NOTES TO THE FINANCIAL STATEMENTS

31 December 2003

1. GROUP REORGANISATION AND BASIS OF PRESENTATION

The Company

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 23 May 2001 under the Companies Law Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The registered office of the Company is located at Century Yard, Cricket Square, Hutchins Drive, P.O. Box 2681 GT, George Town, Grand Cayman, British West Indies.

On incorporation, the Company had an authorised share capital of HK$200,000 divided into 20,000,000 shares of HK$0.01 each. On 29 May 2001, 10,000,000 shares were allotted and issued nil paid.

Group reorganisation

Pursuant to a reorganisation scheme to rationalise the structure of the Group in preparation for the listing of the Company's shares on the main board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 27 March 2002, the Company became the holding company of the companies now comprising the Group on 6 March 2002 (the "Group Reorganisation"). This was accomplished by acquiring the entire issued share capital of Lassie Palace Limited ("Lassie Palace"), the intermediate holding company of the subsidiaries as set out below, in consideration of and in exchange for the allotment and issue of 10,000,000 ordinary shares of HK$0.01 each in the share capital of the Company, credited as fully paid, to the former shareholders of Lassie Palace, and the existing 10,000,000 nil paid shares, credited as fully paid at par.

Particulars of the subsidiaries which were acquired by the Company pursuant to the Group Reorganisation are set out below:

Name	Place of incorporation/ registration and principal operations	Issued and fully paid up share capital/ registered capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Lassie Palace Limited	British Virgin Islands	US$1,000	100%	–	Investment holding
Ford Reach (H.K.) Limited	Hong Kong	HK$1,000	–	100%	Dormant
Fortune (Conductive Carbon) PCB Factory Company Limited	British Virgin Islands	US$100	–	100%	Trading of printed circuit boards ("PCBs")
Horn Kingdom Limited	British Virgin Islands	US$1	–	100%	Provision of technical engineering and consultancy services
Fortune (Hong Kong) PCB Factory Company Limited	Hong Kong	HK$1,000,000	–	100%	Investment Holding
Dongguan Fortune Circuit Factory Company Limited	PRC	HK$11,247,900	–	100%	Manufacture of PCBs

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

31 December 2003

1. GROUP REORGANISATION AND BASIS OF PRESENTATION *(continued)*

Investment in subsidiaries

Particulars of other subsidiaries which were incorporated/established by the Company as at 31 December 2003 are as follows:

Name	Place of incorporation/ registration and principal operations	Issued and fully paid up share capital/ registered capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Wisdom World Limited	British Virgin Islands	US$1	–	100%	Investment holding
Jiang Yin Hong Yuan New Materials Limited	PRC	US$10,000,000	–	100%	Manufacture of laminated boards

Basis of presentation

The Group Reorganisation involved companies under common control. As the Group Reorganisation took place on 6 March 2002, according to the Hong Kong Statement of Standard Accounting Practice No. 2.127 "Accounting for Group Reconstructions", the Company together with its subsidiaries should only be regarded and accounted for as a continuing group in the preparation of the Group's financial statements commencing from the year ended 31 December 2003. All significant transactions and balance among the companies comprising the Group have been eliminated on combination.

2. CORPORATE INFORMATION

The principal activity of the Company is investment holding. The principal activities of the Company's subsidiaries are set out in note 1 above. There were no changes in the nature of the principal activities of the Company's subsidiaries during the year.

The Company is a subsidiary of Advanced Technology International Holdings Limited, a company incorporated in the British Virgin Islands. The Directors considered that I. World Limited, a company incorporated in the British Virgin Islands, to be the Company's ultimate holding company.

3. BASIS OF PREPARATION

Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (which includes all applicable Statements of Standard Accounting Practice and Interpretations) issued by the Hong Kong Society of Accountants, accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Companies Ordinance.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

31 December 2003

3. BASIS OF PREPARATION *(continued)*

Basis of preparation of the financial statements

The measurement basis used in the preparation of the financial statements is historical cost modified by the revaluation of investment properties and land and buildings, and the making to market of certain investments in securities as explained in the accounting policies set out below.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2003. The results of subsidiaries acquired or disposed of during the year are consolidated from or to their effective dates of acquisition or disposal, respectively. All significant inter-company transactions and balances within the Group are eliminated on consolidation.

4. SIGNIFICANT ACCOUNTING POLICIES

Impairment of assets

Internal and external sources of information are reviewed at each balance sheet date to identify indications that the following assets may be impaired or an impairment loss previously recognised no longer exists or may have decreased:

– property, plant and equipment (other than properties carried at revalued amounts);

– investments in subsidiaries, associates and joint ventures;

– intangible assets; and

– positive goodwill (whether taken initially to reserves or recognised as an asset).

If any such indication exists, the asset's recoverable amount is estimated. For intangible assets that are not yet available for use, or are amortised over more than 20 years from the date when the asset is available for use or goodwill that is amortised over 20 years from initial recognition, the recoverable amount is estimated at each balance sheet date. An impairment loss is recognised in the income statement whenever the carrying amount of such an asset (including positive goodwill taken directly to reserves) exceeds its recoverable amount.

(i) *Calculation of recoverable amount*

The recoverable amount of an asset is the greater of its net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

31 December 2003

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment of assets *(continued)*

(ii) Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is reversed only if the loss was caused by a specific external event of an exceptional nature that is not expected to recur, and the increase in recoverable amount relates clearly to the reversal of the effect of that specific event.

A reversal of impairment losses is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to the income statement in the year in which the reversals are recognised.

Subsidiaries

A subsidiary, in accordance with the Hong Kong Companies Ordinance, is a company in which the group, directly or indirectly, holds more than half of the issued share capital, or controls more than half the voting power, or controls the composition of the board of directors. Subsidiaries are considered to be controlled if the company has the power, directly or indirectly, to govern the financial and operating policies, so as to obtain benefits from their activities.

Associates

An associate is any entity in which the group or company has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

The Company's investments in subsidiaries are stated at cost less any impairment losses.

Related parties

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

Fixed assets and depreciation

Fixed assets are stated at cost less accumulated depreciation and any impairment losses. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after fixed assets have been put into operation, such as repairs and maintenance, is normally charged to the profit and loss account in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the fixed asset, the expenditure is capitalised as an additional cost of the fixed asset.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

31 December 2003

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Fixed assets and depreciation *(continued)*

Depreciation is provided on the straight-line basis to write off the cost each asset over its estimated useful life. The principal annual rates used for this purpose are as follows:

Leasehold improvements	–	10%
Machinery and equipment	–	20%
Moulds	–	20%
Furniture, fixtures and office equipment	–	20%
Motor vehicles	–	20%

The gain or loss on disposal or retirement of a fixed asset recognised in the profit and loss account is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the first-in, first-out basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of manufacturing overheads, and/or, where appropriate, subcontracting charges. 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.

When inventories are sold, the carrying amount of those inventories is recognised as an expenses in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, is recognised as a reduction in the amount of inventories recognised as an expenses in the period in which the reversal occurs.

Revenue recognition

Revenue is recognised when it is probable that the economics benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(a) from the sales of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold; and

(b) interest income, on a time proportion basis, taking into account the principal outstanding and the effective interest rate applicable.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

31 December 2003

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Research and development costs

All research costs are charged to the profit and loss account as incurred.

Expenditure incurred on projects to develop new products is capitalised and deferred only when the projects are clearly defined; the expenditure is separately identifiable and can be measured reliably; there is reasonable certainty that the projects are technically feasible; and the products have commercial value. Product development expenditure which does not meet these criteria is expensed when incurred.

Deferred development costs are amortised using the straight-line basis over the commercial lives of the underlying products, commencing from the date when the products are put into commercial production.

Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Rentals applicable to such operating leases are charged to the profit and loss account on the straight-line basis over the lease terms.

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 income statement except to the extent that they relate to items recognised directly in equity, in which case they are recognised in equity.

(ii) Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

(iii) Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilized, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

31 December 2003

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Income tax *(continued)*

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, negative goodwill treated as deferred income, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provide they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realization or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at each balance sheet date and is reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profit will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

(iv) Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities if, and only if, the company or the group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the company or the group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either;

- the same taxable entity; or

- different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

31 December 2003

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Foreign currencies

Foreign currency transactions are recorded at the applicable rates of exchange ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the applicable rates of exchange ruling at that date. Exchange differences are dealt with in the profit and loss account.

On combination, the financial statements of overseas subsidiaries are translated into Hong Kong dollars at the applicable rates of exchange ruling at the balance sheet date. The resulting translation differences are included in the exchange fluctuation reserve.

Retirement benefits scheme

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "Scheme") under the Mandatory Provident Fund Schemes Ordinance, for all of its employees in Hong Kong. The Scheme has operated since 1 December 2000. Contributions are made based on a percentage of the employees' basic salaries and are charged to the profit and loss account as they become payable in accordance with the rules of the Scheme. The assets of the Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the Scheme.

In addition, retirement benefits are paid by a subsidiary registered in the People's Republic of China (the "PRC") to the PRC employees who, at their own discretion, contribute to the retirement benefit plans managed by the relevant authorities of the provinces/municipalities in the PRC in which they operate. The retirement benefits paid by the PRC subsidiary are based on certain percentages of the employees' salaries cost in accordance with the relevant regulations in the PRC and are charged to the profit and loss account as incurred. As at 31 December 2003, the Group had no significant obligations for long service payments to its employees, pursuant to the requirements under the Employment Ordinance (Chapter 57 to the Laws of Hong Kong).

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the balance sheet date of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the profit and loss account.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

31 December 2003

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Dividends

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

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

Cash equivalents

For the purpose of the combined cash flow statement, cash equivalents represent short term highly liquid investments which are readily convertible into known amounts of cash and which were within three months of maturity when acquired, less advances from banks repayable within three months from the date of the advance. Bank overdrafts that are repayable on demand and form an integral part of the group's cash management are also included as a component of cash and cash equivalents for the purpose of the cash flow statement. For the purpose of balance sheet classification, cash and bank balances represent assets which are not restricted as to use.

5. TURNOVER

Turnover represents the net invoiced value of goods sold, after allowances for returns and trade discounts. All significant intra-group transactions have been eliminated on combination.

No segmental information was disclosed as all of the Group's turnover were generated from the sales of PCBs to Hong Kong based electronic products manufacturers with production facilities in Guangdong Province, the PRC.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

31 December 2003

6. PROFIT FROM OPERATING ACTIVITIES

The Group's profit from operating activities is arrived at after charging/(crediting):

	2003	2002
	HK$'000	*HK$'000*
	(note 1)	*(note 1)*
Cost of inventories sold	**40,897**	136,769
Staff costs (excluding directors' remuneration – *note 7*):		
Salaries and allowances	**4,297**	8,315
Retirement benefits scheme contributions	**53**	88
	4,350	8,403
Depreciation	**16,172**	18,062
Minimum lease payments under operating leases in respect of land and buildings	**–**	853
Auditors' remuneration	**273**	1,146
Research and development costs	**–**	–
Loss on disposal of fixed assets	**28,439**	966
Bad debts written off	**748**	–
Gain on exchange, net	**(3)**	(3)
Interest income	**(1)**	(123)

Cost of inventories sold includes HK$18,953,000 (2002: HK$23,675,000) relating to staff costs and depreciation, which are also included in the respective total amounts disclosed separately above for each of these types of expenses.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

31 December 2003

7. DIRECTORS' REMUNERATION

Directors' remuneration disclosed pursuant to the requirements of the Rules Governing the Listing of Securities ("the Listing Rules") on the Stock Exchange and Section 161 of the Companies Ordinance (Chapter 32 of the Laws of Hong Kong) is as follows:

	2003	2002
	HK$'000	*HK$'000*
Directors' fees:		
Executive Directors	**–**	–
Independent non-executive Directors	**–**	–
Other emoluments:		
Salaries, other allowances and benefits in kind:		
Executive Directors	**3,498**	3,921
Independent non-executive Directors	**180**	100
Retirement benefit schemes:		
Executive Directors	**22**	35
Independent non-executive Directors	**–**	–
	3,700	4,056

The number of Directors whose remuneration fell within the following bands are as follows:

	Number of directors	
	2003	2002
Nil – HK$1,000,000	**3**	3
HK$1,000,001 – HK$1,500,000	**–**	1
HK$1,500,001 – HK$2,500,000	**–**	–
HK$2,500,001 – HK$3,000,000	**1**	1
	4	5

Arrangement of the Directors agreed to waive their remuneration of 2003 are as follow:

Name of Directors	**Remuneration**	**Personal allowances**
	HK$	*HK$*
Mr. Ho Wing Cheong	1,950,000	1,080,000
Mr. Ho Wing Hung	650,000	840,000
Ms. Xie He Ping	60,000	–

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

31 December 2003

8. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees of the Group during the year included three (2002: three) Directors, details of whose remuneration are set out in note 7 above. Details of the remuneration of the remaining two (2002: two) non-Director, highest paid employees, who fell within the nil-HK$1,000,000 band, is analysed below:

	2003	2002
	HK$'000	*HK$'000*
	(note 1)	*(note 1)*
Basic salaries, allowances and benefits in kind	**388**	592
Retirement benefits scheme contributions	**18**	24
	406	616

9. FINANCE COSTS

	2003	2002
	HK$'000	*HK$'000*
	(note 1)	*(note 1)*
Interest expenses on:		
Bank loans and overdrafts wholly repayable within five years	**212**	355
Instalment loan	**–**	31
	212	386

10. TAXATION

The Group did not generate any assessable profits arising in Hong Kong during the year. However, the Group had provided HK$1.5 millions dollars deposit for Hong Kong tax of which was used for conditional stand over order-objection against notice of assessment for the year of assessment 1996/97 dated 7 May 2003 and 1997/98 dated 21 January 2004. Further provision will be made at the end of year 2004 if it is necessary.

Taxes on profits assessable elsewhere have been calculated at the rate of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

	2003	2002
	HK$'000	*HK$'000*
	(note 1)	*(note 1)*
Current year provision for elsewhere	**1,329**	2,990

There was no significant unprovided deferred tax liability in respect of the year for which provision has not been made.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

31 December 2003

11. DIVIDENDS

No dividend has been paid or declared by the Company since the date of its incorporation.

12. (LOSSES)/EARNINGS PER SHARE

The calculation of basic earnings per share is based on the (loss)/profit attributable to shareholders for the year of approximately HK$(86,470,000) (2002: HK$15,807,000) and the weighted average of 1,200,000,000 (2002: 1,157,599,000) as set out in note 18 to the financial statements.

There were no dilutive ordinary shares in existence for the two years ended 31 December 2003, and accordingly, no diluted earnings per share has been presented.

13. FIXED ASSETS

Group

	Leasehold improvements	Machinery & equipment	Moulds	Furniture, fixtures & office equipment	Motor vehicles	Underdevelopement Land & buildings	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(note 1)	*(note 1)*	*(note 1)*	*(note 1)*	*(note 1)*	*(note 1)*	*(note 1)*
AT COST							
Balances at 1 January 2003	8,297	55,077	40,594	1,226	2,061	6,321	113,576
Additions	–	246	–	(170)	189	–	265
Disposals	(1,044)	(29,952)	–	(179)	(1,229)	(6,321)	(38,725)
Balances at 31 December 2003	7,253	25,371	40,594	877	1,021	–	75,116
ACCUMULATED DEPRECIATION							
Balances at 1 January 2003	1,787	13,450	21,890	886	414	–	38,427
Charge for the year	769	8,244	6,845	(22)	336	–	16,172
Disposals	(345)	(9,511)	–	(159)	(270)	–	(10,285)
Balances at 31 December 2003	2,211	12,183	28,735	705	480	–	44,314
NET BOOK VALUE							
At 31 December 2003	5,042	13,188	11,859	172	541	–	30,802
At 31 December 2002	6,510	41,627	18,704	340	1,647	6,321	75,149

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

31 December 2003

14. INVENTORIES

The Group

	2003	2002
	HK$'000	*HK$'000*
	(note 1)	*(note 1)*
Raw materials	**1,357**	2,445
Work in progress	**100**	658
	1,457	3,103

15. ACCOUNTS RECEIVABLE

An aged analysis of the accounts receivable as at the balance sheet date, based on invoiced date, is as follows:

The Group

	2003	2002
	HK$'000	*HK$'000*
	(note 1)	*(note 1)*
Within 30 days	**1,824**	3,263
Between 31 to 60 days	**1,848**	4,080
Between 61 to 180 days	**3,411**	10,070
Over 180 days	**432**	–
	7,515	17,413

The credit period granted by the Group to customers is generally of 30 to 90 days. In addition, for certain customers with long-established relationships and good past repayment histories, a longer credit period may be granted.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

31 December 2003

16. INTEREST-BEARING BANK BORROWINGS

	2003	2002
	HK$'000	*HK$'000*
	(note 1)	*(note 1)*
Hire purchase	–	555
Trust receipt loans, secured	–	3,499
Instalment loan, secured	–	9,766
	–	13,820
Hire purchase	–	555
Trust receipt loans repayable within one year	–	3,499
Instalement loan in repayable:		
Within one year	–	7,103
In the second year	–	–
In the third to fifth years, inclusive	–	2,663
Beyond five years	–	–
	–	9,766
	–	13,820
Portion classified as current liabilities	–	(13,820)
Non-current portion	–	–

The principal bankers of the Company required early settlement of short and middle term bank loans. Approximately HK$13 million had been fully settled as at 30 September 2003. The Group had no outstanding bank loans as at 31 December 2003.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

31 December 2003

17. ACCOUNTS PAYABLE

An aged analysis of the accounts payable as at the balance sheet date, based on invoice date, is as follows:

	2003	2002
	HK$'000	*HK$'000*
	(note 1)	*(note 1)*
Within 30 days	**1,975**	1,053
Between 31 to 60 days	**682**	732
Between 61 to 180 days	**2,432**	3,422
Over 180 days	**1,042**	1,796
	6,131	7,003

18. SHARE CAPITAL

The issued share capital of the Company is as follows:–

	2003	2002
	HK$	*HK$*
Authorised share capital:	**100,000,000**	100,000,000
Issued and fully paid:	**12,000,000**	12,000,000

Share options

The Company operates a share option scheme (the "Share Option Scheme"), further details of which are set out under the heading "Share option scheme" in the report of the Directors on page 12.

No options had been granted or agreed to be granted under the Share Option Scheme up to the date of approval of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

31 December 2003

19. RESERVES

The Company

	Share premium HK$'000	Contributed surplus HK$'000	Retained profits HK$'000	Total HK$'000
Issue of share capital	15,024	(192)	–	14,832
Loss for the year	–	–	(153)	(153)
As at 31 December 2002	15,024	(192)	(153)	14,679
Loss for the year	–	–	(225)	(225)
As at 31 December 2003	**15,024**	**(192)**	**(378)**	**14,454**

The Group

	Share premium HK$'000 (note 1)	Exchange reserves HK$'000 (note 1)	Contributed surplus HK$'000 (note 1)	Retained profits HK$'000 (note 1)	Total HK$'000
At 31 December 2001 and at 1 January 2002	–	(259)	801	46,604	47,146
Issue of share capital	15,025	–	–	–	15,025
Profit for the year	–	–	–	15,807	15,807
Dividends	–	–	–	–	–
At 31 December 2002	15,025	(259)	801	62,411	77,978
Loss for the year	–	–	–	(86,470)	(86,470)
Dividends	–	–	–	–	–
At 31 December 2003	**15,025**	**(259)**	**801**	**(24,059)**	**(8,492)**

The contributed surplus of the Group represents the difference between the nominal value of share capital of the subsidiaries acquired to Group Reorganisation, as set out in note 1 to the financial statements over the nominal value of the shares in the Company issued in exchange therefore.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

31 December 2003

20. COMMITMENTS

As at the balance sheet date, the Group had the following outstanding commitments not provided for in the financial statements:

The Group

		2003	2002
		HK$'000	*HK$'000*
		(note 1)	*(note 1)*
(a)	Capital commitment in respect of capital contribution to a subsidiary established in the PRC	**–**	27,062
(b)	Total future minimum lease payments under non-cancellable operating leases falling due as follows:–		
	Within one year	**–**	839
	In the second to fifth years, inclusive	**–**	1,543
	Over five year	**–**	260
		–	2,642

HKSSAP 14 (revised), which was adopted during the year, requires lessees under operating leases to disclose the total future minimum operating lease payments, rather than the payments to be made during the next year only as was previously required.

The Company did not have any significant commitments at the balance sheet date.

21. CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities at the balance sheet date.

22. RELATED PARTY TRANSACTIONS

During the year, the Group had material transactions with the following related parties:

		2003	2002
	NOTES	***HK$'000***	*HK$'000*
		(note 1)	*(note 1)*
Sales to Yue Fung Development Company Limited	*(i)*	**–**	2,417
Rent paid to Grand Link International Limited	*(ii)*	**145**	240
Purchase from Jiangyin Jingtai Laminated Board Co., Limited	*(iii), (iv)*	**5,057**	9,801

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

31 December 2003

22. RELATED PARTY TRANSACTIONS *(continued)*

Notes:

(i) Yue Fung Development Company Limited ("Yue Fung") is a subsidiary of Yue Fung International Group Holding Limited, which is indirectly interested in about 14.27% of the issued share capital of the Company. The Group had no transactions with Yue Fung in 2003.

(ii) Grand Link International Limited ("Grand Link"), which is owned by two executive Directors for the lease of office premises at Cable TV Tower, Tsuen Wan at the monthly rent of HK$20,000 during the period from January to May 2003 and at Tak Fung Industrial Centre, Tsuen Wan at the monthly rent of HK$5,000 during the period from April to December 2003. The Directors considered that both rental was calculated by reference to the open market rentals.

(iii) Jiangyin Jingtai Laminated Board Co., Ltd. ("Jiangyin") is a fellow subsidiary of the Company. The Group purchased laminated sheets from Jiangyin and the purchases were based on the prices mutually agreed by both parties and on the same terms and conditions as offered to other independent third parties.

(iv) The Directors are of the opinion that the connected transactions referred to note (i) and (iii) above had:

(a) been entered into by the Company in the ordinary and usual course of its business;

(b) been conducted on normal commercial terms (which expression will be applied by reference to transactions of a similar nature and made by similar entities) or (where there is no available comparison) on terms that are fair and reasonable so far as the shareholders of the Company are concerned;

(c) been entered into on terms no less favourable than those available from independent third parties and no more favourable than those available to independent third parties;

(d) the aggregate amount of the Sales for the financial year ended 31 December 2003 had not exceed $10,000,000, and the aggregate amount of the Purchase for the financial year ended 31 December 2003 had not exceed $10,000,000.

(v) The connected transactions had received the approval of the Company's board of Directors.

(vi) The connected transactions had been carried out in accordance with the Group's pricing policies.

23. CHANGES IN ACCOUNTING POLICIES

In prior years, deferred tax liabilities were provided using the liability method in respect of the taxation effect arising from all material timing differences between the accounting and tax treatment of income and expenditure, which were expected with reasonable probability to crystallise in the foreseeable future. Deferred tax assets were not recognised unless their realisation was assured beyond reasonable doubt. With effect from 1 January 2003, in order to comply with Statement of Standard Accounting Practice 12(revised) issued by the Hong Kong Society of Accountants, the Group adopted a new policy for deferred tax as set out in note 4. The adoption of this accounting policy has had no material effect on the financial statements.

24. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Directors on 19 April 2004.