

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2004

## 6. PROFIT FROM OPERATIONS

	2004 HK\$	2003 HK\$
Profit from operations has been arrived at after charging:		
Amortisation of development costs included in administrative expenses	1,257,420	745,564
Auditors' remuneration	878,737	849,668
Depreciation of:		
Owned assets	16,405,016	19,049,992
Assets held under finance leases	3,587,895	3,324,889
	19,992,911	22,374,881
Loss on disposal of property, plant and equipment	-	35,290
Minimum lease payments for operating leases in respect of land and buildings	2,367,326	2,757,961
Staff costs including directors' emoluments	88,363,995	85,186,107
Less: Amount capitalised to properties under development	(9,776,223)	(1,500,000)
	78,587,772	83,686,107
and after crediting:		
Gross rental income from investment properties	7,901,063	8,474,223
Less: Outgoings	(459,871)	(201,745)
Net rental income from investment properties	7,441,192	8,272,478

Minimum lease payments for operating leases in respect of staff quarters amounting to HK\$3,281,291 (2003: HK\$3,635,387) are included in staff costs.

## 7. FINANCE COSTS

	2004 HK\$	2003 HK\$
Interest on:		
Bank loans and overdrafts		
Wholly repayable within five years	8,807,118	6,828,816
Not wholly repayable within five years	3,357,278	3,836,378
Obligations under finance leases	327,371	859,157
Total borrowing costs	12,491,767	11,524,351
Less: Amount capitalised to properties under development	(6,661,489)	(4,585,040)
	5,830,278	6,939,311

Borrowing costs capitalised during the year are calculated by applying a capitalisation rate of 6% (2003: 6%) to expenditure on properties under development.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2004

## 8. DIRECTORS' AND EMPLOYEES' REMUNERATION

### (a) Directors' remuneration

Directors' remuneration disclosed pursuant to Section 161 of the Hong Kong Companies Ordinance is as follows:

	2004 HK\$	2003 HK\$
Fees		
Executive directors	250,000	250,000
Independent non-executive directors	350,000	350,000
	600,000	600,000
Other emoluments (executive directors)		
Salaries and other benefits	13,985,300	12,800,900
	14,585,300	13,400,900

Included in salaries and other benefits is an amount of HK\$2,252,500 (2003: HK\$2,656,985) in respect of accommodation provided to the directors of the Company.

Besides above remuneration, a Group's property is provided to the director as an accommodation. The rateable value of the property is amounting to HK\$447,000.

The emoluments of the directors are within the following bands:

	Number of directors	
HK\$	2004	2003
Nil - 1,000,000	3	2
1,000,001 - 1,500,000	-	1
1,500,001 - 2,000,000	1	-
2,000,001 - 2,500,000	1	2
2,500,001 - 3,000,000	-	1
3,500,001 - 4,000,000	1	-
4,500,001 - 5,000,000	-	1
5,500,001 - 6,000,000	1	-
	7	7

### (b) Employees' emoluments

Of the five individuals with the highest emoluments in the Group, four (2003: five) are directors of the Company whose emoluments are included in the disclosures in note (a) above. The emoluments of the remaining one (2003: nil) individual are as follows:

	2004 HK\$	2003 HK\$
Salaries and other benefits	2,560,000	-

The emoluments were within the following band:

	No. of employees	
HK\$2,500,001 to HK\$3,000,000	2004	2003
	1	-

# NOTES TO THE FINANCIAL STATEMENTS

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## 9. INCOME TAX (EXPENSE) CREDIT

	2004 HK\$	2003 HK\$
The (charge) credit comprises:		
Hong Kong Profits Tax		
Current year	(668,675)	(88,750)
Overprovision in prior years	88,750	303,396
	(579,925)	214,646
Other jurisdictions	11,728	(20,877)
	(568,197)	193,769
Deferred tax liabilities (note 29)	–	(137,425)
	(568,197)	56,344

Hong Kong Profits Tax is calculated at 17.5% (2003: 16%) on the estimated assessable profit for the year.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

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

	2004 HK\$	2003 HK\$
Profit before taxation	51,761,618	2,696,925
Tax at the domestic income tax rate of 17.5% (2003: 16%)	9,058,283	431,508
Tax effect of expenses not deductible for tax purpose	466,087	13,508,609
Tax effect of income not taxable for tax purpose	(11,319,542)	(8,178,185)
Tax effect of tax losses not recognised	4,990,659	2,068,720
Tax effect on different tax rate of operations in other jurisdictions	(94,950)	(56,560)
Utilisation of tax losses previously not recognised	(1,864,400)	(6,652,378)
Overprovision in prior years	(88,750)	(303,396)
Effect of tax exemption	(1,277,902)	(531,913)
Others	698,712	(342,749)
	568,197	(56,344)

## 10. EARNINGS PER SHARE

The calculation of earnings per share is based on the net profit for the year of HK\$51,193,421 (2003: HK\$2,753,269) and on the weighted average number of 1,145,864,567 (2003: 1,160,208,832) shares in issue during the year.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2004

## 11. INVESTMENT PROPERTY

	THE GROUP	
	2004 HK\$	2003 HK\$
At 1st April	<b>110,500,000</b>	185,000,000
Transferred to inventory of unsold properties	<b>(49,000,000)</b>	(52,500,000)
Revaluation increase (decrease)	<b>22,500,000</b>	(22,000,000)
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At 31st March	<b><u>84,000,000</u></b>	<b><u>110,500,000</u></b>

Investment properties were valued at their open market values at 31st March, 2004 by DTZ Debenham Tie Leung Limited, International Property Advisers, on an open market existing use basis. This revaluation gave rise to an increase of HK\$22,500,000.

At the balance sheet date, the investment properties are situated in Hong Kong under long leases.

## 12. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings in Hong Kong held under long leases HK\$	Land and buildings in Hong Kong held under medium- term leases HK\$	Freehold land and buildings outside Hong Kong HK\$	Land and buildings outside Hong Kong held under medium- term leases HK\$	Leasehold improvements HK\$	Plant and machinery HK\$	Motor vehicles HK\$	Furniture, fixtures and office equipment HK\$	Tools and moulds HK\$	Total HK\$
<b>THE GROUP</b>										
<b>COST</b>										
At 1st April, 2003	42,294,801	15,396,068	17,136,807	9,814,916	26,038,946	64,108,633	23,644,567	53,229,165	51,657,756	303,321,659
Exchange difference	–	–	1,482,372	427,893	69,456	–	–	510,309	–	2,490,030
Additions	–	–	–	–	2,511,726	1,504,734	4,786,938	3,814,187	116,140	12,733,725
Disposals	–	–	(4,017)	–	(92,800)	–	(4,406,674)	(3,522,938)	–	(8,026,429)
Written off	–	–	–	–	–	–	–	(55,474)	–	(55,474)
Transfer to property held for sales	–	–	(13,454,373)	(3,874,988)	–	–	–	–	–	(17,329,361)
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At 31st March, 2004	42,294,801	15,396,068	5,160,789	6,367,821	28,527,328	65,613,367	24,024,831	53,975,249	51,773,896	293,134,150
<b>DEPRECIATION</b>										
At 1st April, 2003	5,247,882	2,246,971	778,042	2,243,565	22,619,056	51,989,331	21,042,310	42,025,205	43,144,062	191,336,424
Exchange difference	–	–	(583)	139,018	36,958	–	–	188,756	–	364,149
Provided for the year	568,066	302,462	132,398	368,907	3,268,820	6,283,957	1,771,205	2,919,974	4,377,122	19,992,911
Eliminated on disposals	–	–	–	–	(92,800)	–	(4,151,327)	(625,293)	–	(4,869,420)
Written off	–	–	–	–	–	–	–	(55,474)	–	(55,474)
Transfer to property held for sales	–	–	–	(1,461,376)	–	–	–	–	–	(1,461,376)
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At 31st March, 2004	5,815,948	2,549,433	909,857	1,290,114	25,832,034	58,273,288	18,662,188	44,453,168	47,521,184	205,307,214
<b>NET BOOK VALUES</b>										
At 31st March, 2004	<u>36,478,853</u>	<u>12,846,635</u>	<u>4,250,932</u>	<u>5,077,707</u>	<u>2,695,294</u>	<u>7,340,079</u>	<u>5,362,643</u>	<u>9,522,081</u>	<u>4,252,712</u>	<u>87,826,936</u>
At 31st March, 2003	<u>37,046,919</u>	<u>13,149,097</u>	<u>16,358,765</u>	<u>7,571,351</u>	<u>3,419,890</u>	<u>12,119,302</u>	<u>2,602,257</u>	<u>11,203,960</u>	<u>8,513,694</u>	<u>111,985,235</u>

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For the year ended 31st March, 2004

## 12. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

The net book values of property, plant and equipment held under finance leases are as follows:

	2004 HK\$	2003 HK\$
Plant and machinery	4,811,559	7,915,016
Motor vehicles	3,228,187	1,017,237
Furniture, fixtures and office equipment	605,521	1,660,521
	8,645,267	10,592,774

## 13. PROPERTIES UNDER DEVELOPMENT

	THE GROUP	
	2004 HK\$	2003 HK\$
At 1st April	191,015,969	156,588,223
Exchange difference	24,531,888	14,315,466
Additions	70,906,268	20,112,280
	286,454,125	191,015,969

At 31st March, 2004, interest of HK\$16,472,962 (2003: HK\$9,811,473) was capitalised to properties under development.

The net book value of properties shown above comprises:

	THE GROUP	
	2004 HK\$	2003 HK\$
Land in Hong Kong:		
Long lease	21,165,198	–
Land outside Hong Kong:		
Freehold	265,288,927	191,015,969
	286,454,125	191,015,969

## 14. DEVELOPMENT COSTS

	HK\$
<b>THE GROUP</b>	
<b>COST</b>	
At 1st April, 2003 and 31st March, 2004	3,970,683
<b>AMORTISATION</b>	
At 1st April, 2003	2,579,554
Provided for the year	1,257,420
At 31st March, 2004	3,836,974
<b>NET BOOK VALUES</b>	
At 31st March, 2004	133,709
At 31st March, 2003	1,391,129

The development costs are amortised on a straight-line basis over their estimated useful lives from three to eight years.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2004

## 15. INTERESTS IN SUBSIDIARIES

	THE COMPANY	
	2004	2003
	HK\$	HK\$
Unlisted shares, at cost	228,042,462	228,042,462
Amounts due from subsidiaries	16,799,829	25,256,824
	244,842,291	253,299,286

In the opinion of the directors, the amounts due from subsidiaries are not repayable in the next twelve month period and, accordingly, the amounts are classified as non-current.

Particulars of the principal subsidiaries at 31st March, 2004 are as follows:

Name of subsidiary	Place/country of incorporation/ operations	Issued share capital	Principal activities
<i>Direct subsidiary</i>			
National Electronics (Consolidated) Limited	Hong Kong	4,000 ordinary shares of HK\$0.25 each	Investment holding and trading of electronic products
National Properties Holdings Limited	Hong Kong	100 ordinary shares of HK\$1 each	Investment holding and property management
<i>Indirect subsidiary</i>			
Brady Limited	Hong Kong	100 ordinary shares of HK\$1 each	Property investment
Charteray International Limited	Hong Kong	100 ordinary shares of HK\$1 each	Property investment
Cherish Limited	Hong Kong	100 ordinary shares of HK\$1 each	Property investment and trading
Chirac Limited	Hong Kong	10 ordinary shares of HK\$10 each	Investment holding
Cinic Limited	Hong Kong	2 ordinary shares of HK\$1 each	Property investment
Duprey Limited	Hong Kong	100 ordinary shares of HK\$10 each	Trading of electronic products
Eastbond (Hong Kong) Limited	Hong Kong	10 ordinary shares of HK\$1 each	Manufacture and sale of plastic products

**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31st March, 2004

**15. INTERESTS IN SUBSIDIARIES (CONTINUED)**

Name of subsidiary	Place/country of incorporation/ operations	Issued share capital	Principal activities
<i>Indirect subsidiary (continued)</i>			
Eastern Mount Limited	Hong Kong	2 ordinary shares of HK\$1 each	Investment holding and subcontracting of electronic products in the People's Republic of China
Majorell Limited	Hong Kong	100 ordinary shares of HK\$10 each	Property investment and investment holding
Miyota Trading Limited (Formerly known as Espadon Far East Limited)	Hong Kong	100 ordinary shares of HK\$1 each	Trading of electronic products
National Ebauch Limited	Hong Kong	100 ordinary shares of HK\$10 each and 100,000 non-voting deferred shares of HK\$10 each (note)	Manufacture and sale of electronic watches
National Electronics and Watch Company Limited	Hong Kong	100 ordinary shares of HK\$10 each and 200,000 non-voting deferred shares of HK\$10 each (note)	Manufacture and sale of LCD and quartz analogue watches
National Hong Kong Electronics & Watch Corp.	U.S.A.	10,000 common stocks of US\$10 each	Liaise for sale of watches
National Time Limited	Hong Kong	100 ordinary shares of HK\$10 each and 55,000 non-voting deferred shares of HK\$10 each (note)	Trading of electronic watches
National Telecommunication System Limited	Hong Kong	100 ordinary shares of HK\$10 each and 200,000 non-voting deferred shares of HK\$10 each (note)	Provision of inspection service
Rever Limited	Hong Kong	100 ordinary shares of HK\$1 each	Property investment
Samford Limited	Hong Kong	100 ordinary shares of HK\$1 each	Property investment and trading
Super Fortune Group Limited	British Virgin Islands/ Hong Kong	1 ordinary share of US\$1 each	Investment holding

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## 15. INTERESTS IN SUBSIDIARIES (CONTINUED)

Name of subsidiary	Place/country of incorporation/ operations	Issued share capital	Principal activities
<i>Indirect subsidiary (continued)</i>			
Super Plus Limited	Hong Kong	2 ordinary shares of HK\$10 each	Property development
733954 Ontario Limited	Ontario, Canada	100 common shares for C\$20 each	Property development
1061383 Ontario Limited	Ontario, Canada	100 common shares for C\$1 each	Property holding
St. Thomas Developments Incorporated	Ontario, Canada	100 common shares for C\$1 each	Property development

*Note:* The deferred shares, which are not held by the Group, carry practically no rights to dividends nor to receive notice of nor to attend or vote at any general meeting of the relevant companies nor to participate in any distribution on winding up.

The above table lists the subsidiaries of the Group which, in the opinion of the directors, principally affect the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length. All these subsidiaries are wholly-owned and private limited companies.

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

## 16. INTEREST IN AN ASSOCIATE

	2004 HK\$	2003 HK\$
Unlisted shares	4	–
Amount due from an associate	2,879,996	–
	<u>2,880,000</u>	<u>–</u>

Particulars of the associate at 31st March, 2004 are as follows:

Name of associate	Form of business structure	Place of incorporation/ operation	Class of shares held	Proportion of nominal value of issued share capital indirectly held by the Company	Principal activity
Artlink International Holdings Limited	Incorporated	Hong Kong	Ordinary	40%	Property investment

Artlink International Holdings Limited has not been accounted for using the equity method of accounting because the investment was acquired with a view to its disposal in the near future. The investment is therefore carried at fair value, with valuation movements dealt with in the income statement.