

**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31st March, 2003

**14. PROPERTY, PLANT AND EQUIPMENT**

	Land and buildings in Hong Kong held under long leases <i>HK\$</i>	Land and buildings in Hong Kong held under medium-term leases <i>HK\$</i>	Freehold land and buildings outside Hong Kong <i>HK\$</i>	Land and buildings outside Hong Kong held under medium-term leases <i>HK\$</i>	Leasehold improvements <i>HK\$</i>	Plant and machinery <i>HK\$</i>	Motor vehicles <i>HK\$</i>	Furniture, fixtures and office equipment <i>HK\$</i>	Tools and moulds <i>HK\$</i>	Total <i>HK\$</i>
<b>THE GROUP</b>										
<b>COST</b>										
At 1st April, 2002	42,294,801	15,396,068	16,138,695	9,527,928	33,056,638	60,148,110	23,808,619	49,825,304	40,604,764	290,800,927
Exchange difference	–	–	998,112	286,988	–	–	–	237,822	–	1,522,922
Additions	–	–	–	–	1,896,704	3,960,523	–	3,166,241	11,052,992	20,076,460
Disposals	–	–	–	–	(8,914,396)	–	(164,052)	(202)	–	(9,078,650)
At 31st March, 2003	42,294,801	15,396,068	17,136,807	9,814,916	26,038,946	64,108,633	23,644,567	53,229,165	51,657,756	303,321,659
<b>DEPRECIATION</b>										
At 1st April, 2002	4,679,815	1,944,508	640,699	1,801,080	26,136,951	44,086,937	19,541,069	39,234,105	39,799,377	177,864,541
Exchange difference	–	–	164	93,380	–	–	–	46,818	–	140,362
Provided for the year	568,067	302,463	137,179	349,105	5,374,979	7,902,394	1,651,622	2,744,387	3,344,685	22,374,881
Eliminated on disposals	–	–	–	–	(8,892,874)	–	(150,381)	(105)	–	(9,043,360)
At 31st March, 2003	5,247,882	2,246,971	778,042	2,243,565	22,619,056	51,989,331	21,042,310	42,025,205	43,144,062	191,336,424
<b>NET BOOK VALUES</b>										
At 31st March, 2003	37,046,919	13,149,097	16,358,765	7,571,351	3,419,890	12,119,302	2,602,257	11,203,960	8,513,694	111,985,235
At 31st March, 2002	37,614,986	13,451,560	15,497,996	7,726,848	6,919,687	16,061,173	4,267,550	10,591,199	805,387	112,936,386

The net book values of property, plant and equipment held under finance leases are as follows:

	<b>2003</b> <b>HK\$</b>	2002 <b>HK\$</b>
Plant and machinery	<b>7,915,016</b>	6,092,342
Motor vehicles	<b>1,017,237</b>	2,357,437
Furniture, fixtures and office equipment	<b>1,660,521</b>	2,715,521
	<b><u>10,592,774</u></b>	<u>11,165,300</u>

**15. PROPERTIES UNDER DEVELOPMENT**

	<b>THE GROUP</b>	
	<b>2003</b> <b>HK\$</b>	2002 <b>HK\$</b>
At 1st April	<b>156,588,223</b>	76,317,426
Exchange difference	<b>14,315,466</b>	(1,437,801)
Additions	<b>20,112,280</b>	84,672,437
Impairment loss	–	(2,963,839)
At 31st March	<b><u>191,015,969</u></b>	<u>156,588,223</u>

At 31st March, 2003, interest of HK\$9,811,473 (2002: HK\$5,226,433) was capitalised to properties under development.

At the balance sheet date, the properties under development are situated on freehold lands outside Hong Kong.

**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31st March, 2003

**16. DEVELOPMENT COSTS**

<b>THE GROUP</b>	<i>HK\$</i>
<b>COST</b>	
At 1st April, 2002	2,633,990
Additions	1,336,693
	3,970,683
<b>AMORTISATION</b>	
At 1st April, 2002	1,833,990
Provided for the year	745,564
	2,579,554
<b>NET BOOK VALUES</b>	
At 31st March, 2003	1,391,129
At 31st March, 2002	800,000

The development costs are amortised on a straight-line basis over their estimated useful lives from three to eight years.

**17. INTERESTS IN SUBSIDIARIES**

	<b>THE COMPANY</b>	
	<b>2003</b>	2002
	<b>HK\$</b>	HK\$
Unlisted shares, at cost	<b>228,042,462</b>	228,042,462
Amounts due from subsidiaries	<b>25,256,824</b>	27,519,714
	<b>253,299,286</b>	255,562,176

In the opinion of the directors, the amounts due from subsidiaries are not repayable in the next twelve month period and, accordingly, the amounts are classified as non-current.

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

<b>Name of subsidiary</b>	<b>Place/country of incorporation/ operations</b>	<b>Issued share capital</b>	<b>Principal activities</b>
<i>Direct subsidiary</i>			
National Electronics (Consolidated) Limited	Hong Kong	4,000 ordinary shares of HK\$0.25 each	Investment holding and trading of electronic products
National Properties Holdings Limited	Hong Kong	100 ordinary shares of HK\$1 each	Investment holding and property management
<i>Indirect subsidiary</i>			
Brady Limited	Hong Kong	100 ordinary shares of HK\$1 each	Property investment

**17. INTERESTS IN SUBSIDIARIES (CONTINUED)**

Name of subsidiary	Place/country of incorporation/ operations	Issued share capital	Principal activities
<i>Indirect subsidiary (continued)</i>			
Charteray International Limited	Hong Kong	100 ordinary shares of HK\$1 each	Property investment
Cherish Limited	Hong Kong	100 ordinary shares of HK\$1 each	Property investment and trading
Chirac Limited	Hong Kong	10 ordinary shares of HK\$10 each	Investment holding
Cinic Limited	Hong Kong	2 ordinary shares of HK\$1 each	Property investment
Duprey Limited	Hong Kong	100 ordinary shares of HK\$10 each	Trading of electronic products
Eastbond (Hong Kong) Limited	Hong Kong	10 ordinary shares of HK\$1 each	Manufacture and sale of plastic products
Eastern Mount Limited	Hong Kong	2 ordinary shares of HK\$1 each	Investment holding and subcontracting of electronic products in the People's Republic of China
Majorell Limited	Hong Kong	100 ordinary shares of HK\$10 each	Property investment and investment holding
National Ebauch Limited	Hong Kong	100 ordinary shares of HK\$10 each and 100,000 non-voting deferred shares of HK\$10 each (note)	Manufacture and sale of electronic watches
National Electronics and Watch Company Limited	Hong Kong	100 ordinary shares of HK\$10 each and 200,000 non-voting deferred shares of HK\$10 each (note)	Manufacture and sale of LCD and quartz analogue watches
National Hong Kong Electronics & Watch Corp.	U.S.A.	10,000 common stocks of US\$10 each	Liaise for sale of watches

For the year ended 31st March, 2003

**17. INTERESTS IN SUBSIDIARIES (CONTINUED)**

Name of subsidiary	Place/country of incorporation/ operations	Issued share capital	Principal activities
<i>Indirect subsidiary (continued)</i>			
National Time Limited	Hong Kong	100 ordinary shares of HK\$10 each and 55,000 non-voting deferred shares of HK\$10 each (note)	Trading of electronic watches
National Telecommunication System Limited	Hong Kong	100 ordinary shares of HK\$10 each and 200,000 non-voting deferred shares of HK\$10 each (note)	Provision of inspection service
Rever Limited	Hong Kong	100 ordinary shares of HK\$1 each	Property investment
Samford Limited	Hong Kong	100 ordinary shares of HK\$1 each	Property investment and trading
Super Fortune Group Limited	British Virgin Islands/ Hong Kong	1 ordinary share of US\$1 each	Investment holding
Super Plus Limited	Hong Kong	2 ordinary shares of HK\$10 each	Property development
733954 Ontario Limited	Ontario, Canada	100 common shares for C\$20 each	Property development
1061383 Ontario Limited	Ontario, Canada	100 common shares for C\$1 each	Property holding
St. Thomas Developments Incorporated	Ontario, Canada	100 common shares for C\$1 each	Property development

*Note:* The deferred shares, which are not held by the Group, carry practically no rights to dividends nor to receive notice of nor to attend or vote at any general meeting of the relevant companies nor to participate in any distribution on winding up.

The above table lists the subsidiaries of the Group which, in the opinion of the directors, principally 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. All these subsidiaries are wholly-owned and private limited companies.

None of the subsidiaries had any debt security outstanding at the end of the year or at any time during the year.

**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31st March, 2003

**18. INTERESTS IN JOINTLY CONTROLLED ENTITIES**

	<b>THE GROUP</b>	
	<b>2003</b>	2002
	<b>HK\$</b>	HK\$
Share of net liabilities	<b>(9,589,422)</b>	(18,317,654)
Amount due from a jointly controlled entity	<b>21,616,595</b>	21,616,595
	<b>12,027,173</b>	3,298,941
Less: Amount due within one year shown under current assets	<b>(21,616,595)</b>	–
	<b>(9,589,422)</b>	3,298,941

The amount due from a jointly controlled entity is unsecured, interest free and repayable on demand. In the opinion of the directors, the amount due from a jointly controlled entity as at 31st March, 2002 was not repayable in the next twelve months period and accordingly, the amount was classified as non-current.

Particulars of the Group's jointly controlled entities at 31st March, 2003 are as follows:

Name	Form of business structure	Place/country of incorporation/ operations	Attributable interest		Nature of business
			to the Group		
			Direct %	Indirect %	
New Height Developments Limited	Incorporated	British Virgin Islands/Hong Kong	50	–	Investment holding
Parklane Limited	Incorporated	Hong Kong	–	50	Property development and trading
Phoenix Limited	Incorporated	Hong Kong	–	50	Property development

Pursuant to a joint venture deed dated 30th March, 2001 (the "Deed"), the other joint venture partner is entitled to a preferential distribution of profit of Parklane Limited and Phoenix Limited up to an amount as specified in the Deed (the "Agreed Return") and the Group is entitled to the remaining profit up to an amount equivalent to the Agreed Return. Thereafter, the Group is entitled to share the profit equally with the joint venture partner.

**19. OTHER NON-CURRENT ASSETS**

	<b>THE GROUP</b>	
	<b>2003</b>	2002
	<b>HK\$</b>	HK\$
Club debentures, at cost	<b>8,124,732</b>	8,224,504
Antiques and pictures, at cost	<b>9,700,246</b>	9,506,246
	<b>17,824,978</b>	17,730,750

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2003

### 20. INVENTORIES

	THE GROUP	
	2003 HK\$	2002 HK\$
Raw materials and consumables	55,393,610	42,143,367
Work in progress	6,848,218	6,630,896
Finished goods	52,712,506	74,678,848
	<b>114,954,334</b>	<b>123,453,111</b>

Included above are raw materials and consumables of HK\$12,044,378 (2002: Nil), work in progress of HK\$1,508,703 (2002: HK\$247,763) and finished goods of HK\$759,884 (2002: HK\$43,546,374) which are carried at net realisable value.

### 21. INVESTMENTS IN UNLISTED SECURITIES

	THE GROUP	
	2003 HK\$	2002 HK\$
Other securities, unlisted at cost	4,089,560	–
	<b>4,089,560</b>	<b>–</b>

In the opinion of the directors, the unlisted equity securities are carried at fair market value.

### 22. INVENTORY OF UNSOLD PROPERTIES

	THE GROUP	
	2003 HK\$	2002 HK\$
At 1st April	–	44,826,150
Transferred from (to) investment properties	52,500,000	(44,826,150)
	<b>52,500,000</b>	<b>–</b>

At 31st March, 2003, the unsold properties with net book values of HK\$39,500,000 and HK\$13,000,000 are situated in Hong Kong held under medium-term and long leases, respectively.

### 23. TRADE RECEIVABLES, DEPOSITS AND PREPAYMENTS

The Group has a policy of allowing an average credit period of 30-60 days to its trade customers.

Included in trade receivables, deposits and prepayments are trade receivables of HK\$50,111,597 (2002: HK\$27,425,024) with an aged analysis as follows:

	THE GROUP	
	2003 HK\$	2002 HK\$
Within 30 days	28,459,795	13,827,835
31 to 90 days	9,390,793	9,621,757
91 to 180 days	3,843,013	1,896,521
Over 180 days	8,417,996	2,078,911
	<b>50,111,597</b>	<b>27,425,024</b>

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2003

### 24. TRADE PAYABLES AND ACCRUED EXPENSES

Included in trade payables and accrued expenses are trade payables of HK\$94,825,669 (2002: HK\$71,353,333) with an aged analysis as follows:

	THE GROUP	
	2003 HK\$	2002 HK\$
Within 30 days	54,920,321	44,703,731
31 to 90 days	20,624,178	14,123,154
91 to 180 days	19,254,675	12,525,281
Over 180 days	26,495	1,167
	<b>94,825,669</b>	<b>71,353,333</b>

### 25. OBLIGATIONS UNDER FINANCE LEASES

	Minimum lease payments		Present value of minimum lease payments	
	2003 HK\$	2002 HK\$	2003 HK\$	2002 HK\$
Amounts payable under finance leases				
Within one year	3,545,250	6,227,968	3,305,892	5,725,030
In the second to fifth years inclusive	1,827,391	2,925,304	1,666,422	2,509,968
	5,372,641	9,153,272	4,972,314	8,234,998
Less: future finance charges	(400,327)	(918,274)	N/A	N/A
Present value of lease obligations	<b>4,972,314</b>	<b>8,234,998</b>	<b>4,972,314</b>	<b>8,234,998</b>
Less: Amount due within one year shown under current liabilities			<b>(3,305,892)</b>	<b>(5,725,030)</b>
Amount due after one year			<b>1,666,422</b>	<b>2,509,968</b>

It is the Group's policy to lease certain of its plant and machinery, motor vehicles and office equipment under finance leases. The leases term are 3 years. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

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

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2003

## 26. BANK BORROWINGS

	THE GROUP	
	2003 HK\$	2002 HK\$
Secured		
Bank loans	<u>215,327,658</u>	<u>227,469,051</u>
Unsecured		
Bank overdrafts	22,113	18,301
Bank loans	<u>128,101,085</u>	<u>60,919,450</u>
	<u>128,123,198</u>	<u>60,937,751</u>
	<u>343,450,856</u>	<u>288,406,802</u>
The maturity of the above bank overdrafts and loans is as follows:		
On demand or within one year	145,752,635	76,871,627
More than one year, but not exceeding two years	67,889,216	64,236,791
More than two years, but not exceeding five years	58,454,910	61,327,701
More than five years	71,354,095	85,970,683
	<u>343,450,856</u>	<u>288,406,802</u>
Less: Amount due within one year shown under current liabilities	<u>(145,752,635)</u>	<u>(76,871,627)</u>
Amount due after one year	<u>197,698,221</u>	<u>211,535,175</u>

Included above is an amount of HK\$47,889,000 in respect of a bank loan which was advanced on 23rd November, 2001 and was originally due for repayment in full on 31st July, 2003. Subsequent to the balance sheet date, the repayment date of the bank loan was rescheduled to 30th April, 2004 and, accordingly, the amount is classified as non-current.

## 27. SHARE CAPITAL

	Number of shares		Amount	
	2003	2002	2003 HK\$	2002 HK\$
Ordinary shares of HK\$0.1 each				
Authorised:				
At 1st April and 31st March	<u>1,500,000,000</u>	<u>1,500,000,000</u>	<u>150,000,000</u>	<u>150,000,000</u>
Issued and fully paid:				
At 1st April	1,164,393,928	1,170,895,928	116,439,393	117,089,593
Cancelled on repurchase of shares	<u>(7,946,000)</u>	<u>(6,502,000)</u>	<u>(794,600)</u>	<u>(650,200)</u>
At 31st March	<u>1,156,447,928</u>	<u>1,164,393,928</u>	<u>115,644,793</u>	<u>116,439,393</u>

During the year, the Company repurchased certain of its own shares on The Stock Exchange of Hong Kong Limited. The directors considered that, as the Company's shares were trading at a discount to the expected net asset value per share, the repurchase would be beneficial to the Company.

These repurchased shares were cancelled upon repurchase and, accordingly, the issued share capital of the Company was reduced by the nominal value of these shares. The premium paid on repurchase was charged to retained profits.



**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31st March, 2003

**27. SHARE CAPITAL (CONTINUED)**

Month of repurchase	Number of shares of HK\$0.1 each	Price per share		Aggregate consideration paid HK\$
		Highest HK\$	Lowest HK\$	
April 2002	60,000	0.106	0.106	6,471
May 2002	152,000	0.110	0.106	16,922
July 2002	1,460,000	0.102	0.102	149,712
August 2002	3,776,000	0.102	0.100	384,290
October 2002	102,000	0.080	0.080	8,376
November 2002	912,000	0.082	0.080	75,436
December 2002	274,000	0.080	0.080	22,254
January 2003	600,000	0.080	0.080	48,394
February 2003	250,000	0.085	0.080	20,736
March 2003	360,000	0.080	0.080	29,555
	7,946,000			762,146

**28. RESERVES**

	Share premium HK\$	Contributed surplus HK\$	Capital redemption reserve HK\$	Retained profits HK\$	Total HK\$
<b>THE COMPANY</b>					
At 1st April, 2001	22,785,730	96,693,720	12,231,240	12,111,207	143,821,897
Repurchase of own shares	–	–	650,200	(849,686)	(199,486)
Net profit for the year	–	–	–	1,099,532	1,099,532
Dividend	–	(5,839,681)	–	–	(5,839,681)
At 31st March, 2002	22,785,730	90,854,039	12,881,440	12,361,053	138,882,262
Repurchase of own shares	–	–	794,600	(762,146)	32,454
Net loss for the year	–	–	–	(1,531,951)	(1,531,951)
At 31st March, 2003	22,785,730	90,854,039	13,676,040	10,066,956	137,382,765

The contribution surplus represents the difference between the consolidated shareholders' funds of the subsidiaries at the date on which they were acquired by the Company, and the nominal amount of the Company's shares issued for the acquisition of the time of the Group reorganisation prior to the listing of the Company's shares.

Retained profits of the Group include a profit of HK\$7,969,732 (2002: loss of HK\$758,500) attributable to the jointly controlled entities.

*Note:*

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

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

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2003

### 28. RESERVES (CONTINUED)

The Company's reserves available for distribution to shareholders were as follows:

	2003 HK\$	2002 HK\$
Contributed surplus	90,854,039	90,854,039
Retained profits	10,066,956	12,361,053
	100,920,995	103,215,092

### 29. PROVISION FOR LONG SERVICE PAYMENTS

Under the Hong Kong Employment Ordinance, the Group is obliged to make lump sum payments on cessation of employment in certain circumstances to certain employees who have completed at least five years of service with the Group. The amount payable is dependent on the employee's final salary and years of service, and is reduced by entitlements accrued under the Group's retirement plan that are attributable to contributions made by the Group. The Group does not set aside any assets to fund any remaining obligations.

The amount recognised in the balance sheet is as follows:

	THE GROUP	
	2003 HK\$	2002 HK\$
At beginning of the year	8,249,926	8,865,302
Additional provision in the year	514,305	503,517
Utilisation of provision	(2,220,478)	(1,118,893)
At closing of the year	6,543,753	8,249,926

### 30. DEFERRED TAXATION

	THE GROUP	
	2003 HK\$	2002 HK\$
At 1st April	899,863	921,851
Charge (credit) for the year	137,425	(21,988)
At 31st March	1,037,288	899,863

At the balance sheet date, the major components of deferred taxation liability (asset), provided and unprovided, are as follows:

	THE GROUP			
	PROVIDED		UNPROVIDED	
	2003 HK\$	2002 HK\$	2003 HK\$	2002 HK\$
Tax effect of timing differences because of:				
Excess (shortfall) of tax allowances over depreciation	1,037,288	899,863	(2,186,739)	(3,059,789)
Tax losses not yet utilised	–	–	(36,120,750)	(36,921,817)
	1,037,288	899,863	(38,307,489)	(39,981,606)

A deferred tax asset has not been recognised in the financial statements in respect of tax losses available to offset future profits as it is not certain that the tax losses will be utilised in the foreseeable future.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2003

## 30. DEFERRED TAXATION (CONTINUED)

The amount of unprovided deferred tax charge (credit) for the year is as follows:

	THE GROUP	
	2003 HK\$	2002 HK\$
Tax effect of timing differences of:		
Excess (shortfall) of tax allowances over depreciation	873,050	(5,208,217)
Tax losses utilised (arising)	801,067	(4,019,817)
	<b>1,674,117</b>	<b>(9,228,034)</b>

Deferred tax has not been provided on the revaluation increase or decrease arising on the revaluation of investment properties as profits or losses arising on the disposal of these assets would not be subject to taxation. Accordingly, the revaluation does not constitute a timing difference for tax purposes.

## 31. MAJOR NON-CASH TRANSACTIONS

During the year, the Group entered into finance lease arrangements in respect of assets with a total capital value at the inception of the leases of HK\$3,439,337 (2002: HK\$3,969,120).

## 32. CONTINGENT LIABILITIES AND COMMITMENTS

	THE GROUP		THE COMPANY	
	2003 HK\$	2002 HK\$	2003 HK\$	2002 HK\$
Contingent liabilities:				
Guarantees for banking facilities granted to subsidiaries	–	–	653,743,240	617,454,133
Guarantees for banking facilities granted to jointly controlled entities	231,000,000	231,000,000	231,000,000	231,000,000
Other guarantees	109,022	162,270	–	–
	<b>231,109,022</b>	231,162,270	<b>884,743,240</b>	848,454,133
Capital commitments:				
Contracted for but not provided:				
Acquisition of property, plant and equipment	864,000	–	–	–

Pursuant to a joint venture deed dated 30th March, 2001 (the “Deed”) relating to the sale of 100 per cent. of the issued share capital of Phoenix Limited (the “Project Company”), former wholly-owned subsidiary of the Company, to a jointly controlled entity of which the Group has a 50 per cent. equity interest, the Group and the Company has undertaken and guaranteed, among other things, that the development cost of the property project of the Project Company would not exceed HK\$40 million. Subsequent to the year end date, the guarantee has been released as the development of the property project has been completed and the development cost did not exceed HK\$40 million.

**33. OPERATING LEASE ARRANGEMENTS**

**The Group as lessee:**

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

	<b>THE GROUP</b>	
	<b>2003</b>	2002
	<b>HK\$</b>	HK\$
Within one year	<b>3,669,820</b>	2,929,984
In the second to fifth year inclusive	<b>3,977,756</b>	3,887,192
Over five years	<b>6,568,720</b>	6,740,082
	<b><u>14,216,296</u></b>	<u>13,557,258</u>

Operating lease payments represent rental payable by the Group for certain of its office premises, staff quarters and factories. Leases for office premises and staff quarters are negotiated for terms of 1 to 3 years. Leases for factories are negotiated for terms of 50 years.

**The Group as lessor:**

At the balance sheet date, the Group had contracted with tenants for the following future minimum lease payments under non-cancellable operating leases in respect of rented premises which fall due as follows:

	<b>THE GROUP</b>	
	<b>2003</b>	2002
	<b>HK\$</b>	HK\$
Within one year	<b>5,805,640</b>	7,715,080
In the second to fifth year inclusive	<b>389,520</b>	4,240,800
	<b><u>6,195,160</u></b>	<u>11,955,880</u>

The properties are expected to generate rental yields of 5% on an ongoing basis. Leases are negotiated for terms ranging from 2 to 3 years.

**34. RETIREMENT BENEFIT SCHEME**

Commencing from 1st December, 2000, the Group's employees are required to join the MPF Scheme. Under the MPF Scheme, both the Group and the employees contribute 5% of the employee's monthly remunerations or HK\$1,000 per month whichever is the smaller to the scheme. The Group's total contribution to the scheme for the year ended 31st March, 2003 is HK\$1,762,087 (2002: HK\$1,174,083). There is no forfeiture of employer's contribution from leaving scheme members under the MPF Scheme.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2003

### 35. PLEDGE OF ASSETS

At 31st March, 2003, the Group has pledged the following assets in favour of banks to secure the banking facilities:

	2003 HK\$	2002 HK\$
Investment properties	110,500,000	185,000,000
Land and buildings	59,042,824	38,387,947
Properties under development	191,015,969	156,588,223
Inventory of an unsold property	52,500,000	–
Bank deposits (note)	<u>5,460,000</u>	<u>15,000,000</u>

*Note:*

Bank deposits are pledged to a bank as guarantees in respect of the construction costs for the projects undertaken by jointly controlled entities. The bank deposit of HK\$9,540,000 was released upon the completion of a construction project during the year, and the remaining bank deposit of HK\$5,460,000 will be released upon the completion of another construction project which is expected to be completed within one year.

### 36. POST BALANCE SHEET EVENT

Subsequent to 31st March, 2003, the Group acquired a property in Hong Kong for an aggregate consideration of HK\$12,900,000.