

Notes to the Financial Statements

(Cont'd)

For the year ended 31st December, 2003

8. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (cont'd)

(b) Employees' emoluments (cont'd)

Their emoluments were within the following bands:

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

9. FINANCE COSTS

	2003 HK\$'000	2002 HK\$'000
Interest expenses on:		
Bank borrowings wholly repayable within five years	130	99
Other borrowings wholly repayable within five years	49	57
Finance lease wholly repayable within five years	2	–
	<u>181</u>	<u>156</u>

10. TAXATION

	2003 HK\$'000	2002 HK\$'000 (as restated)
The charge (credit) comprises:		
Current tax:		
Hong Kong Profits Tax calculated at 17.5% (2002: 16%) of the estimated assessable profit		
Current year	1,864	3,142
Under(over)provision in prior years	84	(155)
	<u>1,948</u>	<u>2,987</u>
Deferred tax (note 25)		
Current year	(137)	149
Attributable to a change in tax rate	92	–
	<u>(45)</u>	<u>149</u>
	<u>1,903</u>	<u>3,136</u>

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For the year ended 31st December, 2003

10. TAXATION (cont'd)

The tax charge for the year can be reconciled to the profit before taxation as follow:

	2003		2002	
	HK\$ '000	%	HK\$ '000	%
Profit before taxation	<u>19,901</u>		<u>33,045</u>	
Tax at Hong Kong Profits Tax of 17.5% (2002: 16%)	3,483	17.5	5,287	16.0
Tax effect of income not taxable for tax purposes	(3,041)	(15.3)	(4,073)	(12.3)
Tax effect of expenses not deductible for tax purposes	1,132	5.7	1,311	4.0
Utilisation of tax losses not previously recognised	(241)	(1.2)	–	–
Tax effect on deferred tax assets not recognised	394	2.0	766	2.3
Under(over)provision in respect of prior years	84	0.4	(155)	(0.5)
Increase in opening deferred tax liability resulting from increase in applicable tax rate	92	0.5	–	–
Tax charge and effective tax rate for the year	<u>1,903</u>	<u>9.6</u>	<u>3,136</u>	<u>9.5</u>

11. DIVIDENDS

	2003 HK\$ '000	2002 HK\$ '000
Interim, paid – 0.5 cent (2002: 1 cent) per share	1,409	2,739
Final, paid – 5 cents per share for 2002 (2002: 4.5 cents per share for 2001)	<u>13,900</u>	<u>12,738</u>
	<u>15,309</u>	<u>15,477</u>

The final dividend of 3.5 cents (2002: 5 cents) per share has been proposed by the directors and is subject to approval by the shareholders in general meeting.

Notes to the Financial Statements

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For the year ended 31st December, 2003

12. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share is based on the net profit for the year of approximately HK\$18,175,000 (2002: HK\$29,787,000 as restated) and the following data:

	2003	2002
Number of shares		
Weighted average number of ordinary shares for the purposes of basic earnings per share	277,503,798	278,992,721
Effect of dilutive potential ordinary shares on share options	530,864	—
Weighted average number of ordinary shares for the purposes of diluted earnings per share	<u>278,034,662</u>	<u>278,992,721</u>

The adjustment to comparative basic and diluted earnings per share, arising from the changes in accounting policies shown in note 2 above, is as follows:

	Basic HK cents	Diluted HK cents
Reconciliation of earnings per share for the year ended 31st December, 2002		
Reported figure before adjustment	10.73	10.73
Adjustment arising from the adoption of SSAP 12 (Revised)	(0.05)	(0.05)
As restated	<u>10.68</u>	<u>10.68</u>

13. GOODWILL

HK\$'000

THE GROUP COST

At 1st January, 2003 and 31st December, 2003 1,070

AMORTISATION

At 1st January, 2003 535

Charge for the year 107

At 31st December, 2003 642

NET BOOK VALUES

At 31st December, 2003 428

At 31st December, 2002 535

Goodwill is amortised over a period of 10 years.

Notes to the Financial Statements

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For the year ended 31st December, 2003

14. INVESTMENT PROPERTIES

	THE GROUP	
	2003	2002
	<i>HK\$ '000</i>	<i>HK\$ '000</i>
At beginning of the year	4,100	4,400
Revaluation deficit	(100)	(300)
	<hr/>	<hr/>
At end of the year	<u>4,000</u>	<u>4,100</u>

The Group's investment properties were valued at their open market value at 31st December, 2003 by Norton Appraisals Limited, Registered Professional Surveyors, Valuers & Property Advisers, on an open market value basis. This valuation gave rise to a revaluation deficit of HK\$100,000 (2002: HK\$300,000) which has been charged to the consolidated income statement.

All of the Group's investment properties are rented out under operating leases.

All of the Group's investment properties are situated in Hong Kong and are held under medium-term leases.

15. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings	Factory premises	Furniture, fixtures and office equipment	Plant, machinery and moulds	Motor vehicles	Total
	<i>HK\$ '000</i>	<i>HK\$ '000</i>	<i>HK\$ '000</i>	<i>HK\$ '000</i>	<i>HK\$ '000</i>	<i>HK\$ '000</i>
THE GROUP COST						
At 1st January, 2003	3,019	35,995	19,915	152,242	3,739	214,910
Additions	–	857	1,235	7,090	174	9,356
Acquired on acquisition of a subsidiary	516	–	7,229	28,019	198	35,962
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31st December, 2003	<u>3,535</u>	<u>36,852</u>	<u>28,379</u>	<u>187,351</u>	<u>4,111</u>	<u>260,228</u>
DEPRECIATION AND AMORTISATION						
At 1st January, 2003	567	16,411	15,258	121,381	3,072	156,689
Provided for the year	58	1,840	1,527	9,442	380	13,247
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31st December, 2003	<u>625</u>	<u>18,251</u>	<u>16,785</u>	<u>130,823</u>	<u>3,452</u>	<u>169,936</u>
NET BOOK VALUES						
At 31st December, 2003	<u>2,910</u>	<u>18,601</u>	<u>11,594</u>	<u>56,528</u>	<u>659</u>	<u>90,292</u>
At 31st December, 2002	<u>2,452</u>	<u>19,584</u>	<u>4,657</u>	<u>30,861</u>	<u>667</u>	<u>58,221</u>

Notes to the Financial Statements

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For the year ended 31st December, 2003

15. PROPERTY, PLANT AND EQUIPMENT (cont'd)

The net book value of properties shown above comprises:

	Leasehold land and buildings		Factory premises	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Held in Hong Kong:				
Medium-term lease	2,910	2,452	–	–
Held outside Hong Kong:				
Medium-term lease	–	–	18,601	19,584
	<u>2,910</u>	<u>2,452</u>	<u>18,601</u>	<u>19,584</u>

The Group has not obtained Land Use Right Certificates or Certificate for Housing Ownership in respect of the Group's factory premises with an aggregate net book value of approximately HK\$18,601,000 (2002: HK\$19,584,000) at 31st December, 2003.

The net book value of plant and machinery includes an amount of approximately HK\$527,000 (2002: Nil) in respect of assets held under a finance lease.

The Company did not have any property, plant and equipment at the balance sheet date.

16. INVESTMENTS IN SUBSIDIARIES

	THE COMPANY	
	2003 HK\$'000	2002 HK\$'000
Unlisted shares, at cost	<u>32,061</u>	<u>32,061</u>

Details of the principal subsidiaries as at 31st December, 2003 are set out in note 33.

Notes to the Financial Statements

(Cont'd)

For the year ended 31st December, 2003

17. INVESTMENTS IN SECURITIES

	Trading securities		Other securities		Total	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
THE GROUP						
Equity securities:						
Listed in Hong Kong	3,990	4,840	–	–	3,990	4,840
Unlisted	–	–	–	780	–	780
	<u>3,990</u>	<u>4,840</u>	<u>–</u>	<u>780</u>	<u>3,990</u>	<u>5,620</u>
Debt securities:						
Unlisted	–	–	3,531	3,030	3,531	3,030
	<u>–</u>	<u>–</u>	<u>3,531</u>	<u>3,030</u>	<u>3,531</u>	<u>3,030</u>
Total:						
Listed in Hong Kong	3,990	4,840	–	–	3,990	4,840
Unlisted	–	–	3,531	3,810	3,531	3,810
	<u>3,990</u>	<u>4,840</u>	<u>3,531</u>	<u>3,810</u>	<u>7,521</u>	<u>8,650</u>
Market value of listed securities	<u>3,990</u>	<u>4,840</u>			<u>3,990</u>	<u>4,840</u>
Carrying amount analysed for reporting purposes as:						
Current	3,990	4,840	2,521	780	6,511	5,620
Non-current	–	–	1,010	3,030	1,010	3,030
	<u>3,990</u>	<u>4,840</u>	<u>3,531</u>	<u>3,810</u>	<u>7,521</u>	<u>8,650</u>

The Company did not have investments in securities at the balance sheet date.

18. INVENTORIES

	THE GROUP	
	2003 HK\$'000	2002 HK\$'000
Raw materials	48,149	41,287
Work in progress	6,951	2,434
Finished goods	18,780	11,382
	<u>73,880</u>	<u>55,103</u>

Included above are raw materials of approximately HK\$7,480,000 (2002: HK\$9,439,000) and finished goods of approximately HK\$3,735,000 (2002: HK\$4,044,000) which are carried at net realisable value.

Notes to the Financial Statements

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For the year ended 31st December, 2003

19. TRADE AND OTHER RECEIVABLES

The Group allows an average credit period of 60 days to its trade customers.

The following is an aged analysis of the Group's trade receivables at the balance sheet date:

	2003 <i>HK\$ '000</i>	2002 <i>HK\$ '000</i>
0-60 days	43,718	26,584
61-90 days	12,598	8,953
91-120 days	7,689	4,702
Over 120 days	4,970	7,964
	<u>68,975</u>	<u>48,203</u>

20. TRADE AND OTHER PAYABLES

The following is an aged analysis of the Group's trade payables at the balance sheet date:

	2003 <i>HK\$ '000</i>	2002 <i>HK\$ '000</i>
0-60 days	23,123	12,628
61-90 days	5,369	2,045
91-120 days	4,619	1,365
Over 120 days	1,664	1,261
	<u>34,775</u>	<u>17,299</u>

21. OBLIGATIONS UNDER A FINANCE LEASE

	Minimum lease payments		Present value of minimum lease payments	
	2003 <i>HK\$ '000</i>	2002 <i>HK\$ '000</i>	2003 <i>HK\$ '000</i>	2002 <i>HK\$ '000</i>
Amount payable under a finance lease:				
Within one year	207	–	185	–
More than one year, but not exceeding two years	207	–	196	–
More than two years, but not exceeding five years	137	–	135	–
	<u>551</u>	<u>–</u>	<u>516</u>	<u>–</u>
Less: Future finance charges	(35)	–	–	–
	<u>516</u>	<u>–</u>	<u>516</u>	<u>–</u>
Less: Amount due within one year shown under current liabilities			(185)	–
Amount due after one year			<u>331</u>	<u>–</u>

Notes to the Financial Statements

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For the year ended 31st December, 2003

21. OBLIGATIONS UNDER A FINANCE LEASE (cont'd)

It is the Group's policy to lease certain of its plant and equipment under a finance lease. The average lease term is 3 years. For the year ended 31st December, 2003, the average effective borrowing rate was 5.2% (2002: Nil). Interest rate is fixed at the contract date. The lease is on a fixed repayment basis and no arrangements has been entered into for contingent rental payments.

The Group's obligations under a finance lease are secured by the lessors' charged over the leased assets.

22. SECURED BANK BORROWINGS

	2003 HK\$ '000	2002 HK\$ '000
Bank overdrafts	1,772	–
Bank loans	13,917	–
Trust receipt loans	10,961	–
	<u>26,650</u>	<u>–</u>

The Group's bank borrowings are secured by:

- (i) personal guarantee granted by a director of acquired subsidiaries and a director of the former ultimate holding company of these subsidiaries.
- (ii) certain properties held by former related companies of acquired subsidiaries.
- (iii) bank deposits of HK\$7,500,000.

23. SHARE CAPITAL

	Authorised		Issued and fully paid	
	2003 HK\$ '000	2002 HK\$ '000	2003 HK\$ '000	2002 HK\$ '000
Ordinary shares of HK\$0.10 each				
At beginning of the year	70,000	70,000	27,000	28,307
Shares repurchased and cancelled	–	–	–	(1,307)
Exercise of share options (Note)	–	–	1,170	–
At end of the year	<u>70,000</u>	<u>70,000</u>	<u>28,170</u>	<u>27,000</u>

Note: During the year, 11,700,000 shares in the Company of HK\$0.1 each were issued upon the exercise of 8,000,000 and 3,700,000 share options at subscription prices of HK\$0.592 and HK\$0.664 per share respectively. The shares issued during the year rank pari passu with the then existing shares in all respects.

Notes to the Financial Statements

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For the year ended 31st December, 2003

24. RESERVES

	Share premium <i>HK\$ '000</i>	Capital redemption reserve <i>HK\$ '000</i>	Contributed surplus <i>HK\$ '000</i>	Retained profits <i>HK\$ '000</i>	Total <i>HK\$ '000</i>
THE COMPANY					
At 1st January, 2002					
– as previously stated	54,872	1,222	19,738	32,088	107,920
– adjustment on adoption of SSAP 12 (Revised)	–	–	–	256	256
– as restated	54,872	1,222	19,738	32,344	108,176
Repurchase of shares	–	1,307	(7,850)	–	(6,543)
Net profit for the year	–	–	–	20,257	20,257
Dividends	–	–	–	(15,477)	(15,477)
At 31st December, 2002	54,872	2,529	11,888	37,124	106,413
Issue of new shares	6,023	–	–	–	6,023
Net profit for the year	–	–	–	50,328	50,328
Dividends	–	–	–	(15,309)	(15,309)
At 31st December, 2003	<u>60,895</u>	<u>2,529</u>	<u>11,888</u>	<u>72,143</u>	<u>147,455</u>

The contributed surplus represents the difference between the consolidated shareholders' funds of the subsidiaries at the date on which they were acquired by the Company, and the nominal amount of the Company's shares issued for the acquisition at the time of the group reorganisation prior to the listing of the Company's shares in 1992.

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

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

In the opinion of the directors, the Company's reserves available for distribution to shareholders were as follows:

	2003 <i>HK\$ '000</i>	2002 <i>HK\$ '000</i> (as restated)
Contributed surplus	11,888	11,888
Retained profits	72,143	37,124
	<u>84,031</u>	<u>49,012</u>

Notes to the Financial Statements

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For the year ended 31st December, 2003

25. DEFERRED TAXATION

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

THE GROUP

	Accelerated tax depreciation <i>HK\$ '000</i>	Tax losses <i>HK\$ '000</i>	Total <i>HK\$ '000</i>
At 1st January, 2002			
– as previously reported	–	–	–
– adjustment on adoption of SSAP12 (Revised)	1,502	(663)	839
– as restated	1,502	(663)	839
Charge (credit) to income for the year	158	(9)	149
At 31st December, 2002 and 1st January, 2003	1,660	(672)	988
Acquisition of a subsidiary	795	–	795
Charge (credit) to income for the year	(248)	111	(137)
Effect of change in tax rate			
– charge to the income statement	155	(63)	92
At 31st December, 2003	<u>2,362</u>	<u>(624)</u>	<u>1,738</u>

For the purposes of balance sheet presentation, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	2003 <i>HK\$ '000</i>	2002 <i>HK\$ '000</i>
Deferred tax liabilities	2,164	1,663
Deferred tax assets	(426)	(675)
	<u>1,738</u>	<u>988</u>

At the balance sheet date, the Group has unused tax losses of approximately HK\$18,757,000 (2002: HK\$18,519,000) available for offset against future profits. A deferred tax asset has been recognised in respect of approximately HK\$3,563,000 (2002: HK\$4,199,000) of such losses. No deferred tax has been recognised in respect of the remaining HK\$15,194,000 (2002: HK\$14,320,000) due to the unpredictability of future profit streams.