

# notes to the financial statements

for the year ended 31st December, 2003

## 1. GENERAL

The Company is a public limited company incorporated in Hong Kong and its shares are listed on The Stock Exchange of Hong Kong Limited.

The principal activities of the Group are the manufacturing and trading of electrical and electronic products.

## 2. ADOPTION OF REVISED STATEMENT OF STANDARD ACCOUNTING PRACTICE

In current year, the Group has adopted, for the first time, the Hong Kong Financial Reporting Standard ('HKFRS'), the revised Statement of Standard Accounting Practice ('SSAP') 12 'Income Taxes' issued by the Hong Kong Society of Accountants ('HKSA'). The terms of HKFRS is inclusive of SSAPs and Interpretations approved by the HKSA.

The principal effect of the implementation of SSAP 12 (Revised) is in relation to deferred tax. In previous years, partial provision was made for deferred tax using the income statement liability method, i.e. a liability was recognised in respect of timing differences arising, except where those timing differences were not expected to reverse in the foreseeable future. SSAP 12 (Revised) requires the adoption of a balance sheet liability method, whereby deferred tax is recognised in respect of all temporary differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, with limited exceptions. In the absence of any specific transitional requirements in SSAP 12 (Revised), the new accounting policy has been applied retrospectively. Comparative amounts for 2002 have been restated accordingly.

As a result of this change in policy, the balance of retained profits at 1st January, 2002 has been increased by HK\$21,002,000, representing the cumulative effect of the change in policy on the results for periods prior to 1st January, 2002. The change has resulted in a decrease in the profit of HK\$1,609,000 for the year ended 31st December, 2003 (2002: increase in the profit of HK\$4,582,000).

## 3. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention as modified for the revaluation of investments in securities and in accordance with accounting principles generally accepted in Hong Kong. The principal accounting policies adopted are as follows:

### Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31st December each year. All significant intercompany transactions and balances within the Group are eliminated on consolidation.

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

### Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary or an associate at the date of acquisition.

Goodwill is capitalised and amortised on a straight-line basis over its estimated useful economic life. Goodwill arising on the acquisition of subsidiaries is presented separately in the balance sheet.

On disposal of a subsidiary or an associate, the attributable amount of unamortised goodwill is included in the determination of the profit or loss on disposal.

### 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

#### **Negative goodwill**

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

Negative goodwill is presented as a deduction from assets and is released to income based on an analysis of the circumstances from which the balance resulted.

To the extent that the negative goodwill is attributable to losses or expenses anticipated at the date of acquisition, it is released to income in the period in which those losses or expenses arise. The remaining negative goodwill is recognised as income on a straight-line basis over the remaining average useful life of the identifiable acquired depreciable assets. To the extent that such negative goodwill exceeds the aggregate fair value of the acquired identifiable non-monetary assets, it is recognised as income immediately.

Negative goodwill arising on the acquisition of subsidiaries is presented separately in the balance sheet as a deduction from assets.

#### **Investments in subsidiaries**

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

#### **Interests in associates**

The consolidated income statement includes the Group's share of the post-acquisition results of its associates for the year. In the consolidated balance sheet, interests in associates are stated at the Group's share of the net assets of the associates, less any identified impairment losses.

The results of associates are accounted for by the Company on the basis of dividends received and receivable during the year. In the Company's balance sheet, investments in associates are stated at cost, as reduced by any identified impairment losses.

#### **Patents and trademarks**

Patents and trademarks are measured initially at purchase cost and amortised on a straight-line basis over their estimated useful lives.

#### **Assets held under finance leases**

Leases are classified as finance leases when the terms of the lease transfer substantially all the risks and rewards of ownership of the assets concerned to the Group.

Assets held under finance leases are capitalised at their fair values at the date of acquisition. The corresponding liability to the lessor is included in the balance sheet as an obligation under finance leases. Finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are charged to the income statement over the period of the relevant lease so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

All other leases are classified as operating leases and the annual rentals are charged to the income statement on a straight-line basis over the term of the relevant lease.

### 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

#### Property, plant and equipment

Property, plant and equipment, other than construction in progress, are stated at cost less depreciation or amortisation and accumulated impairment losses.

Depreciation and amortisation is charged so as to write off the cost of property, plant and equipment other than construction in progress, over their estimated useful lives, using the straight-line method, at the following rates per annum:

Freehold land	Nil
Leasehold land and land use rights	2% or over the term of the relevant lease, if shorter
Buildings	4%
Leasehold improvements	25%
Office equipment, furniture and fixtures	16 <sup>2</sup> / <sub>3</sub> % – 25%
Plant and machinery	25%
Motor vehicles	16 <sup>2</sup> / <sub>3</sub> % – 25%
Moulds and tooling	20% – 33 <sup>1</sup> / <sub>3</sub> %
Vessel	20%

Properties in the course of construction for production, rental or administrative purposes, or for purposes not yet determined, are carried at cost, less any identified impairment losses. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

The gain or loss arising from 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.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

#### Impairment

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

### 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

#### **Investments in securities**

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

Investments other than held-to-maturity debt securities are classified as investment securities and other investments.

Investment securities, which are securities held for an identified long-term strategic purpose, are measured at subsequent reporting dates at cost, as reduced by any impairment losses that is other than temporary.

Other investments are measured at fair value, with unrealised gains and losses included in the income statement for the year.

#### **Other assets**

Other assets are stated at cost less any identified impairment losses.

#### **Inventories**

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

#### **Research and development costs**

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development expenditure is recognised only if it is anticipated that the development costs incurred on a clearly-defined project will be recovered through future commercial activity. The resultant asset is amortised on a straight-line basis over its useful life.

Where no internally-generated intangible asset can be recognised, development expenditure is recognised as an expense in the period in which it is incurred.

#### **Turnover**

Turnover represents the net amounts received and receivable for goods sold by the Group to outside customers, less returns and allowances, and commission income and royalty income received during the year.

#### **Revenue recognition**

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

Commission income is recognised when services are provided.

Royalty income is recognised on a time proportion basis in accordance with the substance of the relevant agreements.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the interest rates applicable.

### 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

#### **Taxation**

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

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

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill (or negative goodwill) or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

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

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

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

#### **Foreign currencies**

Transactions in currencies other than Hong Kong dollars are initially recorded at the rates of exchange prevailing on the dates of the transactions. Monetary assets and liabilities denominated in such currencies are retranslated at the rates prevailing on the balance sheet date. Profits and losses arising on exchange are included in profit or loss for the year.

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

#### **Borrowing costs**

All borrowing costs are recognised as an expense in the period in which they are incurred.

#### **Loan arrangement fees**

Loan arrangement fees are amortised to the income statement over the term of the loan on a straight-line basis to provide a constant periodic rate of charge.

#### **Retirement benefits schemes**

Retirement benefits arrangements are made in accordance with the relevant laws and regulations. Payments to defined contribution retirement benefits schemes are charged as expenses as they fall due. For defined benefits schemes, the projected future cost of providing retirement benefits is recognised when the employees render services instead of when claims are incurred.

#### 4. BUSINESS AND GEOGRAPHICAL SEGMENTS

##### Business segments

For management purpose, the Group is engaged in the manufacturing and trading of electrical and electronic products. The segment information is disclosed in accordance with different types of products.

##### Income statement

for the year ended 31st December, 2003

	Power equipment products HK\$'000	Floor care appliances HK\$'000	Solar powered lighting and electronic measuring products HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
<b>Turnover</b>					
External sales	9,486,308	3,185,336	511,164	–	13,182,808
Inter-segment sales	194,995	12,160	53,172	(260,327)	–
Total	9,681,303	3,197,496	564,336	(260,327)	13,182,808

Inter-segment sales are charged at prevailing market rates.

##### Result

Segment result	653,385	131,351	100,973	–	885,709
Amortisation of goodwill					(25,056)
Release of negative goodwill to income					4,306
Profit from operations					864,959
Finance costs					(95,731)
Share of results of associates					(987)
Profit before taxation					768,241
Taxation					(66,811)
Profit after taxation					701,430

**4. BUSINESS AND GEOGRAPHICAL SEGMENTS** (Continued)

**Business segments** (Continued)

**Balance sheet**

as at 31st December, 2003

	Power equipment products HK\$'000	Floor care appliances HK\$'000	Solar powered lighting and electronic measuring products HK\$'000	Consolidated HK\$'000
<b>Assets</b>				
Segment assets	6,766,767	1,536,586	279,725	8,583,078
Interests in associates				118,394
Unallocated corporate assets				944,796
<b>Consolidated total assets</b>				<b>9,646,268</b>
<b>Liabilities</b>				
Segment liabilities	(4,301,394)	(871,477)	(101,084)	(5,273,955)
Unallocated corporate liabilities				(1,813,055)
<b>Consolidated total liabilities</b>				<b>(7,087,010)</b>

**Other information**

for the year ended 31st December, 2003

	Power equipment products HK\$'000	Floor care appliances HK\$'000	Solar powered lighting and electronic measuring products HK\$'000	Consolidated HK\$'000
Capital additions	155,965	652,333	10,728	819,026
Depreciation and amortisation	200,388	127,216	4,244	331,848
Impairment loss of investment securities recognised	14,028	–	–	14,028

#### 4. BUSINESS AND GEOGRAPHICAL SEGMENTS *(Continued)*

##### Business segments *(Continued)*

##### Income statement

for the year ended 31st December, 2002

	Power equipment products HK\$'000	Floor care appliances HK\$'000	Solar powered lighting and electronic measuring products HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
<b>Turnover</b>					
External sales	7,603,461	1,662,347	227,130	–	9,492,938
Inter-segment sales	108,727	–	1,822	(110,549)	–
<b>Total</b>	<b>7,712,188</b>	<b>1,662,347</b>	<b>228,952</b>	<b>(110,549)</b>	<b>9,492,938</b>

Inter-segment sales are charged at prevailing market rates.

(As restated)

##### Result

Segment result	471,768	73,092	37,115	–	581,975
Amortisation of goodwill					(6,523)
Release of negative goodwill to income					4,306
Profit from operations					579,758
Finance costs					(83,978)
Share of results of associates					121
Profit before taxation					495,901
Taxation					(70,246)
Profit after taxation					425,655



**4. BUSINESS AND GEOGRAPHICAL SEGMENTS** (Continued)

**Business segments** (Continued)

**Balance sheet**

as at 31st December, 2002

	Power equipment products HK\$'000	Floor care appliances HK\$'000	Solar powered lighting and electronic measuring products HK\$'000	Consolidated HK\$'000 (As restated)
<b>Assets</b>				
Segment assets	5,381,302	571,431	97,820	6,050,553
Interests in associates				117,265
Unallocated corporate assets				255,287
<b>Consolidated total assets</b>				<b>6,423,105</b>
<b>Liabilities</b>				
Segment liabilities	(2,901,183)	(383,212)	(23,899)	(3,308,294)
Unallocated corporate liabilities				(1,267,957)
<b>Consolidated total liabilities</b>				<b>(4,576,251)</b>

**Other information**

for the year ended 31st December, 2002

	Power equipment products HK\$'000	Floor care appliances HK\$'000	Solar powered lighting and electronic measuring products HK\$'000	Consolidated HK\$'000 (As restated)
Capital additions	284,044	50,110	4,952	339,106
Depreciation and amortisation	211,757	51,046	3,845	266,648
Impairment loss of investment securities recognised	6,673	–	–	6,673

#### 4. BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)

##### Geographical segments

(i) The following table provides an analysis of the Group's sales by geographical market location:

	Turnover		Contribution to results from ordinary activities before taxation	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
				(As restated)
By geographical market location:				
North America	10,905,833	7,732,107	762,628	500,360
Europe	1,522,361	1,095,200	92,491	45,629
Other countries	754,614	665,631	30,590	35,986
	<b>13,182,808</b>	<b>9,492,938</b>	<b>885,709</b>	<b>581,975</b>
Amortisation of goodwill			(25,056)	(6,523)
Release of negative goodwill to income			4,306	4,306
Profit from operations			<b>864,959</b>	579,758
Finance costs			(95,731)	(83,978)
Share of results of associates			(987)	121
Profit before taxation			<b>768,241</b>	495,901

(ii) The following table provides an analysis of segment assets, and additions to property, plant and equipment and intangible assets, analysed by geographical areas in which the assets are located:

	Carrying amount of segment assets		Additions to property, plant and equipment and intangible assets	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
				(As restated)
Hong Kong and People's Republic of China ('PRC')	2,866,292	2,329,784	158,363	268,685
North America	4,561,102	2,833,133	643,780	62,255
Europe	756,820	560,327	14,700	7,654
Other countries	398,864	327,309	2,183	512
	<b>8,583,078</b>	<b>6,050,553</b>	<b>819,026</b>	<b>339,106</b>

**5. TURNOVER**

	2003 HK\$'000	2002 HK\$'000
Turnover is analysed as follows:		
Sale of goods	13,143,731	9,492,938
Commission income	13,095	–
Royalty income	25,982	–
	<b>13,182,808</b>	<b>9,492,938</b>

**6. INTEREST INCOME**

	2003 HK\$'000	2002 HK\$'000
Interest earned on bank deposits	14,823	11,100
Interest earned on amount due from an associate	1,920	2,638
	<b>16,743</b>	<b>13,738</b>

## 7. PROFIT FROM OPERATIONS

	2003 HK\$'000	2002 HK\$'000 (As restated)
Profit from operations has been arrived at after charging (crediting):		
Amortisation of intangible assets	7,252	1,819
Amortisation of goodwill	25,056	6,523
Release of negative goodwill to income	(4,306)	(4,306)
Auditors' remuneration	7,527	5,768
Depreciation and amortisation on property, plant and equipment		
Owned assets	292,185	252,887
Assets held under finance leases	11,661	9,725
Impairment loss of investment securities recognised	14,028	6,673
Operating lease charges:		
Premises	80,928	36,785
Motor vehicles	13,357	6,412
Plant and machinery	9,638	4,101
Other assets	5,325	1,080
Profit on disposal of property, plant and equipment	(4,304)	(16,073)
Research and development costs	268,702	113,922
Less: amounts capitalised	(458)	(2,138)
	<b>268,244</b>	<b>111,784</b>
Retirement benefits scheme contributions	12,113	5,796
Staff costs		
Directors' remuneration		
Fees	196	196
Other emoluments	32,067	27,116
Others	834,777	532,946
	<b>867,040</b>	<b>560,258</b>
Write off of intangible assets	527	2,897

Staff costs disclosed above do not include an amount of HK\$117,222,000 (2002: HK\$64,818,000) relating to research and development activities, which is included under research and development costs.

## 8. FINANCE COSTS

	2003 HK\$'000	2002 HK\$'000
Interest on:		
Bank loans and overdrafts wholly repayable within five years	71,849	83,527
Obligations under finance leases	1,305	451
Fixed interest rate notes	20,493	–
Amortisation of loan arrangement fees	2,084	–
	<b>95,731</b>	<b>83,978</b>

## 9. DIRECTORS' EMOLUMENTS

	2003 HK\$'000	2002 HK\$'000
Directors' fees:		
Executive	40	40
Non-executive	–	–
Independent non-executive	156	156
	<b>196</b>	<b>196</b>
Other emoluments for group executive directors:		
Salaries and other benefits	31,989	27,068
Contributions to retirement benefits schemes	78	48
	<b>32,067</b>	<b>27,116</b>
Total emoluments	<b>32,263</b>	<b>27,312</b>

The emoluments of the directors were within the following bands:

	Number of directors	
	2003	2002
Nil to HK\$1,000,000	4	5
HK\$2,000,001 to HK\$2,500,000	–	1
HK\$3,000,001 to HK\$3,500,000	1	–
HK\$5,000,001 to HK\$5,500,000	2	2
HK\$5,500,001 to HK\$6,000,000	–	1
HK\$6,500,001 to HK\$7,000,000	1	–
HK\$8,500,001 to HK\$9,000,000	–	1
HK\$11,500,001 to HK\$12,000,000	1	–

## 10. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, four (2002: four) were group executive directors of the Company whose emoluments are included in the disclosures in note 9 above.

During each of the two years ended 31st December, 2003 and 2002, no emoluments has been paid by the Group to the five highest paid individuals, including directors, as an inducement to join or upon joining the Group or as compensation for loss of office. No director had waived any emoluments during those years.

## 11. TAXATION

	2003 HK\$'000	2002 HK\$'000 (As restated)
Current tax:		
Hong Kong Profits Tax	78,997	31,509
(Over)underprovision in prior years	(2,817)	5,309
	76,180	36,818
Overseas taxation on profit for the year	39,902	52,348
Underprovision in prior years	4,897	6,167
	44,799	58,515
Deferred tax:		
Current year	(55,991)	(25,087)
Attributable to increase in tax rate	1,823	–
	(54,168)	(25,087)
	66,811	70,246

Hong Kong Profits Tax is calculated at 17.5% (2002: 16.0%) of the estimated assessable profit for the year. In June, 2003, the Hong Kong Profits Tax rate was increased from 16.0% to 17.5% with effect from the 2003/2004 year of assessment. The effect of this increase has been reflected in the calculation of current and deferred tax balances as at 31st December, 2003.

Deferred tax has been provided for at the rate that is expected to apply in the period when the liability is settled or the asset is realised.

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

## 11. TAXATION (Continued)

The tax expenses for the year are reconciled as follows:

	2003 HK\$'000	2002 HK\$'000 (As restated)
Profit before taxation	768,241	495,901
Tax at Hong Kong Profits Tax rate	134,442	79,344
Effect of different tax rates of subsidiaries operating in other jurisdictions	(15,292)	11,354
Tax effect of expenses not deductible for tax purpose	21,095	14,580
Tax effect of income not taxable for tax purpose	(94,618)	(47,091)
Tax effect of tax losses not recognised	18,589	2,547
Utilisation of tax losses previously not recognised	-	(3,322)
Underprovision in respect of prior years	2,080	11,476
Increase in opening deferred tax liability resulting from an increase in applicable tax rate	1,823	-
Others	(1,308)	1,358
Tax expenses	66,811	70,246

Details of deferred taxation are set out in note 29.

## 12. DIVIDENDS

	2003 HK\$'000	2002 HK\$'000
Final dividend paid:		
2002: HK10.00 cents (2001: HK7.00 cents) per share	65,388	45,060
Interim dividend paid:		
2003: HK7.25 cents (2002: HK6.00 cents) per share	47,863	38,695
	113,251	83,755

The final dividend in respect of the current financial year of HK17.75 cents (2002: HK10.00 cents) per share has been proposed by the directors and is subject to approval by the shareholders in the Annual General Meeting.

### 13. EARNINGS PER SHARE

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

	2003 HK\$'000	2002 HK\$'000 (As restated)
Earnings for the purposes of basic and diluted earnings per share:		
Profit for the year	<b>673,973</b>	413,414
Weighted average number of ordinary shares for the purpose of basic earnings per share	<b>653,630,513</b>	621,966,346
Effect of dilutive potential ordinary shares:		
Share options	<b>15,326,233</b>	9,078,074
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<b>668,956,746</b>	631,044,420

### 14. PROPERTY, PLANT AND EQUIPMENT

	Land and land use rights and buildings outside Hong Kong HK\$'000	Leasehold improvements HK\$'000	Office equipment, furniture and fixtures HK\$'000	Plant and machinery HK\$'000	Motor vehicles HK\$'000	Moulds and tooling HK\$'000	Vessel HK\$'000	Construction in progress HK\$'000	Total HK\$'000
<b>The Group</b>									
<b>Cost</b>									
At 1st January, 2003	418,028	98,702	219,555	390,676	18,565	798,586	3,322	21,389	1,968,823
Currency realignment	11,571	1,498	6,669	2,028	558	1,488	-	-	23,812
Additions	6,745	5,659	51,062	36,640	1,408	117,764	154	22,850	242,282
Acquisition of subsidiaries	97,413	50,708	126,370	55,035	751	167,051	-	-	497,328
Disposals	(88,471)	(422)	(6,574)	(10,712)	(1,029)	(7,849)	-	(247)	(115,304)
Reclassification	3,828	(2,993)	21,029	1,730	-	12,722	-	(36,316)	-
At 31st December, 2003	<b>449,114</b>	<b>153,152</b>	<b>418,111</b>	<b>475,397</b>	<b>20,253</b>	<b>1,089,762</b>	<b>3,476</b>	<b>7,676</b>	<b>2,616,941</b>
<b>Depreciation and amortisation</b>									
At 1st January, 2003	68,835	74,912	130,048	224,076	12,026	608,863	3,297	-	1,122,057
Currency realignment	4,710	1,098	5,863	1,277	361	1,253	-	-	14,562
Provided for the year	17,391	11,830	60,909	64,925	2,591	146,178	22	-	303,846
Acquisition of subsidiaries	30,102	12,493	82,731	44,892	469	126,121	-	-	296,808
Eliminated on disposals	(7,553)	(222)	(6,449)	(3,575)	(656)	(6,233)	-	-	(24,688)
Reclassification	280	(596)	(83)	1,809	-	(1,410)	-	-	-
At 31st December, 2003	<b>113,765</b>	<b>99,515</b>	<b>273,019</b>	<b>333,404</b>	<b>14,791</b>	<b>874,772</b>	<b>3,319</b>	<b>-</b>	<b>1,712,585</b>
<b>Net book values</b>									
At 31st December, 2003	<b>335,349</b>	<b>53,637</b>	<b>145,092</b>	<b>141,993</b>	<b>5,462</b>	<b>214,990</b>	<b>157</b>	<b>7,676</b>	<b>904,356</b>
At 31st December, 2002	349,193	23,790	89,507	166,600	6,539	189,723	25	21,389	846,766



**14. PROPERTY, PLANT AND EQUIPMENT** (Continued)

	Leasehold land and buildings outside Hong Kong HK\$'000	Leasehold improvements HK\$'000	Office equipment, furniture and fixtures HK\$'000	Plant and machinery HK\$'000	Motor vehicles HK\$'000	Moulds and tooling HK\$'000	Total HK\$'000
<b>The Company</b>							
<b>Cost</b>							
At 1st January, 2003	72,393	63,939	72,232	197,356	9,369	409,641	824,930
Additions	–	2,202	24,310	9,756	575	52,466	89,309
Disposals	–	–	(85)	(307)	–	–	(392)
Transfer to subsidiaries	–	(2,140)	(20)	–	–	–	(2,160)
At 31st December, 2003	<b>72,393</b>	<b>64,001</b>	<b>96,437</b>	<b>206,805</b>	<b>9,944</b>	<b>462,107</b>	<b>911,687</b>
<b>Depreciation and amortisation</b>							
At 1st January, 2003	16,902	50,604	52,058	125,577	6,749	328,779	580,669
Provided for the year	2,767	4,991	12,614	28,780	1,026	47,537	97,715
Eliminated on disposals	–	–	(79)	(134)	–	–	(213)
Eliminated on transfer to subsidiaries	–	(139)	(4)	–	–	–	(143)
At 31st December, 2003	<b>19,669</b>	<b>55,456</b>	<b>64,589</b>	<b>154,223</b>	<b>7,775</b>	<b>376,316</b>	<b>678,028</b>
<b>Net book values</b>							
At 31st December, 2003	<b>52,724</b>	<b>8,545</b>	<b>31,848</b>	<b>52,582</b>	<b>2,169</b>	<b>85,791</b>	<b>233,659</b>
At 31st December, 2002	55,491	13,335	20,174	71,779	2,620	80,862	244,261

The net book values of the Group's and the Company's property, plant and equipment include amounts of approximately HK\$9,139,000 and HK\$6,026,000 respectively (2002: HK\$18,798,000 and HK\$11,796,000 respectively) in respect of assets held under finance leases.

	<b>The Group</b>		<b>The Company</b>	
	<b>2003</b> HK\$'000	<b>2002</b> HK\$'000	<b>2003</b> HK\$'000	<b>2002</b> HK\$'000
The net book values of land and land use rights and buildings are situated outside Hong Kong and are analysed as follows:				
Freehold	<b>282,625</b>	293,702	–	–
Medium-term lease	<b>52,724</b>	55,491	<b>52,724</b>	55,491
	<b>335,349</b>	349,193	<b>52,724</b>	55,491

The Group has pledged certain freehold land and building having an aggregate net book value of HK\$14,134,000 (2002: HK\$14,774,000) to secure general banking facilities granted to the Group. The pledge has been released after year end.

## 15. GOODWILL

The Group  
HK\$'000

<b>Cost</b>	
At 1st January, 2003	
– As previously reported	280,361
– Prior period adjustment (Note 2)	(66,721)
– As restated	213,640
Arising on acquisition of subsidiaries	570,102
At 31st December, 2003	<b>783,742</b>
<b>Amortisation</b>	
At 1st January, 2003	
– As previously reported	119,270
– Prior period adjustment (Note 2)	(13,344)
– As restated	105,926
Charged for the year	25,056
At 31st December, 2003	<b>130,982</b>
<b>Net book values</b>	
At 31st December, 2003	<b>652,760</b>
At 31st December, 2002	107,714

The amortisation period adopted ranges from 9 to 20 years as determined by the estimated foreseeable useful lives of the goodwill arising on past acquisitions.

**16. NEGATIVE GOODWILL****The Group**

HK\$'000

**Gross amounts**

At 1st January, 2003

– As previously reported	30,808
– Prior period adjustment (Note 2)	16,571

– As restated and at 31st December, 2003	<b>47,379</b>
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**Released to income**

At 1st January, 2003

– As previously reported	6,885
– Prior period adjustment (Note 2)	3,013

– As restated	9,898
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Released in the year	4,306
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At 31st December, 2003	<b>14,204</b>
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**Carrying amounts**

At 31st December, 2003	<b>33,175</b>
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At 31st December, 2002	37,481
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The negative goodwill is released to income on a straight-line basis over a period of 11 years, being the remaining weighted average useful lives of the depreciable assets acquired.

## 17. INTANGIBLE ASSETS

	Deferred development cost HK\$'000	Patents and trademarks HK\$'000	Manufacture know-how HK\$'000	Total HK\$'000
<b>The Group</b>				
<b>Cost</b>				
At 1st January, 2003	1,669	14,706	2,668	19,043
Currency realignment	172	67	–	239
Additions	459	5,341	842	6,642
Acquisition of a subsidiary	–	25,562	–	25,562
Write off in the year	(527)	(2,683)	–	(3,210)
At 31st December, 2003	<b>1,773</b>	<b>42,993</b>	<b>3,510</b>	<b>48,276</b>
<b>Amortisation</b>				
At 1st January, 2003	–	5,775	410	6,185
Currency realignment	–	45	–	45
Provided for the year	–	6,550	702	7,252
Acquisition of a subsidiary	–	12,323	–	12,323
Eliminated on write off	–	(2,683)	–	(2,683)
At 31st December, 2003	–	<b>22,010</b>	<b>1,112</b>	<b>23,122</b>
<b>Net book values</b>				
At 31st December, 2003	<b>1,773</b>	<b>20,983</b>	<b>2,398</b>	<b>25,154</b>
At 31st December, 2002	1,669	8,931	2,258	12,858
Patents HK\$'000				
<b>The Company</b>				
<b>Cost</b>				
At 1st January, 2003				7,437
Additions				584
At 31st December, 2003				<b>8,021</b>
<b>Amortisation</b>				
At 1st January, 2003				1,037
Provided for the year				1,325
At 31st December, 2003				<b>2,362</b>
<b>Net book values</b>				
At 31st December, 2003				<b>5,659</b>
At 31st December, 2002				6,400

All intangible assets of the Group and the Company are amortised on a straight-line basis over 4 to 10 years.

## 18. INVESTMENTS IN SUBSIDIARIES

	2003 HK\$'000	2002 HK\$'000
Investments in unlisted shares, at cost	402,408	402,314
Amount due from a subsidiary	–	70,349
	<b>402,408</b>	<b>472,663</b>

Particulars of the principal subsidiaries of the Company as at 31st December, 2003 are set out in note 39.

The amount due from a subsidiary was unsecured, non-interest bearing and had no fixed repayment terms.

## 19. INTERESTS IN ASSOCIATES

	The Group		The Company	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Unlisted shares, at cost less impairment loss recognised	–	–	17,940	17,940
Share of net assets	19,623	20,610	–	–
Net amounts due from associates	98,771	96,655	67,647	71,190
	<b>118,394</b>	<b>117,265</b>	<b>85,587</b>	<b>89,130</b>

Particulars of the associates as at 31st December, 2003 are set out in note 40.

The amounts due from associates are unsecured, bear interest at HIBOR plus market spread and have no fixed repayment terms. In the opinion of directors, no part of the amounts will be repaid within the next twelve months and the amounts are therefore presented as non-current.

## 20. INVESTMENTS IN SECURITIES

	The Group		The Company	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Non-current assets				
Unlisted investment securities (equity), at cost less impairment loss recognised	41,419	55,447	10,454	15,681
Current assets				
Other listed investments (equity securities), at market price	5,575	7,385	5,575	7,385

The Group's investments above included investments in Nack Products USA Limited ('Nack') and in America Direct, Inc. ('ADI'), with the carrying values of approximately HK\$10,454,000 (2002: HK\$15,681,000) and HK\$4,403,000 (2002: HK\$6,604,000), respectively. The Company's investments included its investment in Nack of the same amount. Both companies are incorporated in the United States of America ('USA'). Nack has the exclusive rights to market and distribute a registered product in the USA, of which the Group holds the manufacturing right. Its principal activity is the marketing and distribution of the registered product and other related products in the USA. ADI is engaged in marketing through a combination of direct response television and retail distribution in the USA and selected international markets.

The Group's investment represents approximately 25% (2002: 25%) of Nack's issued shares held directly by the Company and 26% (2002: 26%) of ADI's common stocks in issue held by a 51% subsidiary of the Company. Both Nack and ADI are not regarded as associates of the Group because the Group has no significant influence over their affairs.

## 21. INVENTORIES

	The Group		The Company	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Raw materials	599,855	560,481	247,007	276,231
Work in progress	76,298	43,219	60,907	23,539
Finished goods	1,815,497	988,334	160,071	89,541
	2,491,650	1,592,034	467,985	389,311

The value of inventories carried at net realisable value at the balance sheet date was insignificant.

## 22. TRADE AND OTHER RECEIVABLES

The Group has a policy of allowing credit periods ranging from 60 days to 120 days. The aging analysis of trade receivables is as follows:

	The Group		The Company	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
0 to 60 days	1,711,577	992,138	39,765	56,570
61 to 120 days	346,828	145,061	2,614	16,746
121 days or above	26,918	23,472	-	-
Total trade receivables	2,085,323	1,160,671	42,379	73,316
Other receivables	112,466	52,763	-	-
	2,197,789	1,213,434	42,379	73,316

## 23. TRADE AND OTHER PAYABLES

The aging analysis of trade payables is as follows:

	The Group		The Company	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
		(As restated)		
0 to 60 days	1,042,276	619,751	444,349	183,117
61 to 120 days	202,605	175,476	127,707	66,185
121 days or above	7,263	25,841	4,247	23,874
Total trade payables	1,252,144	821,068	576,303	273,176
Other payables	832,054	640,962	263,295	144,263
	2,084,198	1,462,030	839,598	417,439

## 24. WARRANTY PROVISION

	The Group	
	2003 HK\$'000	2002 HK\$'000
At 1st January	79,315	26,979
Currency realignment	1,737	427
Additional provision in the year	387,287	58,233
Acquisition of subsidiaries	67,860	1,287
Utilisation of provision	(327,647)	(7,611)
At 31st December	208,552	79,315

The warranty provision represents management's best estimate of the Group's outstanding liabilities on products sold. It is expected that the majority of this expenditure will be incurred in the next financial year.

## 25. OBLIGATIONS UNDER FINANCE LEASES

The maturity of obligations under finance leases is as follows:

	Minimum lease payments		Present value of minimum lease payments	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
<b>The Group</b>				
Amounts payable under finance leases:				
Within one year	6,825	7,825	5,485	7,336
In the second to fifth year inclusive	11,154	3,688	7,871	3,497
After five years	7,283	–	6,390	–
	25,262	11,513	19,746	10,833
Less: future finance charges	(5,516)	(680)	–	–
Present value of lease obligations	19,746	10,833	19,746	10,833
Less: Amount due within one year shown under current liabilities			(5,485)	(7,336)
Amount due after one year			14,261	3,497
<b>The Company</b>				
Amounts payable under finance leases:				
Within one year	2,187	5,475	1,963	5,109
In the second to fifth year inclusive	624	2,624	595	2,473
	2,811	8,099	2,558	7,582
Less: future finance charges	(253)	(517)	–	–
Present value of lease obligations	2,558	7,582	2,558	7,582
Less: Amount due within one year shown under current liabilities			(1,963)	(5,109)
Amount due after one year			595	2,473

It is the Group's policy to lease certain of its plant and machinery, fixtures and equipment under finance leases. The lease terms range from 3 to 20 years. Interest rates are fixed at the contract date and all leases are on a fixed repayment basis.



## 26. BORROWINGS

	The Group		The Company	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Trust receipt loans	168,012	153,315	96,482	86,093
Bank loans	445,078	1,080,309	320,667	390,000
Bank overdrafts	141,977	101,591	–	–
Bank borrowings	755,067	1,335,215	417,149	476,093
Fixed interest rate notes (Note a)	1,091,405	–	–	–
<b>Total borrowings</b>	<b>1,846,472</b>	<b>1,335,215</b>	<b>417,149</b>	<b>476,093</b>
Analysed into:				
Secured (Note b)	5,899	6,017	–	–
Unsecured	1,840,573	1,329,198	417,149	476,093
	<b>1,846,472</b>	<b>1,335,215</b>	<b>417,149</b>	<b>476,093</b>

All borrowings of the Group and the Company are repayable as follows:

	The Group		The Company	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
On demand or within one year	497,975	781,156	165,815	320,093
In the second year	23,092	214,865	17,334	–
In the third to fifth year inclusive	234,000	333,821	234,000	156,000
After five years	1,131,000	5,373	–	–
	<b>1,886,067</b>	<b>1,335,215</b>	<b>417,149</b>	<b>476,093</b>
Less: Amount due within one year shown under current liabilities	(497,975)	(781,156)	(165,815)	(320,093)
	<b>1,388,092</b>	<b>554,059</b>	<b>251,334</b>	<b>156,000</b>
Less: Unamortised loan arrangement fees	(39,595)	–	–	–
<b>Amount due after one year</b>	<b>1,348,497</b>	<b>554,059</b>	<b>251,334</b>	<b>156,000</b>

Note a: During the year, the Group issued fixed interest rate notes, through its wholly-owned entity in the USA, for an aggregate principal amount of US\$145,000,000. The notes were issued in two fixed rate tranches, of US\$120,000,000 for 10 years at 4.7% per annum, and US\$25,000,000 for 7 years at 4.09% per annum. The proceeds were used to refinance existing medium term debts and for general working capital purposes.

Note b: The security has been released on repayment of borrowing after year end.

## 27. SHARE CAPITAL

	Number of shares		2003 HK\$'000	2002 HK\$'000
	2003	2002		
Ordinary shares of HK\$0.20 each				
Authorised	800,000,000	800,000,000	160,000	160,000
Issued and fully paid:				
At 1st January	645,716,826	574,516,826	129,143	114,903
Issued on share placement	–	60,000,000	–	12,000
Issued on exercise of share options	16,770,000	11,200,000	3,354	2,240
At 31st December	662,486,826	645,716,826	132,497	129,143

The shares issued during the year rank pari passu in all respects with the existing shares.

## 28. RESERVES

	Share premium HK\$'000	Retained profits HK\$'000	Total HK\$'000
<b>The Company</b>			
At 1st January, 2002			
– As previously reported	242,313	755,032	997,345
– Prior period adjustment (Note 2)	–	(9,631)	(9,631)
– As restated	242,313	745,401	987,714
Premium on shares issued	371,186	–	371,186
Profit for the year	–	276,586	276,586
Final dividend – 2001	–	(45,060)	(45,060)
Interim dividend – 2002	–	(38,695)	(38,695)
At 1st January, 2003	613,499	938,232	1,551,731
Premium on shares issued	58,584	–	58,584
Profit for the year	–	609,891	609,891
Final dividend – 2002	–	(65,388)	(65,388)
Interim dividend – 2003	–	(47,863)	(47,863)
At 31st December, 2003	672,083	1,434,872	2,106,955

As at 31st December, 2003, the Company's reserves available for distribution to shareholders comprised the retained profits of HK\$1,434,872,000 (2002 as restated: HK\$938,232,000).

**29. DEFERRED TAX (ASSETS) LIABILITIES**

The followings are the major deferred tax assets and liabilities recognised and movements thereon during the current and prior periods:

	Accelerated tax depreciation HK\$'000	Warranty provision HK\$'000	Employee related provision HK\$'000	Tax losses HK\$'000	Others HK\$'000	Total HK\$'000
<b>The Group</b>						
At 1st January, 2002						
– As previously reported	2,033	(6,289)	(7,588)	–	(7,813)	(19,657)
– Prior period adjustment (Note 2)	17,493	–	–	(107,668)	296	(89,879)
– As restated	19,526	(6,289)	(7,588)	(107,668)	(7,517)	(109,536)
Currency realignment	–	–	–	(11,136)	–	(11,136)
Charge (credit) to income for the year	26,837	(14,679)	(3,970)	(3,294)	(29,981)	(25,087)
At 1st January, 2003	46,363	(20,968)	(11,558)	(122,098)	(37,498)	(145,759)
Currency realignment	20	(208)	(512)	(12,590)	(569)	(13,859)
Charge (credit) to income for the year	(41,285)	(18,721)	(4,996)	5,868	3,143	(55,991)
Acquisition of a subsidiary	10,088	(21,842)	(9,136)	–	7,474	(13,416)
Effect of change in tax rate						
– charge (credit) to income	2,033	–	–	(242)	32	1,823
At 31st December, 2003	<b>17,219</b>	<b>(61,739)</b>	<b>(26,202)</b>	<b>(129,062)</b>	<b>(27,418)</b>	<b>(227,202)</b>

Accelerated tax  
depreciation  
HK\$'000

**The Company**

At 1st January, 2002						
– As previously reported						1,394
– Prior period adjustment (Note 2)						9,631
– As restated						11,025
Charge to income for the year						2,308
At 1st January, 2003						13,333
Charge to income for the year						422
Effect of change in tax rate						
– charge to income						1,251
At 31st December, 2003						<b>15,006</b>

## 29. DEFERRED TAX (ASSETS) LIABILITIES (Continued)

For the purpose of balance sheet presentation, certain deferred tax assets and liabilities have been offset in accordance with the conditions set out in SSAP 12 (Revised). The following is the analysis of the deferred tax balances for financial reporting purpose:

	The Group		The Company	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Deferred tax assets	(273,937)	(168,196)	–	–
Deferred tax liabilities	46,735	22,437	15,006	13,333
	(227,202)	(145,759)	15,006	13,333

## 30. ACQUISITION OF SUBSIDIARIES

	2003 HK\$'000	2002 HK\$'000
<b>Net assets acquired</b>		
Property, plant and equipment	200,520	214,212
Intangible asset	13,239	192
Deferred tax asset	23,070	–
Inventories	359,191	89,189
Trade and other receivables, deposits and prepayments	250,407	80,592
Tax recoverable	66,680	4,024
Bank balances and cash	34,790	22,925
Trade and other payables	(376,739)	(201,651)
Bank overdrafts	(1,719)	–
Bank loans	(195,000)	(108,612)
Warranty provision	(67,860)	(1,287)
Obligations under finance leases	(15,099)	–
Deferred tax liability	(9,654)	–
	281,826	99,584
Goodwill arising on acquisition	570,102	87,134
Consideration	851,928	186,718
<b>Satisfied by</b>		
Deposit paid in previous year	–	148,200
Cash paid in the year	851,928	38,518
	851,928	186,718

**30. ACQUISITION OF SUBSIDIARIES** (Continued)

Net cash outflow arising on acquisition:

	2003 HK\$'000	2002 HK\$'000
Cash consideration paid during the year	(851,928)	(38,518)
Bank balances and cash acquired	34,790	22,925
Bank overdrafts acquired	(1,719)	–
Net outflow of cash and cash equivalents in respect of the acquisition of subsidiaries	<b>(818,857)</b>	(15,593)

The subsidiaries acquired during the year contributed approximately HK\$1,869,483,000 (2002: HK\$1,638,864,000) to the Group's turnover, and approximately HK\$7,847,000 (2002: HK\$66,872,000) to the Group's profit from operations.

**31. DISPOSAL OF A SUBSIDIARY**

As at 31st December, 2002, upon the relocation of the Group's manufacturing operations from Indonesia to the PRC, the Group has liquidated its subsidiary, P. T. Techtronic Appliances. The loss on disposal in relation to the liquidation and the net cash outflow arising on such disposal amounted to approximately HK\$1,345,000 and HK\$275,000, respectively.

Both the carrying value of individual assets at the date of disposal and the net cash flows attributable to the subsidiary disposed of during the year ended 31st December, 2002 were not material to the Group as a whole.

**32. MAJOR NON-CASH TRANSACTIONS**

During the year, the Group entered into finance lease arrangements in respect of assets with a total capital value at the inception of the finance leases of HK\$3,983,000 (2002: HK\$2,568,000).

**33. LEASE COMMITMENTS**

At the balance sheet date, the Group and the Company had outstanding commitments under non-cancellable operating leases, which fall due as follows:

	The Group		The Company	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Within one year	86,195	42,264	14,620	12,753
In the second to fifth year inclusive	154,196	75,309	10,947	11,287
After five years	138,348	59,052	17,016	15,836
	<b>378,739</b>	176,625	<b>42,583</b>	39,876

Operating lease payments represent rentals payable by the Group and the Company for certain of its plant and machinery and office properties. Leases are negotiated for a term ranging from 1 year to 15 years.

### 34. CONTINGENT LIABILITIES

	The Group		The Company	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Guarantees given to banks in respect of credit facilities utilised by associates	16,904	27,367	16,904	27,367
Bills discounted with recourse	180,133	188,779	7,161	39,547
	197,037	216,146	24,065	66,914

In addition, the Company has given guarantees to banks and independent third parties in respect of general facilities granted to its subsidiaries. The extent of such facilities utilised by the subsidiaries as at 31st December, 2003 amounted to HK\$1,430,535,000 (2002: HK\$455,949,000).

### 35. SHARE OPTIONS

#### Scheme adopted on 28th November, 1990 and expired on 27th November, 2000 ('Scheme A')

In accordance with the Company's share option scheme adopted pursuant to a resolution passed on 28th November, 1990, the Board of Directors may grant share options to eligible employees, including full-time employees and executive directors of the Company and its subsidiaries, at nil consideration, to subscribe for shares in the Company. The purpose of the scheme is to provide incentives or rewards to directors and eligible employees.

Share options granted must be taken up within 21 days of the date of grant. Any share options granted can be exercised within the period commencing on the first anniversary of the date of grant of such share option and expiring at the close of business on the tenth anniversary thereof.

The subscription price is set at not less than the higher of the nominal value of the shares and 80% of the average of the closing prices of the shares on the Stock Exchange on the five trading days immediately preceding the date of offer of the share option. The maximum number of shares in respect of which share options may be granted shall not exceed 10% of the issued share capital of the Company from time to time but excluding shares issued pursuant to the share option scheme, and shall not exceed 1% of the issued share capital in any one financial year. No employee shall be granted an option, if exercised in full, would result in such employee becoming entitled to subscribe for more than 25% of the aggregate number of shares for the time being issued and issuable under Scheme A.

Scheme A expired on 27th November, 2000.

**35. SHARE OPTIONS** *(Continued)*

**Scheme adopted on 25th May, 2001 ('Scheme B')**

Following the expiry of Scheme A in November, 2000, a new share option scheme was adopted pursuant to a resolution passed on 25th May, 2001 for the purpose of providing incentives or rewards to directors and eligible persons. Under Scheme B, the Board of Directors of the Company may grant share options to eligible persons, including full-time officers, executive directors and full-time employees of the Company and its subsidiaries, to subscribe for shares in the Company.

Share options granted must be taken up within 21 days of the date of grant, upon payment of HK\$1 in cash by way of consideration for the grant thereof. Share options may be exercised at any time from the date which the offer of share options is accepted to the fifth anniversary thereof. The subscription price is set at not less than the nominal value of the shares and 80% of the average of the closing prices of the shares on the Stock Exchange on the five trading days immediately preceding the date of offer of the share option.

The maximum number of shares in respect of which share options may be granted under Scheme B is not permitted to exceed 10% of the issued share capital of the Company from time to time. No employee shall be granted an option which, if exercised in full, would result in such employee becoming entitled to subscribe for more than 25% of the aggregate number of shares for the time being issued and issuable under Scheme B.

Scheme B was terminated on 28th March, 2002 pursuant to a resolution passed on that date.

**Scheme adopted on 28th March, 2002 ('Scheme C')**

Following the termination of Scheme B, a new share option scheme was adopted pursuant to a resolution passed on 28th March, 2002 for recognition of the contribution to the development and growth of the Group by the eligible persons. This scheme will expire on 27th March, 2007. Under Scheme C, the Board of Directors of the Company may grant share options to the following eligible persons (and their wholly owned companies) of the Company, its subsidiaries and any companies in which the Group holds any equity interest, to subscribe for shares in the Company:

- (i) employees; or
- (ii) non-executive directors; or
- (iii) suppliers or customers; or
- (iv) any person or entity that provides research, development or other technological support; or
- (v) shareholders.

Share options granted must be taken up within 21 days of the date of grant, upon payment of HK\$1 in cash by way of consideration for the grant thereof. Share options may be exercised at any time from the date of grant to the fifth anniversary thereof. The subscription price is set at the highest of: the closing price of the shares on the date of offer of the share option; or the average closing price of shares as stated in the daily quotations sheets issued by the Stock Exchange for the five trading days immediately preceding the date of offer; or the nominal value of shares on the date of offer.

The maximum number of shares in respect of which share options may be granted under Scheme C is not permitted to exceed 30% of the issued share capital of the Company from time to time or 10% of shares in issue as at the adoption date of Scheme C. No person shall be granted an option which exceeds 1% of the shares in issue as at the date of offer in any 12-month period up to the date thereof.

### 35. SHARE OPTIONS (Continued)

The following table discloses details of the Company's share options held by employees (including directors) and movements in such holdings during the year:

Option type	Outstanding at 1.1.2003	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding at 31.12.2003
Scheme A	400,000	–	100,000	300,000	–
Scheme B	13,750,000	–	10,500,000	500,000	2,750,000
Scheme C	31,921,000	13,439,000	6,170,000	361,000	38,829,000
	46,071,000	13,439,000	16,770,000	1,161,000	41,579,000

  

Option type	Outstanding at 1.1.2002	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding at 31.12.2002
Scheme A	3,500,000	–	3,100,000	–	400,000
Scheme B	21,850,000	–	8,100,000	–	13,750,000
Scheme C	–	31,921,000	–	–	31,921,000
	25,350,000	31,921,000	11,200,000	–	46,071,000

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

	Outstanding at 1st January	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding at 31st December
<b>2003</b>	<b>31,296,000</b>	<b>2,060,000</b>	<b>8,800,000</b>	<b>–</b>	<b>24,556,000</b>
2002	12,450,000	22,046,000	3,200,000	–	31,296,000

Details of share options exercised during the year ended 31st December, 2003:

Exercise date	Exercise price HK\$	Proceeds HK\$'000	Number
24.4.2003	2.0920	2,092	1,000,000
24.4.2003	2.1480	2,578	1,200,000
30.4.2003	6.4000	4,352	680,000
2.5.2003	2.0920	1,046	500,000
5.5.2003	6.4000	1,216	190,000
7.5.2003	6.4000	320	50,000
9.5.2003	6.4000	320	50,000
12.5.2003	6.4000	160	25,000
14.5.2003	6.4000	960	150,000
19.5.2003	6.4000	640	100,000
20.5.2003	6.4000	960	150,000
21.5.2003	2.1160	423	200,000
22.5.2003	2.1160	106	50,000
23.5.2003	2.1960	549	250,000
28.5.2003	6.4000	1,088	170,000
29.5.2003	1.0000	100	100,000
29.5.2003	2.2600	565	250,000
29.5.2003	6.4000	2,240	350,000



**35. SHARE OPTIONS** (Continued)

Exercise date	Exercise price HK\$	Proceeds HK\$'000	Number
2.6.2003	6.4000	1,280	200,000
2.6.2003	6.9800	349	50,000
3.6.2003	6.9800	174	25,000
5.6.2003	2.1480	2,148	1,000,000
5.6.2003	2.2600	2,260	1,000,000
6.6.2003	6.4000	320	50,000
9.6.2003	6.9800	523	75,000
12.6.2003	6.4000	640	100,000
12.6.2003	6.9800	174	25,000
23.6.2003	6.4000	1,120	175,000
2.7.2003	6.4000	640	100,000
4.7.2003	6.4000	320	50,000
7.7.2003	6.7000	1,340	200,000
7.7.2003	6.9800	174	25,000
9.7.2003	6.4000	1,280	200,000
10.7.2003	6.4000	512	80,000
11.7.2003	2.1160	212	100,000
14.7.2003	6.4000	640	100,000
16.7.2003	6.4000	640	100,000
28.7.2003	6.4000	320	50,000
8.8.2003	6.4000	320	50,000
11.8.2003	2.1160	212	100,000
12.8.2003	6.4000	128	20,000
19.8.2003	2.0920	1,674	800,000
19.8.2003	2.2600	1,808	800,000
19.8.2003	6.4000	640	100,000
21.8.2003	2.2600	565	250,000
21.8.2003	6.4000	320	50,000
25.8.2003	2.1160	2,116	1,000,000
28.8.2003	2.1160	2,116	1,000,000
9.9.2003	2.1160	2,116	1,000,000
10.9.2003	6.4000	960	150,000
11.9.2003	6.4000	1,280	200,000
22.9.2003	6.4000	640	100,000
29.9.2003	6.9800	84	12,000
2.10.2003	6.4000	320	50,000
3.10.2003	6.4000	64	10,000
7.10.2003	6.9800	91	13,000
14.10.2003	6.9800	35	5,000
17.10.2003	6.4000	960	150,000
20.10.2003	5.9000	5,900	1,000,000
20.10.2003	6.4000	1,920	300,000
20.10.2003	6.7000	1,340	200,000
27.10.2003	6.9800	70	10,000
11.11.2003	6.9800	70	10,000
24.11.2003	6.4000	480	75,000
11.12.2003	6.4000	640	100,000
31.12.2003	6.4000	288	45,000
		61,938	16,770,000

### 35. SHARE OPTIONS (Continued)

Details of share options exercised during the year ended 31st December, 2002:

Exercise date	Exercise price HK\$	Proceeds HK\$'000	Number
4.1.2002	1.0144	507	500,000
4.1.2002	1.2800	640	500,000
4.1.2002	1.0000	1,200	1,200,000
26.2.2002	2.1160	12,696	6,000,000
29.4.2002	1.7440	174	100,000
29.4.2002	1.0800	108	100,000
3.5.2002	1.7440	174	100,000
13.5.2002	1.4768	148	100,000
13.5.2002	1.7440	174	100,000
6.6.2002	2.0920	1,046	500,000
22.6.2002	2.2600	1,130	500,000
25.6.2002	1.0800	108	100,000
19.7.2002	1.0800	108	100,000
26.8.2002	2.1960	275	125,000
29.8.2002	2.1960	275	125,000
2.9.2002	2.1160	529	250,000
23.9.2002	2.1160	529	250,000
10.10.2002	1.7440	174	100,000
24.10.2002	2.4750	248	100,000
11.11.2002	1.0800	108	100,000
29.11.2002	2.1160	317	150,000
3.12.2002	2.1160	212	100,000
		20,880	11,200,000

The weighted average closing prices of the Company's shares immediately before various dates on which the share options were exercised ranged from HK\$9.20 to HK\$22.44 (2002: ranged from HK\$5.67 to HK\$6.98).

### 36. RETIREMENT BENEFITS SCHEMES

The Company and its subsidiaries operating in Hong Kong have participated in the Mandatory Provident Fund Schemes ('MPF Schemes') registered under the Mandatory Provident Fund Ordinance since December, 2000.

The Group's overseas subsidiaries operate a number of defined contribution schemes and a defined benefit scheme which cover substantially all of their employees. Contributions to the defined contribution schemes applicable to each year are made at a certain percentage of the employees' payroll.

The pension costs of the defined benefit scheme are assessed in accordance with an actuarial valuation as at 1st January, 2004 performed by Aon Consulting, an employee benefits consulting group, using the Projected Unit Credit method. No medical trend rate assumption is necessary as at 31st December, 2003 (2002: 10%) since all retirees are assumed to be affected by the fixed dollar subsidy and a discount rate of 6.25% (2002: 6.75%) were assumed for calculating the actuarial valuation.

There are no assets set aside for these benefits and the plan is funded on a pay-as-you-go basis. The accrued benefit costs under such scheme are to be reimbursed by a former shareholder of the overseas subsidiary in accordance with an assignment assumption, reimbursement and indemnification agreement. As such, the overseas subsidiary has set up a receivable and an accrued benefit cost of same amount of approximately HK\$27,000,000 (2002: HK\$28,000,000) as at 31st December, 2003.

### 37. CAPITAL COMMITMENTS

	The Group		The Company	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Capital expenditure contracted for but not provided in the financial statements in respect of:				
Purchase of property, plant and equipment	85,598	27,633	54,206	10,919
Acquisition of an associate	–	29,250	–	29,250
	<b>85,598</b>	56,883	<b>54,206</b>	40,169
Capital expenditure authorised but not contracted for in the financial statements in respect of the purchase of property, plant and equipment	3,398	10,737	–	–

### 38. RELATED PARTY TRANSACTIONS

During the year, the Group entered into the following transactions with associates:

	2003 HK\$'000	2002 HK\$'000
Purchases	–	37,761
Management fee income	300	2,100
Management fee expenses	852	852
Interest income received	1,920	2,166
Sales income	602	28,795
Salary charges	–	354
Equipment charge income	1,152	284

The above transactions were carried out based on market price/rate, or where no market price/rate was available, at cost plus a percentage profit markup.

### 39. PARTICULARS OF PRINCIPAL SUBSIDIARIES

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

Name of subsidiary	Place of incorporation/ operation	Issued and fully paid share capital	Proportion of nominal value of issued capital held by the Company		Principal activities
			Directly %	Indirectly %	
Digiwireless Limited	Hong Kong	HK\$2	100	–	Investment holding
Envotech Technology Company Limited	Hong Kong	HK\$2	100	–	Investment holding
Full Team International Limited	Hong Kong	HK\$2	100	–	Investment holding
Homelite Asia Ltd.	The British Virgin Islands ('BVI')/ The PRC	US\$1	100	–	Trading of outdoor power equipment products
Homelite Consumer Products Holdings, Inc.	USA	US\$10	–	100	Investment holding
Homelite Consumer Products, Inc.	USA	US\$10	–	100	Trading of outdoor power equipment products
Homelite Far East Co. Ltd.	Hong Kong	HK\$2	100	–	Trading of outdoor power equipment products
Homelite Technologies Ltd.	Bermuda	US\$12,000	100	–	Investment holding
MacEwen Property Co. Inc.	USA	US\$100	100	–	Property holding
Marco Polo Industries & Merchandising Company Limited	Hong Kong	HK\$100,000	100	–	Trading of household electronic and electrical products
One World Technologies Inc.	USA	US\$10	–	100	Investment holding
One World Technologies Limited	Bermuda	US\$12,000	100	–	Investment holding
OWT France SAS	France	€1,750,000	–	100	Investment holding
OWT Holding, Inc.	USA	US\$10	2.8	97.2	Investment holding
OWT Industries, Inc.	USA	US\$10	–	100	Manufacture of electric components and power tools products

**39. PARTICULARS OF PRINCIPAL SUBSIDIARIES** (Continued)

Name of subsidiary	Place of incorporation/ operation	Issued and fully paid share capital	Proportion of nominal value of issued capital held by the Company		Principal activities
			Directly %	Indirectly %	
OWT Taiwan Limited	Taiwan	NT\$5,000,000	100	–	Provision of inspection services
Premier Appliance Group Limited	Hong Kong	HK\$2	100	–	Manufacture of components
RAMC Holdings Limited	Bermuda	US\$12,000	100	–	Investment holding
Ryobi Technologies Australia Pty Limited	Australia	A\$5,500,000	100	–	Trading of electric power tools products
Ryobi Technologies Canada Inc.	Canada	C\$600,000	–	100	Trading of electric power tools products
Ryobi Technologies France S.A.	France	€17,836,535	–	100	Trading of electric power tools products
Ryobi Technologies GmbH	Germany	€500,000	100	–	Trading of electric power tools products
Ryobi Technologies, Inc.	USA	US\$10	–	100	Trading of electric power tools products
Ryobi Technologies (New Zealand) Limited	New Zealand	NZ\$1,165,500	100	–	Trading of electric power tools products
Ryobi Technologies (UK) Limited	The United Kingdom	£4,000,000	100	–	Trading of electric power tools products
Royal Appliance Mfg. Co.	USA	US\$1	–	100	Trading and manufacture of floor care products
Royal Appliance International GmbH	Germany	€1,278,230	51	–	Trading of household electronic and electrical products
Santo Industries Limited	Hong Kong	HK\$2,000,000	100	–	Trading of household electronic and electrical products
Sang Tech Industries Limited	Hong Kong	HK\$1,000,000	100	–	Manufacture of plastic parts

### 39. PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

Name of subsidiary	Place of incorporation/ operation	Issued and fully paid share capital	Proportion of nominal value of issued capital held by the Company		Principal activities
			Directly %	Indirectly %	
Solar Wide Industrial Limited	Hong Kong	HK\$2,000,000	75.725	–	Manufacture of electronic products
Solar Wide (Overseas) Limited	BVI/The PRC	US\$1	–	100	Manufacture of electronic products
Techtronic Appliances Holdings Company Limited	Bermuda	US\$12,000	100	–	Investment holding
Techtronic Appliances (Hong Kong) Limited	Hong Kong	HK\$2	–	100	Trading and manufacture of floor care products
Vax Limited	The United Kingdom	£33,000	100	–	Assembly, procurement and distribution of floor care products
Vax Appliances (Australia) Pty. Ltd.	Australia	A\$1,200,008	100	–	Assembly and distribution of floor care products

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

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

#### 40. PARTICULARS OF ASSOCIATES

Particulars of the associates as at 31st December, 2003 are as follows:

Name of associate	Place of incorporation/ operation	Issued and fully paid share capital	Proportion of nominal value of issue capital held by the Company		Principal activities
			Directly %	Indirectly %	
Gimelli International (Holdings) Limited	The Cayman Islands	US\$6,250	40.8	–	Investment holding
Gimelli Laboratories Company Limited	Hong Kong	HK\$5,000,000	–	100	Manufacture and trading of electrical and dental care products
Gimelli Produktions A.G.	Switzerland	CHF105,000	–	100	Marketing and research and development
Precision Technology Industries Limited	Bermuda	US\$9,000,000	25	–	Manufacture of power tools products