

NOTES TO FINANCIAL STATEMENTS

31 December 2003

1. IMPACT OF A REVISED HONG KONG STATEMENT OF STANDARD ACCOUNTING PRACTICE

The following revised Hong Kong Statement of Standard Accounting Practice ("SSAP") and a related Interpretation are effective for the first time for the current year's financial statements:

- SSAP 12 (Revised): "Income taxes"
- Interpretation 20: "Income taxes – Recovery of revalued non-depreciable assets"

This SSAP and the Interpretation prescribe new accounting measurement and disclosure practices. The major effects on the Group's accounting policies and on the amounts disclosed in these financial statements of this SSAP and the Interpretation are summarised as follows:

SSAP 12 prescribes the accounting for income taxes payable or recoverable, arising from the taxable profit or loss for the current period (current tax); and income taxes payable or recoverable in future periods, principally arising from taxable and deductible temporary differences and the carryforward of unused tax losses (deferred tax). The SSAP has had no significant impact for these financial statements on the amounts recorded for income taxes. However, the related note disclosures are now more extensive than previously required. These are detailed in note 9 to the financial statements and include a reconciliation between the accounting profit and the tax expense for the year.

Interpretation 20 requires that a deferred tax asset or liability that arises from the revaluation of certain non-depreciable assets and investment properties is measured based on the tax consequences that would follow from the recovery of the carrying amount of that asset through sale. This policy has been applied by the Group in respect of the revaluation of its investment properties in the deferred tax calculated under SSAP 12.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

These financial statements have been prepared in accordance with Hong Kong Statements of Standard Accounting Practice, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for the periodic remeasurement of certain fixed assets and investment properties, as further explained below.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Basis of consolidation

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

Minority interests represent the interests of outside shareholders in the results and net assets of the Company's subsidiaries.

Revenue recognition

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

- (a) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;
- (b) interest income, on a time proportion basis taking into account the principal outstanding and the effective interest rate applicable;
- (c) rental income, on a time proportion basis over the lease terms; and
- (d) dividend income, when the shareholders' right to receive payment has been established;

Subsidiaries

A subsidiary is a company whose financial and operating policies the Company controls, directly or indirectly, so as to obtain benefits from its activities.

The results of subsidiaries are included in the Company's profit and loss account to the extent of dividends received and receivable. The Company's investments in subsidiaries are stated at cost less any impairment losses.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Joint venture companies

A joint venture company is a company set up by contractual arrangement, whereby the Group and other parties undertake an economic activity. The joint venture company operates as a separate entity in which the Group and the other parties have an interest.

The joint venture agreement between the venturers stipulates the capital contributions of the joint venture parties, the duration of the joint venture and the basis on which the assets are to be realised upon its dissolution. The profits and losses from the joint venture company's operations and any distributions of surplus assets are shared by the venturers, either in proportion to their respective capital contributions, or in accordance with the terms of the joint venture agreement.

A joint venture company is treated as:

- (a) a subsidiary, if the Company has unilateral control, directly or indirectly, over the joint venture company;
- (b) a jointly-controlled entity, if the Company does not have unilateral control, but has joint control, directly or indirectly, over the joint venture company;
- (c) an associate, if the Company does not have unilateral or joint control, but holds, directly or indirectly, generally not less than 20% of the joint venture company's registered capital and is in a position to exercise significant influence over the joint venture company; or
- (d) a long term investment, if the Company holds, directly or indirectly, less than 20% of the joint venture company's registered capital and has neither joint control of, nor is in a position to exercise significant influence over, the joint venture company.

Associates

An associate is a company, not being a subsidiary or a jointly-controlled entity, in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence.

The Group's share of the post-acquisition results and reserves of associates is included in the consolidated profit and loss account and consolidated reserves, respectively. The Group's interests in associates are stated in the consolidated balance sheet at the Group's share of net assets under the equity method of accounting less any impairment losses.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Fixed assets and depreciation

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

Changes in the values of fixed assets, other than investment properties, are dealt with as movements in the asset revaluation reserve. If the total of this reserve is insufficient to cover a deficit, on an individual asset basis, the excess of the deficit is charged to the profit and loss account. Any subsequent revaluation surplus is credited to the profit and loss account to the extent of the deficit previously charged. On disposal or retirement of a revalued asset, the relevant portion of the revaluation reserve realised in respect of previous valuations is transferred to retained profits as a movement in reserves.

Depreciation is calculated on the straight-line basis to write off the cost or valuation of each asset, less any estimated residual value, over the following estimated useful lives:

Leasehold land and buildings	Over the lease terms
Leasehold improvements	Over the lease terms or 5 years, whichever is shorter
Plant and machinery	10 – 12 years
Furniture, fixtures and office equipment	5 – 10 years
Motor vehicles	5 – 10 years

Estimated residual values are determined as 10% of the original purchase cost of each individual underlying asset.

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

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Fixed assets and depreciation *(continued)*

Construction in progress represents buildings under construction, which is stated at cost less any impairment losses, and is not depreciated. Construction in progress is reclassified to the appropriate category of fixed assets or other assets when completed and ready for use.

Investment properties

Investment properties are interests in land and buildings in respect of which construction work and development have been completed and which are intended to be held on a long term basis for their investment potential, any rental income being negotiated at arm's length. Such properties are not depreciated and are stated at their open market values on the basis of annual professional valuations performed at the end of each financial year.

Changes in the values of investment properties are dealt with as movements in the investment property revaluation reserve. If the total of this reserve is insufficient to cover a deficit, on a portfolio basis, the excess of the deficit is charged to the profit and loss account. Any subsequent revaluation surplus is credited to the profit and loss account to the extent of the deficit previously charged.

On disposal of an investment property, the relevant portion of the investment property revaluation reserve realised in respect of previous valuations is released to the profit and loss account.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of manufacturing overheads based on normal levels of activity. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets and rentals receivable under the operating leases are credited to the profit and loss account on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under the operating leases are charged to the profit and loss account on the straight-line basis over the lease terms.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment of assets

An assessment is made at each balance sheet date of whether there is any indication of impairment of any asset, or whether there is any indication that an impairment loss previously recognised for an asset in prior years may no longer exist or may have decreased. If any such indication exists, the asset's recoverable amount is estimated. An asset's recoverable amount is calculated as the higher of the asset's value in use or its net selling price.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. An impairment loss is charged to the profit and loss account in the period in which it arises, unless the asset is carried at a revalued amount, when the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount of an asset, however not to an amount higher than the carrying amount that would have been determined (net of any depreciation), had no impairment loss been recognised for the asset in prior years.

A reversal of an impairment loss is credited to the profit and loss account in the period in which it arises, unless the asset is carried at a revalued amount, when the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

Related parties

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

Income tax

Income tax comprises current and deferred tax. Income tax is recognised in the profit and loss account or in equity if it relates to items that are recognised in the same or a different period, directly in equity.

Deferred tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

Income tax (*continued*)

Deferred tax liabilities are recognised for all taxable temporary differences:

- except where the deferred tax liability arises from the initial recognition of an asset or liability and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries and associates, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carryforward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax assets and unused tax losses can be utilised:

- except where the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries and associates, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Research and development costs

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

Cash and cash equivalents

For the purpose of the consolidated cash flow statement, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the balance sheet, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

Dividends

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

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

Foreign currencies

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

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Foreign currencies *(continued)*

On consolidation, the financial statements of overseas subsidiaries and associates are translated into Hong Kong dollars using the net investment method. The profit and loss accounts of overseas subsidiaries and associates are translated into Hong Kong dollars at the weighted average exchange rates for the year, and their balance sheets are translated into Hong Kong dollars at the exchange rates ruling at the balance sheet date. The resulting translation differences are included in the exchange fluctuation reserves.

For the purpose of the consolidated cash flow statement, the cash flows of overseas subsidiaries are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

Retirement benefits scheme

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 MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to the profit and loss account as they become payable in accordance with the rules of the 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, except for the Group's employer voluntary contributions, which are refunded to the Group when the employee leaves employment prior to the contributions vesting fully, in accordance with the rules of the MPF Scheme.

The Group's subsidiaries in Mainland China are required to participate in the employee retirement scheme operated by the relevant local government bureau in Mainland China and to make contributions for its eligible employees. The contributions to be borne by the Group are calculated at a certain percentage of the salaries and wages for those eligible employees.

3. CORPORATE INFORMATION AND RELATED PARTY TRANSACTIONS

The principal activity of the Company consists of investment holding. The principal activities of the Company's subsidiaries are set out in note 14 to the financial statements. There were no significant changes in the nature of the subsidiaries' principal activities during the year.

The directors consider Landmark Worldwide Holdings Limited, a company incorporated in the British Virgin Islands, to be the Company's ultimate holding company at the balance sheet date.

The Group had the following transactions with related parties in addition to those disclosed elsewhere in the financial statements:

- (i) During the year and as at the balance sheet date, the Group made an advance to an associate, further details of which are set out in note 15 to the financial statements.
- (ii) During the year, the Group paid rental expenses of approximately HK\$307,000 (2002: HK\$300,000) to a minority shareholder of a subsidiary of the Company. The rental expenses were determined by the directors of the Group and the minority shareholder with reference to the then prevailing market conditions.
- (iii) During the year, the Group sold finished goods of approximately HK\$213,000 to 福建石獅通達電機有限公司, a company owned as to 7.5% by Mr. Wang Ya Nan, a director of the Company. The selling price was determined with reference to the published prices offered to the major customers of the Group.

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4. SEGMENT INFORMATION

Segment information is presented by way of two segment formats: (i) on a primary segment reporting basis, by business segment; and (ii) on a secondary segment reporting basis, by geographical segment.

The Group's operating businesses are structured and managed separately, according to the nature of their operations and the products and services they provide. Each of the Group's business segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of other business segments. Summary details of the business segments are as follows:

- (a) the electrical fittings segment produces accessories for electrical appliance products;
- (b) the ironware parts segment is a supplier of metallic casings and other ironware parts for electrical and electronic appliances;
- (c) the communication facilities segment is a supplier of electronic components and fiber optic cable, the essential components of communication equipment; and
- (d) the corporate and others segment comprises the trading of electrical appliances, the Group's management services business and the corporate income and expense items.

In determining the Group's geographical segments, revenues are attributed to the segments based on the location of the customers, and assets are attributed to the segments based on the location of the assets.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

4. SEGMENT INFORMATION (continued)

(a) Business segments

The following tables present revenue, results and certain asset, liability and expenditure information for the Group's business segments.

Group

	Electrical fittings		Ironware parts		Communication facilities		Corporate and others		Eliminations		Consolidated	
	2003	2002	2003	2002	2003	2002	2003	2002	2003	2002	2003	2002
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Restated)											
Segment revenue:												
Sales to external customers	117,385	67,270	214,689	131,381	84,913	49,971	29,029	7,639	-	-	446,016	256,261
Intersegment sales	468	810	803	-	-	55	-	-	(1,271)	(865)	-	-
Total	117,853	68,080	215,492	131,381	84,913	50,026	29,029	7,639	(1,271)	(865)	446,016	256,261
Segment results	40,468	14,875	28,251	12,233	5,409	(1,368)	(9,359)	(9,323)	(900)	8,190	63,869	24,607
Unallocated income											3,224	2,067
Profit from operating activities											67,093	26,674
Finance costs											(5,648)	(4,467)
Share of profits and losses of associates											3,936	2,127
Profit before tax											65,381	24,334
Tax											(6,722)	(2,793)
Profit before minority interests											58,659	21,541
Minority interests											29	1,473
Net profit from ordinary activities attributable to shareholders											58,688	23,014

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4. SEGMENT INFORMATION (continued)

(a) Business segments (continued)

Group	Electrical fittings		Ironware parts		Communication facilities		Corporate and others		Eliminations		Consolidated	
	2003	2002	2003	2002	2003	2002	2003	2002	2003	2002	2003	2002
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Restated)											
Segment assets	142,298	133,411	321,209	168,806	111,387	92,340	57,792	22,502	(87,039)	(29,837)	545,647	387,222
Interests in associates	-	-	-	-	-	-	5,953	3,363	-	-	5,953	3,363
Total assets	142,298	133,411	321,209	168,806	111,387	92,340	63,745	25,865	(87,039)	(29,837)	551,600	390,585
Segment liabilities	69,786	2,855	144,303	21,123	56,868	52,641	18,467	8,587	(87,039)	29,837	202,385	115,043
Unallocated liabilities	-	-	-	-	-	-	-	-	-	-	102,608	71,317
Total liabilities											304,993	186,360
Other segment information:												
Depreciation	3,996	3,603	6,588	3,321	2,793	2,867	534	486	-	-	13,911	10,277
Deficit/(surplus) on revaluation of leasehold land and buildings	-	-	-	-	-	-	(144)	144	-	-	(144)	144
Deficit on revaluation of investment properties	-	-	-	-	-	-	150	55	-	-	150	55
Capital expenditure	21,207	17,228	21,332	47,809	4,915	1,878	492	15,390	-	(27,999)	47,946	54,306

4. SEGMENT INFORMATION (continued)

(b) Geographical segments

The following tables present revenue and certain asset and expenditure information for the Group's geographical segments.

Group

	Hong Kong		Mainland China		Southeast Asia		Australia		Others		Consolidated	
	2003	2002	2003	2002	2003	2002	2003	2002	2003	2002	2003	2002
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue:												
Sales to external customers	54,143	12,936	337,510	215,238	3,048	8,598	30,739	10,304	20,576	9,185	446,016	256,261
Segment assets	69,313	24,384	462,041	354,339	1,112	741	9,810	8,923	9,324	2,198	551,600	390,585
Other segment information:												
Capital expenditure	549	15,460	47,394	38,840	-	-	-	-	3	6	47,946	54,306

5. TURNOVER

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

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6. PROFIT FROM OPERATING ACTIVITIES

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

	2003 HK\$'000	2002 HK\$'000
Cost of inventories sold	336,165	200,655
Staff costs (excluding directors' remuneration – note 7)		
Salaries and wages	37,736	23,677
Pension scheme contributions	57	63
Less: Amounts included in research and development costs	(1,635)	(792)
	36,158	22,948
Minimum lease payments under operating lease of land and buildings	846	794
Auditors' remuneration	900	857
Depreciation	13,911	10,277
Research and development costs	5,469	3,927
Deficit on revaluation of investment properties	150	55
Amortisation of prepayments	486	13
Provision for bad and doubtful debts	824	–
Gain on disposal of fixed assets	(4)	–
Deficit/(surplus) on revaluation of leasehold land and buildings	(144)	144
Gross rental income without outgoings	(651)	(404)
Interest income	(39)	(132)

Cost of inventories sold includes HK\$42,821,000 (2002: HK\$28,649,000) relating to staff costs, operating lease rentals on land and buildings, amortisation of prepayments, and depreciation of the manufacturing activities, which are also included in the respective total amounts disclosed above for each of these types of expenses.

7. DIRECTORS' REMUNERATION AND HIGHEST PAID EMPLOYEES

Directors' remuneration for the year, disclosed pursuant to the Listing Rules and Section 161 of the Companies Ordinance, is as follows:

	Group	
	2003 HK\$'000	2002 HK\$'000
Fees:		
Executive directors	–	–
Independent non-executive directors	240	240
	240	240
Other emoluments paid and payable to executive directors:		
Basic salaries, housing, other allowances and benefits in kind	4,200	4,200
Pension scheme contributions	204	208
	4,404	4,408
	4,644	4,648

The number of directors whose remuneration fell within the following bands is as follows:

	Number of directors	
	2003	2002
Nil – HK\$1,000,000	7	7
HK\$1,000,001 – HK\$1,500,000	1	1
	8	8

There was no arrangement under which a director waived or agreed to waive any remuneration during the year. During the year, no emoluments were paid by the Group to any of the directors as an inducement to join, or upon joining the Group, or as compensation for loss of office.

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7. DIRECTORS' REMUNERATION AND HIGHEST PAID EMPLOYEES (continued)

Five highest paid employees

The five highest paid employees during the year included five (2002: five) directors, details of whose remuneration are set out above.

8. FINANCE COSTS

	2003 HK\$'000	2002 HK\$'000
Interest expenses on bank loans, overdrafts and other loans wholly repayable within five years	5,648	4,467

9. TAX

Hong Kong profits tax has been provided at the rate of 17.5% (2002: 16%) on the estimated assessable profits arising in Hong Kong during the year. The increased Hong Kong profits tax rate became effective from the year of assessment 2003/2004, and so is applicable to the assessable profits arising in Hong Kong for the whole of the year ended 31 December 2003. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

	2003 HK\$'000	2002 HK\$'000
Group:		
Current – Hong Kong	38	–
Current – Elsewhere		
Charge for the year	6,523	4,360
Under/(over) provision in prior years	160	(1,830)
	6,683	2,530
Share of tax attributable to associates	1	263
Total tax charge for the year	6,722	2,793

9. TAX (continued)

A reconciliation of the tax expense applicable to profit before tax using the statutory rates for the countries in which the Company and its subsidiaries and associates are domiciled to the tax expense at the effective tax rates, and a reconciliation of the applicable rates (i.e., the statutory tax rates) to the effective tax rates, are as follows:

	Group	
	2003 HK\$'000	2002 HK\$'000
Accounting profit before tax	65,381	24,334
Tax at the statutory tax rate of 15.75%	215	26
Tax at the statutory tax rate of 17.5%	(408)	1,115
Tax at the statutory tax rate of 33%	21,894	4,973
Lower applicable tax rate enjoyed by the Group	(14,466)	(3,603)
Estimated tax effect of net expenses that are not deductible in determining taxable profit	366	671
Estimated tax losses utilised from previous periods	(74)	(35)
Estimated tax losses not recognised	394	1,476
Adjustment in respect of current tax of previous periods	160	(1,830)
Tax concession	(1,359)	–
Tax charge at the Group's effective rate	6,722	2,793

Five of the Group's subsidiaries operating in Mainland China are exempted from income tax for two years from their first profit making year and are eligible for a 50% relief from income tax for the following three years (the "tax holiday") under the Income Tax Law.

The tax holiday for three of the Mainland China subsidiaries had been expired in prior years. Taxes on the assessable profits of these three subsidiaries have been calculated at the applicable rates of tax prevailing in Mainland China during the year. No provisions for income tax has been made for the remaining two Mainland China subsidiaries because one of the subsidiary did not generate any assessable profits for the year and the other subsidiary was exempted from income tax for its first profit making year.

No provision for deferred tax has been made as the net effect of all temporary timing difference is immaterial.

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10. NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS

The net profit attributable to shareholders dealt with in the financial statements of the Company is HK\$62,235,000 (2002: HK\$54,188,000).

11. DIVIDENDS

	2003 HK\$'000	2002 HK\$'000
Interim – HK0.20 cent (2002: Nil) per ordinary share	6,040	–
Proposed final – HK0.40 cent (2002: HK0.35 cent) per ordinary share	12,990	10,570
	19,030	10,570

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

12. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the net profit attributable to shareholders for the year of HK\$58,688,000 (2002: HK\$23,014,000), and the 3,020,000,000 (2002: 3,020,000,000) ordinary shares in issue during the year.

Diluted earnings per share amounts for the years ended 31 December 2003 and 2002 have not been shown as there were no potential dilutive ordinary shares in existence during these years.

13. FIXED ASSETS

Group

	Investment properties HK\$'000	Leasehold land and buildings in Hong Kong HK\$'000	Leasehold land and buildings in Mainland China HK\$'000	Leasehold improvements HK\$'000	Plant and machinery HK\$'000	Furniture, fixtures and office equipment HK\$'000	Motor vehicles HK\$'000	Construction in progress HK\$'000	Total HK\$'000
Cost or valuation:									
At beginning of year	1,700	13,800	57,693	1,186	86,979	4,376	5,737	39,966	211,437
Additions	-	-	56	-	38,538	869	1,895	6,588	47,946
Transfer to leasehold improvements	-	-	-	6,196	-	-	-	(6,196)	-
Transfers to plant and machinery	-	-	-	-	2,946	-	-	(2,946)	-
Transfers to prepayments (note 16)	-	-	-	-	-	-	-	(25,875)	(25,875)
Disposals	-	-	-	-	(36)	(279)	(17)	-	(332)
Surplus/(deficit) on revaluation	(150)	200	-	-	-	-	-	-	50
At 31 December 2003	1,550	14,000	57,749	7,382	128,427	4,966	7,615	11,537	233,226
Accumulated depreciation:									
At beginning of year	-	-	8,839	499	19,611	1,447	3,044	-	33,440
Provided for the year	-	247	2,515	1,287	8,631	635	596	-	13,911
Disposals	-	-	-	-	(10)	(145)	(4)	-	(159)
Reversal upon revaluation	-	(247)	-	-	-	-	-	-	(247)
At 31 December 2003	-	-	11,354	1,786	28,232	1,937	3,636	-	46,945
Net book value:									
At 31 December 2003	1,550	14,000	46,395	5,596	100,195	3,029	3,979	11,537	186,281
At 31 December 2002	1,700	13,800	48,854	687	67,368	2,929	2,693	39,966	177,997
An analysis of the cost or valuation of the fixed assets of the Group is as follows:									
At cost	-	-	57,749	7,382	128,427	4,966	7,615	11,537	217,676
At 31 December 2003 valuation	1,550	14,000	-	-	-	-	-	-	15,550
At 31 December 2003	1,550	14,000	57,749	7,382	128,427	4,966	7,615	11,537	233,226

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13. FIXED ASSETS (continued)

The Group's leasehold land and buildings situated in Hong Kong were revalued at the balance sheet date by CS Surveyors Limited ("CS"), an independent firm of professionally qualified valuers, at an open market value of HK\$14,000,000 based on their existing use. Revaluation surpluses of HK\$303,000 and HK\$144,000, resulting from the above valuations, have been credited to the asset revaluation reserve and the consolidated profit and loss account (note 6), respectively.

At 31 December 2003, the Group's investment properties situated in Hong Kong were revalued on an open market, existing use basis by CS, at HK\$1,550,000. A deficit of HK\$150,000 arising therefrom has been charged to the consolidated profit and loss account (note 6). The investment properties are leased to independent third parties under operating leases, further details of which are included in note 29 to the financial statements.

The Group's leasehold land and buildings situated in Hong Kong at valuation of HK\$14,000,000 are held under long term leases. The Group's leasehold land and buildings situated elsewhere in the Mainland China and investment properties situated in Hong Kong are held under medium term leases.

In respect of the Group's leasehold land and buildings situated in Shishi City, Fujian, in Mainland China, at 31 December 2003, the Group was in the process of obtaining formal consent from the relevant Mainland China governmental authority to transfer the formal real estate titles under industrial use ("Real Estate Titles"). Subsequent to the balance sheet date, on 7 April 2004, the Group obtained notices from the relevant Mainland China authority (the "Notices") to consent the transfer of the Real Estate Titles. The Group has fully settled the charges required under the Notices. Accordingly, the directors consider that the Group has obtained the relevant real estate titles in respect of the leasehold land and buildings and any uncertainties relating to the titles are removed. In accordance with the disclosures in the prior years' annual reports, when the consent for the transfer of Real Estate Titles from the relevant Mainland China authority is obtained and any uncertainties relating to title of the leasehold land and buildings are removed, the results of the revaluation for the Mainland China leasehold land and buildings will be reflected. Therefore, the directors expect to account for the Mainland China leasehold land and buildings at valuation in the Group's financial statements for the year ended 31 December 2004.

Had all of the Group's leasehold land and buildings situated in Hong Kong been carried at historical cost less accumulated depreciation, their carrying amount would have been approximately HK\$13,697,000 (2002: HK\$13,944,000).

The Group's leasehold land and buildings and investment of properties in Hong Kong have been pledged as security against banking facilities granted to the Group (note 24).

14. INVESTMENTS IN SUBSIDIARIES

	Company	
	2003 HK\$'000	2002 HK\$'000
Unlisted investments, at cost	79,379	79,379

The balances with subsidiaries are unsecured, interest-free and have no fixed terms of repayment.

Particulars of the subsidiaries are as follows:

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary/ registered capital	Percentage of equity attributable to the Company		Principal activities
			2003	2002	
Directly held					
Tong Da Holdings (BVI) Limited	British Virgin Islands ("BVI")	Ordinary US\$10,000	100	100	Investment holding
Indirectly held					
Tong Da General Holdings (H.K.) Limited	Hong Kong	Ordinary HK\$880,000	100	100	Investment holding and raw material sourcing
Ever Target Limited	Hong Kong	Ordinary HK\$4	100	100	Investment holding and raw material sourcing
Tongda Group International Limited	Hong Kong	Ordinary HK\$2	100	100	Investment holding

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14. INVESTMENTS IN SUBSIDIARIES (continued)

Indirectly held (continued)

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary/ registered capital	Percentage of equity attributable to the Company		Principal activities
			2003	2002	
Tongda Optical Fiber Technology Limited	Hong Kong	Ordinary HK\$100,000	86.67	86.67	Investment holding
Tongda Electrics Company Limited, Shishi (Note 1)	People's Republic of China ("PRC")	Registered Renminbi ("RMB") 5,813,685	100	100	Manufacture and sale of accessories for electrical appliance products
Tong Da Metals Company Limited, Shishi City, Fujian (Note 2)	PRC	Registered RMB8,023,560	100	100	Manufacture and sale of ironware products
Tongda Electronic Company Limited, Shishi City (Note 3)	PRC	Registered RMB10,000,000	100	100	Manufacture and sale of resistors and other electronic products
Xiamen Optic Conduct Cable Company Limited (Note 4)	PRC	Registered RMB45,741,029	65	65	Manufacture and sale of fiber optic cable

14. INVESTMENTS IN SUBSIDIARIES (continued)

Indirectly held (continued)

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary/ registered capital	Percentage of equity attributable to the Company		Principal activities
			2003	2002	
Tongda Ironware (Shenzhen) Company Limited (Note 5)	PRC	Registered HK\$20,772,255	100	100	Manufacture and sale of ironware products
Tongda (Shenzhen) Company Limited	Hong Kong	Ordinary HK\$10,000	100	100	Investment holding
Tongda Overseas Company Limited	BVI/PRC	Ordinary US\$1	100	100	Provision of administrative and management services
Taxdeal Properties Limited	BVI/PRC	Ordinary US\$1	100	100	Trading of accessories for electrical appliance products
Tabcombe Consultants Limited	BVI/PRC	Ordinary US\$1	100	100	Dormant
Tongda Overseas Macao Commercial Offshore Limited	Macau	Ordinary MOP100,000	100	100	Trading of electrical appliance products

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14. INVESTMENTS IN SUBSIDIARIES (continued)

Indirectly held (continued)

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary/ registered capital	Percentage of equity attributable to the Company		Principal activities
			2003	2002	
Wisdom Mark Industries Limited	BVI/PRC	Ordinary US\$1	100	–	Provision of quality control and technical support services
Best Buy Limited	BVI/PRC	Ordinary US\$1	100	–	Provision of marketing services
South Win Limited	Hong Kong	Ordinary HK\$1,000	100	–	Investment holding
Tongda Smart Technology Company Limited	Hong Kong	Ordinary HK\$300,000	90	–	Trading of smart cards

Notes:

1. Tongda Electrics Company Limited, Shishi is a wholly foreign-owned enterprise with an operating period of 15 years commencing from 12 February 1993.
2. Tong Da Metals Company Limited, Shishi City, Fujian is a wholly foreign-owned enterprise with an operating period of 15 years commencing from 29 October 1992.
3. Tongda Electronic Company Limited, Shishi City is a wholly foreign-owned enterprise with an operating period of 30 years commencing from 20 December 1998.
4. Xiamen Optic Conduct Cable Company Limited is an equity joint venture established by the Group and a joint venture partner in the PRC for a period of 15 years commencing from 10 November 1993.
5. Tongda Ironware (Shenzhen) Company Limited is a wholly foreign-owned enterprise with an operating period of 30 years commencing from 11 April 2002.

15. INTERESTS IN ASSOCIATES

	Group	
	2003 HK\$'000	2002 HK\$'000
Share of net assets	3,631	696
Due from an associate	2,322	2,667
	5,953	3,363

Particulars of the associates are as follows:

Name	Business structure	Place of incorporation and operations	Percentage of ownership interest attributable to the Group	Principal activities
Meijitsu Tongda (HK) Company Limited	Incorporated	Hong Kong/ Mainland China	50	Manufacture and sale of silk-screen printing products
Tongda Fuso (HK) Company Limited*	Incorporated	Hong Kong	30	Investment holding
Tongda Fuso Printing (Shanghai) Company Limited*	Incorporated	PRC/Mainland China	30	Not yet commenced business

* Incorporated during the year

The balance with an associate is unsecured, interest-free and has no fixed terms of repayment.

The directors of the Company do not intend to demand settlement of the amount due until the associate has funds available surplus to those necessary to provide adequate working capital for financing its operating. Accordingly, the amount is classified as a long term receivable.

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16. PREPAYMENTS

Group

	Prepaid rental HK\$'000	Prepaid premises cost HK\$'000	Total HK\$'000
Costs:			
At beginning of year	3,510	–	3,510
Transfer from construction in progress (note 13)	–	25,875	25,875
At 31 December 2003	3,510	25,875	29,385
Amortisation:			
At beginning of year	13	–	13
Amortised during the year	22	464	486
At 31 December 2003	35	464	499
Net book value:			
At 31 December 2003	3,475	25,411	28,886
At 31 December 2002	3,497	–	3,497

The prepaid rental represents rental for two pieces of land located in Mainland China. The Group has been granted the right to use the land for a period of 50 years. The prepaid premises cost represents cost for construction of certain premises erected on one piece of the land (the "Land"). The Group has been granted the right to use these premises within the rental period of the Land. As confirmed by legal opinions issued by the Group's Mainland China lawyers, the lessor of the Land has the right to lease the Land and the leasing agreement entered into by the Group with the lessor is legally enforceable under the laws of Mainland China.

The prepaid rental is amortised on a straight-line basis over the lease term of 50 years. The prepaid premises cost is amortised on a straight-line basis over the remaining lease term of the land.

17. LONG TERM DEPOSITS

Long term deposits represent deposits paid for the acquisition of certain fixed assets.

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18. INVENTORIES

	Group	
	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
Raw materials	42,179	31,420
Work in progress	5,393	3,661
Finished goods	11,827	11,417
	59,399	46,498

19. TRADE AND BILLS RECEIVABLES

	Group	
	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
Trade receivables	196,706	110,686
Bills receivables	3,763	1,052
	200,469	111,738

An aged analysis of the Group's trade and bills receivables as at 31 December 2003 is as follows:

	Group	
	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
Within 3 months	160,957	87,098
4 to 6 months, inclusive	29,263	20,382
7 to 9 months, inclusive	8,349	4,554
10 to 12 months, inclusive	2,809	1,498
More than 1 year	2,618	909
	203,996	114,441
Provisions for bad and doubtful debts	(3,527)	(2,703)
	200,469	111,738

NOTES TO FINANCIAL STATEMENTS

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19. TRADE AND BILLS RECEIVABLES (continued)

It is the general policy of the Group to allow a credit period of three to six months. In addition, for certain customers with long-established relationships and good past repayment histories, a longer credit period may be granted in order to maintain a good relationship.

20. CASH AND CASH EQUIVALENTS

	Group	
	2003 HK\$'000	2002 HK\$'000
Cash and bank balances	38,968	33,705
Time deposits	10,000	820
	48,968	34,525

At the balance sheet date, the cash and bank balances of the Group denominated in RMB amounted to HK\$21,017,000 (2002: HK\$29,169,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

21. TRADE AND BILLS PAYABLES

	Group	
	2003 HK\$'000	2002 HK\$'000
Trade payables	63,747	31,491
Bills payables	57,237	17,674
	120,984	49,165

An aged analysis of the Group's trade and bills payables as at 31 December 2003 is as follows:

	Group	
	2003 HK\$'000	2002 HK\$'000
Within 3 months	101,766	43,405
4 to 6 months, inclusive	13,840	4,091
7 to 9 months, inclusive	4,129	852
10 to 12 months, inclusive	417	244
More than 1 year	832	573
	120,984	49,165

22. DUE TO A MINORITY SHAREHOLDER

The amount due to a minority shareholder is unsecured, interest-free and has no fixed terms of repayment.

23. INTEREST-BEARING BANK BORROWINGS

	Group	
	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
Bank loans:		
Secured	8,682	7,598
Unsecured	93,926	62,204
	102,608	69,802
Bank loans, repayable:		
Within one year	95,305	62,948
In the second year	1,400	763
In the third to fifth years, inclusive	3,071	2,413
Beyond five years	2,832	3,678
	102,608	69,802
Portion classified as current liabilities	(95,305)	(62,948)
Non-current portion	7,303	6,854

24. BANKING FACILITIES

As at 31 December 2003, the Group's banking facilities were supported by:

- (i) legal charges over leasehold land and buildings and investment properties situated in Hong Kong owned by the Group (note 13);
- (ii) the pledge of bank deposits of approximately HK\$7,896,000 (2002: HK\$2,745,000); and
- (iii) corporate guarantees from the Company, certain of its subsidiaries and its associate, and a related company.

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25. SHARE CAPITAL

	2003 HK\$'000	2002 HK\$'000
Authorised:		
20,000,000,000 ordinary shares of HK\$0.01 each	200,000	200,000
Issued and fully paid:		
3,020,000,000 ordinary shares of HK\$0.01 each	30,200	30,200

Subsequent to the balance sheet date and up to the date of this report, a total of 227,500,000 ordinary shares of HK\$0.01 each in the Company were issued at a subscription price of HK\$0.20 per share. Further details of the shares allotment are set out in note 31 to the financial statements.

Share option scheme

Pursuant to an ordinary resolution passed at the shareholders' meeting of the Company held on 10 June 2002, a new share option scheme of the Company (the "New Scheme") was adopted by the Company. The New Scheme replaced the share option scheme adopted on 7 December 2000 (the "Old Scheme"). After the adoption of the New Scheme, no further options can be granted under the Old Scheme. As at 31 December 2002 and 2003, there were no outstanding share options under the Old Scheme. The New Scheme became effective on 24 June 2002, and unless otherwise cancelled or amended, will remain in force for 10 years from that date.

The Company operates the New Scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the New Scheme include all directors and any full-time employee of the Company or any of its subsidiaries and any suppliers, consultants or advisers who will provide or have provided services to the Group.

The maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the New Scheme may not exceed 10% of the shares of the Company in issue. The maximum number of shares issued and which may fall to be issued upon exercise of the options granted under the New Scheme and any other share option scheme of the Company (including exercised, cancelled and outstanding options) to each eligible participant in any 12-month period up to the date of grant shall not exceed 1% of the shares of the Company in issue as at the date of grant.

25. SHARE CAPITAL (continued)

Share option scheme (continued)

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval by the independent non-executive directors of the Company. In addition, any share options granted to a substantial shareholder or any independent non-executive director of the Company, or to any of their associates, which would result in the shares issued and to be issued upon exercise of all share options already granted and to be granted (including share options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant (i) representing an aggregate value of over 0.1% of the shares of the Company in issue on that date; and (ii) having an aggregate value, based on the official, closing price of the Company's shares as stated in the daily quotation sheets of the Stock Exchange on the date of each grant, in excess of HK\$5 million, are subject to shareholders' approval in a general meeting.

The period within which the options must be exercised will be determined by the board of directors of the Company at its absolute discretion. This period will expire no later than 10 years from the date of grant of the options. At the time of grant of the options, the Company may specify a minimum period for which an option must be held before it can be exercised. The offer of a grant of share options may be accepted within 21 days from the date of the offer, and the amount payable on acceptance of an offer is HK\$1.

The subscription price for the shares of the Company to be issued upon exercise of the options shall be no less than the higher of (i) the closing price of the shares of the Company as stated in the daily quotation sheets issued by the Stock Exchange on the date of grant; (ii) the average closing price of the shares of the Company as stated in the daily quotation sheets issued by the Stock Exchange for the five business days immediately preceding the date of grant; and (iii) the nominal value of the share of the Company on the date of grant.

No share options were granted or exercised during the year under the New Scheme. At the balance sheet date, no share options have been granted by the Company under the New Scheme. Subsequent to the balance sheet date, on 5 February 2004, a total of 250,000,000 share options were granted to certain of the employees of the Group in respect of their services to the Group in the forthcoming year of which, 230,000,000 share options have been cancelled. The total number of shares which may fall to be issued upon the exercise of all outstanding options granted and yet to be exercised under the share option scheme is 20,000,000 shares. These share options vest on 5 February 2004 and have an exercise price of HK\$0.25 per share and an exercise period ranging from 5 February 2004 to 31 December 2005. The price of the Company's shares at the date of grant was HK\$0.25.

NOTES TO FINANCIAL STATEMENTS

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26. RESERVES

(a) Group

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity of the financial statements.

The capital reserve of the Group represents principally the excess fair values ascribed to the net underlying assets of certain subsidiaries acquired prior to the Group reorganisation completed on 7 December 2000 in preparation of the listing of the Company's shares, over the purchase consideration paid therefor.

In accordance with the Macau Commercial Codes, Tongda Overseas Macao Commercial Offshore Limited, a wholly-owned subsidiary of the Company, whose principal operation is conducted in Macau, is required to appropriate annually not less than 25% of its profits after tax to a statutory reserve, until the balance of the reserve reaches 50% of the entity's capital fund. The statutory reserve may be utilised by the entity for certain restricted purposes including the set off against accumulated losses, if any, arising under certain specified circumstances.

(b) Company

	Share premium account <i>HK\$'000</i>	Contributed surplus <i>HK\$'000</i>	Retained profits <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January 2002	32,641	79,179	(1,971)	109,849
Net profit for the year	–	–	54,188	54,188
Proposed final dividend – <i>note 11</i>	–	–	(10,570)	(10,570)
	32,641	79,179	41,647	153,467
Net profit for the year	–	–	62,235	62,235
Interim dividend – <i>note 11</i>	–	–	(6,040)	(6,040)
Proposed final dividend – <i>note 11</i>	–	–	(12,990)	(12,990)
At 31 December 2003	32,641	79,179	84,852	196,672

(i) Under the Companies Law (2001 Revision) of the Cayman Islands, the share premium account of the Company is distributable to its shareholders provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business.

(ii) As at 31 December 2003, in the opinion of the directors, the reserves of the Company available for distribution to shareholders amounted to HK\$196,672,000, subject to the restriction stated in note (i) above.

26. RESERVES (continued)

(b) Company (continued)

- (iii) The contributed surplus of the Company arose as a result of the Group reorganisation completed on 7 December 2000 in preparation of the listing of the Company's shares, and represents the excess of the combined net assets of the subsidiaries then acquired by the Company, over the nominal value of the share capital of the Company issued in exchange therefor.

27. NOTES TO CONSOLIDATED CASH FLOW STATEMENT

Disposal of a subsidiary in the prior year

	2003 HK\$'000	2002 HK\$'000
Net assets disposed of:		
Fixed assets	–	743
Trade receivables	–	7,884
Prepayments and other receivables	–	2,935
Cash and cash equivalents	–	54
Trade payables	–	(10)
Accrued liabilities and other payables	–	(4,962)
Tax payable	–	(8,814)
	–	(2,170)
Gain on disposal of a subsidiary	–	2,190
	–	20
Satisfied by:		
Cash	–	20

An analysis of the net outflow of cash and cash equivalents in respect of the disposal of a subsidiary in the prior year is as follows:

Cash consideration	–	20
Cash and cash equivalents disposed of	–	(54)
	–	(34)

The results of the subsidiary disposed of had no significant impact on the Group's consolidated turnover or profit after tax for the prior year.

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28. CONTINGENT LIABILITIES

At the balance sheet date, the Company had contingent liabilities in respect of corporate guarantees provided for banking facilities for certain subsidiaries and an associate, which were utilised to the extent of HK\$16.1 million (2002: HK\$5.3 million) at the balance sheet date.

Save as disclosed above, neither the Group, nor the Company, had any significant contingent liabilities at the balance sheet date.

29. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases its investment properties under operating lease arrangements, with leases negotiated for terms ranging from two to three years. 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.

At 31 December 2003, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	Group	
	2003 HK\$'000	2002 HK\$'000
Within one year	395	275
In the second to fifth years, inclusive	379	165
	774	440

29. OPERATING LEASE ARRANGEMENTS (continued)

(b) As lessee

The Group leases certain of its use of land under operating lease arrangements which are negotiated for a lease term of 50 years. In addition, the Group leases certain of its offices properties under operating lease arrangements. Leases for properties are ranged from two to three years.

At 31 December 2003, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group	
	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
Within one year	300	321
In the second to fifth years, inclusive	654	796
After five years	9,392	9,544
	10,346	10,661

30. COMMITMENTS

In addition to the operating lease commitments set out in note 29(b) above, the Group had the following capital commitments contracted but not provided for at the balance sheet date:

	Group	
	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
Purchases of certain fixed assets	7,809	7,867
Procurement of land use rights for Mainland China land for 50 years	561	561
An investment in a subsidiary	9,228	12,000
	17,598	20,428

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31. POST BALANCE SHEET EVENT

Subsequent to the balance sheet date, on 21 January 2004, 227,500,000 new shares were allotted and issued to Landmark Worldwide Holdings Limited ("Landmark"), a substantial shareholder of the Company, at an issue price of HK\$0.20 per share. Pursuant to a subscription agreement dated 9 January 2004, this shares allotment was following a placement of 227,500,000 shares of HK\$0.01 each in the Company by Landmark at the same price to independent third parties. This placement raised net cash proceeds of approximately HK\$43.8 million for the Company for acquisition of machinery and equipment and for general working capital purposes.

32. COMPARATIVE AMOUNTS

As further explained in note 1 to the financial statements, due to the adoption of the revised SSAP 12 during the current year, the presentation of certain supporting notes have been revised to comply with the new requirements. Accordingly, certain comparative amounts have been reclassified to conform with the current year's presentation.

33. APPROVAL OF THE FINANCIAL STATEMENTS

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