

Notes to the Accounts

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 Statements of Standard Accounting Practice ("SSAP") issued by the Hong Kong Society of Accountants ("HKSA"). They have been prepared under the historical cost convention except that, as disclosed in the accounting policies below, investment properties and certain investments in securities are stated at fair value.

In the current year, the Group adopted revised SSAP 12 "Income taxes" issued by the HKSA which is effective for accounting periods commencing on or after 1 January 2003.

The effect of adopting this new policy is set out in note 1(m)(iii) to the accounts.

(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 2003.

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.

The gain or loss on the disposal of a subsidiary represents the difference between the proceeds of the sale and the Group's share of its net assets together with any unamortised goodwill or negative goodwill or goodwill/negative goodwill and exchange differences taken to reserves and which was not previously charged or recognised in the consolidated profit and loss account.

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

Notes to the Accounts

(Continued)

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.

(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/negative goodwill (net of accumulated amortisation) on acquisition.

(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 profit and loss account as part of the gain or loss on disposal.

Notes to the Accounts

(Continued)

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 valued by independent valuers at each balance sheet date. The valuations are on an open market value basis related to individual properties and separate values are not attributed to land and buildings. The valuations are incorporated in the annual accounts. Increases in valuation are credited to the investment properties revaluation reserve. Decreases in valuation are first set off against increases on earlier valuations on a portfolio basis and thereafter are debited to the profit and loss account. Any subsequent increases are credited to the profit and loss account up to the amount previously debited.

Investment properties held on leases with unexpired periods of 20 years or less are depreciated over the remaining period of the leases.

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 properties revaluation reserve to the profit and loss account.

(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

(Continued)

1 PRINCIPAL ACCOUNTING POLICIES (Continued)

(c) Fixed assets (Continued)

(iii) Impairment and gain or loss on sale

At each balance sheet date, both internal and external sources of information are considered to assess whether there is any indication that assets included in other fixed assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated and where relevant, an impairment loss is recognised to reduce the asset to its recoverable amount. Such impairment losses are recognised in the profit and loss account.

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) Intangibles

(i) Goodwill/negative goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net assets of the acquired subsidiary or associate at the date of acquisition. Negative goodwill represents the excess of the fair value of the Group's share of the net assets acquired over the cost of acquisition.

Goodwill on acquisitions occurring on or after 1 January 2001 is included in intangible assets and is amortised using the straight-line method over its estimated useful life.

Goodwill/negative goodwill on acquisitions that occurred prior to 1 January 2001 was written off against reserves. The Group has taken advantage of the transitional provision in SSAP 30 "Business Combinations" and goodwill/negative goodwill previously written off against reserves has not been restated. Any impairment arising on such goodwill is accounted for in the profit and loss account.

Notes to the Accounts

(Continued)

1 PRINCIPAL ACCOUNTING POLICIES (Continued)

(d) Intangibles (Continued)

(ii) *Impairment of intangibles*

Where an indication of impairment exists, the carrying amount of any intangible asset including goodwill previously written off against reserves, is assessed and written down immediately to its recoverable amount.

(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.

The carrying amounts of individual held-to-maturity securities are reviewed at the balance sheet date in order to assess the credit risk and whether the carrying amounts are expected to be recovered. Provisions are made when carrying amounts are not expected to be fully recoverable and are recognised in the profit and loss account as an expense immediately.

(ii) *Non-trading securities*

Securities which are held for non-trading purpose 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.

Where there is objective evidence that individual investments are impaired the cumulative loss recorded in the revaluation reserve is taken to the profit and loss account.

Notes to the Accounts

(Continued)

1 PRINCIPAL ACCOUNTING POLICIES (Continued)

(e) Investments in securities (Continued)

(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) 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.

(g) Properties held for sale

Properties held for sale are stated at the lower of cost and net realisable value. In the case of properties developed by the Group, cost is determined by apportionment of the total development costs for that development project, including borrowing costs capitalised, attributable to the unsold properties. Net realisable value represents the estimated selling price less costs to be incurred in selling the property.

(h) Treasury shares

Treasury shares represent the Company's equity shares held by its consolidated subsidiaries or by its associates. The acquisition costs of treasury shares are shown as a reduction of shareholders' equity in the consolidated balance sheet.

(i) 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.

Notes to the Accounts

(Continued)

1 PRINCIPAL ACCOUNTING POLICIES (Continued)

(j) 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.

(k) 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.

(l) 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.

(m) 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.

Notes to the Accounts

(Continued)

1 PRINCIPAL ACCOUNTING POLICIES (Continued)

(m) Income tax (Continued)

- (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.
- (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.

In prior years, deferred taxation was accounted for at the current taxation rate in respect of timing differences between profit as computed for taxation purposes and profit as stated in the accounts to the extent that a liability or an asset was expected to be payable or recoverable in the foreseeable future. The adoption of revised SSAP 12 represents a change in accounting policy, which has been applied retrospectively so that the comparatives presented have been restated to conform to the changed policy.

As detailed in the Consolidated Statement of Changes in Equity, opening retained profits at 1 January 2002 and 2003 have been reduced by HK\$8,300,000 and HK\$14,713,000 respectively, which represent the net deferred tax liabilities not provided for in prior years for subsidiaries of HK\$10,411,000 and HK\$17,624,000 respectively, net of corresponding debit to minority interests of HK\$2,111,000 and HK\$2,911,000 respectively. This change has resulted in an increase in deferred tax assets and deferred tax liabilities at 31 December 2002 by HK\$9,756,000 and HK\$27,380,000 respectively. The profit for the year ended 31 December 2002 has been decreased by HK\$6,413,000, represented by a decrease in profit after taxation of HK\$7,213,000, net of an increase in minority interests of HK\$800,000.

Notes to the Accounts

(Continued)

1 PRINCIPAL ACCOUNTING POLICIES (Continued)

(n) 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.

(o) 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

(Continued)

1 PRINCIPAL ACCOUNTING POLICIES (Continued)

(p) 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

(Continued)

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:

	Group	
	2003 HK\$'000	2002 HK\$'000
Turnover		
Sales of goods	2,147,861	1,698,645
Rental and service income from investment properties	44,450	42,579
Revenues from hotel operation	—	63,796
Sales of computer hardware and software	—	10,909
	2,192,311	1,815,929
Other revenues		
Interest income	46,991	43,398
Dividend income from trading securities	84	98
	47,075	43,496
Total revenues	2,239,386	1,859,425

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 and property operation.

The segment information for 2002 has been restated to separately present the performance of the technology operation which was previously included in the toy operation. The Group has also combined the internet business-to-business investments and the technology operation into one segment to reflect its current internal financial reporting. There is no segment information attributable to the internet business-to-business investments in 2003 and the prior year's segment turnover and segment loss attributable to the internet business-to-business investments of HK\$10,909,000 and HK\$15,748,000 respectively have been included in the technology 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 Company and its subsidiaries is set out on pages 47 to 49.

Notes to the Accounts

(Continued)

2 TURNOVER, REVENUE AND SEGMENT INFORMATION (Continued)

Primary segment information by business:

	Year ended 31 December 2003				Group HK\$'000
	Toy operation HK\$'000	Technology operation HK\$'000	Property operation HK\$'000	Elimination 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	40,205		148,247
Other corporate income and expenses					4,924
Operating profit					153,171
Share of profits less losses of associates	558	—	(452)		106
Earnings before finance costs and taxation	90,758	17,842	39,753		153,277
Finance costs					(199)
Taxation					(17,351)
Minority interests					(7,507)
Profit attributable to shareholders					128,220
Segment assets					
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					3,655,854
Segment liabilities					
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					677,223
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

(Continued)

2 TURNOVER, REVENUE AND SEGMENT INFORMATION (Continued)

Primary segment information by business (Continued):

	Year ended 31 December 2002				Group HK\$'000
	Toy operation HK\$'000	Technology operation HK\$'000	Property operation HK\$'000	Elimination HK\$'000	
Turnover					
Company and subsidiaries					
— External sales	1,674,235	35,319	106,375	—	1,815,929
— Inter-segment sales	5,602	4,237	—	(9,839)	—
	1,679,837	39,556	106,375	(9,839)	1,815,929
Share of associates	7,009	—	41,751	—	48,760
	1,686,846	39,556	148,126	(9,839)	1,864,689
Segment results					
Company and subsidiaries	90,177	(28,713)	43,222		104,686
Other corporate income and expenses					24,138
Operating profit					128,824
Share of profits less losses of associates	681	—	(1,679)		(998)
Earnings before finance costs and taxation	90,858	(28,713)	41,543		127,826
Finance costs					(46)
Taxation					(24,042)
Minority interests					(5,076)
Profit attributable to shareholders					98,662
Segment assets					
Company and subsidiaries	1,057,466	55,969	846,470		1,959,905
Investments in associates	(1,635)	—	22,199		20,564
Deferred tax assets	5,827	3,929	—		9,756
Unallocated assets					1,140,034
Total assets					3,130,259
Segment liabilities					
Company and subsidiaries	355,551	41,379	102,476		499,406
Loans from minority shareholders	7,036	—	39,329		46,365
Taxation	4,459	2,870	33,047		40,376
Deferred tax liabilities	3,432	—	24,261		27,693
Unallocated liabilities					13,957
Total liabilities					627,797
Capital expenditure					
Company and subsidiaries	36,571	7,733	29,473		73,777
Depreciation	41,937	602	13,548		56,087
Amortisation charge	—	654	—		654
Impairment provision for non-trading securities	—	8,410	—		8,410
(Gain)/loss on disposal of subsidiaries	—	2,455	(4,876)		(2,421)

Notes to the Accounts

(Continued)

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 2003 HK\$'000	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	50,768	1,293,568	39,450
Hong Kong	139,899	10,423	494,139	2,830
Japan	370,658	19,866	75,844	39
Singapore	3,549	146	—	—
Other regions	178,076	7,309	5,279	—
	2,192,311	148,247	1,937,165	42,319
Other corporate income and expenses		4,924		
Operating profit		153,171		
Investments in associates			8,817	
Deferred tax assets			12,309	
Unallocated assets			1,697,563	
Total assets			3,655,854	
	Turnover 2002 HK\$'000	Segment results 2002 HK\$'000	Total assets 2002 HK\$'000	Capital expenditure 2002 HK\$'000
United States	1,069,798	42,967	10,216	—
Europe	240,972	9,475	1,603	—
Mainland China	106,451	42,998	1,264,445	68,181
Hong Kong	125,094	9,425	632,976	5,446
Japan	127,333	3,886	27,522	150
Singapore	12,388	(14,627)	—	—
Other regions	133,893	10,562	23,143	—
	1,815,929	104,686	1,959,905	73,777
Other corporate income and expenses		24,138		
Operating profit		128,824		
Investments in associates			20,564	
Deferred tax assets			9,756	
Unallocated assets			1,140,034	
Total assets			3,130,259	

Notes to the Accounts

(Continued)

3 OPERATING PROFIT

	Group	
	2003 HK\$'000	2002 HK\$'000
Operating profit is stated after crediting and charging the following:		
Crediting		
Rental from investment properties less outgoings of HK\$8,627,000 (2002: HK\$8,246,000)	33,726	30,257
Gain on disposal of subsidiaries	10,679	2,421
Gain on disposal of investment properties	—	8,486
Gain on disposal of fixed assets other than investment properties	893	—
Reversal of over accruals arising from settlement of a legal dispute (<i>Note a</i>)	6,303	—
Reversal of deficits on revaluation of investment properties previously charged to profit and loss account	1,581	—
Net realised and unrealised gains on trading securities	496	536
Recovery of bad debts previously written off	441	1,842
Charging		
Cost of inventories sold (<i>Note b</i>)	1,885,987	1,513,130
Staff costs (<i>Note 9</i>)	371,492	350,526
Depreciation and impairment	58,551	56,087
Operating lease charges in respect of properties	32,357	31,657
Amortisation of goodwill	—	654
Auditors' remuneration	1,769	2,284
Net exchange losses	3,913	13
Loss on disposal of fixed assets other than investment properties	—	9,162
Deficit on revaluation of investment properties	—	26

Notes:

- (a) As disclosed in the note of contingent liabilities in the previous accounts, one of the Group's subsidiaries was named in a law suit brought by a contractor relating to a PRC property development since 1999. During the year, the Group entered into settlement agreements with the contractor to discharge this legal dispute. An amount of approximately HK\$6,303,000 representing over accruals in the prior year was written back to the profit and loss account.
- (b) Cost of inventories sold includes certain portion of staff cost, depreciation and operating lease charges totalling HK\$354,533,000 (2002: HK\$304,958,000), which are also included in the respective amounts of expenses disclosed separately.

Notes to the Accounts

(Continued)

4 FINANCE COSTS

	Group	
	2003 HK\$'000	2002 HK\$'000
Interest on bank overdrafts	199	46

5 TAXATION

	Group			Group		
	Current taxation HK\$'000	Deferred taxation HK\$'000	2003 Total HK\$'000	Current taxation HK\$'000	Deferred taxation HK\$'000	Restated 2002 Total HK\$'000
Hong Kong						
Subsidiaries	5,552	(733)	4,819	8,747	67	8,814
Outside Hong Kong						
Subsidiaries	4,756	7,709	12,465	6,682	6,804	13,486
Associates	67	—	67	1,742	—	1,742
	10,375	6,976	17,351	17,171	6,871	24,042

Hong Kong profits tax has been provided at the rate of 17.5% (2002: 16%) on the estimated assessable profit for the year. In 2003, The Government of the Hong Kong Special Administrative Region enacted a change in the profits tax rate from 16% to 17.5% for the fiscal year 2003/2004. Taxation outside Hong Kong has been provided for on the estimated assessable profits at applicable rates ruling in relevant countries.

The differences between the Group's expected tax charges, using the average applicable tax rates and the Group's tax charges for the year are as follows:

	Group	
	2003 HK\$'000	2002 HK\$'000
Profit before taxation	153,078	127,780
Expected tax calculated at the weighted average applicable tax rate	23,750	19,011
Income not subject to taxation	(6,795)	(7,863)
Expenses not deductible for taxation purposes	2,202	8,349
Utilisation of previously unrecognised tax losses	(583)	(30)
(Over)/under provision in prior years	(2,966)	1,799
Other temporary differences	2,268	2,776
Effect of change in tax rate	(525)	—
Total taxation	17,351	24,042

The weighted average applicable tax rate is the aggregate of the domestic rate applicable to each Group company.

Notes to the Accounts

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6 PROFIT ATTRIBUTABLE TO SHAREHOLDERS

The profit attributable to shareholders is dealt with in the accounts of the Company to the extent of HK\$208,473,000 (2002: HK\$499,295,000).

7 DIVIDEND

	Group and Company	
	2003 HK\$'000	2002 HK\$'000
Final dividend proposed — HK1.7 cents per ordinary share (2002: HK1.5 cents)	113,985	84,150

At a meeting held on 16 March 2004, the directors proposed a final dividend of HK1.7 cents per ordinary share. The amount of proposed final dividend for 2003 is based on 6,705,000,263 shares issued at 31 December 2003. This proposed dividend is not reflected as a dividend payable in these accounts but will be reflected as an appropriation of retained earnings for the year ending 31 December 2004.

The amount of proposed final dividend for 2002 was based on 5,610,000,263 shares issued at 31 December 2002 and the amount paid of HK\$100,575,000 was based on 6,705,000,263 shares issued and recorded on the Register of Members of the Company on 19 May 2003.

8 BASIC AND DILUTED EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to shareholders of HK\$128,220,000 (2002: HK\$98,662,000, as restated) and the weighted average number of 6,366,000,263 (2002: 5,610,000,263) ordinary shares in issue during the year.

The calculation of fully diluted earnings per share for 2002 was based on the restated profit attributable to shareholders of HK\$98,662,000 and 6,057,954,808 ordinary shares comprising 5,610,000,263 ordinary shares in issue during the year plus the weighted average number of 447,954,545 ordinary shares deemed to be issued at no consideration in respect of outstanding warrants at 31 December 2002. No diluted earnings per share for 2003 is presented as the Company has no outstanding warrants at 31 December 2003 and up to the date of approval of these accounts.

Notes to the Accounts

(Continued)

9 STAFF COSTS (INCLUDING DIRECTORS' EMOLUMENTS)

	Group	
	2003 HK\$'000	2002 HK\$'000
Wages and salaries	326,460	303,358
Other allowances and benefits	39,740	42,479
Pension costs	5,292	4,689
	371,492	350,526

10 RETIREMENT BENEFITS SCHEMES

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

- (a) 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.

- (b) 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 salary (limited to HK\$1,000) to the scheme each month.

Notes to the Accounts

(Continued)

11 DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) Directors' emoluments

The aggregate amounts of emoluments payable to directors of the Company during the year are as follows:

	Group	
	2003 HK\$'000	2002 HK\$'000
Fees	366	328
Basic salaries, allowances and benefits-in-kind	9,377	8,101
Discretionary bonus	3,339	2,304
Provident fund contributions	452	380
	13,534	11,113

Included in the directors' emoluments were fees of HK\$100,000 (2002: HK\$100,000) paid to the independent non-executive directors during the year.

Emoluments of all directors of the Company are analysed as below:

Emolument bands	Number of directors	
	2003	2002
HK\$Nil – HK\$1,000,000	9	10
HK\$1,000,001 – HK\$1,500,000	—	1
HK\$1,500,001 – HK\$2,000,000	—	1
HK\$2,500,001 – HK\$3,000,000	—	1
HK\$3,000,001 – HK\$3,500,000	3	—
HK\$3,500,001 – HK\$4,000,000	—	1
HK\$4,000,001 – HK\$4,500,000	1	—

Notes to the Accounts

(Continued)

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 (2002: three) directors whose emoluments are reflected in the analysis presented in note 11(a) to the accounts. The remaining two individuals in 2002 included a director of the Company who was appointed on 1 October 2002. The emoluments payable to the individual (2002: two individuals) during the year are as follows:

	Group	
	2003 HK\$'000	2002 HK\$'000
Basic salaries, allowances and benefits-in-kind	1,560	3,156
Discretionary bonus	360	990
Provident fund contributions	72	146
	1,992	4,292

The emoluments of the individual (2002: two individuals) with the highest emoluments fell within the following bands:

Emolument bands	Number of individuals	
	2003	2002
HK\$1,500,001 – HK\$2,000,000	1	1
HK\$2,000,001 – HK\$2,500,000	—	1

Notes to the Accounts

(Continued)

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
Cost or valuation							
At 1 January 2003	622,010	226,043	115,621	246,593	44,683	11,022	1,265,972
Exchange translation differences	—	(158)	(128)	(220)	(29)	(8)	(543)
Additions	—	—	12,620	22,123	6,074	1,502	42,319
Disposals	—	(286)	(1,224)	(32,882)	(4,447)	(1,093)	(39,932)
Cost adjustment	(15,533)	—	—	—	—	—	(15,533)
Disposal of subsidiaries	—	—	(3,756)	(38,068)	(1,329)	(1,466)	(44,619)
Transfer between categories	2,993	(11,146)	—	—	—	—	(8,153)
Transfer from properties held for sale	46,782	—	—	—	—	—	46,782
Revaluation surplus	23,888	—	—	—	—	—	23,888
At 31 December 2003	680,140	214,453	123,133	197,546	44,952	9,957	1,270,181
Accumulated depreciation and impairment							
At 1 January 2003	—	97,620	92,066	155,206	31,083	8,780	384,755
Exchange translation differences	—	(59)	(100)	(219)	(17)	(5)	(400)
Charge for the year	—	12,341	12,883	25,772	5,809	946	57,751
Impairment	—	800	—	—	—	—	800
Disposals	—	(151)	(1,165)	(31,261)	(4,178)	(1,093)	(37,848)
Disposal of subsidiaries	—	—	(3,333)	(34,201)	(1,146)	(1,344)	(40,024)
Transfer between categories	—	(8,153)	—	—	—	—	(8,153)
At 31 December 2003	—	102,398	100,351	115,297	31,551	7,284	356,881
Net book value							
At 31 December 2003	680,140	112,055	22,782	82,249	13,401	2,673	913,300
At 31 December 2002	622,010	128,423	23,555	91,387	13,600	2,242	881,217

Notes to the Accounts

(Continued)

12 FIXED ASSETS (Continued)

The analysis of the cost or valuation at 31 December 2003 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	—	214,453	123,133	197,546	44,952	9,957	590,041
At valuation	680,140	—	—	—	—	—	680,140
	680,140	214,453	123,133	197,546	44,952	9,957	1,270,181

The analysis of the cost or valuation at 31 December 2002 of the above assets is as follows:

At cost	—	226,043	115,621	246,593	44,683	11,022	643,962
At valuation	622,010	—	—	—	—	—	622,010
	622,010	226,043	115,621	246,593	44,683	11,022	1,265,972

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

	2003		2002	
	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	6,030	55,688	5,110	57,598
Outside Hong Kong	674,110	56,367	616,900	70,825
	680,140	112,055	622,010	128,423

- (b) The investment properties are revalued at 31 December 2003 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 2003. At 31 December 2002, certain investment properties and other properties with a total net book value of approximately HK\$48,420,000 were pledged to certain banks to secure general banking facilities granted to the Group.

Notes to the Accounts

(Continued)

13 INVESTMENTS IN SUBSIDIARIES

	Company	
	2003 HK\$'000	2002 HK\$'000
Unlisted investments, at cost	659,099	659,090
Amounts due from subsidiaries	2,143,258	1,047,175
Amounts due to subsidiaries	(101,007)	(25,482)
	2,701,350	1,680,783

- (a) The amounts due from/to subsidiaries are unsecured, interest-free and have no fixed terms of repayment.
- (b) The results of the subsidiaries disposed of during the year and attributable to the Group were a loss of HK\$1,328,000 (2002: HK\$3,171,000).
- (c) Particulars of the principal subsidiaries at 31 December 2003 are set out in note 34(a) to the accounts.

14 INVESTMENTS IN ASSOCIATES

	Group	
	2003 HK\$'000	2002 HK\$'000
Unlisted investments, at cost	25,443	25,443
Share of post acquisition reserves	(9,097)	1,793
Amounts due to associates	(7,529)	(6,672)
	8,817	20,564

- (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 2003 are set out in note 34(b) to the accounts.

Notes to the Accounts

(Continued)

15 HELD-TO-MATURITY SECURITIES, LISTED

	Group	
	2003 HK\$'000	2002 HK\$'000
Listed, overseas		
Held-to-maturity securities, at cost	1,568,547	547,849
Less: amortisation	(9,567)	(1,328)
	1,558,980	546,521

At 31 December 2003, the market value of held-to-maturity securities is approximately HK\$1,587,141,000 (2002: HK\$574,924,000).

16 NON-TRADING SECURITIES

	Group		Company	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Unlisted shares, Hong Kong	273	—	—	—
Unlisted securities, overseas				
Equity securities	73,668	73,668	106,803	106,803
Convertible notes	19,500	19,500	19,500	19,500
Less: impairment provision	(93,168)	(93,168)	(126,303)	(126,303)
	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 values of these investments and considered it appropriate to make an impairment provision against these investments.

Notes to the Accounts

(Continued)

17 LOANS RECEIVABLE

	Group	
	2003	2002
	HK\$'000	HK\$'000
Gross loans receivable	14,430	18,142
Less: amount due within one year	(2,770)	(2,770)
	11,660	15,372

The gross loans receivable of HK\$14,430,000 at 31 December 2003 (2002: HK\$18,142,000) 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 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

	Group	
	2003	2002
	HK\$'000	HK\$'000
Raw materials	105,172	90,872
Work in progress	71,688	45,887
Finished goods	47,981	58,409
	224,841	195,168

At 31 December 2003, all inventories are carried at cost. At 31 December 2002, raw materials of HK\$2,420,000, work in progress of HK\$118,000 and finished goods of HK\$35,000 are carried at net realisable value.

Notes to the Accounts

(Continued)

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	
	2003 HK\$'000	2002 HK\$'000
0-30 days	168,695	153,717
31-60 days	78,764	58,275
61-90 days	12,121	6,955
Over 90 days	29,507	22,161
	289,087	241,108

20 TRADING SECURITIES

	Group	
	2003 HK\$'000	2002 HK\$'000
Equity securities at market value, listed		
— Hong Kong	—	1,040
— Overseas	104	151
	104	1,191

21 CASH AND BANK DEPOSITS

	Group		Company	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Deposits with banks	343,168	776,356	88,587	563,206
Cash at banks and in hand	145,229	248,638	2,715	14,869
	488,397	1,024,994	91,302	578,075

Notes to the Accounts

(Continued)

22 TRADE PAYABLES

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

	Group	
	2003 HK\$'000	2002 HK\$'000
0-30 days	217,486	143,655
31-60 days	56,891	24,913
61-90 days	11,664	4,191
Over 90 days	16,642	54,688
	302,683	227,447

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	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
At 1 January	22,379	16,333	5,314	4,602	27,693	20,935
Charged to profit and loss account	7,009	6,046	2,520	712	9,529	6,758
Charged to investment properties revaluation reserve	—	—	6,281	—	6,281	—
Disposal of subsidiaries	(170)	—	—	—	(170)	—
At 31 December	29,218	22,379	14,115	5,314	43,333	27,693

Notes to the Accounts

(Continued)

23 DEFERRED TAXATION (Continued)

(a) (Continued)

Deferred tax assets

	Group							
	Accelerated tax depreciation		Impairment of assets and provisions		Tax losses		Total	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
At 1 January	114	(352)	(4,803)	(4,631)	(5,067)	(4,886)	(9,756)	(9,869)
Charged/(credited) to profit and loss account	(1,948)	466	(179)	(172)	(426)	(181)	(2,553)	113
At 31 December	(1,834)	114	(4,982)	(4,803)	(5,493)	(5,067)	(12,309)	(9,756)

(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\$107,649,000 (2002: HK\$105,549,000). Of these, HK\$83,768,000 (2002: HK\$74,598,000) can be carried forward indefinitely. The remaining HK\$23,881,000 (2002: HK\$30,951,000) expires in the following years:

	Group	
	2003 HK\$'000	2002 HK\$'000
2003	—	3,151
2004	7,203	13,583
2005	4,860	4,967
2006	10,598	8,137
2007	628	1,113
2008	592	—
	23,881	30,951

(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 2003 was HK\$7,292,000 (2002: HK\$3,347,000).

Notes to the Accounts

(Continued)

24 MINORITY INTERESTS

	Group	
	2003	Restated 2002
	HK\$'000	HK\$'000
Equity interests	82,817	73,467
Loans from minority shareholders	46,352	46,365
	129,169	119,832

Loans from minority shareholders are unsecured, non-interest bearing and have no fixed terms of repayments.

25 SHARE CAPITAL

	2003		2002	
	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	5,610,000,263	561,000	5,610,000,263	561,000
Issue of shares	1,095,000,000	109,500	—	—
At 31 December	6,705,000,263	670,500	5,610,000,263	561,000

At 31 December 2002, 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 2003 and up to the date of approval of these accounts.

Notes to the Accounts

(Continued)

26 RESERVES

Company

	Share premium HK\$'000	Capital redemption reserve HK\$'000	Contributed surplus HK\$'000	Retained profits/ (accumulated losses) HK\$'000	Total HK\$'000
At 1 January 2003	1,495,889	3,558	1,456	192,601	1,693,504
Issue of 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
At 1 January 2002	1,495,889	3,558	85,606	(306,694)	1,278,359
Profit for the year	—	—	—	499,295	499,295
2001 final dividend paid	—	—	(84,150)	—	(84,150)
At 31 December 2002	1,495,889	3,558	1,456	192,601	1,693,504

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

(Continued)

27 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

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

	2003 HK\$'000	2002 HK\$'000
Operating profit	153,171	128,824
Interest income, net of amortisation of premium of held-to-maturity securities, listed	(46,991)	(42,500)
Dividend income from trading securities	(84)	(98)
Depreciation and impairment of fixed assets	58,551	56,087
Deficit on revaluation of investment properties	—	26
Amortisation of goodwill	—	654
Impairment provision for non-trading securities	—	8,410
Gain on disposal of subsidiaries	(10,679)	(2,421)
(Gain)/loss on disposal of fixed assets	(893)	676
Net realised and unrealised gains on trading securities	(496)	(536)
Reversal of over accruals arising from settlement of a legal dispute	(6,303)	—
Reversal of deficits on revaluation of investment properties previously charged to profit and loss account	(1,581)	—
Operating profit before working capital changes	144,695	149,122
Decrease in pledged bank deposits	7,352	2,711
Increase in trade and other receivables	(38,985)	(32,447)
Decrease in loans receivable	3,712	5,747
Increase in inventories	(30,781)	(21,180)
Increase in trade and other payables	69,867	86,662
Exchange differences	(765)	(841)
Net cash inflow generated from operations	155,095	189,774

Notes to the Accounts

(Continued)

27 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (Continued)

(b) Purchase of subsidiaries

	2003 HK\$'000	2002 HK\$'000
Net assets acquired:		
Fixed assets	—	45
Inventories	—	745
Trade and other receivables	—	28,326
Trade and other payables	—	(31,016)
Trading securities	—	6
Taxation	—	(2,451)
Minority interests	—	(1,637)
Cash and cash equivalents	—	7,224
	—	1,242
Satisfied by:		
Cash paid	—	1,242
Analysis of net cash inflow in respect of purchase of subsidiaries:		
	2003 HK\$'000	2002 HK\$'000
Cash consideration	—	(1,242)
Cash and cash equivalents acquired	—	7,224
Net cash inflow in respect of purchase of subsidiaries	—	5,982

Notes to the Accounts

(Continued)

27 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (Continued)

(c) Disposal of subsidiaries

	2003 HK\$'000	2002 HK\$'000
Net assets disposed of:		
Fixed assets	4,595	100,372
Intangible assets	—	14,446
Investments in associates	—	25,493
Inventories	1,108	2,711
Trade and other receivables	3,450	24,774
Trade and other payables	(3,598)	(37,958)
Taxation	145	—
Deferred taxation	(170)	—
Minority interests	—	(50,723)
Cash and cash equivalents	6,266	66,142
	11,796	145,257
Exchange reserve realised	(140)	6,884
Capital reserve on consolidation realised	(2,701)	67
Gain on disposal	10,679	2,421
	19,634	154,629
Satisfied by:		
Cash	14,268	95,924
Included in non-trading securities	273	8,410
Included in other receivables	5,093	50,295
	19,634	154,629
Analysis of net cash inflow in respect of disposal of subsidiaries:		
	2003 HK\$'000	2002 HK\$'000
Cash consideration	14,268	95,924
Cash and cash equivalents disposed of	(6,266)	(66,142)
Net cash inflow in respect of disposal of subsidiaries	8,002	29,782

Notes to the Accounts

(Continued)

28 CONTINGENT LIABILITIES

At 31 December 2003, mortgage loan facilities totalling HK\$736,000 (2002: HK\$5,720,000) were granted by certain banks to purchasers of the Group's properties in the PRC and these were secured by a subsidiary's guarantees and a pledge of the Group's bank deposits of approximately HK\$27,000 (2002: HK\$7,379,000).

29 CAPITAL COMMITMENTS

	Group	
	2003 HK\$'000	2002 HK\$'000
Capital commitments for property, plant and equipment:		
Contracted but not provided for	9,006	6,515
Authorised but not contracted for	21,251	65,212
	30,257	71,727

30 OPERATING LEASES

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

	Group	
	2003 HK\$'000	2002 HK\$'000
Not later than one year	34,760	29,169
Later than one year and not later than five years	28,715	28,987
Later than five years	7,291	2,124
	70,766	60,280

Notes to the Accounts

(Continued)

30 OPERATING LEASES (Continued)

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

	Group	
	2003 HK\$'000	2002 HK\$'000
Not later than one year	35,820	36,485
Later than one year and not later than five years	128,643	137,617
Later than five years	34,786	61,888
	199,249	235,990

31 MATERIAL RELATED PARTY TRANSACTIONS

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

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

	Group	
	2003 HK\$'000	2002 HK\$'000
Rental expenses	19,613	19,447
Management fee expenses	3,752	3,758
	23,365	23,205

(b) The Group manufactured a range of products including the cap covers, injection moulds, premium items and mobile phone accessories for other subsidiaries of Hutchison Whampoa Limited. The aggregate purchase amount for the year was approximately HK\$98,021,000 (2002: HK\$5,574,000).

(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\$2,200,000 (2002: HK\$800,000).

Notes to the Accounts

(Continued)

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 16 March 2004.

34 PARTICULARS OF THE PRINCIPAL SUBSIDIARIES AND ASSOCIATES

(a) Details of the principal subsidiaries at 31 December 2003 are as follows:

Name of subsidiary	Place of operations/ incorporation	Particulars of issued/registered capital	Group's effective interest %	Principal activity
* 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 shares	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

(Continued)

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
Champaint Industrial Limited	PRC/ Hong Kong	HK\$2 ordinary shares	100	Manufacture of paints
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\$70,890,000 registered capital	95.18	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. (formerly known as "Guangzhou Panyu Shawan Acefield Toys Co., 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 and trading of listed investments
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

(Continued)

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	Trading of moulds and provision of management services
P & H Development Limited	Hong Kong	HK\$7 ordinary shares HK\$3 non-voting deferred shares	100	Investment holding
# 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
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\$138,000,000 registered capital	75.6	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

Notes to the Accounts

(Continued)

34 PARTICULARS OF THE PRINCIPAL SUBSIDIARIES AND ASSOCIATES (Continued)

(b) Particulars of the principal associates at 31 December 2003 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.