,500	5,610,000,263	561,000
Issue of shares	–	–	1,095,000,000	109,500
At 31 December	<b>6,705,000,263</b>	<b>670,500</b>	6,705,000,263	670,500

At 1 January 2003, the Company had warrants outstanding entitling the holders to subscribe in cash at any time on or after 4 May 2000 and until 3 May 2003 for ordinary shares up to 1,095,000,000 shares in the Company at a price of HK\$0.39 per share (the "subscription price"). On 22 April 2003, all the warrants were exercised at the subscription price. As a result, the issued share capital of the Company was increased by HK\$109,500,000 and the share premium was increased by HK\$317,548,000. The new shares issued rank pari passu in all respects with the existing shares. The Company has no outstanding warrants at 31 December 2004 (2003: Nil) and up to the date of approval of these accounts.

## Notes to the Accounts

### 26 RESERVES

#### Company

	Share premium HK\$'000	Capital redemption reserve HK\$'000	Contributed surplus HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1 January 2004	1,813,437	3,558	1,456	300,499	2,118,950
Profit for the year	–	–	–	223,475	223,475
2003 final dividend paid	–	–	–	(113,985)	(113,985)
At 31 December 2004	1,813,437	3,558	1,456	409,989	2,228,440
At 1 January 2003	1,495,889	3,558	1,456	192,601	1,693,504
Issue of new shares (Note 25)	317,548	–	–	–	317,548
Profit for the year	–	–	–	208,473	208,473
2002 final dividend paid	–	–	–	(100,575)	(100,575)
At 31 December 2003	1,813,437	3,558	1,456	300,499	2,118,950

The contributed surplus of the Company represents the difference between the consolidated shareholders' funds of subsidiaries when they were acquired by the Company and the nominal amount of the Company's share capital issued for the acquisition.

Under the Companies Act 1981 of Bermuda (as amended), contributed surplus is available for distribution to shareholders. However, a company cannot declare or pay a dividend, or make a distribution out of contributed surplus, if:

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

The application of share premium account is governed by section 40 of the Companies Act 1981 of Bermuda (as amended).

## Notes to the Accounts

### 27 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

#### (a) Reconciliation of operating profit to net cash inflow generated from operations

	<b>2004</b>	Restated
	<b>HK\$'000</b>	2003
		HK\$'000
Operating profit	<b>197,684</b>	175,478
Interest income, net of amortisation of premium of held-to-maturity securities, listed	<b>(59,210)</b>	(46,991)
Dividend income from trading securities	–	(84)
Depreciation and impairment of fixed assets	<b>46,528</b>	58,551
Gain on disposal of subsidiaries	–	(10,679)
Gain on disposal of an associate	<b>(3)</b>	–
Gain on disposal of investment properties	<b>(6,227)</b>	–
Gain on disposal of fixed assets other than investment properties	<b>(592)</b>	(893)
Gain on disposal of non-trading securities	<b>(4,000)</b>	–
Gain on fair value adjustments of investment properties	<b>(11,490)</b>	(23,888)
Net realised and unrealised gains on trading securities	–	(496)
Reversal of over accruals arising from settlement of a legal dispute	–	(6,303)
Operating profit before working capital changes	<b>162,690</b>	144,695
Decrease in pledged bank deposits	–	7,352
Increase in trade and other receivables	<b>(39,115)</b>	(38,985)
Decrease in loans receivable	<b>3,712</b>	3,712
Increase in inventories	<b>(65,828)</b>	(30,781)
Increase in trade and other payables	<b>37,827</b>	69,867
Exchange differences	<b>991</b>	(765)
Net cash inflow generated from operations	<b>100,277</b>	155,095



## Notes to the Accounts

### 27 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (Continued)

#### (b) Disposal of subsidiaries

	<b>2004</b> <b>HK\$'000</b>	2003 HK\$'000
Net assets disposed of:		
Fixed assets	-	4,595
Inventories	-	1,108
Trade and other receivables	-	3,450
Trade and other payables	-	(3,598)
Taxation	-	145
Deferred taxation	-	(170)
Cash and cash equivalents	-	6,266
	-	11,796
Exchange reserve realised	-	(140)
Capital reserve on consolidation realised	-	(2,701)
Gain on disposal	-	10,679
	-	19,634
Satisfied by:		
Cash	-	14,268
Included in non-trading securities	-	273
Included in other receivables	-	5,093
	-	19,634

#### Analysis of net cash inflow in respect of disposal of subsidiaries:

	<b>2004</b> <b>HK\$'000</b>	2003 HK\$'000
Cash consideration	-	14,268
Cash and cash equivalents disposed of	-	(6,266)
Net cash inflow in respect of disposal of subsidiaries	-	8,002

## Notes to the Accounts

### 28 CONTINGENT LIABILITIES

There are no contingent liabilities at 31 December 2004. At 31 December 2003, mortgage loan facilities totalling HK\$736,000 were granted by certain banks to purchasers of the Group's properties in the PRC and these were secured by a subsidiary's guarantees.

### 29 CAPITAL COMMITMENTS

	Group	
	2004 HK\$'000	2003 HK\$'000
Capital commitments for property, plant and equipment:		
Contracted but not provided for	4,729	9,006
Authorised but not contracted for	94,744	89,051
	<b>99,473</b>	<b>98,057</b>

### 30 OPERATING LEASES

- (a) At 31 December, the Group has future aggregate minimum lease receivables under non-cancellable operating leases in respect of investment properties as follows:

	Group	
	2004 HK\$'000	2003 HK\$'000
Not later than one year	33,138	34,760
Later than one year and not later than five years	30,111	28,715
Later than five years	5,434	7,291
	<b>68,683</b>	<b>70,766</b>

- (b) At 31 December, the Group has future aggregate minimum lease payments under non-cancellable operating leases in respect of properties as follows:

	Group	
	2004 HK\$'000	2003 HK\$'000
Not later than one year	37,066	35,820
Later than one year and not later than five years	117,165	128,643
Later than five years	14,857	34,786
	<b>169,088</b>	<b>199,249</b>

## Notes to the Accounts

### 31 MATERIAL RELATED PARTY TRANSACTIONS

During the year, the Group had significant transactions with certain related parties which were carried out in the normal course of business at terms determined and agreed by the parties to the transactions. Details of which are as follows:

- (a) The Group had transactions with minority shareholders and their affiliates during the year as follows:

	<b>2004</b> <b>HK\$'000</b>	2003 HK\$'000
Rental expenses	<b>20,458</b>	19,613
Management fee expenses	<b>3,756</b>	3,752
Interest expenses	<b>7,806</b>	–
	<b>32,020</b>	23,365

- (b) The Group manufactured a range of products including the cap covers, premium items and mobile phone accessories for other subsidiaries of Hutchison Whampoa Limited. The aggregate purchase amount for the year was approximately HK\$155,804,000 (2003: HK\$98,021,000).
- (c) Hutchison International Limited, a wholly owned subsidiary of Hutchison Whampoa Limited, has been providing and will continue to provide the administrative and support services to the Group. The aggregate fees charged for the year were approximately HK\$3,000,000 (2003: HK\$2,200,000).

### 32 ULTIMATE HOLDING COMPANY

The directors consider the ultimate holding company to be Hutchison Whampoa Limited, which is incorporated and listed in Hong Kong.

### 33 APPROVAL OF ACCOUNTS

The accounts were approved by the board of directors on 21 March 2005.

## Notes to the Accounts

### 34 PARTICULARS OF THE PRINCIPAL SUBSIDIARIES AND ASSOCIATES

(a) Details of the principal subsidiaries at 31 December 2004 are as follows:

<b>Name of subsidiary</b>	<b>Place of operations/ incorporation</b>	<b>Particulars of issued/ registered capital</b>	<b>Group's effective interest (%)</b>	<b>Principal activity</b>
* Hutchison Harbour Ring Holdings Limited	Hong Kong/ Cayman Islands	US\$1 ordinary share	100	Investment in securities
* Harbour Ring Toys Group Limited	Hong Kong/ British Virgin Islands	US\$1,000 ordinary shares	100	Investment holding
* Harbour Ring Property Holdings Limited	Hong Kong/ British Virgin Islands	US\$1 ordinary share	100	Investment holding
* i. Tech Holdings Limited	Hong Kong/ British Virgin Islands	US\$100 ordinary share	100	Investment holding
* PMW Holdings Limited	Hong Kong/ British Virgin Islands	US\$1,000 ordinary share	100	Investment holding
Acefield Limited	Hong Kong	HK\$100,000 ordinary shares  HK\$2,000,000 non-voting deferred shares	100	Trading of moulds, materials and provision of management services
Billymax Investments Limited	Hong Kong	HK\$2 ordinary shares	100	Property holding
Cardner International Inc.	Hong Kong and Macau/ British Virgin Islands	US\$200 ordinary shares	100	Trading of toys

## Notes to the Accounts

### 34 PARTICULARS OF THE PRINCIPAL SUBSIDIARIES AND ASSOCIATES (Continued)

(a) (Continued)

Name of subsidiary	Place of operations/ incorporation	Particulars of issued/ registered capital	Group's effective interest (%)	Principal activity
Coronet Toys Company Limited	Hong Kong	HK\$100,000 ordinary shares  HK\$200,000 non-voting deferred shares	100	Trading of moulds and provision of management services
#Dongguan Crown-Ace Toys Co., Ltd.	PRC	HK\$72,890,000 registered capital	95.31	Manufacture of toys
Goodway Electronic Technology Limited	Hong Kong	HK\$5,000,000 ordinary shares	100	Manufacture and trading of electronics toys
#Guangzhou i.Tech Electronic Technology Ltd	PRC	HK\$61,800,000 registered capital	97.54	Manufacture of toys
Harbour Ring Industries Limited	Hong Kong	HK\$2 ordinary shares  HK\$1,000,000 non-voting deferred shares	100	Investment holding and provision of management services
Harbour Ring Property Development Limited	Hong Kong	HK\$1,000 ordinary shares	100	Real estate agency, provision of project management services
i. Tech Dynamic Limited	Hong Kong	HK\$10,000 ordinary shares  HK\$850,000 non-voting deferred shares	100	Trading of electronic technology and premium products

## Notes to the Accounts

### 34 PARTICULARS OF THE PRINCIPAL SUBSIDIARIES AND ASSOCIATES (Continued)

(a) (Continued)

Name of subsidiary	Place of operations/ incorporation	Particulars of issued/ registered capital	Group's effective interest (%)	Principal activity
Macau International Toys Limited	Hong Kong	HK\$9,998 ordinary shares  HK\$2 non-voting deferred shares	100	Provision of management services and trading of moulds
P & H Development Limited	Hong Kong	HK\$7 ordinary shares  HK\$3 non-voting deferred shares	100	Investment holding
PMW-GB Agency Limited	Hong Kong	HK\$100 ordinary shares	65	Provision of agency services
PMW Global Sourcing Limited	Hong Kong	HK\$1,000 ordinary shares	100	Trading of toys, premium goods and other consumer products
PMW International Limited	Hong Kong	HK\$1,000 ordinary shares	100	Trading of toys, premium goods, electronic and other consumer products
PMW Management Limited	Hong Kong	HK\$1,000 ordinary shares	100	Provision of management services
PRD Electronics Limited	Hong Kong	HK\$600 ordinary shares	65	Trading of toys
# Shanghai Gang Lu Real Estate Development Co., Ltd.	PRC	US\$16,000,000 registered capital	88	Property holding
# Shanghai Pu Gang Real Estate Development Co., Ltd.	PRC	US\$7,000,000 registered capital	80	Property holding

## Notes to the Accounts

### 34 PARTICULARS OF THE PRINCIPAL SUBSIDIARIES AND ASSOCIATES (Continued)

(a) (Continued)

Name of subsidiary	Place of operations/ incorporation	Particulars of issued/ registered capital	Group's effective interest (%)	Principal activity
Try Electronics Japan Limited	Japan	JPY30,000,000 ordinary shares	65	Trading of toys
Zhongshan Coronet Toys Ltd.	PRC	HK\$41,000,000 registered capital	100	Manufacture of toys
#Zhongshan International Toys Ltd.	PRC	HK\$153,330,000 registered capital	78.04	Manufacture of toys

The non-voting deferred shares practically carry no rights to dividends or receive notice of or to attend or vote at any general meeting of the respective companies or to participate in any distribution on winding up.

\* Shares held directly by the Company

# Sino-foreign equity joint ventures

(b) Particulars of the principal associates at 31 December 2004 are as follows:

Name of associate	Place of operations/ incorporation	Particulars of registered capital	Group's effective interest (%)	Principal activity
Shanghai Jia Hua Real-Estate Development Co., Ltd	PRC	US\$5,000,000	50	Property holding
Panyu Crown-Li Mould Co. Ltd.	PRC	US\$1,130,000	50	Manufacture of moulds

The above tables list the principal subsidiaries and associates of the Group which, in the opinion of the directors, principally affect the results and net assets of the Group. To give full details of subsidiaries and associates would, in the opinion of the directors, result in particulars of excessive length.