

## 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 "Stock Exchange").

The Company is an investment holding company. The principal activities of its principal subsidiaries, associate and jointly controlled entities are set out in notes 17, 18 and 19 respectively.

## 2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has adopted, for the first time, the following Hong Kong Financial Reporting Standard ("HKFRS") issued by the Hong Kong Society of Accountants ("HKSA"). The term HKFRS is inclusive of Statements of Standard Accounting Practice ("SSAP(s)") and Interpretations approved by the HKSA.

In the current year, the Group has adopted SSAP 12 (Revised) "Income Taxes". 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. The balance of deficit at 1 January 2002 have been increased by approximately HK\$3,910,000, which is the cumulative effect of the change in policy on the results for period prior to 1 January 2002. The effect of the change is an increase in the profit in the current year of approximately HK\$4,158,000 (2002: HK\$1,153,000).

The balance of deficit of the Company at 1 January 2002 have been decreased by approximately HK\$2,112,000, which is the cumulative effect of the change in policy on the results for period prior to 1 January 2002. The effect of the change is an increase in the loss in the current year of approximately HK\$145,000 (2002: HK\$49,000).

# Notes to the Financial Statements

For the Year Ended 31 December 2003

## 3. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention, as modified for the revaluation of certain properties.

The financial statements have been prepared in accordance with accounting principles generally accepted in Hong Kong. The principal accounting policies adopted are set out below:

### **Basis of consolidation**

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31 December each year.

The results of subsidiaries 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.

### **Investments in subsidiaries**

Investments in subsidiaries are included in the Company's balance sheet at cost less any identified impairment loss.

### **Interests in associates**

The results and assets and liabilities of associates are incorporated in the consolidated financial statements using the equity method of accounting. The carrying amount of such interests is reduced to recognise any identified impairment loss in the value of individual investments.

### **Jointly controlled entities**

Joint venture arrangements which involve the establishment of a separate entity in which each venturer has an interest are referred to as jointly controlled entities.

The Group's interests in jointly controlled entities are included in the consolidated balance sheet at the Group's share of the net assets of jointly controlled entities, less any identified impairment loss. The Group's share of the post-acquisition results of its jointly controlled entities is included in the consolidated income statement.

### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Investment properties

Investment properties are completed properties which are held for their investment potential, any rental income being negotiated at arm's length.

Investment properties are stated at their open market value based on independent professional valuations at the balance sheet date. Any revaluation increase or decrease arising on the revaluation of investment properties is credited or charged to the investment property revaluation reserve unless the balance of this reserve is insufficient to cover a revaluation decrease, in which case the excess of the revaluation decrease over the balance on the investment property revaluation reserve is charged to the income statement. Where a decrease has previously been charged to the income statement and a revaluation increase subsequently arises, this increase is credited to the income statement to the extent of the decrease previously charged.

On disposal of an investment property, the balance on the investment property revaluation reserve attributable to the property disposed of is transferred to the income statement.

No depreciation is provided on investment properties which are held on leases with an unexpired term, including the renewable period, of more than 20 years.

#### Property, plant and equipment

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

Construction in progress are stated at cost, which includes land cost and the related construction cost, less accumulated impairment losses. No depreciation or amortisation is provided on construction in progress until the construction is completed and the properties and assets are ready for use.

Depreciation and amortisation are provided to write off the cost of assets over their estimated useful lives, using the straight-line method, at the following rates per annum:

Leasehold land and buildings	Over the lease terms or 50 years, whichever is shorter
Machinery, moulds and tools	4% – 20%
Equipment, furniture and fixtures	15% – 20%
Motor vehicles	25% – 33 $\frac{1}{3}$ %
Leasehold improvements	4% – 20%

The gain or loss arising from disposal or retirement of an asset is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in the income statement.

# Notes to the Financial Statements

For the Year Ended 31 December 2003

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Investment in securities

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 loss that is other than temporary.

Other investments are measured at fair value, with unrealised gains and losses included in net profit or loss for the period.

### Intangible assets

Intangible assets are stated at cost less accumulated amortisation and accumulated impairment loss. Amortisation is provided on a straight-line basis over the estimated useful lives.

### Impairment

At each balance sheet date, the Group reviews the carrying amounts of its 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.

### Inventories

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

### 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.

### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Taxation (continued)

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 the initial recognition 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, jointly controlled entities 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 profits 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 realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

#### Revenue recognition

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

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

Dividend income is recognised when the shareholder's right to receive payment have been established.

Rental income is recognised on a straight-line basis over the relevant lease terms.

Service income is recognised when services are provided.

# Notes to the Financial Statements

For the Year Ended 31 December 2003

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### 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, net of interest charges, is included in the balance sheet as a finance lease obligation. 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 rental income and expense is recognised on a straight-line basis over the relevant lease term.

### 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 re-translated at the rates prevailing on the balance sheet date. Profits and losses arising on exchange are included in net profit or loss for the year.

On consolidation, the assets and liabilities of the Group's operations outside Hong Kong 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

Borrowing costs directly attributable to the acquisition, construction or production of qualifying asset are capitalised as part of the cost of those assets. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale.

Borrowing costs are recognised as expense in the period in which they are incurred.

### Retirement benefit costs

Payments to State Managed Retirement Benefit Scheme and the Mandatory Provident Fund Scheme are charged as expense as they fall due.

## Notes to the Financial Statements

For the Year Ended 31 December 2003

**4. TURNOVER**

Turnover represents the amounts received and receivable for goods sold by the Group to outside customers, less returns and allowances, revenue arising from rendering services and rental income for the year, and is analysed as follows:

An analysis of the Group's turnover is as follows:

	<b>2003</b> <b>HK\$'000</b>	2002 HK\$'000
Sales of goods	<b>375,485</b>	385,475
Rendering of services	<b>10,855</b>	39,377
Gross rental income	<b>1,404</b>	1,417
	<b><u>387,744</u></b>	<u>426,269</u>

**5. BUSINESS AND GEOGRAPHICAL SEGMENTS****(a) Business segments**

For management purposes, the Group is currently organised into five operating divisions. These divisions are the basis on which the Group reports its primary segment information.

In prior year, the Group was also involved in freight forwarding and delivery services. That operation was discontinued since January 2003 (note 7).

Intersegment sales are charged at prevailing market prices.

## Notes to the Financial Statements

For the Year Ended 31 December 2003

## 5. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)

## (a) Business segments (continued)

Segment information about these businesses is presented below:

## For the year ended 31 December 2003

	Telephone accessories and power cords HK\$'000	Adaptors and electronic products HK\$'000	Printed circuit boards HK\$'000	High precision metal components HK\$'000	Photomask business HK\$'000	Others HK\$'000	Elimination HK\$'000	Total HK\$'000
TURNOVER								
External sales	187,473	62,861	62,842	53,665	-	20,903	-	387,744
Inter-segment sales	10,372	-	-	-	-	50,643	(61,015)	-
Total	<u>197,845</u>	<u>62,861</u>	<u>62,842</u>	<u>53,665</u>	<u>-</u>	<u>71,546</u>	<u>(61,015)</u>	<u>387,744</u>
RESULT								
Segment results	<u>(5,294)</u>	<u>(289)</u>	<u>793</u>	<u>4,723</u>	<u>(1,481)</u>	<u>(7,713)</u>		(9,261)
Other operating income								<u>15,776</u>
Profit from operations								6,515
Finance costs								(7,324)
Share of results of an associate			6,040					6,040
Share of results of jointly controlled entities						13,925		<u>13,925</u>
Profit before taxation								19,156
Income tax credit								3,706
Minority interests								(462)
Net profit for the year								<u>22,400</u>
BALANCE SHEET								
Segment assets	117,399	50,925	63,609	40,769	463,907	260,888		997,497
Interests in jointly controlled entities								128,469
Interest in an associate								24,997
Unallocated assets								<u>12,570</u>
Total assets								<u>1,163,533</u>
Segment liabilities	(29,086)	(13,103)	(15,423)	(10,932)	(63,420)	(63,434)		(195,398)
Unallocated liabilities								<u>(157,562)</u>
Total liabilities								<u>(352,960)</u>
Other segment information:								
Capital expenditure	8,874	2,586	45	3,004	397,303	55,090	-	466,902
Depreciation	9,528	2,021	6,247	4,148	-	5,779	-	27,723
Amortisation	1,051	1,500	-	-	-	-	-	2,551
Other non-cash expense (income), net	<u>10,499</u>	<u>1,345</u>	<u>(180)</u>	<u>(81)</u>	<u>-</u>	<u>(5,610)</u>	<u>-</u>	<u>5,973</u>



## Notes to the Financial Statements

For the Year Ended 31 December 2003

## 5. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)

## (a) Business segments (continued)

For the year ended 31 December 2002

	Continuing operations					Discontinuing operation	Elimination HK\$'000	Total HK\$'000
	Telephone accessories and power cords HK\$'000	Adaptors and electronic products HK\$'000	Printed circuit boards HK\$'000	High precision metal components HK\$'000	Others HK\$'000	Freight forwarding and delivery services HK\$'000		
<b>TURNOVER</b>								
External sales	210,193	42,236	70,102	47,710	29,884	26,144	-	426,269
Inter-segment sales	12,512	-	-	-	64,836	-	(77,348)	-
<b>Total</b>	<b>222,705</b>	<b>42,236</b>	<b>70,102</b>	<b>47,710</b>	<b>94,720</b>	<b>26,144</b>	<b>(77,348)</b>	<b>426,269</b>
<b>RESULT</b>								
Segment results	129	194	3,663	1,431	(19,038)	(1,738)		(15,359)
Write-back of impairment loss made on investment securities			11,500					11,500
Other operating income								12,753
Profit from operations								8,894
Finance costs								(4,011)
Share of results of jointly controlled entities			(1,999)		18,136			16,137
Gain on disposal of interest in a jointly controlled entity			6,164					6,164
Profit before taxation								27,184
Income tax credit								287
Minority interests								(1,187)
Net profit for the year								26,284
<b>BALANCE SHEET</b>								
Segment assets	182,371	42,853	106,979	37,687	343,310	9,195		722,395
Interests in jointly controlled entities	(4,806)	86	-	-	121,136	473		116,889
Unallocated assets								30,564
<b>Total assets</b>								<b>869,848</b>
Segment liabilities	(37,520)	(6,871)	(10,916)	(5,989)	(7,300)	(3,864)		(72,460)
Unallocated liabilities								(265,925)
<b>Total liabilities</b>								<b>(338,385)</b>
<b>Other segment information:</b>								
Capital expenditure	12,276	1,192	725	1,037	829	2	-	16,061
Depreciation	9,560	3,755	6,260	4,997	3,773	96	-	28,441
Amortisation	1,068	1,500	-	-	-	-	-	2,568
Other non-cash expense (income), net	2,784	-	(194)	(39)	168	40	-	2,759

# Notes to the Financial Statements

For the Year Ended 31 December 2003

## 5. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)

### (b) Geographical segments

The Group's operations are located in Hong Kong, the People's Republic of China (other than Hong Kong) (the "PRC"), Europe and Australia.

The following table provides an analysis of the Group's sales by geographical market, irrespective of origin of goods:

	<b>2003</b> <b>HK\$'000</b>	2002 HK\$'000
The PRC	<b>71,958</b>	39,564
Hong Kong	<b>206,735</b>	276,137
Europe	<b>66,890</b>	35,758
Australia	<b>8,804</b>	10,700
Others	<b>33,357</b>	64,110
	<b><u>387,744</u></b>	<u>426,269</u>

The following is an analysis of the carrying amount of segment assets, and additions to property, plant and equipment and intangible assets, analysed by the geographical area in which the assets are located:

	<b>Carrying amount of segment assets</b>		<b>Additions to property, plant and equipment and intangible assets</b>	
	<b>2003</b> <b>HK\$'000</b>	2002 HK\$'000	<b>2003</b> <b>HK\$'000</b>	2002 HK\$'000
The PRC	<b>408,361</b>	304,041	<b>13,602</b>	15,230
Hong Kong	<b>755,172</b>	565,807	<b>453,300</b>	831
	<b><u>1,163,533</u></b>	<u>869,848</u>	<b><u>466,902</u></b>	<u>16,061</u>

## Notes to the Financial Statements

For the Year Ended 31 December 2003

## 6. OTHER OPERATING INCOME

	<b>2003</b> <b>HK\$'000</b>	2002 HK\$'000
Interest on bank deposits	<b>2,711</b>	2,123
Dividend income from investment securities	<b>3,019</b>	3,009
Proceeds from scrap sales	<b>4,153</b>	3,518
Gain on disposal of property, plant and equipment	<b>308</b>	580
Others	<b>5,585</b>	3,523
	<b>15,776</b>	12,753

## 7. DISCONTINUING OPERATION

On 7 January 2003, the Company entered into a sale and purchase agreement for the disposal of its entire equity interest in a wholly-owned subsidiary, San Tai Distribution Company Limited ("STD"), and assignment of its entire interest in a shareholder's loan to STD to an independent third party at a consideration of HK\$2,430,000. The disposal did not give rise to any material gain or loss to the Group. The disposal was completed on 8 January 2003, on which the control of STD was passed to the acquirer.

Following the disposal of STD, the Group discontinued its freight forwarding and delivery services operations.

The results of the freight forwarding and delivery services operations are set out in the consolidated income statement set out on page 30.

## Notes to the Financial Statements

For the Year Ended 31 December 2003

## 8. PROFIT FROM OPERATIONS

	2003 HK\$'000	2002 HK\$'000
Profit from operations has been arrived at after charging (crediting):		
Staff costs, including directors' remuneration (note 9):		
– Salaries, wages and other benefits	61,120	63,839
– Retirement benefit scheme contributions, net of forfeited	2,854	3,260
Total staff costs	<u>63,974</u>	<u>67,099</u>
Auditors' remuneration	1,000	1,300
Depreciation of property, plant and equipment	27,723	28,441
Amortisation of intangible assets (included in administrative expenses)	2,551	2,568
Total depreciation and amortisation	<u>30,274</u>	<u>31,009</u>
Inventories written off	6,896	–
Allowance for inventories	5,009	3,389
Exchange (gain) loss, net	(116)	650
Write-back of allowance for doubtful debts	(224)	(1,002)
Cost of inventories recognised as expenses	<u>344,246</u>	<u>334,957</u>

## Notes to the Financial Statements

For the Year Ended 31 December 2003

## 9. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

## (a) Directors' emoluments

	2003 HK\$'000	2002 HK\$'000
Fees:		
Executive directors	60	50
Non-executive directors	30	30
	<u>90</u>	<u>80</u>
Other emoluments of executive directors:		
Salaries and other benefits	4,513	2,993
Retirement benefit scheme contributions	149	149
	<u>4,662</u>	<u>3,142</u>
Total directors' emoluments	<u><u>4,752</u></u>	<u><u>3,222</u></u>

The emoluments of the directors were within the following bands:

	Number of directors	
	2003	2002
Nil to HK\$1,000,000	7	6
HK\$1,000,001 to HK\$1,500,000	1	–
HK\$1,500,001 to HK\$2,000,000	2	2
	<u>10</u>	<u>8</u>

No director waived any emoluments in the year ended 31 December 2003 and 2002.

# Notes to the Financial Statements

For the Year Ended 31 December 2003

## 9. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (continued)

### (b) Employees' Emoluments

During the year, the five highest paid individuals included three directors (2002: two directors), details of whose emoluments are set out in (a) above. The emoluments of the remaining two (2002: three) highest paid individuals were as follows:

	2003 HK\$'000	2002 HK\$'000
Salaries and other benefits	1,241	1,798
Retirement benefit scheme contributions	106	107
	<u>1,347</u>	<u>1,905</u>

The remuneration of each of the highest paid, non-director employees was less than HK\$1,000,000 for the year ended 31 December 2003 and 2002.

## 10. FINANCE COSTS

	2003 HK\$'000	2002 HK\$'000
Interest on:		
Bank borrowings wholly repayable within five years	4,152	2,580
Convertible bonds	3,172	1,431
	<u>7,324</u>	<u>4,011</u>

## Notes to the Financial Statements

For the Year Ended 31 December 2003

## 11. INCOME TAX CREDIT

	2003 HK\$'000	2002 HK\$'000
Current tax:		
Hong Kong		
Provision for the year	585	1,159
Overprovision in prior years	(303)	(459)
	<u>282</u>	<u>700</u>
Deferred taxation ( <i>note 30</i> )		
Current year	(4,438)	(1,153)
Attributable to change in tax rate	280	–
	<u>(4,158)</u>	<u>(1,153)</u>
Taxation attributable to the Company and its subsidiaries	(3,876)	(453)
Share of taxation attributable to a jointly controlled entity	170	166
	<u>(3,706)</u>	<u>(287)</u>

Hong Kong Profits Tax is calculated at 17.5% (2002: 16%) of the estimated assessable profit for the year.

## Notes to the Financial Statements

For the Year Ended 31 December 2003

**11. INCOME TAX CREDIT** (continued)

The tax credit for the year can be reconciled to the profit before taxation as follows:

	2003		2002	
	HK\$'000	%	HK\$'000	%
Profit before taxation	<u>19,156</u>		<u>27,184</u>	
Tax at Hong Kong Profits				
Tax rate of 17.5%				
(2002: 16%)	<b>3,352</b>	<b>17.5</b>	4,349	16.0
Tax effect of expenses/income that are not deductible/ taxable in determining taxable profit	<b>(3,690)</b>	<b>(19.3)</b>	(3,149)	(11.6)
Tax effect of share of results of an associate	<b>(1,057)</b>	<b>(5.5)</b>	–	–
Tax effect of share of results of a jointly controlled entity	<b>(2,267)</b>	<b>(11.8)</b>	(2,417)	(8.9)
Tax effect of different tax rates of the subsidiaries operating in other jurisdictions	<b>246</b>	<b>1.3</b>	(196)	(0.7)
Utilisation of tax losses not recognised in previous years	<b>(267)</b>	<b>(1.4)</b>	–	–
Tax effect of tax losses not recognised	–	–	1,585	5.8
Increase in opening deferred tax liabilities resulting from an increase in Hong Kong Profits Tax rate	<b>280</b>	<b>1.5</b>	–	–
Overprovision of Hong Kong Profits Tax in prior years	<b>(303)</b>	<b>(1.6)</b>	(459)	(1.7)
Tax expense and effective tax rate for the year	<u><b>(3,706)</b></u>	<u><b>(19.3)</b></u>	<u>(287)</u>	<u>(1.1)</u>



## Notes to the Financial Statements

For the Year Ended 31 December 2003

**12. DIVIDEND**

No dividend was paid or proposed during 2003, nor has any dividend been proposed since the balance sheet date (2002: Nil).

**13. EARNINGS PER SHARE**

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

	Net Profit for the year	
	2003 HK\$'000	2002 HK\$'000
Earnings for the purpose of basic and diluted earnings per share	22,400	26,284
	Number of shares	
	2003	2002
Weighted average number of ordinary shares for the purpose of basic earnings per share	943,604,787	802,673,280
Effect of dilutive potential ordinary shares in respect of share options	31,608,158	—
Weighted average number of ordinary shares for the purpose of diluted earnings per share	975,212,945	802,673,280

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 31 December 2002		
Reported figure before adjustment	3.13	N/A
Adjustment arising from the adoption of SSAP 12 (Revised)	0.14	N/A
As restated	3.27	N/A

## Notes to the Financial Statements

For the Year Ended 31 December 2003

## 14. INVESTMENT PROPERTIES

	<b>THE GROUP</b>
	HK\$'000
<hr/>	
AT VALUATION	
At 1 January 2003	17,535
Surplus on revaluation	<u>5,400</u>
At 31 December 2003	<u><u>22,935</u></u>

	<b>THE GROUP</b>	
	<b>2003</b>	2002
	<b>HK\$'000</b>	HK\$'000
<hr/>		
The carrying amount of investment properties shown above comprises:		
Long leases in Hong Kong	<b>2,550</b>	2,400
Medium-term leases in Hong Kong	<b>17,250</b>	12,000
Long-term land use rights in the PRC	<b>3,135</b>	<u>3,135</u>
	<u><b>22,935</b></u>	<u><u>17,535</u></u>

The Group's investment properties were revalued at their open market values at 31 December 2003 by K.T. Liu Surveyors Limited, an independent professionally qualified valuers. The surplus arising on revaluation has been credited to the income statement. All of the Group's investment properties are rented out under operating leases.

## Notes to the Financial Statements

For the Year Ended 31 December 2003

## 15. PROPERTY, PLANT AND EQUIPMENT

## THE GROUP

	Leasehold land and buildings HK\$'000	Construction in progress HK\$'000	Machinery, moulds and tools HK\$'000	Equipment, furniture and fixtures HK\$'000	Motor vehicles HK\$'000	Leasehold improvements HK\$'000	Total HK\$'000
COST							
At 1 January 2003	83,208	–	238,208	89,834	10,578	45,904	467,732
Additions	9,265	1,793	405,647	32,595	168	13,954	463,422
Disposals	–	–	(4,633)	(5)	(834)	–	(5,472)
Disposal of a subsidiary	–	–	(477)	(1,111)	(1,852)	(1,265)	(4,705)
At 31 December 2003	<u>92,473</u>	<u>1,793</u>	<u>638,745</u>	<u>121,313</u>	<u>8,060</u>	<u>58,593</u>	<u>920,977</u>
ACCUMULATED DEPRECIATION AND AMORTISATION							
At 1 January 2003	23,104	–	201,151	65,213	8,987	23,907	322,362
Provided for the year	2,703	–	15,126	6,992	773	2,129	27,723
Eliminated on disposals	–	–	(3,508)	(3)	(834)	–	(4,345)
Eliminated on disposal of a subsidiary	–	–	(477)	(1,062)	(1,852)	(529)	(3,920)
At 31 December 2003	<u>25,807</u>	<u>–</u>	<u>212,292</u>	<u>71,140</u>	<u>7,074</u>	<u>25,507</u>	<u>341,820</u>
NET BOOK VALUES							
At 31 December 2003	<u>66,666</u>	<u>1,793</u>	<u>426,453</u>	<u>50,173</u>	<u>986</u>	<u>33,086</u>	<u>579,157</u>
At 31 December 2002	<u>60,104</u>	<u>–</u>	<u>37,057</u>	<u>24,621</u>	<u>1,591</u>	<u>21,997</u>	<u>145,370</u>

## Notes to the Financial Statements

For the Year Ended 31 December 2003

## 15. PROPERTY, PLANT AND EQUIPMENT (continued)

## THE COMPANY

	Leasehold land and buildings HK\$'000	Machinery, moulds and tools HK\$'000	Equipment, furniture and fixtures HK\$'000	Motor vehicles HK\$'000	Leasehold improvements HK\$'000	Total HK\$'000
COST						
At 1 January 2003	23,379	59,053	18,185	714	18,328	119,659
Additions	9,206	–	30,420	–	13,279	52,905
At 31 December 2003	32,585	59,053	48,605	714	31,607	172,564
ACCUMULATED DEPRECIATION AND AMORTISATION						
At 1 January 2003	11,898	59,053	18,185	714	11,972	101,822
Provided for the year	958	–	–	–	476	1,434
At 31 December 2003	12,856	59,053	18,185	714	12,448	103,256
NET BOOK VALUES						
At 31 December 2003	19,729	–	30,420	–	19,159	69,308
At 31 December 2002	11,481	–	–	–	6,356	17,837

## Notes to the Financial Statements

For the Year Ended 31 December 2003

## 15. PROPERTY, PLANT AND EQUIPMENT (continued)

	THE GROUP		THE COMPANY	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
The carrying amount of leasehold land and buildings comprises:				
Long leases in Hong Kong	11,772	2,755	9,206	–
Medium-term leases in Hong Kong	6,866	7,041	–	–
Long-term land use rights in the PRC	1,015	1,201	–	–
Medium-term land use rights in the PRC	47,013	49,107	10,523	11,481
	<u>66,666</u>	<u>60,104</u>	<u>19,729</u>	<u>11,481</u>

# Notes to the Financial Statements

For the Year Ended 31 December 2003

## 16. INTANGIBLE ASSETS

The costs incurred for obtaining export license for exporting power cords and adapter products to certain countries are deferred and amortised on a straight-line basis over the estimated useful lives of not exceeding eight years.

	<b>THE GROUP</b>
	<b>HK\$'000</b>
<hr/>	
COST	
At 1 January 2003	25,732
Additions	<u>3,480</u>
At 31 December 2003	<u>29,212</u>
ACCUMULATED AMORTISATION	
At 1 January 2003	17,148
Provided for the year	<u>2,551</u>
At 31 December 2003	<u>19,699</u>
NET BOOK VALUE	
At 31 December 2003	<u><u>9,513</u></u>
At 31 December 2002	<u><u>8,584</u></u>

## Notes to the Financial Statements

For the Year Ended 31 December 2003

## 17. INTERESTS IN SUBSIDIARIES

	THE COMPANY	
	2003 HK\$'000	2002 HK\$'000
Unlisted shares, at cost	26,744	26,744
Amounts due from subsidiaries ( <i>Note i</i> )	914,820	683,071
	<b>941,564</b>	709,815
Less: Allowances for amounts due from subsidiaries	(223,562)	(230,684)
	<b>718,002</b>	479,131
Amounts due from subsidiaries ( <i>Note ii</i> )	46,847	44,392
Amounts due to subsidiaries ( <i>Note ii</i> )	88,940	330,565

## Notes:

- (i) In the opinion of the directors, the amounts due from subsidiaries of approximately HK\$914,820,000 (2002: HK\$683,071,000) will not be repayable within twelve months from the balance sheet date and the balances are therefore classified as non-current.
- (ii) The balances with subsidiaries are unsecured, interest-free and have no fixed repayment terms.

# Notes to the Financial Statements

For the Year Ended 31 December 2003

## 17. INTERESTS IN SUBSIDIARIES (continued)

Details of the Company's principal subsidiaries at 31 December 2003 are as follows:

Name of subsidiary	Place/ country of incorporation/ registration	Issued and fully paid share capital/ registered capital	Proportion of nominal value of issued share capital/ registered capital held by the Company %	Principal activities
Aberdeen Industrial Company Limited 阿勃玎實業有限公司	Samoa	1 ordinary share of US\$1	100*	Manufacture of telephone accessories, power cords and adaptors
Aberdeen Investments Limited 阿勃玎投資有限公司	Samoa	1 ordinary share of US\$1	100*	Property investment
Dongguan Dongjiang Wire and Cable Company Limited <sup>®</sup> 東莞東江電線電纜有限公司	The PRC	Registered capital HK\$6,000,000	60*	Manufacture of telephone cables and wires
Dongguan Qiaozhi Santai Electrical Appliances Co., Ltd. <sup>^</sup> 東莞橋梓三泰電器有限公司	The PRC	Registered capital HK\$12,000,000	100*	Property holding
Dorup Limited 霖高有限公司	Hong Kong	2,000,000 ordinary shares of HK\$1 each	60*	Marketing of telephone cords and power cords
Far East PCB Limited 遠東線路板有限公司	Hong Kong	2 ordinary shares of HK\$1 each	100*	Manufacture of printed circuit boards
Hitech Electro-Optical Limited 華太光電有限公司 (Formerly: Feel Classic (HK) Limited 意雅(香港)有限公司)	Hong Kong	2 ordinary shares of HK\$1 each	100*	Property investment



## Notes to the Financial Statements

For the Year Ended 31 December 2003

## 17. INTERESTS IN SUBSIDIARIES (continued)

Name of subsidiary	Place/ country of incorporation/ registration	Issued and fully paid share capital/ registered capital	Proportion of nominal value of issued share capital/ registered capital held by the Company %	Principal activities
Hop Cheong Holdings Limited	Cook Islands	3,500 ordinary shares of US\$1 each	100	Investment holding
Hop Cheong Technology Limited 合昌科技有限公司	Hong Kong	1,000,000 ordinary shares of HK\$1 each	100*	Provision of management services
Hop Cheong Technology (International) Limited 合昌科技(國際)有限公司	Hong Kong	2 ordinary shares of HK\$1 each	100*	Marketing of high precision metal parts
Jetsbo Investment Limited 捷士寶投資有限公司	Hong Kong	10,000 ordinary shares of HK\$1 each	100*	Property investment
Longbright Technology Limited 宏輝科技有限公司	Hong Kong	10,000 ordinary shares of HK\$1 each	100*	Manufacture of metal stampings
Prime Vision Enterprises Limited	Samoa	1 ordinary share of US\$1	100	Financing through issue of convertible bonds
Printronic China Limited 普林中國有限公司	Hong Kong	2 ordinary shares of HK\$10 each	100*	Investment holding
Printronic Electronics Limited 普林電子有限公司	Hong Kong	2 ordinary shares of HK\$1 each	100*	Investment holding
Printronic Group Limited 普林集團有限公司	Hong Kong	2 ordinary shares of HK\$1 each	100	Investment holding

## Notes to the Financial Statements

For the Year Ended 31 December 2003

## 17. INTERESTS IN SUBSIDIARIES (continued)

Name of subsidiary	Place/ country of incorporation/ registration	Issued and fully paid share capital/ registered capital	Proportion of nominal value of issued share capital/ registered capital held by the Company %	Principal activities
Ready Shine Industrial Limited 巧旋實業有限公司	Hong Kong	2 ordinary shares of HK\$1 each	100	Investment holding
Ready Sound Limited 備韻有限公司	Hong Kong	1,000,000 ordinary shares of HK\$1 each	60*	Manufacture of tinsel wires
Regal Investments Limited	Samoa	1 ordinary share of US\$1	100*	Manufacture of high precision metal parts
Remarkable Limited	Cayman Islands	1 ordinary share of US\$1	100*	Manufacture of photomask
San Tai Industrial Enterprise Limited	Hong Kong	2 ordinary shares of HK\$1 each	100*	Marketing and distribution of telephone accessories and power cords
Santai Corporate Services Limited	Hong Kong	2 ordinary shares of HK\$1 each	100	Provision of management services
Santai Manufacturing Limited 三泰實業有限公司	Hong Kong	10,000 ordinary shares of HK\$1 each	100	Trading of raw materials for the manufacture of telephone accessories and power cords
SCT Electronics Limited SCT 電子有限公司	Hong Kong	2 ordinary shares of HK\$1 each	100	Marketing of adaptors and electronic products

## Notes to the Financial Statements

For the Year Ended 31 December 2003

## 17. INTERESTS IN SUBSIDIARIES (continued)

Name of subsidiary	Place/ country of incorporation/ registration	Issued and fully paid share capital/ registered capital	Proportion of nominal value of issued share capital/ registered capital held by the Company %	Principal activities
SCT International Limited	Hong Kong	2 ordinary shares of HK\$1 each	100*	Marketing of raw materials for adaptors and electronic products
SCT Petroleum Company Limited SCT 石油有限公司	Hong Kong	2 ordinary shares of HK\$1 each	100*	Trading of crude oil

\* Indirectly held through subsidiaries

@ Registered under the laws of the PRC as a Sino-foreign co-operative joint venture

^ Registered under the laws of the PRC as a wholly-owned foreign subsidiary

All the subsidiaries operate in Hong Kong except for Aberdeen Industrial Company Limited, Aberdeen Investments Limited, Dongguan Dongjiang Wire and Cable Company Limited, Dongguan Qiaozhi Santai Electrical Appliances Co. Ltd., Ready Sound Limited and Regal Investments Limited, which operate in Mainland China.

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

## Notes to the Financial Statements

For the Year Ended 31 December 2003

## 18. INTEREST IN AN ASSOCIATE AND INVESTMENT SECURITIES

	THE GROUP	
	2003 HK\$'000	2002 HK\$'000
Share of net assets	24,997	–
Investment securities (unlisted)	–	18,957

At 31 December 2003, the Group had interest in the following associate:

Name of entity	Form of business structure	Place of establishment and operation	Proportion of nominal value of registered capital held by the Group	Principal activity
Tianjin Printronics Circuit Corporation (“TPC”) 天津普林電路有限公司	Sino-foreign entity joint venture	The PRC	28.74%	Manufacture of printed circuit boards

The Group’s investment in TPC was accounted for as an investment security as at 31 December 2002 as, in the opinion of the directors, the Group neither had joint control of, nor was in a position to exercise significant influence over TPC.

Under a reorganisation scheme implemented in February 2003 to rationalise the structure of TPC, the Group’s interests in TPC was reduced to 28.74% from 40%. Since then, the Group’s investment in TPC has been accounted for as an associate as, in the opinion of the directors, the Group is now able to exercise significant influence over TPC through participation in the board of directors of TPC.

## Notes to the Financial Statements

For the Year Ended 31 December 2003

## 19. INTERESTS IN JOINTLY CONTROLLED ENTITIES

	THE GROUP	
	2003 HK\$'000	2002 HK\$'000
Share of net assets	122,280	113,355
Amounts due from a jointly controlled entity	6,189	3,534
	<b>128,469</b>	<b>116,889</b>

In the opinion of the directors, the amount due from the jointly controlled entity is unsecured, interest-free and will not be repayable within one year of the balance sheet date and, accordingly, such amounts have been classified as non-current.

Particulars of the jointly controlled entities of the Group at 31 December 2003 are as follows:

Name of entity	Form of business structure	Place of incorporation and operation	Proportion of nominal value of issued ordinary share capital indirectly held by the Company	Principal activities
Hoperise Industrial Limited 興揚實業有限公司	Incorporated	Hong Kong	50%	Copper wire drawing
Shou Jia Information Technology Limited 首嘉科技有限公司	Incorporated	Hong Kong	50%	In liquidation

## Notes to the Financial Statements

For the Year Ended 31 December 2003

## 20. INVENTORIES

	THE GROUP	
	2003 HK\$'000	2002 HK\$'000
Raw materials	39,838	37,810
Work in progress	10,850	11,223
Finished goods	13,497	10,953
	<b>64,185</b>	<b>59,986</b>

Included above are raw materials of approximately HK\$4,092,000 (2002: HK\$6,725,000) and finished goods of HK\$9,000 (2002: Nil) of the Group which are carried at net realisable value.

As at 31 December 2003, the carrying amount of inventories of the Group pledged as security for banking facilities amounted to approximately HK\$23,564,000 (2002: HK\$47,471,000).

## 21. TRADE AND BILLS RECEIVABLES

Trading terms with customers are principally on credit, except for new customers, cash on delivery is normally required. Invoices are normally payable within 60 to 90 days of issuance, except for certain well established customers, the terms are extended to 120 days. Each customer has a designated credit limit.

An aged analysis of the trade and bills receivables as at the balance sheet date, based on invoice date, and net of allowance, is as follows:

	THE GROUP	
	2003 HK\$'000	2002 HK\$'000
0 – 90 days	82,201	75,467
91 – 180 days	21,936	26,942
181 – 365 days	5,246	6,011
1 – 2 years	2,247	1,450
Over 2 years	530	377
	<b>112,160</b>	<b>110,247</b>

## 22. PLEDGED BANK DEPOSITS

### THE GROUP

The amounts represent deposits pledged to banks to secure banking facilities granted to the Group. Deposits amounting to approximately HK\$138,771,000 (2002: Nil) have been pledged to secure short-term bank loans and are therefore classified as current assets.

### THE COMPANY

The amounts represent deposits pledged to banks to secure banking facilities granted to the Company. Deposits amounting to approximately HK\$117,330,000 (2002: Nil) have been pledged to secure short-term bank loans and are therefore classified as current assets.

## 23. TRADE AND BILLS PAYABLES

An aged analysis of the trade and bills payables as at the balance sheet date, based on invoice date, is as follows:

	THE GROUP	
	2003 HK\$'000	2002 HK\$'000
0 – 90 days	90,678	38,248
91 – 180 days	6,359	5,683
181 – 365 days	647	333
1 – 2 years	233	23
Over 2 years	123	308
	<b>98,040</b>	<b>44,595</b>

## Notes to the Financial Statements

For the Year Ended 31 December 2003

## 24. BANK BORROWINGS

	THE GROUP		THE COMPANY	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Secured bank loans	92,875	12,728	92,875	12,728
Secured trust receipt loans	54,251	47,471	46,847	44,392
	<u>147,126</u>	<u>60,199</u>	<u>139,722</u>	<u>57,120</u>

The bank borrowings 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	86,426	60,199	79,022	57,120
In the second year	15,175	–	15,175	–
In the third to fifth years inclusive	45,525	–	45,525	–
After five years	–	–	–	–
	<u>147,126</u>	<u>60,199</u>	<u>139,722</u>	<u>57,120</u>
Less: Amount due for settlement within 12 months (shown under current liabilities)	<u>(86,426)</u>	<u>(60,199)</u>	<u>(79,022)</u>	<u>(57,120)</u>
Amount due for settlement after 12 months	<u>60,700</u>	<u>–</u>	<u>60,700</u>	<u>–</u>

The bank loans and the Group's banking facilities are secured by:

- (i) certain of the Group's investment properties and leasehold land and buildings, which had an aggregate carrying value at the balance sheet date of approximately HK\$21,292,000 (2002: HK\$16,148,000);
- (ii) certain of the Group's machinery which had an aggregate carrying value at the balance sheet date of approximately HK\$266,982,000 (2002: Nil);



## Notes to the Financial Statements

For the Year Ended 31 December 2003

**24. BANK BORROWINGS** (continued)

- (iii) the carrying amount of inventories of the Group pledged as security for banking facilities amounted to approximately HK\$23,564,000 (2002: HK\$47,471,000); and
- (iv) the pledge of certain of the Group's bank deposits amounting to approximately HK\$138,771,000 (2002: Nil).

The Group's bank loans are arranged at market rates.

**25. OBLIGATIONS UNDER FINANCE LEASES****THE GROUP**

	<b>Minimum lease payments</b>	Minimum lease payments	<b>Present value of minimum lease payments</b>	Present value of minimum lease payments
	<b>2003</b>	2002	<b>2003</b>	2002
	<b>HK\$'000</b>	HK\$'000	<b>HK\$'000</b>	HK\$'000
Amounts payable under finance leases:				
Within one year	2,771	–	2,492	–
In the second to fifth years inclusive	5,542	–	5,308	–
	<u>8,313</u>	<u>–</u>	<u>7,800</u>	<u>–</u>
Less: Future finance charges	(513)	–	–	–
Present value of lease obligations	<u><u>7,800</u></u>	<u><u>–</u></u>	<u>7,800</u>	<u>–</u>
Less: Amount due for settlement within one year (shown under current liabilities)			<u>(2,492)</u>	<u>–</u>
Amount due for settlement after one year			<u><u>5,308</u></u>	<u><u>–</u></u>

# Notes to the Financial Statements

For the Year Ended 31 December 2003

## 25. OBLIGATIONS UNDER FINANCE LEASES (continued)

It is the Group's policy to lease certain of its machinery under finance leases. The average lease terms is three years. For the year ended 31 December 2003, the average effective borrowing rate was 4.26 per cent (2002: Nil). Interest rates are fixed at the contract date. All lease are on a fixed repayment basis and no arrangements have been entered for contingent rental payments.

The Group's obligation under finance leases are secured by the lessor's charge over the leased assets.

## 26. CONVERTIBLE BONDS

	THE GROUP	
	2003 HK\$'000	2002 HK\$'000
Convertible bonds	—	<u>200,000</u>

The principal terms of the convertible bonds were as follows:

- (i) the convertible bonds bear interest at 2.5% per annum on the principal amount outstanding;
- (ii) the maturity date is 20 September 2004;
- (iii) the conversion period commences from 20 December 2002 and ends either upon the full conversion of the convertible bonds or the maturity date, whichever is the earlier;
- (iv) the bondholders have the right at any time during the conversion period to convert in whole or in part the convertible bonds into new shares of the Company at the conversion price (subject to adjustments);
- (v) the convertible bonds are convertible into new shares of the Company at the initial conversion price of HK\$0.66 per new share, which is subject to adjustment(s) in the event of, amongst other things, consolidation or sub-division of shares, capitalisation of profits or reserves, capital distribution, rights issue and other dilutive events of the Company; and

## Notes to the Financial Statements

For the Year Ended 31 December 2003

**26. CONVERTIBLE BONDS** (continued)

- (vi) on the maturity date, the issuer (a wholly-owned subsidiary of the Company) shall pay to the bondholders at par of the principal amount of the convertible bonds outstanding plus any accrued interest.

During the year, the registered holders have exercised their rights to subscribe for ordinary shares.

**27. SHARE CAPITAL**

	2003		2002	
	Number of shares	Amount HK\$'000	Number of shares	Amount HK\$'000
Ordinary shares of HK\$0.25 each				
Authorised:				
At beginning and end of year	<u>2,000,000,000</u>	<u>500,000</u>	<u>2,000,000,000</u>	<u>500,000</u>
Issued and fully paid:				
At beginning of year	802,673,280	200,668	802,673,280	200,668
Exercise of convertible bonds (Note i)	303,030,303	75,758	-	-
Shares issued for cash (Note ii)	<u>88,000,000</u>	<u>22,000</u>	<u>-</u>	<u>-</u>
At end of year	<u>1,193,703,583</u>	<u>298,426</u>	<u>802,673,280</u>	<u>200,668</u>

Notes:

- (i) On 21 August 2003, HK\$200,000,000 convertible bonds were exercised at the conversion price of HK\$0.66 per share resulting in the issue of 303,030,303 shares.
- (ii) On 8 September 2003, 88,000,000 shares were issued for cash at a subscription price of HK\$0.66 per share for funding an investment opportunity to invest in a subsidiary to be principally engaged in the design manufacturing of photomasks.

These new shares rank pari passu with the existing shares in all respects.

# Notes to the Financial Statements

For the Year Ended 31 December 2003

## 28. SHARE OPTION SCHEME

A share option scheme (the "2002 Scheme") was adopted by the shareholders of the Company at the annual general meeting held on 7 June 2002. Under the 2002 Scheme, the board of directors (the "Board") of the Company may, subject to and in accordance with the provisions of the 2002 Scheme and The Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, grant share options to any eligible participant to subscribe for shares in the capital of the Company.

The maximum number of shares issued and to be issued upon exercise of options granted to each eligible participant under the 2002 Scheme (including exercised, cancelled and outstanding options) in any 12-month period shall not exceed 1% of the issued share capital of the Company in issue as at the date of grant.

The period during which an option may be exercised will be determined by the Board at its absolute discretion, save that no option may be exercised later than 10 years after it has been granted.

On acceptance of an offer, HK\$1 should be payable by the grantee. The exercise price per share in relation to an option shall be a price to be determined by the Board and shall be no less than the highest of (a) the official closing price of the shares of the Company as stated in the daily quotation sheets issued by the Stock Exchange on the date on which the option is offered to an eligible participant, which must be a business day; or (b) the official average closing price of the shares of the Company as stated in the daily quotation sheets issued by the Stock Exchange for the 5 business days immediately preceding the date of offer of option to an eligible participant; or (c) the nominal value of shares of the Company on the date of offer of option to an eligible participant.

**28. SHARE OPTION SCHEME** (continued)

The following table discloses details of the Company's share options and movements in such holdings in relation to the 2002 Scheme during the year:

	Number of shares under options			Date of grant	Exercisable period	Exercise price per share HK\$
	At 1.1.2003	Granted during the year	At 31.12.2003			
Directors of the Company	34,094,000	-	34,094,000	15.11.2002	15.11.2002 - 14.11.2012	0.58
	-	9,243,000	9,243,000	14.3.2003	14.3.2003 - 13.3.2013	0.495
	-	70,632,000	70,632,000*	13.10.2003	13.10.2003 - 12.10.2013	0.70
	<u>34,094,000</u>	<u>79,875,000</u>	<u>113,969,000</u>			
Employees of the Group	4,824,000	-	4,824,000	15.11.2002	15.11.2002 - 14.11.2012	0.58
	-	2,000	2,000	14.3.2003	14.3.2003 - 13.3.2013	0.495
	<u>4,824,000</u>	<u>2,000</u>	<u>4,826,000</u>			
Director of a subsidiary	-	9,632,000	9,632,000*	13.10.2003	13.10.2003 - 12.10.2013	0.70
Consultants	24,078,000	-	24,078,000	15.11.2002	15.11.2002 - 14.11.2012	0.58
	-	8,026,000	8,026,000	14.3.2003	14.3.2003 - 13.3.2013	0.495
	<u>24,078,000</u>	<u>8,026,000</u>	<u>32,104,000</u>			
	<u><u>62,996,000</u></u>	<u><u>97,535,000</u></u>	<u><u>160,531,000</u></u>			

\* The options granted on 13 October 2003 are exercisable subject to a vesting scale which shall commence on the date of grant in tranches of 25% each reaching 100% as from 13 October 2006. All other share options were vested in full at the date of grant.

## Notes to the Financial Statements

For the Year Ended 31 December 2003

**28. SHARE OPTION SCHEME** (continued)

	Number of shares under options			Date of grant	Exercisable period	Exercise price per share HK\$
	At 1.1.2002	Granted during the year	At 31.12.2002			
Directors of the Company	-	34,094,000	34,094,000	15.11.2002	15.11.2002 – 14.11.2012	0.58
Employees of the Group	-	4,824,000	4,824,000	15.11.2002	15.11.2002 – 14.11.2012	0.58
Consultants	-	24,078,000	24,078,000	15.11.2002	15.11.2002 – 14.11.2012	0.58
	-	62,996,000	62,996,000			

Total consideration received during the year for taking up the options granted amounted to HK\$9 (2002: HK\$16).

The financial impact of share options granted is not recorded in the Company's or the Group's balance sheet until such time as the options are exercised, and no charge is recognised in the income statement in respect of the value of options granted in the year. Upon the exercise of the share options, the resulting shares issued are recorded by the Company as additional share capital at the nominal value of the shares, and the excess of the exercise price per share over the nominal value of the shares is recorded by the Company in the share premium account. Options which lapse or are cancelled prior to their exercise date are deleted from the register of outstanding options.

## Notes to the Financial Statements

For the Year Ended 31 December 2003

## 29. RESERVES

## THE COMPANY

	Share premium account HK\$'000	Capital redemption reserve HK\$'000	Capital reserve HK\$'000 (Note)	Deficit HK\$'000	Total HK\$'000
At 1 January 2002					
– as originally stated	244,989	2,084	53,690	(55,583)	245,180
– adjustment on adoption of SSAP 12 (Revised) (Note 2)	–	–	–	2,112	2,112
– as restated	244,989	2,084	53,690	(53,471)	247,292
Net loss for the year	–	–	–	(17,364)	(17,364)
At 31 December 2002 and 1 January 2003	244,989	2,084	53,690	(70,835)	229,928
Net loss for the year	–	–	–	(2,037)	(2,037)
Exercise of convertible bonds	124,242	–	–	–	124,242
Share issued for cash	36,080	–	–	–	36,080
Share issue expense	(1,432)	–	–	–	(1,432)
At 31 December 2003	<u>403,879</u>	<u>2,084</u>	<u>53,690</u>	<u>(72,872)</u>	<u>386,781</u>

Note: By a special resolution passed at an extraordinary general meeting and subsequently approved by the Supreme Court of Hong Kong in 1993, the share premium account of the Company was reduced by an amount of HK\$270,000,000. This amount was used to reduce the then Company's accumulated losses of HK\$216,310,000 and the balance of HK\$53,690,000 was credited to the Company's capital reserve which is non-distributable.

## Notes to the Financial Statements

For the Year Ended 31 December 2003

## 30. DEFERRED TAXATION

	THE GROUP		THE COMPANY	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
At beginning of the year				
– as previously stated	–	233	–	–
– adjustment on adoption of SSAP 12 (Revised)	<b>2,990</b>	<b>3,910</b>	<b>(2,063)</b>	<b>(2,112)</b>
– as restated	<b>2,990</b>	4,143	<b>(2,063)</b>	(2,112)
(Credit) charge to income statement for the year	<b>(4,438)</b>	(1,153)	<b>145</b>	49
Effect of change in tax rate	<b>280</b>	–	<b>(179)</b>	–
At end of the year	<b>(1,168)</b>	<b>2,990</b>	<b>(2,097)</b>	<b>(2,063)</b>

The following are the major deferred tax liabilities (assets) recognised by the Group and the Company and movements thereon during the year and prior reporting period:

## THE GROUP

	Accelerated accounting depreciation HK\$'000	Accelerated tax depreciation HK\$'000	Tax losses HK\$'000	Total HK\$'000
At 1 January 2002				
– as previously stated	–	233	–	233
– adjustment on adoption of SSAP 12 (Revised)	<b>(2,032)</b>	<b>5,942</b>	–	<b>3,910</b>
– as restated	(2,032)	6,175	–	4,143
Credit to income statement for the year	<b>(31)</b>	<b>(1,122)</b>	–	<b>(1,153)</b>
At 31 December 2002 and 1 January 2003	<b>(2,063)</b>	<b>5,053</b>	–	<b>2,990</b>
Charge (credit) to income statement for the year	145	(645)	(3,938)	(4,438)
Effect of change in tax rate	<b>(179)</b>	<b>459</b>	–	<b>280</b>
At 31 December 2003	<b>(2,097)</b>	<b>4,867</b>	<b>(3,938)</b>	<b>(1,168)</b>



## Notes to the Financial Statements

For the Year Ended 31 December 2003

**30. DEFERRED TAXATION** (continued)**THE COMPANY**

	<b>Accelerated accounting depreciation</b> HK\$'000
At 1 January 2002	
– as previously stated	–
– adjustment on adoption of SSAP 12 (Revised)	(2,112)
	<u>(2,112)</u>
– as restated	(2,112)
Charge to income statement for the year	49
	<u>49</u>
At 31 December 2002 and 1 January 2003	(2,063)
Charge to income statement for the year	145
Effect of change in tax rate	(179)
	<u>(179)</u>
At 31 December 2003	<u><u>(2,097)</u></u>

	<b>THE GROUP</b>		<b>THE COMPANY</b>	
	<b>2003</b> HK\$'000	2002 HK\$'000	<b>2003</b> HK\$'000	2002 HK\$'000
Deferred tax liabilities	<b>929</b>	5,053	–	–
Deferred tax assets	<b>(2,097)</b>	(2,063)	<b>(2,097)</b>	(2,063)
	<u><b>(1,168)</b></u>	<u>2,990</u>	<u><b>(2,097)</b></u>	<u>(2,063)</u>

At the balance sheet date, the Group has unrecognised tax losses amounted to approximately HK\$91,257,000 (2002: HK\$92,784,000) may be carried forward indefinitely. The deferred tax assets have not been recognised due to the unpredictability of future profit streams.

As at the balance sheet date, the Company has unrecognised tax losses amounted to approximately HK\$8,718,000 (2002: HK\$3,578,000) may be carried forward indefinitely. The deferred tax assets have not been recognised due to the unpredictability of future profit streams.

## Notes to the Financial Statements

For the Year Ended 31 December 2003

### 31. DISPOSAL OF INTEREST IN A SUBSIDIARY

Disposal of interest in a subsidiary:

	HK\$'000
<hr/>	
NET LIABILITIES DISPOSED OF:	
Property, plant and equipment	785
Trade and other receivables	3,392
Bank balances and cash	238
Trade and other payables	(1,985)
Shareholders' loan	(9,552)
	<hr/>
Total consideration	(7,122)
	<hr/> <hr/>
Satisfied by:	
Cash	2,430
Assignment of a shareholders' loan	(9,552)
	<hr/>
	(7,122)
	<hr/> <hr/>

An analysis of net inflow of cash and cash equivalents in respect of the disposal of interest in a subsidiary is as follows:

	HK\$'000
<hr/>	
Cash consideration	2,430
Bank balances and cash disposed of	(238)
	<hr/>
Net inflow of cash and cash equivalents in respect of the disposal of interest in a subsidiary	2,192
	<hr/> <hr/>

The interest in a subsidiary disposed of during the year ended 31 December 2003 did not have any significant contribution to turnover and to the consolidated profit before tax for the year ended 31 December 2003.

### 32. MAJOR NON-CASH TRANSACTIONS

During the year, the Group entered into finance leases in respect of the acquisition of plant and equipment with a total capital value at the inception of the lease of approximately HK\$7,800,000 (2002: Nil).

### 33. OPERATING LEASES

#### (a) The Group as lessee

Minimum lease payments paid for land and buildings under operating leases during the year amounted to approximately HK\$2,022,000 (2002: HK\$6,180,000).

The Group leases certain of its warehouse and staff quarters under operating lease arrangements. Leases for properties are negotiated for terms ranging from one to two years.

At the balance sheet date, the Group had total future minimum lease payments under non-cancellable operating leases which fall due as follows:

	THE GROUP	
	2003 HK\$'000	2002 HK\$'000
Within one year	674	2,372
In the second to fifth year inclusive	350	–
	<u>1,024</u>	<u>2,372</u>

#### (b) The Group as lessor

Property rental income earned during the year was approximately HK\$1,404,000 (2002: HK\$1,417,000), less outgoing of approximately HK\$58,000 (2002: HK\$69,000).

The Group leases its investment properties under operating lease arrangements, with leases negotiated for terms ranging from one to two years. The investment properties are expected to generate rental yields of 6% (2002: 8%) on an ongoing basis. The terms of the leases generally also require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions.

## Notes to the Financial Statements

For the Year Ended 31 December 2003

### 33. OPERATING LEASES (continued)

#### (b) The Group as lessor (continued)

At the balance sheet date, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	THE GROUP	
	2003 HK\$'000	2002 HK\$'000
Within one year	982	1,109
In the second to fifth year inclusive	450	–
	<u>1,432</u>	<u>1,109</u>

### 34. CAPITAL COMMITMENTS

	THE GROUP	
	2003 HK\$'000	2002 HK\$'000
Commitments in respect of the acquisition of property, plant and equipment contracted for but not provided	<u>4,902</u>	<u>328</u>

The Company had no capital commitment at 31 December 2003 and 2002.

## Notes to the Financial Statements

For the Year Ended 31 December 2003

**35. CONTINGENT LIABILITIES**

	THE GROUP		THE COMPANY	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Discounted bills with recourse	1,690	6,513	–	–
Guarantee for banking facilities granted to jointly controlled entities	99,349	76,640	106,752	79,720
Guarantee for convertible bonds issued by a subsidiary	–	–	–	200,000
	<u>101,039</u>	<u>83,153</u>	<u>106,752</u>	<u>279,720</u>

**36. RETIREMENT BENEFIT SCHEMES**

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance, for those employees who are eligible to participate in the Scheme. Contributions are made based on percentage of the employees' basic salaries and are charged to the income statement as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF 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 MPF Scheme.

The employees of the Group's subsidiaries which operates in the PRC are required to participate in a central pension scheme operated by the local municipal government. These PRC subsidiaries are required to contribute 8% to 20% of its payroll costs to the central pension scheme. The contributions are charged to the income statement as they become payable in accordance with the rules of the central pension scheme.

# Notes to the Financial Statements

For the Year Ended 31 December 2003

## 37. RELATED PARTY TRANSACTIONS

During the year, the Group had the following significant related party transactions:

	<i>Notes</i>	<b>2003</b> <b>HK\$'000</b>	2002 HK\$'000
Management fees paid to controlling shareholders	(i)	<b>1,200</b>	1,200
Management fees paid to a related company	(ii)	<b>480</b>	480
Rental paid to a related company	(iii)	<b>792</b>	792
Sales to a jointly controlled entity	(iv)	<b>14,788</b>	14,245
Utility expenses charged to a jointly controlled entity	(v)	<b>12,534</b>	13,434
Purchases from a jointly controlled entity	(vi)	<b>29,385</b>	37,930
Management fee received from a jointly controlled entity	(vii)	<b>822</b>	1,018
		<b>822</b>	<b>1,018</b>

Notes:

- (i) Management fees of HK\$240,000 and HK\$960,000 were paid to Shougang Concord Grand (Group) Limited ("Shougang Grand"), a controlling shareholder of the Company, and Shougang Holding (Hong Kong) Limited ("Shougang Holding"), the holding company of Shougang Grand, respectively, for the provision of management services to the Group at rates agreed by the relevant parties.
- (ii) Management fees of HK\$480,000 were paid to Shougang Concord International Enterprises Company Limited ("Shougang International"), an associate of Shougang Holding, for the provision of management services to the Group at rates agreed by both parties.
- (iii) Rentals paid to Good News Investment Limited, a wholly-owned subsidiary of Shougang International, relating to the premises occupied and used by the Group as its office, were determined by reference to the prevailing market rentals.
- (iv) Sales to a jointly controlled entity were made according to the published prices and conditions offered to the major customers of the Group.
- (v) Utility expenses charged to a jointly controlled entity were related to the recharge of certain utility costs incurred by it. The recharge was based on the actual costs incurred.
- (vi) Purchases from a jointly controlled entity were made according to the published prices and conditions offered by similar suppliers to the Group.
- (vii) Management fee from a jointly controlled entity for the provision of management service was charged at rate agreed by both parties.