

## 1. GENERAL

The Company is a listed limited company incorporated in Hong Kong. The principal activities of the Group are property investment and development, manufacturing and trading of plastic packaging materials, stock broking & finance.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with accounting principles generally accepted in Hong Kong, the Statements of Standard Accounting Practice issued by the Hong Kong Society of Accountants (“HKSA”) and the disclosure requirements of the Hong Kong Companies ordinance. A summary of the significant accounting policies which have been adopted in preparation of the financial statement is set out below.

In the current year, the Group adopted the following Statements of Standard Accounting Practice (“SSAPs”) issued by the HKSA which are effective for accounting periods commencing on or after 1st January, 2002:

SSAP 1 (revised)	:	Presentation of financial statements
SSAP 11 (revised)	:	Foreign currency translation
SSAP 15 (revised)	:	Cash flow statements
SSAP 34 (revised)	:	Employee benefits

The adoption of the above standards had no material effect on amounts reported in prior year, except that certain presentational changes have been made upon the adoption of SSAP 1 (revised) “Presentation of financial statements” and SSAP 15 (revised) “Cash flow statements”.

Certain 2002 comparative figures have been restated to conform to current year’s presentation.

### **Basis of consolidation**

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31st March, 2003. The results of subsidiaries acquired or disposed of during the year are consolidated from or to their effective dates of acquisition or disposal respectively. All significant intercompany transactions and balances within the Group are eliminated on consolidation.

### **Subsidiaries**

Investment in subsidiaries are stated at cost less impairment loss.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

#### **Associates**

An associate is an enterprise, not being a subsidiary or joint venture, in which the Group has a long term equity interest and over which the Group is in a position to exercise significant influence in management, including participation in financial and operating policy decisions.

The results of associates are accounted for by the Group using the equity method of accounting. At the balance sheet date, the Group's investments in associates are stated at its attributable share of net assets in the associates.

Investments in associates are stated in the Company's balance sheet at cost less impairment loss, if any. The results of associates are accounted for by the Company on the basis of dividends received and receivable during the year.

#### **Goodwill**

Goodwill arising from consolidation of subsidiaries and from acquisition of associates represents the excess of purchase consideration over the fair values acquired to the net assets of subsidiaries and associates acquired.

Goodwill on acquisitions that occurred prior to 31st March, 2001 was eliminated against reserves.

Upon disposal of subsidiaries or associates, the relevant portion of attributable goodwill previously written off to retained profits is released and charged to the income statement in arriving at the gain or loss on sale of the investments.

#### **Property, plant and equipment**

Property, plant and equipment 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 costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after the assets 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

**Property, plant and equipment (Cont'd)**

The gain or loss arising from 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.

Where the recoverable amount of an asset has declined below its carrying amount, the carrying amount is reduced to reflect the decline in value. In determining the recoverable amount of assets, expected future cash flows are not discounted to their present values.

Depreciation is provided to write off the cost of an asset over its estimated useful life using the following rates per annum:

Land held under medium term leases	Over the unexpired period of the lease
Buildings	Over the shorter of its useful life or unexpired period of the lease
Plant and machinery	10% – 20% on reducing balance method
Furniture, fixtures and equipment	15% – 25% on reducing balance method
Motor vehicles	15% – 25% on reducing balance method

Medium term lease is defined as a lease of over 10 years but not more than 50 years.

**Investment properties**

Investment properties are interests in land and buildings in respect of which construction work and development has been completed and which are held for their long-term investment potential, any rental income being negotiated at arm's length.

No depreciation is provided in respect of investment properties which are held on leases with an unexpired term of more than twenty years. Investment properties are stated at their open market value based on the professional valuations at the balance sheet date.

Any surplus or deficit arising on the valuation of investment properties are dealt with in the investment property revaluation reserve. If the total of this reserve is insufficient to cover a deficit, on a portfolio basis, the excess of the deficit is charged to the income statement.

Upon the disposal of an investment property, the relevant portion of the revaluation reserve realised in respect of previous valuations is released from the investment property revaluation reserve to the income statement.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

#### **Properties under development**

Properties under development are stated at cost less impairment loss. Cost includes the cost of land, construction costs, financing cost and development expenditure capitalised.

#### **Capitalisation of borrowing costs**

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

#### **Investment securities**

Investment securities are stated at costs less impairment loss.

The carrying amount of individual investment is reviewed at each balance sheet date to assess whether the fair value has declined below the carrying amount. When a decline other than temporary has occurred, the carrying amount of such investment is reduced to its fair value. The amount of the reduction is recognised as an expense in the income statement.

#### **Other investments**

Other investments are carried at fair value. At each balance sheet date, the net unrealised gains or losses arising from the changes in fair value of other investments are recognised in the income statement. Profits or losses on disposal of other investments, representing the differences between the net sales proceeds and the carrying amounts, are recognised in the income statement as they arise.

#### **Trading properties**

Trading properties are stated at the lower of cost and net realisable value. Cost includes the acquisition cost, financing cost and decoration cost capitalised. Net realisable value is the estimated selling price at which a property can be realised less related expenses.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

#### **Inventories**

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the first-in, first-out basis and comprised of direct materials, direct labour cost and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less further costs expected to completion and costs to be incurred in selling and distribution.

#### **Deferred taxation**

Deferred taxation is provided, using the liability method, on all significant timing differences to the extent it is probable that the assets or liabilities will crystallise in the foreseeable future.

#### **Recognition of revenue**

- (i) Rental income under operating leases is recognised, on a straight-line basis over the lease terms.
- (ii) Guest house income is recognised when guest house services are provided.
- (iii) Income from sale of goods is recognised when goods are delivered and title has passed to customers.
- (iv) Income from sale of trading properties is recognised when the relevant contract is made and properly executed.
- (v) Brokerage income is recognised when the relevant contract note is made and properly executed.
- (vi) Gains on foreign exchange dealings are recognised when the exchange memorandum are made and properly executed respectively.
- (vii) Dividend income from investment is recognised when the shareholders' right to receive payment has been established. Dividend income from subsidiaries is recognised in the period to which the dividend relates.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

#### **Foreign currency translation**

Monetary assets and liabilities denominated in foreign currencies are translated into Hong Kong dollars at the approximate rates of exchange ruling at the balance sheet date. Foreign currency transactions during the year are translated into Hong Kong dollars at the approximate rates of exchange ruling at the transaction dates. Profit and loss arising on exchange are dealt with in the income statement.

On consolidation, the assets and liabilities of the Group's overseas operations are translated into Hong Kong dollars at exchange rates prevailing on the balance sheet date. Income and expenses items are translated into Hong Kong dollars at the average exchange rates for the year. Exchange differences arising on consolidation, if any, are classified as equity and transferred to the Group's exchange reserve. Such translation differences are recognised as income or as expenses in the period in which the operation is disposed of.

#### **Retirement benefit costs**

The Group's contributions to the retirement schemes are expensed as incurred.

#### **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 and bank balances and bank overdrafts.

#### **Related parties**

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence.

#### **Impairment loss**

At each balance sheet date, the company reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated, based on the higher of its net realizable value and value in use, in order to determine the extent of the impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the smallest group of assets, to which the asset belongs, that generates cash flows independently (i.e. a cash-generating unit).

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

#### **Impairment loss (Cont'd)**

If the recoverable amount of an asset or a cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. Impairment losses are recognized as an expense immediately, unless the relevant asset is carried at revalued amount under another SSAP, in which case the impairment loss is treated as a revaluation decrease under that SSAP.

Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognized as income immediately, unless the relevant asset is carried at a revalued amount under another SSAP, in which case the reversal of the impairment loss is treated as a revaluation increase under that SSAP.

#### **Provisions**

Provisions are recognised when the Group has a present legal or constructive obligation, as a result of past events, 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.

#### **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 financial statements. When a change in the probability of an outflow occurs so that outflow is probable, they will then be recognised as a provision.

#### **Segment reporting**

In accordance with the Group's internal financial reporting, the Group has determined that business segments be presented as the primary reporting format and geographical as the secondary reporting format.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

**Segment reporting (Cont'd)**

Segment assets consist primarily of non-current assets, inventories, receivables, operating cash and interest in associates but excludes investment securities. Segment liabilities comprise operating liabilities and exclude certain corporate borrowings. Capital expenditure comprises additions to fixed assets.

In respect of geographical segment reporting, sales, total assets and capital expenditure are based on the destination country to which goods are shipped and location of assets respectively.

**Dividends**

Final dividends proposed by the directors are classified as a separate allocation of retained profits within the capital and reserves section of the balance sheet, until they have been approved by the shareholders in a general meeting. When these dividends are approved by the shareholders and declared, they are recognised as a liability.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

3. TURNOVER

Turnover comprises the aggregate of gross invoiced values of goods sold less discounts and returns, gross proceeds from sale of trading properties, gross rental income, brokerage commission, guest house income, gains on foreign exchange dealings and dividend income.

	<b>2003</b>	2002
	<b>HK\$</b>	HK\$
Sale of goods	<b>145,749,518</b>	126,582,475
Sale of trading properties	–	567,497
Gross rental income	<b>15,283,728</b>	17,952,236
Brokerage commission	<b>11,952,037</b>	12,564,341
Guest house income	<b>2,799,995</b>	3,482,484
Gains on foreign exchange dealings	<b>473,551</b>	536,315
Dividend income	<b>481,076</b>	472,030
	<b><u>176,739,905</u></b>	<u>162,157,378</u>

## NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

### 4. SEGMENT INFORMATION

#### (i) Business segment

	Property investments and development		Manufacturing and trading of plastic packaging material		Stock broking and finance		Eliminations		Consolidated	
	2003 HK\$	2002 HK\$	2003 HK\$	2002 HK\$	2003 HK\$	2002 HK\$	2003 HK\$	2002 HK\$	2003 HK\$	2002 HK\$
Turnover										
External sales	18,083,722	22,002,217	145,749,518	126,582,475	12,906,665	13,572,686	-	-	176,739,905	162,157,378
Intersegment sales	1,764,894	1,733,545	-	-	-	-	(1,764,894)	(1,733,545)	-	-
<b>Total Turnover</b>	<b>19,848,616</b>	<b>23,735,762</b>	<b>145,749,518</b>	<b>126,582,475</b>	<b>12,906,665</b>	<b>13,572,686</b>	<b>(1,764,894)</b>	<b>(1,733,545)</b>	<b>176,739,905</b>	<b>162,157,378</b>
Result										
Segment result	6,244,090	5,795,564	19,518,744	12,650,717	(5,117,991)	535,769			20,644,843	18,982,050
Exchange reserve realisation									-	2,792,025
Finance costs									(6,099,123)	(8,005,314)
Share of (losses) profits of associates	145,501	216,414	(1,718,375)	1,991,296	-	-			(1,572,874)	2,207,710
Profit from ordinary activities before taxation									12,972,846	15,976,471
(Taxation)/tax refund	2,306	(42,496)	(145,789)	(1,022,451)	110,436	593			(33,047)	(1,064,354)
Profit from ordinary activities after taxation									12,939,799	14,912,117
Minority interests	-	-	(402,601)	(590,814)	(10,987)	(5,313)			(413,588)	(596,127)
Profit attributable to shareholders for the year									12,526,211	14,315,990
Segment assets	319,171,064	330,335,192	136,528,711	118,608,808	112,734,834	91,786,099			568,434,609	540,730,099
Interests in associates	14,746,501	17,501,302	11,470,197	14,889,119	-	-			26,216,698	32,390,421
Unallocated corporate assets	-	-	-	-	-	-			6,475,889	6,475,889
<b>Total assets</b>	<b>333,917,565</b>	<b>347,836,494</b>	<b>147,998,948</b>	<b>133,497,927</b>	<b>112,734,834</b>	<b>91,786,099</b>			<b>601,127,196</b>	<b>579,596,409</b>
Segment liabilities	31,189,399	32,466,755	11,770,147	10,755,767	46,744,793	22,582,885			89,704,339	65,805,407
Unallocated liabilities									109,477,235	117,567,183
Consolidated total liabilities									199,181,574	183,372,590
Minority interests	-	-	4,931,663	4,491,649	1,539,686	1,528,699			6,471,349	6,020,348
Depreciation for the year	539,654	506,385	4,619,279	4,197,173	343,958	421,329			5,502,891	5,124,887
Capital expenditure incurred during the year	663,702	408,060	8,949,953	5,595,168	113,384	691,501			9,727,039	6,694,729

## NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

### 4. SEGMENT INFORMATION (Cont'd)

#### (ii) Geographical Segment

	Turnover	
	2003 HK\$	2002 HK\$
Hong Kong	39,703,532	41,399,821
Mainland China	1,255,613	1,137,118
North America	50,580,036	40,177,278
Europe	25,888,000	24,594,975
Australia	23,915,817	34,329,167
Asia	35,396,907	20,519,019
	<u>176,739,905</u>	<u>162,157,378</u>

	Carrying amount of Segment assets		Additions to Property, Plant and Equipment	
	2003 HK\$	2002 HK\$	2003 HK\$	2002 HK\$
Hong Kong	397,536,911	371,327,911	807,547	1,374,520
Mainland China	159,064,250	160,700,976	8,919,492	5,320,209
North America	3,331,108	2,864,076	–	–
Europe	2,921,340	1,465,790	–	–
Australia	2,887,023	2,609,463	–	–
Asia	2,693,977	1,761,883	–	–
	<u>568,434,609</u>	<u>540,730,099</u>	<u>9,727,039</u>	<u>6,694,729</u>

5. OTHER REVENUES

	<b>2003</b>	2002
	<b>HK\$</b>	HK\$
Interest income	<b>3,803,371</b>	3,080,687
Other income	<b>1,958,161</b>	1,850,086
Unrealised holding loss on other investments	<b>(6,001,256)</b>	(622,587)
Consultancy & management fee	<b>342,580</b>	219,880
Overprovision for winding up expenses of a subsidiary	–	211,836
Bad debts recovered	<b>53,368</b>	–
Profit on disposals of other investments	<b>73,534</b>	464,033
Exchange reserve realised upon winding up of a subsidiary	–	2,792,025
	<u><b>229,758</b></u>	<u>7,995,960</u>

6. PROFIT FROM OPERATIONS

	<b>2003</b>	2002
	<b>HK\$</b>	HK\$
Profit from operations is arrived at after charging:		
Auditors' remuneration	<b>537,300</b>	578,800
Cost of inventories sold	<b>88,180,568</b>	80,194,180
Cost of trading properties sold	–	484,905
Impairment loss of properties under development	–	731,833
Bad debts provision and write-off	<b>944,379</b>	2,614,477
Loss on disposal of plant and equipment	<b>443,680</b>	62,310
Staff costs (including directors' remuneration)		
Salaries, wages and welfare	<b>31,670,973</b>	31,771,398
Operating lease rental in respect of land and buildings	<b>1,829,766</b>	1,231,200
Depreciation	<b>5,502,891</b>	5,124,887
	<u><u>                    </u></u>	<u><u>                    </u></u>
and after crediting:		
Exchange gain	<b>29,916</b>	495,046
Gross rental income from investment properties	<b>15,283,728</b>	17,952,236
Less: outgoings	<b>(179,190)</b>	(241,321)
Net rental income	<b>15,104,538</b>	17,710,915
	<u><u>                    </u></u>	<u><u>                    </u></u>

7. FINANCE COSTS

	2003 HK\$	2002 HK\$
Interest on:		
Bank loans and overdrafts wholly repayable within five years	4,910,466	6,414,011
Other borrowings	595,083	966,760
Bank charges	593,574	624,543
	<u>6,099,123</u>	<u>8,005,314</u>

8. DIRECTORS' AND EMPLOYEES' REMUNERATION

The aggregate amounts of remuneration payable to the Directors of the Company during the year are as follows:

	2003 HK\$	2002 HK\$
Fees	210,000	210,000
Salaries and other allowances*	4,765,823	4,735,931
	<u>4,975,823</u>	<u>4,945,931</u>

\* Including consultancy fees paid to Sonliet Investment Company Limited ("Sonliet"), Rolling Development Limited ("Rolling") and Holytex Investment Company Limited ("Holytex") of which Mr. Chua Nai Tuen and Mr. Chua Nai King were directors of Sonliet and Rolling respectively and Mr. Se Ying Kin was the manager of Holytex.

The remuneration of the above directors fell within the following bands:

	2003 Number of directors	2002 Number of directors
Nil – HK\$1,000,000	8	8
HK\$1,000,001 – HK\$1,500,000	1	1
HK\$1,500,001 – HK\$2,000,000	–	–
HK\$2,000,001 – HK\$2,500,000	1	1
	<u>1</u>	<u>1</u>

**8. DIRECTORS' AND EMPLOYEES' REMUNERATION (Cont'd)**

There was no arrangement under which a director waived or agreed to waive any remuneration during the year.

For the year under review, total emoluments (including any reimbursement) of HK\$40,000 (2002: HK\$40,000) were paid and/or payable to Independent Non-executive Directors of the Company.

**Five highest paid employees**

The five highest paid employees of the Group during the year included three directors, details of whose remuneration are set out in note 8 above. The remuneration of the other two employees disclosed pursuant to the Listing Rules of The Stock Exchange of Hong Kong Limited was as follows:

	<b>2003</b>	2002
	<b>HK\$</b>	HK\$
Salaries and other allowances	<u><u>1,431,990</u></u>	<u><u>1,709,070</u></u>

The remuneration of the other two employees fell within the following band:

	<b>2003</b>	2002
	<b>Number of employees</b>	Number of employees
Nil – HK\$1,000,000	<u><u>2</u></u>	<u><u>2</u></u>

**9. TAXATION**

	<b>2003</b>	2002
	<b>HK\$</b>	HK\$
Company and subsidiaries		
Hong Kong profits tax	<b>22,560</b>	31,127
Deferred taxation	<b>7,180</b>	639,094
	<b>29,740</b>	670,221
Share of taxation attributable to associates		
Hong Kong profits tax – (overprovision) payable	<b>(70)</b>	109,887
Overseas profits tax	<b>3,377</b>	284,246
	<b>3,307</b>	394,133
	<b>33,047</b>	1,064,354

Hong Kong Profits tax has been provided at the rate of 16% (2002: 16%) on the estimated assessable profits arising in Hong Kong for the year. Taxation on overseas profit has been calculated on the estimated assessable profits for the year at the rates of taxation prevailing in the countries in which the associates operate.

**10. PROFIT ATTRIBUTABLE TO SHAREHOLDERS**

	<b>2003</b>	2002
	<b>HK\$</b>	HK\$
Dealt with in the financial statements of the Company	<b>10,804,255</b>	6,854,884
Retained by subsidiaries	<b>3,298,137</b>	5,647,529
Retained by associates	<b>(1,576,181)</b>	1,813,577
	<b>12,526,211</b>	14,315,990

**11. EARNINGS PER SHARE**

The calculation of the earnings per share is based on the profit attributable to shareholders of HK\$12,526,211 (2002: HK\$14,315,990) and ordinary shares in issue of 197,653,500. (2002: 197,653,500 after adjusting for the bonus issue made on 18th September, 2002.)

12. INVESTMENT PROPERTIES

Group	Medium term lease in Hong Kong HK\$	Medium term lease in the Mainland China HK\$	Total HK\$
<b>Valuation</b>			
At 1st April, 2002	266,500,000	829,719	267,329,719
Deficit arising from revaluation	<u>(2,000,000)</u>	<u>(4,948)</u>	<u>(2,004,948)</u>
<b>At 31st March, 2003</b>	<u><u>264,500,000</u></u>	<u><u>824,771</u></u>	<u><u>265,324,771</u></u>
<b>Company</b>			
<b>Valuation</b>			
At 1st April, 2002	189,000,000	829,719	189,829,719
Deficit arising from revaluation	<u>(1,000,000)</u>	<u>(4,948)</u>	<u>(1,004,948)</u>
<b>At 31st March, 2003</b>	<u><u>188,000,000</u></u>	<u><u>824,771</u></u>	<u><u>188,824,771</u></u>

Investment properties were revalued at their open market value at 31st March, 2003. The revaluation was carried out by K.T. Liu Surveyors Limited, an independent valuer. The deficit arising from revaluation has been charged to the investment property revaluation reserve.

Regarding the investment property in the Mainland China, the Group is entitled to the property-use right for fifty years as from 12th January, 1992 to 11th January, 2042, and is allowed to transfer or lease the property-use right according to the regulations of the Shenzhen Government.

## 13. PROPERTY, PLANT AND EQUIPMENT

## Group

	Land & buildings		Plant and Machinery	Furniture, fixtures & equipment	Motor vehicles	Total
	Medium term lease in Hong Kong	Medium term lease in the Mainland China				
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
<b>Cost</b>						
At 1st April, 2002	3,375,457	35,099,814	65,107,759	16,458,475	6,714,344	126,755,849
Additions	–	506,924	5,387,386	1,816,800	256,904	7,968,014
Disposal	–	–	(1,066,116)	(149,574)	–	(1,215,690)
Exchange realignments	–	(10,753)	(19,607)	(660)	(1,163)	(32,183)
<b>At 31st March, 2003</b>	<b>3,375,457</b>	<b>35,595,985</b>	<b>69,409,422</b>	<b>18,125,041</b>	<b>6,970,085</b>	<b>133,475,990</b>
<b>Accumulated depreciation</b>						
At 1st April, 2002	883,739	9,868,448	38,253,043	10,963,491	4,617,223	64,585,944
Charge for the year	62,889	1,199,238	2,420,111	1,365,957	454,696	5,502,891
Written back on disposals	–	–	(910,644)	(47,776)	–	(958,420)
Exchange realignments	–	(3,023)	(11,676)	(327)	(716)	(15,742)
<b>At 31st March, 2003</b>	<b>946,628</b>	<b>11,064,663</b>	<b>39,750,834</b>	<b>12,281,345</b>	<b>5,071,203</b>	<b>69,114,673</b>
<b>Net book value as at</b>						
<b>31st March, 2003</b>	<b>2,428,829</b>	<b>24,531,322</b>	<b>29,658,588</b>	<b>5,843,696</b>	<b>1,898,882</b>	<b>64,361,317</b>
31st March, 2002	2,491,718	25,231,366	26,854,716	5,494,984	2,097,121	62,169,905

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

Company

	Furniture, fixtures & equipment HK\$	Motor vehicles HK\$	Total HK\$
<b>Cost</b>			
At 1st April, 2002	5,274,246	1,826,386	7,100,632
Additions	639,028	–	639,028
<b>At 31st March, 2003</b>	<u>5,913,274</u>	<u>1,826,386</u>	<u>7,739,660</u>
<b>Accumulated depreciation</b>			
At 1st April, 2002	3,811,128	1,406,255	5,217,383
Charge for the year	372,738	63,020	435,758
<b>At 31st March, 2003</b>	<u>4,183,866</u>	<u>1,469,275</u>	<u>5,653,141</u>
<b>Net book value as at</b>			
<b>At 31st March, 2003</b>	<u>1,729,408</u>	<u>357,111</u>	<u>2,086,519</u>
At 31st March, 2002	<u>1,463,118</u>	<u>420,131</u>	<u>1,883,249</u>

14. PROPERTIES UNDER DEVELOPMENT

	Group	
	2003 HK\$	2002 HK\$
Balance at the beginning of year	14,642,080	34,231,163
Impairment loss	–	(731,833)
Carrying value transferred to other receivable	–	(18,857,250)
	<u>14,642,080</u>	<u>14,642,080</u>

The properties under development are situated in Mainland China under long term and medium term leases respectively. The progress status is summarised on page 59.

15. INTERESTS IN SUBSIDIARIES

	Company	
	2003 HK\$	2002 HK\$
Unlisted shares, at cost	37,064,778	27,064,786
Amounts due from subsidiaries	152,645,379	158,292,063
	<u>189,710,157</u>	<u>185,356,849</u>
Impairment loss	(4,536,530)	(4,536,530)
	<u>185,173,627</u>	<u>180,820,319</u>

Details of the Company's principal subsidiaries at 31st March, 2003 are set out in note 37 to the financial statements.

## NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

### 16. INTERESTS IN ASSOCIATES

	Group		Company	
	2003 HK\$	2002 HK\$	2003 HK\$	2002 HK\$
Unlisted shares, at cost	–	–	<b>13,921,154</b>	15,001,643
Share of net assets other than goodwill	<b>8,292,691</b>	14,145,580	–	–
	<b>8,292,691</b>	14,145,580	<b>13,921,154</b>	15,001,643
Amount due from associates	<b>17,924,007</b>	18,244,841	<b>7,595,579</b>	6,113,294
	<b>26,216,698</b>	32,390,421	<b>21,516,733</b>	21,114,937

Details of the Group's associates at 31st March, 2003 are set out in note 38 to the financial statements.

### 17. INVESTMENT SECURITIES

	Group		Company	
	2003 HK\$	2002 HK\$	2003 HK\$	2002 HK\$
At cost				
Unlisted in Hong Kong	<b>3,664,649</b>	3,664,649	<b>3,664,649</b>	3,664,649
Unlisted outside Hong Kong	<b>2,929,990</b>	2,929,990	<b>2,929,990</b>	2,929,990
	<b>6,594,639</b>	6,594,639	<b>6,594,639</b>	6,594,639
Impairment loss				
Unlisted outside Hong Kong	<b>(118,750)</b>	(118,750)	<b>(118,750)</b>	(118,750)
Carrying value				
Unlisted in Hong Kong	<b>3,664,649</b>	3,664,649	<b>3,664,649</b>	3,664,649
Unlisted outside Hong Kong	<b>2,811,240</b>	2,811,240	<b>2,811,240</b>	2,811,240
	<b>6,475,889</b>	6,475,889	<b>6,475,889</b>	6,475,889

18. OTHER ASSETS

	Group	
	2003	2002
	HK\$	HK\$
Hong Kong Stock Exchange trading rights	3,150,001	3,150,001
Hong Kong Future trading rights	201,205	201,205
Membership in Chinese Gold and Silver Exchange	1,475,000	1,475,000
Statutory deposits in respect of securities and commodities dealings	550,000	500,000
Jewellery	203,300	400,000
	<u>5,579,506</u>	<u>5,726,206</u>

19. INVENTORIES

	Group	
	2003	2002
	HK\$	HK\$
Raw materials	14,495,515	10,177,346
Work in progress	1,274,412	1,165,934
Finished goods	4,813,453	2,942,943
	<u>20,583,380</u>	<u>14,286,223</u>

## NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

### 20. TRADE AND OTHER RECEIVABLES

The Group allows an average credit period of 30 days to 90 days to its trade customers. The ageing analysis of trade receivables was as follows:

	Group	
	2003 HK\$	2002 HK\$
0 – 1 month	71,757,429	50,684,378
2 – 3 months	5,602,986	1,256,445
Over 3 months	40,014,775	37,707,393
	<u>117,375,190</u>	<u>89,648,216</u>
Less: provision for bad debts	(7,935,481)	(5,603,841)
	<u><u>109,439,709</u></u>	<u><u>84,044,375</u></u>

### 21. OTHER INVESTMENTS

	Group	
	2003 HK\$	2002 HK\$
At fair value		
Listed in Hong Kong	<u>14,062,793</u>	<u>16,909,815</u>
Market value at 31st March	<u><u>14,062,793</u></u>	<u><u>16,909,815</u></u>

### 22. LOANS AND ADVANCES

	Group		Company	
	2003 HK\$	2002 HK\$	2003 HK\$	2002 HK\$
Loans and advances, at cost	13,756,008	15,062,637	173,000	172,295
Less: provision for bad debts	<u>(3,000,000)</u>	<u>(3,000,000)</u>	<u>–</u>	<u>–</u>
	<u><u>10,756,008</u></u>	<u><u>12,062,637</u></u>	<u><u>173,000</u></u>	<u><u>172,295</u></u>

**23. TRADE AND OTHER PAYABLES**

The ageing analysis of trade and other payables was as follows:

	Group	
	2003 HK\$	2002 HK\$
0 – 1 month	68,114,618	38,881,125
2 – 3 months	1,169,870	475,480
Over 3 months	<u>17,157,413</u>	<u>21,543,414</u>
	<u><u>86,441,901</u></u>	<u><u>60,900,019</u></u>

**24. BORROWINGS**

	Group		Company	
	2003 HK\$	2002 HK\$	2003 HK\$	2002 HK\$
Secured bank overdrafts	15,482,534	13,715,383	9,041,231	7,620,784
Secured bank loans	<u>93,994,701</u>	<u>103,851,801</u>	<u>74,678,314</u>	<u>80,678,630</u>
	<u><u>109,477,235</u></u>	<u><u>117,567,184</u></u>	<u><u>83,719,545</u></u>	<u><u>88,299,414</u></u>
Secured bank loans and overdrafts repayable:				
Within one year	84,671,338	89,138,953	59,263,231	60,452,100
More than one year but not exceeding two years	11,911,583	10,798,917	11,562,000	10,218,000
More than two years but not exceeding five years	<u>12,894,314</u>	<u>17,629,314</u>	<u>12,894,314</u>	<u>17,629,314</u>
	<u>109,477,235</u>	117,567,184	<u>83,719,545</u>	88,299,414
Portion due within one year included under current liabilities	<u>(84,671,338)</u>	<u>(89,138,953)</u>	<u>(59,263,231)</u>	<u>(60,452,100)</u>
Portion due after one year	<u><u>24,805,897</u></u>	<u><u>28,428,231</u></u>	<u><u>24,456,314</u></u>	<u><u>27,847,314</u></u>

25. SHARE CAPITAL

	<b>2003</b>	2002
	<b>HK\$</b>	HK\$
Authorized:		
200,000,000 shares of HK\$1.00 each	<u><b>200,000,000</b></u>	<u>200,000,000</u>
Issued and fully paid:		
197,653,500 (2002: 131,796,000)		
shares of HK\$1.00 each	<u><b>197,653,500</b></u>	<u>131,769,000</u>

Pursuant to an ordinary resolution passed at the annual general meeting held on 18th September, 2002, the issued share capital was increased to HK\$197,653,500 from investment property revaluation reserve for payment in full of 65,884,500 ordinary shares of HK\$1.00 each issued at par in the proportion of one new share for every two existing shares on 18th September, 2002. The issued shares rank pari passu with the existing shares in all respects.

## 26. RESERVES

	Investment property revaluation reserve HK\$	Capital reserve HK\$	Exchange reserve HK\$	Retained profits HK\$	Total HK\$
<b>Group</b>					
At 1st April, 2001	211,526,748	(76,972)	(574,284)	41,820,558	252,696,050
Exchange difference arising from consolidation	–	–	21,959	–	21,959
Realised upon winding up of a subsidiary	–	–	(2,792,025)	–	(2,792,025)
Deficit arising from revaluation	(6,091,329)	–	–	–	(6,091,329)
Share of reserves in associates	–	114,619	169,207	–	283,826
Profit for the year	–	–	–	14,315,990	14,315,990
Dividends (note 27)	–	–	–	(5,270,760)	(5,270,760)
	<u>205,435,419</u>	<u>37,647</u>	<u>(3,175,143)</u>	<u>50,865,788</u>	<u>253,163,711</u>
At 31st March, 2002	<u>205,435,419</u>	<u>37,647</u>	<u>(3,175,143)</u>	<u>50,865,788</u>	<u>253,163,711</u>
<b>Attributable to:</b>					
Company and subsidiaries	209,972,423	–	(2,425,238)	38,696,271	246,243,456
Associates	(4,537,004)	37,647	(749,905)	12,169,517	6,920,255
	<u>205,435,419</u>	<u>37,647</u>	<u>(3,175,143)</u>	<u>50,865,788</u>	<u>253,163,711</u>
At 1st April, 2002	205,435,419	37,647	(3,175,143)	50,865,788	253,163,711
Exchange difference arising from consolidation	–	–	(433,133)	–	(433,133)
Goodwill written back in respect of interest in associates	–	–	–	601,505	601,505
Bonus issue of shares	(65,884,500)	–	–	–	(65,884,500)
Deficit arising from revaluation	(1,958,508)	–	–	–	(1,958,508)
Share of reserves in associates	–	–	(194,513)	–	(194,513)
Profit for the period, retained	–	–	–	12,526,211	12,526,211
Proposed final dividends (note 27)	–	–	–	(4,941,338)	(4,941,338)
	<u>137,592,411</u>	<u>37,647</u>	<u>(3,802,789)</u>	<u>59,052,166</u>	<u>192,879,435</u>
At 31st March, 2003	<u>137,592,411</u>	<u>37,647</u>	<u>(3,802,789)</u>	<u>59,052,166</u>	<u>192,879,435</u>

## NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

### 26. RESERVES (Cont'd)

	Investment property revaluation reserve HK\$	Capital reserve HK\$	Exchange reserve HK\$	Retained profits HK\$	Total HK\$
<b>Attributable to:</b>					
<b>Company</b>					
and subsidiaries	142,129,415	–	(2,858,371)	51,605,451	190,876,495
Associates	<u>(4,537,004)</u>	<u>37,647</u>	<u>(944,418)</u>	<u>7,446,716</u>	<u>2,002,941</u>
	<u>137,592,411</u>	<u>37,647</u>	<u>(3,802,789)</u>	<u>59,052,167</u>	<u>192,879,436</u>
<b>Company</b>					
At 1st April, 2002	151,986,820	–	–	3,686,134	155,672,954
Profit for the year	–	–	–	10,804,255	10,804,255
Bonus issue of shares	(65,884,500)				(65,884,500)
Deficit arising from revaluation	(1,004,948)	–	–	–	(1,004,948)
Proposed final dividends (note 27)	<u>–</u>	<u>–</u>	<u>–</u>	<u>(4,941,338)</u>	<u>(4,941,338)</u>
<b>At 31st March, 2003</b>	<u>85,097,372</u>	<u>–</u>	<u>–</u>	<u>9,549,051</u>	<u>94,646,423</u>

Reserves of the Company available for distribution to shareholders amount to HK\$14,490,389 (2002: HK\$8,956,894).

### 27. PROPOSED DIVIDENDS

	2003 HK\$	2002 HK\$
Proposed final dividends of HK2.5 cents per share (2002: HK\$2.7 cents)	<u>4,941,338</u>	<u>5,270,760</u>

The dividends per share in 2002 have been adjusted to reflect the bonus issue of shares made on 18th September, 2002.

28. DEFERRED TAXATION

	Group	
	2003 HK\$	2002 HK\$
Balance at the beginning of year	915,912	276,818
Transfer from the income statement	<u>7,180</u>	<u>639,094</u>
Balance at the end of year	<u><u>923,092</u></u>	<u><u>915,912</u></u>

Deferred taxation represents mainly the tax effect of the depreciation allowances claimed for tax purposes over depreciation charged in the financial statements.

At the balance sheet date, the Group has the following unprovided deferred tax asset (liability):

	Group		Company	
	2003 HK\$	2002 HK\$	2003 HK\$	2002 HK\$
Accelerated depreciation allowances	(330,094)	(255,101)	(330,094)	(255,101)
Tax losses	<u>2,207,546</u>	<u>3,554,273</u>	<u>2,207,546</u>	<u>3,554,273</u>
	<u><u>1,877,452</u></u>	<u><u>3,299,172</u></u>	<u><u>1,877,452</u></u>	<u><u>3,299,172</u></u>

No provision for deferred tax asset has been recognised in the financial statements as it is uncertain whether the asset will crystallise in the foreseeable future.

Deferred taxation has not been provided on the surplus arising on the revaluation of investment properties as the profit arising on its disposal would not be subject to taxation. Accordingly, the valuation does not constitute a timing difference for tax purpose.

## NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

### 29. RECONCILIATION OF PROFIT BEFORE TAXATION TO NET CASH INFLOW FROM OPERATIONS

	Group	
	2003	2002
	HK\$	HK\$
Profit before taxation	12,972,846	15,976,471
Impairment loss of properties under development	–	731,833
Share of losses (profits) of associates	1,572,874	(2,207,710)
Dividend income	(481,076)	(472,030)
Interest income	(3,803,371)	(3,080,687)
Foreign exchange gain	(29,916)	–
Finance costs	6,099,123	8,005,314
Bad debts provision and write-off	944,379	2,614,477
Depreciation	5,502,891	5,124,887
Long term loans granted	(1,243,308)	–
Loss on disposal of plant & equipment	443,680	62,310
Profit on disposals of other investments	(73,534)	(464,033)
Overprovision of winding up expenses of a subsidiary	–	(211,836)
Exchange reserve realised upon winding up of a subsidiary	–	(2,792,025)
Gain on liquidation of associates	–	(54,041)
Unrealised holding loss on other investments	6,001,256	622,587
	<hr/>	<hr/>
Operating profit before working capital changes	27,905,844	23,855,517
Increase in trading properties	–	(424,079)
(Increase) Decrease in inventories	(6,297,157)	2,709,216
Increase in pledged time deposits	(8,172)	(5,085,853)
Decrease (Increase) in clients' trust money	388,276	(149,884)
Decrease in loans and advances	1,306,629	53,093
(Increase) Decrease in trade and other receivables	(21,437,528)	4,806,738
Increase in deposits and prepayments	(253,449)	(338,737)
Increase (Decrease) in trade and other accounts payable	25,626,294	(8,436,148)
	<hr/>	<hr/>
NET CASH INFLOW FROM OPERATING ACTIVITIES	<u>27,230,737</u>	<u>16,989,863</u>

**30. RETIREMENT BENEFIT COSTS**

The Group operates a Mandatory Provident Fund Scheme (“MPF Scheme”) under the rules and regulations of Mandatory Provident Fund Scheme Ordinance for all its employees up to a maximum of HK\$1,000 per person per month. The employees also contribute a corresponding amount to the MPF Scheme if their relevant income is more than HK\$4,000 per month. The MPF contributions are fully and immediately vested in the employees as accrued benefits once they are paid. The Group also makes voluntary contribution which are in excess of the MPF Scheme requirement for certain employees. Before the voluntary contributions become fully vested in the employees, the relevant portion of the voluntary contributions forfeited will be reverted to the Group to offset future employer’s contributions. The assets of the MPF Scheme and voluntary contributions are held separately from those of the Group in an independently administered fund.

The Group’s contribution to the MPF scheme charged to the income statement during the year amounted to HK\$723,520 (2002: HK\$719,865).

**31. COMMITMENTS**

As at 31st March, 2003, the Group had commitments under non-cancellable operating leases in respect of land and buildings to make payment in the following periods as follows:

	<b>Group</b>	
	<b>2003</b>	2002
	<b>HK\$</b>	HK\$
Within one year	<b>1,823,987</b>	1,708,328
More than one year but not exceeding five years	<b>1,381,742</b>	190,599
	<b><u>3,205,729</u></b>	<u>1,898,927</u>

32. FUTURE RENTAL INCOMES

As at 31st March, 2003, the total future rental incomes receivable under non-cancellable operating leases are analysed as follows:

	Group		Company	
	2003 HK\$	2002 HK\$	2003 HK\$	2002 HK\$
Within one year	11,060,884	11,699,811	6,875,884	10,391,811
More than one year but not exceeding five years	4,788,542	6,265,150	3,768,542	6,160,150
Total	15,849,426	17,964,961	10,644,426	16,551,961

33. PLEDGE OF ASSETS

As at 31st March, 2003 the Group had the following assets pledged to banks to secure general banking facilities granted to the Group.

	Group		Company	
	2003 HK\$	2002 HK\$	2003 HK\$	2002 HK\$
Investment properties in Hong Kong, at valuation	235,500,000	266,500,000	188,000,000	189,000,000
Land & building in Hong Kong, at net book value	739,317	758,879	–	–
Other investments, at market value	14,006,250	16,861,350	–	–
Time deposits	14,684,804	14,676,632	–	1,008,558
	264,930,371	298,796,861	188,000,000	190,008,558
Margin clients' Hong Kong listed shares at market value	14,952,750	13,795,422	–	–

34. CONTINGENT LIABILITIES

	Group		Company	
	2003 HK\$	2002 HK\$	2003 HK\$	2002 HK\$
Bills discounted with recourse	7,909,439	7,308,960	–	–
Guarantees issued to banks in respect of:				
(i) bank facilities granted to:				
– Associates	6,810,000	2,400,000	–	–
– Subsidiaries	–	–	156,650,000	87,650,000
(ii) mortgage loans granted to purchasers of trading properties	9,257,000	9,500,000	9,061,000	9,500,000

35. CAPITAL COMMITMENTS

	Group	
	2003 HK\$	2002 HK\$
Contracted for but not provided in the financial statements, net of deposit paid in respect of plant expansion project	14,308,000	–

36. RELATED PARTIES TRANSACTIONS

During the year, the Group had the following material transactions with an associate:

- (a) The Group received accountancy fee of HK\$314,500 (2002: HK\$184,000).
- (b) The Group paid interest of HK\$2,803 (2002: HK\$492,746).
- (c) The Group received interest of HK\$28,080 (2002: Nil).
- (d) The Group received rental of HK\$36,000 (2002: Nil).

37. PRINCIPAL SUBSIDIARIES

Name of Company	Place of incorporation operation	Nominal value of issued ordinary share capital/ registered capital	Percentage of equity interest held by Company Group		Principal activities
Always Best Company Limited	British Virgin Islands	US\$1	–	95%	Investment holding
Brightgate Limited	Hong Kong	HK\$1,000	100%	100%	Guest house operation
Dongguan Nan Sing Plastics Limited**	Mainland China	HK\$150,000,000*	–	95%	Manufacture of plastics products
Edinburgh Holdings Limited	British Virgin Islands	US\$10	100%	100%	Property investment
Fortune State Investments Limited	Hong Kong	HK\$2	100%	100%	Investment holding
Goldtower Investments Limited	Hong Kong	HK\$2	100%	100%	Property investment
Happy Dragon Investment Limited	Hong Kong	HK\$2	100%	100%	Investment holding
K.W. Associates Company Limited	Hong Kong	HK\$2,000,000	100%	100%	Property investment
Modern Extrusion Limited	Hong Kong	HK\$3,400,000	–	99%	Trading
More Investments Limited	Hong Kong	HK\$2	100%	100%	Property investment
Nan Sing Holdings Limited	Hong Kong	HK\$10,000	100%	100%	Investment holding
Nan Sing Plastics Limited	Hong Kong	HK\$15,000,000	–	95%	Trading of Plastics products

## 37. PRINCIPAL SUBSIDIARIES (Cont'd)

Name of Company	Place of incorporation operation	Nominal value of issued ordinary share capital/ registered capital	Percentage of equity interest held by		Principal activities
			Company	Group	
Nan Sing Plastics International Limited	British Virgin Islands	US\$10	–	95%	Provision of Consultancy services
Polex Products Company Limited	Hong Kong	HK\$2,900,000	–	98%	Trading
Polypak Limited	Hong Kong	HK\$3,000,000	–	99%	Trading
Silver Advance Limited	Hong Kong	HK\$2	100%	100%	Property investment
Southeast Asia Properties & Finance (China) Limited	Hong Kong	HK\$2	100%	100%	Property investment and development
Southeast Asia Properties & Finance (Exchange) Limited	Hong Kong	HK\$1,000,000	75%	75%	Money exchange
Southeast Asia Properties & Finance (Nominees) Limited	Hong Kong	HK\$10,000	100%	100%	Nominees and estate management
South Force Limited	Hong Kong	HK\$2	100%	100%	Property agency
Stockwell Securities Limited	Hong Kong	HK\$20,000,000	100%	100%	Stock broking
Super Dragon Investment Limited	Hong Kong	HK\$2	100%	100%	Property investment and development
Tanpar Company Limited	Hong Kong	HK\$2	–	100%	Trading and nominee
Topland Development Limited	Hong Kong	HK\$2	100%	100%	Property investment
Tsen Hsin Industrial Company Limited**	Hong Kong	HK\$400,000	–	95%	Property investment

\* Paid-up capital up to 31st March, 2003 amounted to HK\$124,294,216

\*\* Subsidiaries not audited by K.L. Young & Co.

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

**38. ASSOCIATES**

Name of Company	Place of incorporation/ operation	Nominal value of issued ordinary registered registered capital	Percentage of equity interest held by Company	Group	Principal activities
Full Safe Industries Limited	Hong Kong	HK\$100,000	–	28.6%	Manufacture of plastics products
Ongoing Investments Limited	British Virgin Islands	US\$100	–	20%	Property investment
Sequin Developments Limited	British Virgin Islands	US\$100	–	20%	Property investment
Titan Dragon Properties Corporation	British Virgin Islands	Peso 80,000,000	30%	49%	Property investment

The above associates companies are not audited by K.L. Young & Co.

**39. COMPARATIVE FIGURES**

Certain comparative figures have been reclassified to conform with the current year's presentation.

**40. APPROVAL AND AUTHORIZATION FOR ISSUE OF THE FINANCIAL STATEMENTS**

The financial statements were approved and authorized for issue by the Board of Directors on 18th July, 2003.