

Notes to the Financial Statements

For the year ended 31st December, 2003

1. GENERAL

The Company is a public listed company incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company acts as an investment holding company and the activities of its principal subsidiaries are set out in note 34.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARD/CHANGES IN ACCOUNTING POLICY

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 of HKFRS is inclusive of Statements of Standard Accounting Practice ("SSAP(s)") and Interpretations approved by the HKSA:

SSAP 12 (Revised)	Income Taxes
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In the current year, the Group has adopted SSAP 12 (Revised) "Income Taxes" ("SSAP 12 (Revised)"). The principal effect of the implementation of SSAP 12 (Revised) is in relation to deferred tax. In previous years, partial provision was made for deferred tax using the income statement liability method, i.e. a liability was recognised in respect of timing differences arising, except where those timing differences were not expected to reverse in the foreseeable future. SSAP 12 (Revised) requires the adoption of a balance sheet liability method, whereby deferred tax is recognised in respect of all temporary differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, with limited exceptions. In the absence of any specific transitional requirements in SSAP 12 (Revised), the new accounting policy has been applied retrospectively. Comparative amounts for 2002 have been restated accordingly. As a result of this change in policy, the balance of accumulated losses at 1st January, 2002 has been decreased by HK\$415,000, representing the cumulative effect of the change in policy on the results for periods prior to 1st January, 2002. The balance on the Group's asset revaluation reserve at 1st January, 2002 has been decreased by HK\$2,990,000, representing the deferred tax liability recognised in respect of the revaluation surplus on the Group's properties at that date. The change has resulted in a decrease in the profit of HK\$303,000 for the year ended 31st December, 2003 (2002: an increase of HK\$75,000).

Notes to the Financial Statements

For the year ended 31st December, 2003

3. SIGNIFICANT ACCOUNTING POLICIES

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

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

Basis of consolidation

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

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.

Turnover

Turnover represents the amounts received and receivable for goods supplied to outside customers, less returns and discounts during the year.

Revenue recognition

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

Rental income, including rentals invoiced in advance from properties let under operating leases, are recognised on a straight line basis over the term of the relevant lease.

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

Commission income is recognised on an accrual basis when the Group's entitlement to payment has been established.

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)*

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

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

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable 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 is 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.

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 values based on independent professional valuations at the balance sheet date. Any surplus or deficit 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 deficit, in which case the excess of the deficit over the balance of the investment property revaluation reserve is charged to the income statement. Where a deficit has previously been charged to the income statement and a revaluation surplus subsequently arises, this surplus is credited to the income statement to the extent of the deficit previously charged.

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

No depreciation or amortisation is provided on investment properties except where the unexpired term of the relevant lease is twenty years or less.

Notes to the Financial Statements

For the year ended 31st December, 2003

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant and equipment

Property, plant and equipment are stated at cost or valuation less depreciation and amortisation and accumulated impairment losses.

Certain of the Group's leasehold land and buildings were revalued at 31st December, 1994. The surplus arising on revaluation of these properties was credited to asset revaluation reserve. The Group has adopted the transitional relief provided by paragraph 80 of SSAP 17 (Revised) "Property, Plant and Equipment" issued by the HKSA from the requirement to make revaluations on a regular basis of the Group's leasehold properties and, accordingly, no further revaluation of these properties will be carried out. Any future impairment losses recognised in respect of these properties will be charged to the consolidated income statement to the extent that it exceeds the surplus, if any, held in asset revaluation reserve relating to previous revaluation of the particular property. On the subsequent disposal or retirement of a revalued asset, the attributable revaluation surplus is transferred to accumulated profits.

Depreciation and amortisation is provided to write off the cost or valuation of property, plant and equipment over their estimated useful lives using the straight line method, as follows:

Land held on long and medium term leases	Over the term of the relevant lease
Buildings	Over the shorter of the term of the lease, or 25 years
Leasehold improvements	Over the term of the relevant lease
Others	5 years

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

Assets held under finance leases are depreciated over their expected useful lives on the same basis as assets owned by the Group.

Goodwill

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

Goodwill is capitalised and amortised on a straight line basis over its useful economic life and is presented separately in the balance sheet.

Investments in subsidiaries

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

Notes to the Financial Statements

For the year ended 31st December, 2003

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Interests in associates

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

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. Impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount under another SSAP, in which case the impairment loss is treated as a revaluation decrease.

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, unless the relevant asset is carried at a revalued amount under another SSAP, in which case the reversal of the impairment loss is treated as a revaluation increase.

Investment securities

Investment securities, which are securities held for an identified long term strategic purpose, are recognised on a trade-date basis and are measured at cost, as reduced by any impairment loss that is other than temporary.

Club memberships

Club memberships are stated at cost, as reduced by any identified impairment loss.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the first-in, first-out method for electronic products and the weighted average cost method for other inventories.

Notes to the Financial Statements

For the year ended 31st December, 2003

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Assets held under finance leases

Leases are classified as finance leases whenever the terms of the leases 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 commitments and the outstanding principal amount at the inception of the finance leases, 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 balances of the obligations for each accounting period.

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

Retirement benefit costs

Payments to defined contribution retirement benefits scheme are charged as an expense as they fall due.

Foreign currencies

Transactions in currencies other than Hong Kong dollars are translated at the rates ruling on the dates of the transactions. Monetary assets and liabilities denominated in such currencies are re-translated at the rates ruling on the balance sheet date. Profits and losses arising on exchange are dealt with in the income statement.

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 period. 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 period in which the operation is disposed of.

Notes to the Financial Statements

For the year ended 31st December, 2003

4. BUSINESS AND GEOGRAPHICAL SEGMENTS

Business segments

For management purposes, the Group's operations are organised into two operating divisions namely distribution of electronic goods and distribution of sports products. These divisions are the basis on which the Group reports its primary segment information.

Segment information about these businesses is presented below.

2003

	Distribution of electronic goods <i>HK\$'000</i>	Distribution of sports products <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
TURNOVER			
External sales	1,761,894	86,413	1,848,307
RESULT			
Segment result	42,021	7,502	49,523
Interest income			969
Surplus on revaluation of investment properties			1,000
Impairment loss on investment securities			(1,991)
Unallocated corporate expenses			(8,810)
Unallocated corporate income			2,091
Profit from operations			42,782
Finance costs			(10,110)
Share of results of associates	(259)	-	(259)
Profit before taxation			32,413
Taxation			(5,335)
Profit before minority interests			27,078
Minority interests			(3,551)
Profit for the year			23,527

Notes to the Financial Statements

For the year ended 31st December, 2003

4. BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)

2003 (Continued)

	Distribution of electronic goods	Distribution of sports products	Consolidated
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
BALANCE SHEET			
ASSETS			
Segment assets	721,704	39,382	761,086
Interests in associates	561	–	561
Unallocated corporate assets			<u>139,779</u>
Total assets			<u>901,426</u>
LIABILITIES			
Segment liabilities	215,509	7,594	223,103
Unallocated corporate liabilities			<u>362,646</u>
Total liabilities			<u>585,749</u>

	Distribution of electronic goods	Distribution of sports products	Others	Consolidated
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
OTHER INFORMATION				
Capital additions	2,847	240	7,057	10,144
Amortisation of goodwill	–	–	1,671	1,671
Depreciation and amortisation				
of property, plant and equipment	4,804	87	3,944	8,835
Loss (gain) on disposal of property, plant and equipment	196	(14)	–	182

Notes to the Financial Statements

For the year ended 31st December, 2003

4. BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)

2002

	Distribution of electronic goods <i>HK\$'000</i>	Distribution of sports products <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
TURNOVER			
External sales	<u>1,278,902</u>	<u>80,577</u>	<u>1,359,479</u>
RESULT			
Segment result	<u>30,080</u>	<u>6,654</u>	36,734
Interest income			1,186
Deficit on revaluation of investment properties			(1,000)
Impairment loss on investment securities			(900)
Unallocated corporate expenses			(11,732)
Unallocated corporate income			<u>2,442</u>
Profit from operations			26,730
Finance costs			(11,050)
Share of results of associates	(126)	-	<u>(126)</u>
Profit before taxation			15,554
Taxation			<u>(1,203)</u>
Profit before minority interests			14,351
Minority interests			<u>(2,792)</u>
Profit for the year			<u>11,559</u>

Notes to the Financial Statements

For the year ended 31st December, 2003

4. BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)

2002 (Continued)

	Distribution of electronic goods HK\$'000	Distribution of sports products HK\$'000	Consolidated HK\$'000
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BALANCE SHEET

ASSETS

Segment assets	554,820	47,635	602,455
Interests in associates	820	–	820
Unallocated corporate assets			142,870
Total assets			<u>746,145</u>

LIABILITIES

Segment liabilities	207,032	9,091	216,123
Unallocated corporate liabilities			239,117
Total liabilities			<u>455,240</u>

	Distribution of electronic goods HK\$'000	Distribution of sports products HK\$'000	Others HK\$'000	Consolidated HK\$'000
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OTHER INFORMATION

Capital additions	8,600	107	1,691	10,398
Amortisation of goodwill	–	–	1,613	1,613
Depreciation and amortisation of property, plant and equipment	4,579	146	5,130	9,855

Notes to the Financial Statements

For the year ended 31st December, 2003

4. BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)

Geographical segments

The Group's operations are located in Hong Kong, the People's Republic of China (the "PRC") and Taiwan. The Group's distribution of electronic goods is carried out in Hong Kong, the PRC and Taiwan. Distribution of sports products is carried out in Hong Kong and the PRC.

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

	Sales revenue by geographical market	
	Year ended	Year ended
	31.12.2003	31.12.2002
	HK\$'000	<i>HK\$'000</i>
Hong Kong	717,394	618,564
PRC	827,290	477,660
Taiwan	276,860	249,961
Others	26,763	13,294
	<u>1,848,307</u>	<u>1,359,479</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:

	Carrying amount of segment assets		Additions to property, plant and equipment and intangible assets	
	Year ended	Year ended	Year ended	Year ended
	31.12.2003	31.12.2002	31.12.2003	31.12.2002
	HK\$'000	<i>HK\$'000</i>	HK\$'000	<i>HK\$'000</i>
Hong Kong	572,308	550,627	9,380	2,422
PRC	172,104	87,944	742	7,976
Taiwan	146,381	103,014	-	-
Others	9,831	3,980	22	-
	<u>900,624</u>	<u>745,565</u>	<u>10,144</u>	<u>10,398</u>

Notes to the Financial Statements

For the year ended 31st December, 2003

5. PROFIT FROM OPERATIONS

	2003 HK\$'000	2002 <i>HK\$'000</i>
Profit from operations has been arrived at after charging:		
Staff costs, including directors' remunerations		
– basic salaries and allowances	30,952	30,789
– performance related incentive payments	1,027	593
– retirement benefits scheme contributions, net of forfeited contributions of HK\$145,000 (2002: HK\$80,000)	1,149	971
Amortisation of goodwill (included in administrative expenses)	1,671	1,613
Auditors' remuneration	870	692
Depreciation and amortisation of property, plant and equipment		
– owned assets	8,719	9,783
– assets held under finance leases	116	72
Loss on disposal of property, plant and equipment	182	–
and after crediting:		
Gain on disposal of property, plant and equipment	–	498
Rental income from properties, net of outgoings of HK\$13,000 (2002: HK\$44,000)	1,587	1,738
	1,587	1,738

6. FINANCE COSTS

	2003 HK\$'000	2002 <i>HK\$'000</i>
Interest on:		
– bank and other borrowings wholly repayable within five years	10,056	11,025
– bank borrowings not wholly repayable within five years	22	–
– obligations under finance leases	32	25
	10,110	11,050

Notes to the Financial Statements

For the year ended 31st December, 2003

7. DIRECTORS' AND HIGHEST PAID INDIVIDUALS' REMUNERATIONS

Particulars of the directors' and the five highest paid individuals' remunerations were as follows:

(a) Directors' remunerations

	2003 HK\$'000	2002 <i>HK\$'000</i>
Directors' fees:		
Executive directors	-	-
Non-executive director	-	-
Independent non-executive directors	140	290
Other emoluments:		
Executive directors		
– basic salaries and allowances	3,833	4,354
– performance related incentive payments	356	93
– retirement benefits scheme contributions	74	80
Total emoluments	4,403	4,817

The directors' remunerations were within the following bands:

	Number of directors	
	2003	2002
Nil to HK\$1,000,000	8	6
HK\$1,000,001 to HK\$1,500,000	-	1
HK\$3,000,001 to HK\$3,500,000	-	1
HK\$3,500,001 to HK\$4,000,000	1	-

Notes to the Financial Statements

For the year ended 31st December, 2003

7. DIRECTORS' AND HIGHEST PAID INDIVIDUALS' REMUNERATIONS (Continued)

(b) Employees' remunerations

Of the five highest paid individuals in the Group, one (2002: two) is a director of the Company whose remunerations are set out in (a) above. The remuneration of the remaining four (2002: three) individuals are as follows:

	2003 HK\$'000	2002 <i>HK\$'000</i>
Basic salaries and allowances	2,456	1,907
Performance related incentive payments	214	500
Retirement benefits scheme contributions	101	88
	2,771	2,495

The remuneration of each of the employees was under HK\$1,000,000.

During the years ended 31st December, 2003 and 2002, no emoluments were paid by the Group to the five highest paid individuals, including directors, as an inducement to join or upon joining the Group or as compensation for loss of office. In addition, during the years ended 31st December, 2003 and 2002, no directors waived any emoluments.

8. TAXATION

	2003 HK\$'000	2002 <i>HK\$'000</i>
The charge comprises:		
Hong Kong Profits Tax		
Current year	5,453	2,841
Overprovision in prior years	(363)	(1,017)
	5,090	1,824
Deferred taxation (<i>note 27</i>)		
Current year	(13)	(621)
Attributable to a change in tax rate in Hong Kong	258	–
	245	(621)
	5,335	1,203

Notes to the Financial Statements

For the year ended 31st December, 2003

8. TAXATION (Continued)

Hong Kong Profits Tax is calculated at 17.5% (2002: 16%) of the estimated assessable profit for the year. In June 2003, the Hong Kong Profits Tax rate was increased from 16% to 17.5% with effect from the 2003/2004 year of assessment.

The tax charge for the year can be reconciled to the profit per the income statement as follows:

	2003		2002	
	HK\$'000	%	HK\$'000	%
Profit before taxation	32,413		15,554	
Tax at Hong Kong Profits Tax rate of 17.5% (2002: 16%)	5,672	17.5	2,489	16.0
Tax effect of expenses not deductible for tax purpose	1,115	3.4	1,008	6.5
Tax effect of income not taxable for tax purpose	(407)	(1.2)	(1,055)	(6.8)
Overprovision in respect of prior years	(363)	(1.1)	(1,017)	(6.5)
Tax effect of tax losses/other deferred tax assets not recognised	1,033	3.2	880	5.6
Utilisation of tax losses previously not recognised	(1,463)	(4.5)	(1,102)	(7.1)
Increase in opening deferred tax liability resulting from an increase in Hong Kong Profits Tax rate	258	0.8	–	–
Effect of tax exemption granted to Macau subsidiary	(510)	(1.6)	–	–
Tax expense and effective tax rate for the year	5,335	16.5	1,203	7.7

Notes to the Financial Statements

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9. DIVIDEND

	2003 HK\$'000	2002 <i>HK\$'000</i>
Interim dividend of HK1.0 cent per share for the year ended 31st December, 2003 (2002: Nil)	<u>2,301</u>	<u>–</u>

A final dividend of HK2 cents per share for the year ended 31st December, 2003 (2002: Nil) has been proposed by the board of directors and is subject to approval by the shareholders in the forthcoming annual general meeting.

10. EARNINGS PER SHARE

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

	2003 HK\$'000	2002 <i>HK\$'000</i>
Earnings for the purposes of basic and diluted earnings per share – profit for the year	<u>23,527</u>	<u>11,559</u>

	Number of shares	Number of shares
Number of ordinary shares for the purposes of basic earnings per share	230,140,720	230,140,720
Effect of dilutive potential ordinary shares in respect of share options	<u>34,071</u>	<u>348,680</u>
Weighted average number of ordinary shares for the purposes of diluted earnings per share	<u>230,174,791</u>	<u>230,489,400</u>

Notes to the Financial Statements

For the year ended 31st December, 2003

10. EARNINGS PER SHARE (Continued)

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

	Basic <i>HK cents</i>	Diluted <i>HK cents</i>
Reconciliation of 2002 earnings per share:		
Reported figures before adjustments	4.99	4.98
Adjustments arising from the adoption of SSAP 12 (Revised)	<u>0.03</u>	<u>0.03</u>
Restated	<u>5.02</u>	<u>5.01</u>

11. INVESTMENT PROPERTIES

	THE GROUP <i>HK\$'000</i>
VALUATION	
At 1st January, 2003	57,000
Surplus on revaluation	<u>1,000</u>
At 31st December, 2003	<u>58,000</u>

At 31st December, 2003, the investment properties of the Group were revalued by an independent firm of professional property valuers, Chesterton Petty Limited, on an open market value basis at HK\$58,000,000. The surplus arising on revaluation amounted to HK\$1,000,000 has been credited to the consolidated income statement.

The investment properties are held under medium term leases in Hong Kong and rented out under operating leases.

Notes to the Financial Statements

For the year ended 31st December, 2003

12. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings	Leasehold improve- ments	Furniture and fixtures	Office equipment	Motor vehicles and vessel	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
THE GROUP						
COST OR VALUATION						
At 1st January, 2003	79,759	17,613	10,697	10,026	11,859	129,954
Additions	7,057	724	170	1,049	1,028	10,028
Disposals	–	(529)	–	(21)	(490)	(1,040)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
At 31st December, 2003	86,816	17,808	10,867	11,054	12,397	138,942
Comprising:						
At cost	41,466	17,808	10,867	11,054	12,397	93,592
At valuation – 1994	45,350	–	–	–	–	45,350
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	86,816	17,808	10,867	11,054	12,397	138,942
DEPRECIATION AND AMORTISATION						
At 1st January, 2003	16,918	7,482	8,170	6,864	8,916	48,350
Provided for the year	2,454	2,826	810	1,359	1,386	8,835
Eliminated on disposals	–	(332)	–	(17)	(490)	(839)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
At 31st December, 2003	19,372	9,976	8,980	8,206	9,812	56,346
NET BOOK VALUES						
At 31st December, 2003	<u>67,444</u>	<u>7,832</u>	<u>1,887</u>	<u>2,848</u>	<u>2,585</u>	<u>82,596</u>
At 31st December, 2002	<u>62,841</u>	<u>10,131</u>	<u>2,527</u>	<u>3,162</u>	<u>2,943</u>	<u>81,604</u>

Notes to the Financial Statements

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12. PROPERTY, PLANT AND EQUIPMENT (Continued)

The net book value of leasehold land and buildings held by the Group at the balance sheet date comprises:

	2003 HK\$'000	2002 <i>HK\$'000</i>
Held in Hong Kong under medium term leases	58,823	54,026
Held in the PRC under long leases	8,621	8,815
	67,444	62,841

If leasehold land and buildings had not been revalued, they would have been included in these financial statements at historical cost less accumulated depreciation and amortisation at HK\$47,418,000 (2002: HK\$48,905,000).

At 31st December, 2003, the net book value of motor vehicles and vessel included an amount of HK\$646,000 (2002: HK\$216,000) in respect of assets held under finance leases.

13. GOODWILL

	THE GROUP <i>HK\$'000</i>
COST	
At 1st January, 2003	58,198
Arising on acquisition of additional interest in a subsidiary	116
At 31st December, 2003	58,314
AMORTISATION	
At 1st January, 2003	53,603
Provided for the year	1,671
At 31st December, 2003	55,274
NET BOOK VALUES	
At 31st December, 2003	3,040
At 31st December, 2002	4,595

The amortisation period adopted for goodwill ranging from 2 to 10 years.

Notes to the Financial Statements

For the year ended 31st December, 2003

14. INTERESTS IN SUBSIDIARIES

	THE COMPANY	
	2003 HK\$'000	2002 HK\$'000
Unlisted shares (<i>Note</i>)	92,577	92,577
Amounts due from subsidiaries	396,258	402,374
	488,835	494,951
Less: Impairment loss and allowance	(190,000)	(190,000)
	298,835	304,951

Note: The carrying value of the unlisted shares is based on the underlying net tangible assets of the subsidiaries at the time when they became members of the Group pursuant to the group reorganisation in 1994.

The amounts due from subsidiaries are unsecured, non-interest bearing and have no fixed terms of repayment. In the opinion of the directors, the amounts will not be repayable within twelve months from the balance sheet date and are therefore shown in the balance sheet as non-current.

Particulars of the Company's principal subsidiaries at 31st December, 2003 are set out in note 34.

15. INTERESTS IN ASSOCIATES

	THE GROUP	
	2003 HK\$'000	2002 HK\$'000
Share of net assets of associates	561	820

Notes to the Financial Statements

For the year ended 31st December, 2003

15. INTERESTS IN ASSOCIATES (Continued)

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

Name of associate	Form of business structure	Place of incorporation/ operations	Class of share held %	Proportion of issued share capital held by the Group	Principal activities
Bestime Technology Development Limited	Incorporated	Hong Kong	Ordinary	30	Trading of electronic products
Now Electron Inc.	Incorporated	Korea	Ordinary	48	Trading of electronic products
Ocean Bright Technology Limited	Incorporated	Hong Kong	Ordinary	30	Trading of electronic products

16. INVESTMENT SECURITIES

	THE GROUP	
	2003 HK\$'000	2002 <i>HK\$'000</i>
Unlisted shares in Hong Kong, at cost less impairment loss	600	1,100
Listed shares in overseas, at cost less impairment loss	1,516	6,420
	2,116	7,520
Market value of listed shares	221	3,199

The directors of the Company have reviewed the carrying amounts of investment securities with reference to the financial results and business operated by the investees. The directors have identified impairment loss of HK\$1,991,000 (2002: HK\$900,000) on the investment securities, estimated by reference to the fair values, and the amounts have been recognised in the income statement accordingly.

Notes to the Financial Statements

For the year ended 31st December, 2003

17. CLUB MEMBERSHIPS

	THE GROUP	
	2003 HK\$'000	2002 HK\$'000
Club memberships, at cost		
Hong Kong	1,447	1,447
Outside Hong Kong	3,012	2,661
	4,459	4,108

The directors are of the opinion that the club memberships are worth at least their carrying amounts.

18. INVENTORIES

	THE GROUP	
	2003 HK\$'000	2002 HK\$'000
Raw materials	-	203
Finished goods	217,558	172,978
	217,558	173,181

Included above are finished goods of HK\$10,396,000 (2002: HK\$6,879,000) carried at net realisable values.

At 31st December, 2002, raw materials of HK\$203,000 were also carried at net realisable values.

Notes to the Financial Statements

For the year ended 31st December, 2003

19. TRADE AND OTHER RECEIVABLES

The Group has a policy of allowing credit periods ranging from 30 days to 120 days to its trade customers.

Included in trade and other receivables are trade receivables of HK\$401,223,000 (2002: HK\$326,562,000) and their aged analysis is as follows:

	THE GROUP	
	2003 HK\$'000	2002 HK\$'000
Within 30 days	299,152	195,622
More than 30 days and within 60 days	36,155	35,055
More than 60 days and within 90 days	11,393	54,385
More than 90 days	54,523	41,500
	401,223	326,562

20. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade payables of HK\$154,453,000 (2002: HK\$163,816,000) and their aged analysis is as follows:

	THE GROUP	
	2003 HK\$'000	2002 HK\$'000
Within 30 days	138,766	147,990
More than 30 days and within 60 days	9,823	13,016
More than 60 days and within 90 days	1,132	1,039
More than 90 days	4,732	1,771
	154,453	163,816

Notes to the Financial Statements

For the year ended 31st December, 2003

21. OBLIGATIONS UNDER FINANCE LEASES

	Minimum lease payments		Present value of minimum lease payments	
	2003	2002	2003	2002
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Amounts payable under finance leases:				
Within one year	230	92	192	72
In the second to fifth year inclusive	488	151	413	120
	718	243		
Less: future finance charges	(113)	(51)		
Present value of finance leases	605	192	605	192
Less: Amount due within one year shown under current liabilities			(192)	(72)
Amount due after one year			413	120

It is the Group's policy to lease certain of its motor vehicles under finance leases. The average lease term is four years. The average effective borrowing rate is 3%. The leases are paid on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

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

Notes to the Financial Statements

For the year ended 31st December, 2003

22. BANK AND OTHER BORROWINGS

	THE GROUP	
	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
Bank and other borrowings comprise:		
Bank loans	118,603	89,326
Bank import loans	221,196	120,332
Bank overdrafts	11,508	18,960
Other loan (<i>Note</i>)	3,000	5,000
	<u>354,307</u>	<u>233,618</u>
Analysed as:		
Secured	319,601	223,618
Unsecured	34,706	10,000
	<u>354,307</u>	<u>233,618</u>
The bank and other borrowings are repayable as follows:		
Within one year or on demand	348,386	230,928
More than one year, but not exceeding two years	1,213	986
More than two years, but not exceeding five years	2,275	1,704
More than five years	2,433	–
	<u>354,307</u>	<u>233,618</u>
<i>Less:</i> Amount due within one year shown under current liabilities	<u>(348,386)</u>	<u>(230,928)</u>
Amount due after one year	<u>5,921</u>	<u>2,690</u>

Note: The loan is unsecured and carries interest at 7.25% (2002: 8%) per annum.

Notes to the Financial Statements

For the year ended 31st December, 2003

23. SHARE CAPITAL

	Number of ordinary shares	Amount <i>HK\$'000</i>
--	--------------------------------------	----------------------------------

Ordinary shares of HK\$0.10 each

Authorised:

At 1st January, 2002, 31st December, 2002 and 31st December, 2003	<u>1,454,000,000</u>	<u>145,400</u>
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Issued and fully paid:

At 1st January, 2002, 31st December, 2002 and 31st December, 2003	<u>230,140,720</u>	<u>23,014</u>
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	Number of non-redeemable convertible preference shares	Amount <i>HK\$'000</i>
--	---	----------------------------------

Non-redeemable convertible preference shares
of HK\$0.10 each

Authorised:

At 1st January, 2002, 31st December, 2002 and 31st December, 2003	<u>46,000,000</u>	<u>4,600</u>
--	-------------------	--------------

Issued and fully paid:

At 1st January, 2002, 31st December, 2002 and 31st December, 2003	<u>—</u>	<u>—</u>
--	----------	----------

24. SHARE OPTION SCHEMES

- (a) Pursuant to a resolution passed on 17th September, 1994, the Company adopted a share option scheme (the "Initial Share Option Scheme") for recognition of past services contributed by the eligible directors and employees, and will expire on 16th September, 2004. Under the Initial Share Option Scheme, the Board of Directors of the Company may at their discretion grant options to directors and full-time employees of the Company and its subsidiaries, to subscribe for shares in the Company.

The Company has, in accordance with Chapter 17 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), terminated the Initial Share Option Scheme and adopted a new share option scheme, as approved by the shareholders of the Company at a special general meeting held on 28th June, 2002 (the "New Share Option Scheme") for recognition of past services contributed by, and giving incentives to the eligible directors and employees.

Upon termination of the Initial Share Option Scheme, no further options may be offered thereunder. However, in respect of the outstanding options, the provisions of the Initial Share Option Scheme shall remain in force.

At 31st December, 2003, the number of shares in respect of which options had been granted and remained outstanding under the Initial Share Option Scheme was 1,400,000 (2002: 2,200,000), representing 0.6% (2002: 1%) of the shares of the Company in issue at that date. The maximum number of shares in respect of which options may be granted under the Initial Share Option Scheme is not permitted to exceed 10% of the issued share capital of the Company at any point in time. The number of shares in respect of which options may be granted to any individual at the grant date is not permitted to exceed 25% of the number of shares issued and issuable under the Initial Share Option Scheme.

Options granted must be taken up within 28 days of the date of grant. No consideration is payable on the grant of an option. Options may generally be exercised at any time from the date of grant to the 10th anniversary of the date of grant. In each grant of options, the Board of Directors may at their discretion determine the specific exercise period. The exercise price is determined by the directors of the Company, and will not be less than the nominal value of the shares of the Company nor 80% of the average closing price of the shares for the five trading days immediately preceding the date of grant.

Notes to the Financial Statements

For the year ended 31st December, 2003

24. SHARE OPTION SCHEMES (Continued)

(a) (Continued)

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

Date of grant	Exercise price per share HK\$	Vesting period	Exercisable period	Outstanding at 1.1.2003	Lapsed during the year	Outstanding at 31.12.2003
29.9.1997	3.80	-	29.9.1997 - 16.9.2004	1,000,000	-	1,000,000
4.5.2000	0.59	4.5.2000 - 3.5.2002	4.5.2002 - 3.5.2004	200,000	-	200,000
17.6.2000	0.57	17.6.2000 - 16.6.2002	17.6.2002 - 16.6.2004	200,000	-	200,000
14.6.2001	0.49	-	14.6.2001 - 13.6.2003	800,000	(800,000)	-
				<u>2,200,000</u>	<u>(800,000)</u>	<u>1,400,000</u>

Date of grant	Exercise price per share HK\$	Vesting period	Exercisable period	Outstanding at 1.1.2002	Cancelled during the year	Lapsed during the year	Outstanding at 31.12.2002
4.3.1997	2.50	4.3.1997 - 4.3.1999	5.3.1999 - 4.3.2002	40,000	-	(40,000)	-
29.9.1997	3.80	-	29.9.1997 - 16.9.2004	1,000,000	-	-	1,000,000
4.5.2000	0.59	4.5.2000 - 3.5.2002	4.5.2002 - 3.5.2004	200,000	-	-	200,000
17.6.2000	0.57	17.6.2000 - 16.6.2002	17.6.2002 - 16.6.2004	400,000	(200,000)	-	200,000
19.6.2000	0.57	19.6.2000	20.6.2000 - 19.6.2002	1,600,000	-	(1,600,000)	-
2.5.2001	0.39	-	2.5.2001 - 1.5.2002	4,110,000	-	(4,110,000)	-
12.6.2001	0.49	-	12.6.2001 - 11.6.2002	400,000	-	(400,000)	-
14.6.2001	0.49	-	14.6.2001 - 13.6.2003	800,000	-	-	800,000
				<u>8,550,000</u>	<u>(200,000)</u>	<u>(6,150,000)</u>	<u>2,200,000</u>

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

Date of grant	Exercise price per share HK\$	Vesting period	Exercisable period	Outstanding at 1.1.2003	Reclassified during the year	Outstanding at 31.12.2003
29.9.1997	3.80	-	29.9.1997 - 16.9.2004	1,000,000	-	1,000,000
17.6.2000	0.57	17.6.2000 - 16.6.2002	17.6.2002 - 16.6.2004	-	100,000	100,000
				<u>1,000,000</u>	<u>100,000</u>	<u>1,100,000</u>

Date of grant	Exercise price per share HK\$	Vesting period	Exercisable period	Outstanding at 1.1.2002	Lapsed during the year	Outstanding at 31.12.2002
29.9.1997	3.80	-	29.9.1997 - 16.9.2004	1,000,000	-	1,000,000
19.6.2000	0.57	19.6.2000	20.6.2000 - 19.6.2002	1,600,000	(1,600,000)	-
2.5.2001	0.39	-	2.5.2001 - 1.5.2002	3,750,000	(3,750,000)	-
12.6.2001	0.49	-	12.6.2001 - 11.6.2002	200,000	(200,000)	-
				<u>6,550,000</u>	<u>(5,550,000)</u>	<u>1,000,000</u>

24. SHARE OPTION SCHEMES *(Continued)*

- (b) According to the New Share Option Scheme, the Board of Directors of the Company may at their discretion grant options to any director, executive and employee of each member of the Group to subscribe for shares in the Company for a consideration of HK\$1 for each lot of share options granted. Share options granted should be accepted within 28 days from the date of grant. The Board may at its absolute discretion determine the period during which a share option may be exercised, such period should expire no later than 10 years from the date of grant. The Board may also provides restrictions on the exercise of a share option during the period a share option may be exercised. The exercise price is determined by the Board of Directors of the Company, and shall be at least the highest of: (i) the closing price of the Company's shares on the date of grant; (ii) the average closing price of the Company's shares for the five business days immediately preceding the date of grant; and (iii) the nominal value of the share.

The maximum number of shares in respect of which options may be granted under the New Share Option Scheme and any other share option schemes of the Company shall not exceed 10% (or such higher percentage as may be allowed under the Listing Rules) of the total number of shares in issue as at the date of adoption of the New Share Option Scheme.

The maximum number of shares issued and to be issued upon exercise of the options granted to each individual under the New Share Option Scheme and any other share option schemes (including both exercised, cancelled and outstanding options) in any 12-month period shall not exceed 1% of the total number of shares in issue.

No options have been granted under the New Share Option Scheme since its adoption.

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 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 31st December, 2003

25. RESERVES

	Share premium	Capital redemption reserve	Contributed surplus	Accumulated losses	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
THE COMPANY					
At 1st January, 2002	237,881	1,109	162,787	(184,173)	217,604
Profit for the year	-	-	-	4,170	4,170
At 31st December, 2002	237,881	1,109	162,787	(180,003)	221,774
Transfer from share premium to contributed surplus	(237,881)	-	237,881	-	-
Transfer from contributed surplus to accumulated losses	-	-	(180,003)	180,003	-
Loss for the year	-	-	-	(663)	(663)
Dividend paid (<i>note 9</i>)	-	-	(2,301)	-	(2,301)
At 31st December, 2003	-	1,109	218,364	(663)	218,810

The contributed surplus of the Company represents the aggregate of:

- (i) the difference between the consolidated shareholders' funds of subsidiaries when they were acquired by the Company and the nominal value of the Company's shares issued for the acquisition of HK\$92,277,000;
- (ii) the credit arising from the reduction of nominal value of the consolidated shares from HK\$1.00 each to HK\$0.10 each by cancelling HK\$0.90 paid up on each issued share, after a transfer of HK\$10,565,000 towards the elimination of the accumulated losses of the Company as at 31st December, 1997, of HK\$70,510,000;
- (iii) the credit arising from cancellation of the share premium account of HK\$237,881,000, after a transfer of HK\$180,003,000 towards the elimination of the accumulated losses of the Company as at 31st December, 2002, of HK\$57,878,000; and
- (iv) the distribution to shareholders of HK\$2,301,000 for the year ended 31st December, 2003.

Notes to the Financial Statements

For the year ended 31st December, 2003

25. RESERVES (Continued)

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

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

In the opinion of the directors, as at 31st December, 2003, the Company's reserves available for distribution to shareholders were as follows:

	<i>HK\$'000</i>
Contributed surplus	218,364
Accumulated losses	<u>(663)</u>
	<u>217,701</u>

In the opinion of the directors, the Company had no reserves available for distribution as at 31st December, 2002.

26. AMOUNTS DUE TO SUBSIDIARIES

The amounts due to subsidiaries of the Company are unsecured, non-interest bearing and have no fixed terms of repayment. The subsidiaries have confirmed that they do not intend to demand repayment within twelve months of the balance sheet date. Accordingly, such amounts have been classified as non-current.

Notes to the Financial Statements

For the year ended 31st December, 2003

27. DEFERRED TAXATION

The following are the major deferred tax liabilities (assets) recognised by the Group and movements thereon during the current and prior reporting periods.

	Accelerated tax depreciation <i>HK\$'000</i>	Revaluation of properties <i>HK\$'000</i>	Tax losses <i>HK\$'000</i>	Other deferred tax assets <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1st January, 2002					
– as previously stated	1,590	–	(793)	–	797
– adjustment on adoption of SSAP 12 (Revised)	(1,208)	2,990	793	–	2,575
– as restated	382	2,990	–	–	3,372
Credit for the year	(395)	–	(226)	–	(621)
At 31st December, 2002	(13)	2,990	(226)	–	2,751
Charge (credit) for the year	193	–	220	(426)	(13)
Effect of change in tax rate	279	–	(21)	–	258
At 31st December, 2003	459	2,990	(27)	(426)	2,996

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

	2003 HK\$'000	2002 <i>HK\$'000</i>
Deferred tax liabilities	3,163	2,751
Deferred tax assets	(167)	–
	2,996	2,751

Notes to the Financial Statements

For the year ended 31st December, 2003

27. DEFERRED TAXATION *(Continued)*

At 31st December, 2003, the Group had unused tax losses of HK\$93,125,000 (2002: HK\$100,255,000) available for offset against future profits. A deferred tax asset has been recognised in respect of HK\$153,000 (2002: HK\$1,411,000) of such losses. No deferred tax asset has been recognised in respect of the remaining HK\$92,972,000 (2002: HK\$98,844,000) due to the unpredictability of future profit streams. The unrecognised tax losses may be carried forward indefinitely.

At 31st December, 2003, the Group had deductible temporary differences of HK\$5,665,000 (2002: HK\$1,103,000). No deferred tax has been recognised in relation to such deductible temporary difference as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

The Company had no significant unprovided deferred taxation for the year or at the balance sheet date.

28. RETIREMENT BENEFITS SCHEME

The Group participates in both a defined contribution retirement benefits scheme which is registered under the Occupational Retirement Scheme Ordinance (the "ORSO Scheme") and a Mandatory Provident Fund Scheme (the "MPF Scheme") established under the Mandatory Provident Fund Ordinance in December 2000. The assets of the schemes are held separately from those of the Group, in funds under the control of trustees. Employees who were members of the ORSO Scheme prior to the establishment of the MPF Scheme were offered a choice of staying within the ORSO Scheme, or switching to the MPF Scheme, whereas all new employees joining the Group on or after 1st December, 2000 are required to join the MPF Scheme.

The retirement benefits cost of the ORSO Scheme and MPF Scheme charged to consolidated income statement represents contributions payable to the funds by the Group at rates specified in the rules of the schemes. Where there are employees who leave the ORSO Scheme prior to vesting fully in the contributions, the contributions payable by the Group are reduced by the amount of forfeited contributions.

At 31st December, 2003, the total amount of forfeited contributions, which arose upon employees leaving the ORSO Scheme and which are available to reduce the contributions payable in the future years, was approximately HK\$123,000 (2002: HK\$247,000).

Under the MPF Scheme, no forfeited contributions are available to reduce the contributions payable in the future years.

Notes to the Financial Statements

For the year ended 31st December, 2003

29. CONTINGENT LIABILITIES

	THE GROUP		THE COMPANY	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Guarantees given to banks in respect of banking facilities utilised by subsidiaries	-	-	399,460	233,598
Bills discounted with recourse	-	734	-	-

30. PLEDGE OF ASSETS

At 31st December, 2003, the following assets were pledged by the Group to banks in order to secure general banking facilities granted by these banks to the Group:

- (a) investment properties and leasehold land and buildings with net book values of HK\$58,000,000 (2002: HK\$57,000,000) and HK\$64,534,000 (2002: HK\$59,869,000), respectively;
- (b) short term bank deposits of HK\$38,843,000 (2002: HK\$12,452,000) for short term bank borrowings;
- (c) trade receivables of certain subsidiaries of HK\$119,086,000 (2002: HK\$52,118,000); and
- (d) all assets of certain subsidiaries with aggregate value of HK\$156,132,000 (2002: HK\$215,895,000).

31. OPERATING LEASE ARRANGEMENTS

The Group as a lessee

	THE GROUP	
	2003 HK\$'000	2002 HK\$'000
Minimum lease payments paid under operating leases in respect of rented premises:		
Related parties	738	738
Outsiders	1,562	1,460
	2,300	2,198

Notes to the Financial Statements

For the year ended 31st December, 2003

31. OPERATING LEASE ARRANGEMENTS (Continued)

At the balance sheet date, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of rented premises, which fall due as follows:

	THE GROUP	
	2003 HK\$'000	2002 <i>HK\$'000</i>
Within one year	61	379

Operating lease payments represent rentals payable by the Group for certain of its office and warehouse. Leases are negotiated for an average term of one year with fixed rental.

The Group as a lessor

Property rental income earned during the year was HK\$1,600,000 (2002: HK\$1,782,000). The properties are expected to generate rental yields of 3% on an ongoing basis. The properties held have committed tenants for the next one year.

At the balance sheet date, the Group had contracted with tenants for the following future minimum lease payments:

	2003	2002
	HK\$'000	<i>HK\$'000</i>
Within one year	1,456	1,560
In the second to fifth year inclusive	-	1,456
	1,456	3,016

The Company had no operating lease arrangements at the balance sheet date.

Notes to the Financial Statements

For the year ended 31st December, 2003

32. COMMITMENT

At the balance sheet date, the Group had forward contract commitments as follows:

	2003	2002
Principal amount of forward contracts held for hedging purposes against trade and other payables		
– sale of Hong Kong dollars	HK\$37,253,852	–
– purchase of United States dollars	US\$4,832,256	–

The Company had no forward contract commitments at the balance sheet date.

33. CONNECTED AND RELATED PARTY TRANSACTIONS AND BALANCES

(I) Connected parties

During the year, the Group had significant transactions and balances with related parties, some of which are also deemed to be connected parties pursuant to the Listing Rules. The significant transactions during the year and balances at the balance sheet date with related parties in which certain directors of the Company have beneficial interests, are as follows:

(a) Transactions

Name of party	Interested director	Nature of transactions	2003	2002
			HK\$'000	<i>HK\$'000</i>
Varitronix International Limited and its subsidiaries	Chang Chu Cheng	Purchases of electronic products (<i>note i</i>)	816	2,348
		Sales of electronic products (<i>note i</i>)	7,491	2,734
		Rental expenses paid by the Group (<i>note ii</i>)	258	258
United Dynamic Limited	Yim Yuk Lun, Stanley	Rental expenses paid by the Group (<i>note ii</i>)	480	480
Hon Hai Precision Industry Co., Ltd. (<i>note iv</i>) and its subsidiaries	–	Purchases of electronic products (<i>note i</i>)	105,897	122,988
		Sales of electronic products (<i>note i</i>)	174,174	163,520
		Commission paid by the Group (<i>note iii</i>)	67	233
		Commission received by the Group (<i>note iii</i>)	3,874	–

Notes to the Financial Statements

For the year ended 31st December, 2003

33. CONNECTED AND RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

(I) Connected parties (Continued)

(b) Balances

Name of party	Nature of transactions	2003	2002
		HK\$'000	HK\$'000
Varitronix International Limited and its subsidiaries	Balance at 31st December – trade receivables	2,583	1,365
Hon Hai Precision Industry Co., Ltd. and its subsidiaries	Balance at 31st December – trade receivables – trade payables	65,551 36,995	8,716 –

In addition, the Company had given guarantees outstanding at 31st December, 2003 amounting to HK\$57,240,000 (2002: HK\$82,240,000) to certain banks in respect of banking facilities granted by the banks to RDL Electronic Company Limited (“RDL”) which is 70% owned by the Company. During the year, the Company charged approximately HK\$1,034,000 (2002: HK\$5,419,000) to RDL in respect of guarantees given by the Company to RDL. The guarantees given by the Company were the only financial assistance given by RDL’s shareholders to RDL.

The Company had also given guarantees outstanding at 31st December, 2003 amounting to HK\$18,000,000 (2002: Nil), HK\$111,000,000 (2002: Nil) and HK\$33,000,000 (2002: Nil) to certain banks in respect of banking facilities granted by the banks to HAS Electronic Company Limited (“HAS”), SMartech Electronic Company Limited (“SMartech”) and RDL Electronic (Macao Commercial Offshore) Limited (“RDL Macao”), respectively. HAS is 85% owned by the Company while SMartech and RDL Macao are 70% owned by the Company. The guarantees given by the Company were the only financial assistances given by the shareholders of HAS, SMartech and RDL Macao to HAS, SMartech and RDL Macao, respectively.

Notes:

- i. The transactions were carried out at market price or, where no market price was available, at terms determined and agreed by both parties.
- ii. The rentals were charged at terms determined and agreed by both parties.
- iii. The transactions were carried out at terms determined and agreed by both parties.
- iv. The company is a substantial shareholder of the Company.

Notes to the Financial Statements

For the year ended 31st December, 2003

33. CONNECTED AND RELATED PARTY TRANSACTIONS AND BALANCES *(Continued)*

(II) Related parties, other than connected parties

The significant transactions with related parties, other than connected parties, during the year, and significant balances with them at the balance sheet date, are as follows:

(a) Transactions

Name of party	Nature of transactions	2003 HK\$'000	2002 HK\$'000
Associates:			
Bestime Technology Development Limited	Sales of electronic products <i>(note i)</i>	4,439	9,843
Ocean Bright Technology Limited	Sales of electronic products <i>(note i)</i>	4,470	9,722
	Services fee paid by the Group <i>(note ii)</i>	900	–

(b) Balances

Name of party	Nature of transactions	2003 HK\$'000	2002 HK\$'000
Associates:			
Bestime Technology Development Limited	Balance at 31st December – trade receivables	11,636	9,843
Ocean Bright Technology Limited	Balance at 31st December – trade receivables	10,089	9,722

Notes:

- i. The transactions were carried out at market price or, where no market price was available, at terms determined and agreed by both parties.
- ii. The transaction was carried out at terms determined and agreed by both parties.

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34. PARTICULARS OF PRINCIPAL SUBSIDIARIES

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

Name of subsidiary	Place of incorporation/ operations	Nominal value of issued and paid up share capital	Proportion of issued share capital held by the Company %	Principal activities
Bold Technology Limited	British Virgin Islands	Ordinary US\$10	60	Investment holding
Dragon Trading Limited	British Virgin Islands	Ordinary US\$40,000	100	Investment holding
Golf Specialists Pacific Limited	Hong Kong	Ordinary HK\$4	100	Trading of golf products
Golf Specialists Pacific (China) Limited (formerly known as Dragon Branch Investment Limited)	Hong Kong	Ordinary HK\$1,000 Non-voting deferred* HK\$1,000,000	100	Trading of golf products
Grant Square Investment Limited	Hong Kong	Ordinary HK\$10,000	100	Holding a motor vehicle
Green Classic Investment Limited	Hong Kong	Ordinary HK\$2	100	Investment holding
HAS Electronic Company Limited	Hong Kong	Ordinary HK\$1,000,000	85	Trading of electronic products
Likeson Limited	British Virgin Islands	Ordinary US\$2	100	Investment holding
Manfield Venture Corporation	British Virgin Islands	Ordinary US\$1	100	Investment holding
RDL (China) Development Company Limited	Hong Kong	Ordinary HK\$2	70	Trading of electronic products
RDL Electronic Company Limited	Hong Kong	Ordinary HK\$5,000,000	70	Trading of electronic products
RDL Electronic (Macao Commercial Offshore) Limited	Macau	Ordinary MOP100,000	70	Trading of electronic products
S.A.S. (China) Development Company Limited	Hong Kong	Ordinary HK\$1,000,000	100	Trading of electronic products

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For the year ended 31st December, 2003

34. PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

Name of subsidiary	Place of incorporation/ operations	Nominal value of issued and paid up share capital	Proportion of issued share capital held by the Company %	Principal activities
S.A.S. Electronic Company Limited	Hong Kong	Ordinary HK\$1,000,000	100	Distribution of electronic products
S.A.S. Enterprises Company Limited	Hong Kong	Ordinary HK\$100 Non-voting deferred* HK\$1,000,000	100 100	Distribution of electronic products
S.A.S. Investment Company Limited	Hong Kong	Ordinary HK\$100 Non-voting deferred* HK\$1,000,000	100 100	Property and investment holding
S.A.S. Telecommunications Company Limited	British Virgin Islands	Ordinary US\$1	100	Investment holding
SMartech Electronic Company Limited	Hong Kong	Ordinary HK\$1,000,000	70	Trading of electronic products
Sportline Limited	Hong Kong	Ordinary HK\$200,000	100	Trading of sports products

* *The non-voting deferred shares practically carry no rights to dividends or to receive notice of or to attend or vote at any general meetings of the company or to participate in any distribution on winding up.*

With the exception of Dragon Trading Limited, S.A.S. Investment Company Limited, S.A.S. Telecommunications Company Limited and Bold Technology Limited, all the subsidiaries are indirectly held.

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

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