1. CORPORATE INFORMATION

The principal activity of the Company is investment holding. The Group was principally involved in the design, manufacture and sale of toys, motors and electrical household appliances. There were no significant changes in the principal activities of the Group during the year.

The Company is a subsidiary of Resplendent Global Limited, a company incorporated in the British Virgin Islands. The directors consider Padora Global Inc., a company also incorporated in the British Virgin Islands, to be the Company's ultimate holding company.

2. IMPACT OF NEW AND REVISED HONG KONG STATEMENTS OF STANDARD ACCOUNTING PRACTICE

The following new and revised Hong Kong Statements of Standard Accounting Practice ("SSAPs") are effective for the first time for the current year's financial statements:

- SSAP 1 (Revised): "Presentation of financial statements"
- SSAP 11 (Revised): "Foreign currency translation"
- SSAP 15 (Revised): "Cash flow statements"
- SSAP 34: "Employee benefits"

These SSAPs 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 adopting these SSAPs are summarised as follows:

SSAP 1 prescribes the basis for the presentation of financial statements and sets out guidelines for their structure and minimum requirements for the content thereof. The principal impact of the revision to this SSAP is that a consolidated statement of changes in equity is now presented in the financial statements in place of the consolidated statement of recognised gains and losses that was previously required and in place of the Group's reserves note.

SSAP 11 prescribes the basis for the translation of foreign currency transactions and financial statements. The principal impact of the revision of this SSAP on the consolidated financial statements is that the profit and loss accounts of overseas subsidiaries and associates are now translated into Hong Kong dollars at the weighted average exchange rates for the year, whereas previously they were translated at the exchange rates ruling at the balance sheet date. The adoption of the revised SSAP 11 has had no material effect on the financial statements.

SSAP 15 prescribes the revised format for the cash flow statement. The principal impact of the revision of this SSAP is that the consolidated cash flow statement now presents cash flows under three headings, cash flows from operating, investing and financing activities, rather than the five headings previously required. In addition, cash flows from overseas subsidiaries arising during the year are now translated into Hong Kong dollars at the exchange rates at the dates of the transactions, or at an approximation thereto, whereas previously they were translated at the exchange rates at the balance sheet date, and the definition of cash equivalents for the purpose of the consolidated cash flow statement has been revised.

2. IMPACT OF NEW AND REVISED HONG KONG STATEMENTS OF STANDARD ACCOUNTING PRACTICE (continued)

SSAP 34 prescribes the recognition and measurement criteria to apply to employee benefits, together with the required disclosures in respect thereof. The adoption of this SSAP has had no material effect on the financial statements. In addition, disclosures are now required in respect of the Company's share option scheme, as detailed in note 25 to the financial statements. These share option scheme disclosures are similar to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") disclosures previously included in the Report of the Directors, which are now included in the notes to the financial statements as a consequence of the adoption of this SSAP.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

These financial statements have been prepared in accordance with SSAPs, 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 remeasurement of certain fixed assets and short term investments as further explained below.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 March 2003. The results of subsidiaries acquired or disposed of during the year are consolidated from or to their effective dates of acquisition or disposal, respectively. All significant 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.

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 interests in subsidiaries are stated at cost less any impairment losses.

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Joint venture companies (continued)

A joint venture company is treated as:

(a) a subsidiary, if the Group has unilateral control, directly or indirectly, over the joint venture company;

(b) a jointly-controlled entity, if the Group does not have unilateral control, but has joint control, directly or indirectly, over the joint venture company;

(c) an associate, if the Group 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; and

(d) a long term investment, if the Group 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 the net assets under the equity method of accounting, less any impairment losses. Goodwill or negative goodwill arising from the acquisition of associates, which was not previously eliminated or recognised in the consolidated reserves, is included as part of the Group's interests in associates.

Goodwill

Goodwill arising on acquisition of subsidiaries and associates represents the excess of the cost of the acquisition over the Group's share of the fair values of the identifiable assets and liabilities acquired as at the date of acquisition.

Goodwill arising on acquisition is recognised in the consolidated balance sheet as an asset and amortised on the straight-line basis over its estimated useful life. In the case of associates, any unamortised goodwill is included in the carrying amount thereof, rather than as a separately identified asset on the consolidated balance sheet.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Goodwill (continued)

On disposal of subsidiaries or associates, the gain or loss on disposal is calculated by reference to the net assets at the date of disposal, including the attributable amount of goodwill which remains unamortised and any relevant reserves, as appropriate. Any attributable goodwill previously eliminated against consolidated reserves at the time of acquisition is written back and included in the calculation of the gain or loss on disposal.

Negative goodwill

Negative goodwill arising on acquisition of subsidiaries and associates represents the excess of the Group's share of the fair values of the identifiable assets and liabilities acquired as at the date of acquisition, over the cost of the acquisition.

To the extent that negative goodwill relates to expectations of future losses and expenses that are identified in the acquisition plan and that can be measured reliably, but which do not represent identifiable liabilities as at the date of acquisition, that portion of negative goodwill is recognised as income in the consolidated profit and loss account when the future losses and expenses are recognised.

To the extent that negative goodwill does not relate to identifiable expected future losses and expenses as at the date of acquisition, negative goodwill is recognised in the consolidated profit and loss account on a systematic basis over the remaining average useful life of the acquired depreciable/amortisable assets. The amount of any negative goodwill in excess of the fair values of the acquired non-monetary assets is recognised as income immediately.

In the case of associates, any negative goodwill not yet recognised in the consolidated profit and loss account is included in the carrying amount thereof, rather than as a separately identified item on the consolidated balance sheet.

On disposal of subsidiaries or associates, the gain or loss on disposal is calculated by reference to the net assets at the date of disposal, including the attributable amount of negative goodwill which has not been recognised in the consolidated profit and loss account and any relevant reserves as appropriate. Any attributable negative goodwill previously credited to the capital reserve at the time of acquisition is written back and included in the calculation of the gain or loss on disposal.

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of assets (continued)

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/amortisation) 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.

Fixed assets and depreciation

Fixed assets, other than 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 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 asset, the expenditure is capitalised as an additional cost of that asset.

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

Medium term leasehold land in Hong Kong	Over the remaining lease terms
Medium term leasehold buildings in Hong Kong	4%
Medium term leasehold land and buildings outside Hong Kong	Over the remaining lease terms
Moulds, tools, and plant and machinery	10% to 20%
Furniture, equipment and motor vehicles	10% to 25%

Construction in progress represents the costs incurred in connection with the construction of fixed assets less any impairment losses. No provision for depreciation is made on construction in progress until such time as the relevant assets are completed and put into use.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fixed assets and depreciation (continued)

Changes in the values of fixed assets resulting from revaluations 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. A subsequent revaluation increase is recognised as income to the extent that it reverses a revaluation deficit of the same asset previously charged to the profit and loss account.

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. On disposal or retirement of a fixed asset that has previously been revalued, the attributable revaluation surplus not previously dealt with in retained profits is transferred directly to retained profits.

Research and development costs

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

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

Deferred development costs are stated at cost less any impairment losses and are amortised using the straight-line basis over the commercial lives of the underlying products not exceeding five years, commencing from the date when the products are put into commercial production.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the first-in, first-out basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less further costs expected to be incurred to completion and disposal.

Short term investments

Investments in listed equity securities are stated at their fair values on the basis of their quoted market prices at the balance sheet date, on an individual investment basis. The gains or losses arising from changes in the fair value of a security are credited or charged to the profit and loss account for the period in which they arise.

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Deferred tax

Deferred tax is provided, using the liability method, on all significant timing differences to the extent it is probable that the liability will crystallise in the foreseeable future. A deferred tax asset is not recognised until its realisation is assured beyond reasonable doubt.

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.

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 reserve.

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.

Prior to the adoption of the revised SSAPs 11 and 15 during the year, as explained in note 2 to the financial statements, the profit and loss accounts of overseas subsidiaries and associates and the cash flows of overseas subsidiaries were translated into Hong Kong dollars at the exchange rates ruling at the balance sheet date. The adoption of the revised SSAP 11 has had no material effect on the financial statements. The adoption of the revised SSAP 15 has had no material effect on the amounts of the previously reported cash flows of the prior year.

Employee benefits

Paid leave carried forward

The Group provides paid annual leave to its employees under their employment contracts on a calendar year basis. Under certain circumstances, such leave which remains untaken as at the balance sheet date is permitted to be carried forward and utilised by the respective employees in the following year. An accrual is made at the balance sheet date for the expected future cost of such paid leave earned during the year by the employees and carried forward.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Employee benefits (continued)

Employment Ordinance long service payments

Certain of the Group's employees have completed the required number of years of service to the Group in order to be eligible for long service payments under the Hong Kong Employment Ordinance in the event of the termination of their employment. The Group is liable to make such payments in the event that such a termination of employment meets the circumstances specified in the Hong Kong Employment Ordinance.

A provision is recognised in respect of probable future long services payments expected to be made. The provision is based on the best estimate of the probable future payments which have been earned by the employees from their service to the Group to the balance sheet date.

Retirement benefits scheme

The Group continues to operate a defined contribution scheme (the "Scheme") for its employees, the assets of which are held separately from those of the Group in an independently administered fund. Contributions are made based on a percentage of the eligible employees' salaries and are charged to the profit and loss account as they become payable in accordance with the rules of the Scheme. When an employee leaves the Scheme before his/her interest in the employer contributions vests fully, the ongoing contributions payable by the Group may be reduced by the relevant amount of forfeited contributions.

Apart from the Scheme, the Group also joined the Mandatory Provident Fund (the "MPF"). Contributions to the MPF are made based on rates applicable to the respective employees' relevant income from the Group and are charged to the profit and loss account as they become payable in accordance with government regulations. The Group's mandatory contributions are fully and immediately vested in favour of the employees.

Certain employees of the Group's subsidiaries in the People's Republic of China (the "PRC") are members of the state-sponsored retirement scheme operated by the government of the PRC.

Share option scheme

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. The financial impact of share options granted under the share option scheme 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 recorded in the profit and loss account or balance sheet for their cost. Upon the exercise of share options, the resulting shares issued are recorded by the Company as additional share capital at the nominal value of the shares, and the excess of the exercise price per share over the nominal value of the shares is recorded by the Company in the share premium account. Options which are cancelled prior to their exercise date, or which lapse, are deleted from the register of outstanding options.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 an accrual basis; and

(d) dividend income, when the shareholders' right to receive payment has been established.

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.

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.

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 bank balances and time deposits represent assets which are not restricted as to use.

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 the other business segments. Summary details of the business segments are as follows:

(a) the toys and related products segment consisted of manufacture and sale of toys and related products;

(b) the motors segment consisted of manufacture and sale of motors; and

(c) the electrical household appliances segment consisted of manufacture and sale of electrical household appliances.

In determining the Group's geographical segments, revenues and results 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.

Inter-segment sales and transfers are transacted with reference to the selling prices used for sales made to the 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	Toys and related products		Motors		Electrical household appliances		Eliminations		Consolidated	
	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*
Segment revenue:										
Sales to external customers	**569,408**	562,473	**169,016**	174,903	**55,785**	48,428	**–**	–	**794,209**	785,804
Inter-segment sales	**–**	–	**14,049**	5,773	**–**	–	**(14,049)**	(5,773)	**–**	–
Other revenue	**3,063**	2,119	**1,384**	1,475	**13**	537	**–**	–	**4,460**	4,131
Total	**572,471**	564,592	**184,449**	182,151	**55,798**	48,965	**(14,049)**	(5,773)	**798,669**	789,935
Segment results	**46,307**	81,030	**43,116**	42,346	**1,262**	1,442	**–**	–	**90,685**	124,818
Interest, dividend income and unallocated gains									**4,485**	4,665
Unallocated expenses									**(10,483)**	(8,268)
Profit from operating activities									**84,687**	121,215
Finance costs									**(255)**	(1,365)
Profit after finance costs									**84,432**	119,850
Share of profits less losses of associates									**(2,028)**	(1,336)
Profit before tax									**82,404**	118,514
Tax									**(6,837)**	(9,309)
Profit before minority interests									**75,567**	109,205
Minority interests									**(4,124)**	(11,171)
Net profit from ordinary activities attributable to shareholders									**71,443**	98,034

4. SEGMENT INFORMATION (continued)

(a) Business segments (continued)

Group	Toys and related products 2003 HK$'000	Toys and related products 2002 HK$'000	Motors 2003 HK$'000	Motors 2002 HK$'000	Electrical household appliances 2003 HK$'000	Electrical household appliances 2002 HK$'000	Eliminations 2003 HK$'000	Eliminations 2002 HK$'000	Consolidated 2003 HK$'000	Consolidated 2002 HK$'000
Segment assets	440,499	409,671	144,345	125,379	52,444	42,705	(25,960)	(20,464)	611,328	557,291
Unallocated assets									39,939	44,586
Total assets									651,267	601,877
Segment liabilities	74,981	52,097	24,039	23,236	27,833	19,654	(25,960)	(20,464)	100,893	74,523
Unallocated liabilities									20,702	23,431
Total liabilities									121,595	97,954
Other segment information:										
Depreciation and amortisation	26,463	23,834	7,156	6,122	1,844	2,502	–	–	35,463	32,458
Amortisation of goodwill	–	400	2,326	–	–	–	–	–	2,326	400
Unallocated amounts									1,294	1,295
									39,083	34,153
Capital expenditure	74,216	30,900	12,072	14,217	1,308	2,388	–	–	87,596	47,505
Deficits/(surpluses) on revaluation of leasehold land and buildings	2,730	2,340	–	–	–	–	–	–	2,730	2,340
Unallocated amounts									891	(108)
									3,621	2,232
Deficits on revaluation recognised directly in equity	2,126	2,599	4,044	813	3,038	1,238	–	–	9,208	4,650

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	United States of America		Europe		Asia		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
Segment revenue:												
Sales to external customers	361,822	385,036	159,990	134,791	215,197	206,125	57,200	59,852	–	–	794,209	785,804

	Hong Kong		Elsewhere in PRC		Eliminations		Consolidated	
	2003	2002	2003	2002	2003	2002	2003	2002
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Other segment information:								
Segment assets	207,332	252,023	443,935	349,854	–	–	651,267	601,877
Capital expenditure	2,680	4,816	84,916	42,689	–	–	87,596	47,505

5. TURNOVER

Turnover represents the net invoiced value of goods sold, after allowances for returns and trade discounts but excluding intra-Group transactions. Revenue from the following activities has been included in turnover:

	2003	2002
	HK$'000	HK$'000
Manufacture and sale of:		
Toys and related products	569,408	562,473
Motors	169,016	174,903
Electrical household appliances	55,785	48,428
	794,209	785,804

6. PROFIT FROM OPERATING ACTIVITIES

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

	2003 HK$'000	2002 HK$'000
Auditors' remuneration	780	850
Depreciation	29,800	26,876
Amortisation of deferred development costs*	6,957	6,877
Amortisation of goodwill **	2,326	400
Negative goodwill recognised as income during the year***	(1,011)	(338)
Net unrealised holding losses on short term investments	534	524
Minimum lease payments under operating leases in respect of land and buildings	3,154	2,636
Loss/(gain) on disposal of fixed assets	411	(5)
Staff costs (including directors' remuneration – *note 7*):		
Wages and salaries	109,545	90,986
Pension contributions	1,157	1,276
	110,702	92,262
Deficit on revaluation of leasehold land and buildings****	3,621	2,232
Gain on disposal of short term investments	(161)	(244)
Exchange losses, net	2,927	2,389
Rental income, net of outgoings of HK$299,000 (2002: HK$246,000)	(1,486)	(1,618)
Interest income	(1,476)	(2,876)

At the balance sheet date, the Group did not have any material forfeited contributions to reduce its contributions to the pension scheme in future years.

* The amortisation of deferred development costs for both the current and the prior year is included in "Cost of sales" on the face of the consolidated profit and loss account.

** The amortisation of goodwill for both the current and the prior year is included in "Administrative expenses" on the face of the consolidated profit and loss account.

*** The movements in negative goodwill recognised in the profit and loss account for both the current and the prior year are included in "Administrative expenses" on the face of the consolidated profit and loss account.

**** The deficit on revaluation of leasehold land and buildings for both the current and the prior year is included in "Administrative expenses" on the face of the consolidated profit and loss account.

7. DIRECTORS' REMUNERATION AND HIGHEST PAID INDIVIDUALS

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

	Group	
	2003	2002
	HK$'000	*HK$'000*
Executive directors:		
Fees	**–**	–
Salaries, allowances and benefits in kind	**7,065**	6,109
Pension contributions	**210**	238
	7,275	6,347
Non-executive directors:		
Fees	**250**	100
	7,525	6,447

The remuneration of directors fell within the following bands:

	Number of directors	
	2003	2002
Nil – HK$1,000,000	**6**	4
HK$1,000,001 – HK$1,500,000	**1**	–
HK$1,500,001 – HK$2,000,000	**2**	3
	9	7

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2002: Nil).

The six highest paid individuals during the year included four (2002: three) directors, details of whose remuneration are set out above. Details of the emoluments of the remaining two (2002: three) non-director, highest paid employees are set out below:

	2003	2002
	HK$'000	*HK$'000*
Salaries, allowances and benefits in kind	**2,261**	3,051
Pension contributions	**24**	69
	2,285	3,120

The emoluments of each of the two (2002: three) non-director, highest paid employees fell within the HK$1,000,001 – HK$1,500,000 (2002: HK$1,000,001 – HK$1,500,000) band.

8. FINANCE COSTS

	Group 2003 HK$'000	2002 HK$'000
Interest on bank loans and overdrafts wholly repayable within five years	**255**	1,365

9. TAX

Hong Kong profits tax has been provided at the rate of 16% (2002: 16%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable overseas have been calculated at the applicable rates of tax prevailing in the countries in which the subsidiaries operated during the year.

	Group 2003 HK$'000	2002 HK$'000
Group:		
Current year provision:		
Hong Kong	**5,490**	5,650
Overseas	**975**	905
Overprovision in prior years	**(939)**	(950)
Deferred tax (note 23)	**1,240**	3,704
	6,766	9,309
Share of tax attributable to associates	**71**	–
Tax charge for the year	**6,837**	9,309

10. NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS

The net profit from ordinary activities attributable to shareholders dealt with in the financial statements of the Company is HK$30,123,000 (2002: HK$40,588,000).

11. DIVIDENDS

	2003 HK$'000	2002 HK$'000
Interim – HK2.5 cents (2002: HK3 cents) per ordinary share	**10,121**	11,374
Proposed final – HK5 cents (2002: HK7 cents) per ordinary share	**20,241**	27,798
	30,362	39,172

The directors recommend the payment of a final dividend of HK5 cents per share in respect of the year ended 31 March 2003 to shareholders whose names appear on the register of members on 25 August 2003. The proposed final dividend for the year is based on the number of shares in issue as at the reporting date, and 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 from ordinary activities attributable to shareholders for the year of HK$71,443,000 (2002: HK$98,034,000) and the weighted average of 398,692,877 (2002: 379,048,493) ordinary shares in issue during the year.

The calculation of diluted earnings per share is based on the net profit from ordinary activities attributable to shareholders for the year of HK$71,443,000 (2002: HK$98,034,000) and 404,623,949 (2002: 392,319,933) ordinary shares, being the weighted average number of shares outstanding during the year, adjusted for the effects of the dilutive potential ordinary shares outstanding during the year.

A reconciliation of the weighted average number of shares used in calculating basic and diluted earnings per share is as follows:

	2003	2002
Weighted average number of ordinary shares used in calculating basic earnings per share	**398,692,877**	379,048,493
Weighted average number of ordinary shares assumed to have been issued at no consideration on deemed exercise of all options outstanding during the year	**5,931,072**	13,271,440
Weighted average number of ordinary shares used in calculating diluted earnings per share	**404,623,949**	392,319,933

13. FIXED ASSETS

Group

	Medium term leasehold land and buildings HK$'000	Construction in progress HK$'000	Moulds, tools, and plant and machinery HK$'000	Furniture, equipment and motor vehicles HK$'000	Total HK$'000
Cost or valuation:					
At beginning of year	143,520	24,767	167,908	55,226	391,421
Additions	5,236	9,420	56,555	8,556	79,767
Disposals	–	–	(1,439)	(3,103)	(4,542)
Deficit on revaluation	(19,050)	–	–	–	(19,050)
Transfers	23,514	(23,514)	–	–	–
At 31 March 2003	**153,220**	**10,673**	**223,024**	**60,679**	**447,596**
Accumulated depreciation:					
At beginning of year	–	–	89,157	35,133	124,290
Provided during the year	6,221	–	17,673	5,906	29,800
Disposals	–	–	(804)	(2,527)	(3,331)
Write-back on revaluation	(6,221)	–	–	–	(6,221)
At 31 March 2003	**–**	**–**	**106,026**	**38,512**	**144,538**
Net book value:					
At 31 March 2003	**153,220**	**10,673**	**116,998**	**22,167**	**303,058**
At 31 March 2002	143,520	24,767	78,751	20,093	267,131
An analysis of cost or valuation:					
At cost	–	10,673	223,024	60,679	294,376
At 2003 valuation	153,220	–	–	–	153,220
	153,220	10,673	223,024	60,679	447,596

13. FIXED ASSETS (continued)

An analysis of the valuation of the leasehold land and buildings of the Group at the balance sheet date is as follows:

	2003	2002
	HK$'000	*HK$'000*
Hong Kong	**20,380**	25,720
Outside Hong Kong	**132,840**	117,800
Total valuation	**153,220**	143,520

As at 31 March 2003, the Group's leasehold land and buildings were revalued at an open market value, based on an existing use basis by RHL Appraisal Ltd., an independent firm of professionally qualified valuers, at HK$153,220,000. A revaluation surplus of HK$6,822,000, resulting from the above valuations, has been credited to the asset revaluation reserve. Revaluation deficits of HK$16,030,000 and HK$3,621,000, resulting from the above valuations, have been debited to the asset revaluation reserve and charged to the profit and loss account, respectively.

Had the Group's leasehold land and buildings stated at valuation been carried at cost less accumulated depreciation, they would have been included in the financial statements at approximately HK$126,438,000 (2002: HK$103,108,000).

14. GOODWILL

The amount of goodwill capitalised as an asset in the consolidated balance sheet, arising from the acquisition of an additional interest in a subsidiary during the year, is as follows:

	Group
	HK$'000
Cost:	
Arising on acquisition of additional interest in a subsidiary and at 31 March 2003	11,628
Accumulated amortisation:	
Amortisation provided during the year and at 31 March 2003	(2,326)
Net book value:	
At 31 March 2003	**9,302**

15. INTERESTS IN SUBSIDIARIES

	Company	
	2003	2002
	HK$'000	*HK$'000*
Unlisted shares, at cost	**104,950**	104,950
Due from subsidiaries	**180,811**	140,433
Due to a subsidiary	**(25,243)**	(5,548)
	260,518	239,835

The balances with the subsidiaries are unsecured, interest-free and are not repayable within the next 12 months from the balance sheet date.

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

Name	Place of incorporation/ registration and operations	Paid-up share/ registered capital	Equity interest attributable to the Company	Principal activities
Directly held				
Kin Yat Industrial Holdings Limited	British Virgin Islands	Ordinary US$3,000	100%	Investment holding
Indirectly held				
Kin Yat (HK) Holdings Limited	Hong Kong	Ordinary HK$1,000 Non-voting deferred HK$6,000,000	100%	Investment holding and property holding
Evertop (Oversea) Industrial Company Limited	British Virgin Islands/ PRC	Ordinary US$100	100%	Manufacture of toys
Kin Yat Industrial Company Limited	Hong Kong	Ordinary HK$3,200,000	100%	Trading of toys and moulds, and sourcing of materials

15. INTERESTS IN SUBSIDIARIES (continued)

Name	Place of incorporation/ registration and operations	Paid-up share/ registered capital	Equity interest attributable to the Company	Principal activities
Indirectly held (continued)				
Unicon Investments Limited	Hong Kong	Ordinary HK$10,000	100%	Property holding
Newway Electrical Industries Limited ("Newway")	Hong Kong	Ordinary HK$3,000,000	100%*	Trading of electrical household appliances
Shenzhen Newway Electrical Industries Co., Ltd. ("Shenzhen Newway")	PRC	HK$10,000,000	100%*	Manufacture of electrical household appliances and property holding
Penta Blesses Enterprises Limited	Hong Kong	Ordinary HK$1,000,000	100%	Investment holding, and manufacture and trading of toys and electrical household appliances
Kin Chak Science & Technology (Shenzhen) Co., Ltd.#	PRC	HK$50,000,000	100%	Property holding
World Talent Enterprise Limited	Hong Kong	Ordinary HK$1,000,000	100%	Trading of toys
Shixing Talent Woods Ltd.#	PRC	RMB2,500,000	100%	Manufacture and trading of toys
Shixing Newway Industry Co., Ltd.# (formerly known as Shixing Turbo Toys Industry Co., Ltd.)	PRC	US$4,000,000***	100%	Property holding
Standard Motor Co., Ltd. ("Standard Motor")	Hong Kong	Ordinary HK$40,000,000	90%**	Manufacture and trading of motors
Shixing Standard Motor Co., Ltd.#	PRC	US$4,000,000	90%**	Property holding
Turbo Tec Company Limited	Hong Kong	Ordinary HK$10,000	100%	Trading of toys

15. INTERESTS IN SUBSIDIARIES (continued)

They are registered as wholly foreign owned enterprises under the PRC law.

* Shenzhen Newway is registered as a Sino-foreign owned joint venture enterprise under the PRC law. Subject to the payment of a fixed sum of HK$34,965 per month to the joint venture party, Newway is entitled to all of the profits and bears all of the losses of Shenzhen Newway.

** The Group's shareholdings increased from 70% to 90% during the year.

*** During the year, the Group has made a further capital contribution of US$2,368,000, approximately HK$18,472,000. The capital verification and registration procedures for the increase in paid-up capital have not been completed as at 31 March 2003.

16. INTERESTS IN ASSOCIATES

	Group	
	2003	**2002**
	HK$'000	*HK$'000*
Share of net assets/(deficit)	**(1,563)**	536
Negative goodwill on acquisition (Note)	**(1,684)**	(2,695)
	(3,247)	(2,159)
Loan to an associate	**18,228**	18,228
Due from associates	**213**	154
	15,194	16,223

Note: The amounts of the negative goodwill recognised in the consolidated balance sheet, arising from the acquisition of associates, are as follows:

	Group
	HK$'000
Cost:	
At beginning of year and at 31 March 2003	(3,033)
Recognition as income:	
At beginning of year	(338)
Recognised as income during the year	(1,011)
At 31 March 2003	(1,349)
Net book value:	
At 31 March 2003	(1,684)
At 31 March 2002	(2,695)

16. INTERESTS IN ASSOCIATES (continued)

The loan to an associate, which was granted in proportion to the Group's shareholding in this associate, is unsecured, interest-free and has no fixed terms of repayment. The amounts due from associates are unsecured, interest-free and are repayable in accordance with normal trading terms.

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

Particulars of the Group's principal associates are as follows:

Name	Business structure	Place of incorporation/ registration and operations	Paid-up share/ registered capital	Percentage of equity attributable to the Group	Principal activities
Success Mode Industries Limited ("Success Mode")	Corporate	Hong Kong/ PRC	Ordinary HK$1,000,000	49%	Manufacture and trading of metallic parts
Full Summit Development Limited ("Full Summit")	Corporate	Hong Kong	HK$10,000	50%	Investment holding
Concord Modern International Technology Limited	Corporate	Hong Kong	Ordinary HK$10,000	50%	Manufacture and distribution of recordable compact disc
Shixing Concord Modern Technology Limited*	Corporate	PRC	RMB50,000,000	50%	Manufacture and distribution of recordable compact disc

* Established during the year.

17. DEFERRED DEVELOPMENT COSTS

	Group 2003 HK$'000	Group 2002 HK$'000
Cost:		
At beginning of year	**23,790**	28,508
Additions	**7,829**	6,530
Retirements	**(10,748)**	(11,248)
At balance sheet date	**20,871**	23,790
Accumulated amortisation:		
At beginning of year	**16,790**	21,161
Provided during the year	**6,957**	6,877
Retirements	**(10,748)**	(11,248)
At balance sheet date	**12,999**	16,790
Net book value:		
At balance sheet date	**7,872**	7,000
At beginning of year	**7,000**	7,347

18. INVENTORIES

	Group 2003 HK$'000	Group 2002 HK$'000
Raw materials	**87,671**	55,652
Work in progress	**14,486**	9,189
Finished goods	**40,400**	27,825
	142,557	92,666

19. ACCOUNTS RECEIVABLE

The ageing of the Group's accounts receivable is analysed as follows:

	2003	2002
	HK$'000	*HK$'000*
0 – 30 days	**29,548**	29,714
31 – 60 days	**11,829**	6,808
61 – 90 days	**5,854**	9,864
Over 90 days	**23,220**	6,105
	70,451	52,491

Trading terms with customers are largely on credit, except for new customers where cash on sale or payment in advance is normally required. Invoices are normally payable within 60 days of issuance, except for certain well-established customers, for whom the credit terms are extended to 90 days.

20. SHORT TERM INVESTMENTS

	Group	
	2003	2002
	HK$'000	*HK$'000*
Hong Kong listed equity investments, at market value	**1,550**	4,932

21. ACCOUNTS AND BILLS PAYABLE, ACCRUED LIABILITIES AND OTHER PAYABLES

	Group	
	2003	2002
	HK$'000	*HK$'000*
0 – 30 days	**28,226**	31,114
31 – 60 days	**11,438**	10,571
61 – 90 days	**5,962**	4,971
Over 90 days	**20,537**	6,907
Accounts and bills payable	**66,163**	53,563
Accrued liabilities and other payables	**29,704**	22,176
	95,867	75,739

22. INTEREST-BEARING BANK BORROWINGS

	Group	
	2003	2002
	HK$'000	*HK$'000*
Unsecured		
Bank overdrafts	**5,963**	–
Bank loans	**–**	700
Total bank borrowings	**5,963**	700
Bank borrowings repayable:		
Within one year or on demand	**5,963**	200
In the second year	**–**	200
In the third to fifth years, inclusive	**–**	300
	5,963	700
Portion classified as current liabilities	**(5,963)**	(200)
Non-current portion	**–**	500

The Group's banking facilities are supported by corporate guarantees given by the Company and certain subsidiaries of the Company.

23. DEFERRED TAX

	Group	
	2003	2002
	HK$'000	*HK$'000*
At beginning of the year	**6,497**	2,793
Charge for the year (note 9)	**1,240**	3,704
At balance sheet date	**7,737**	6,497

23. DEFERRED TAX (continued)

The principal components of the Group's deferred tax liabilities/(assets) provided for at the balance sheet date were as follows:

	2003	2002
	HK$'000	*HK$'000*
Accelerated depreciation allowances	**14,270**	6,864
Tax losses carried forward	**(6,533)**	(367)
	7,737	6,497

There was no significant unprovided deferred tax in respect of the year (2002: Nil).

The revaluation of the Group's leasehold land and buildings does not constitute a timing difference and, consequently, the amount of potential deferred tax thereon has not been quantified.

Deferred tax has not been provided for by the Company as there were no timing differences at the balance sheet date (2002: Nil).

24. SHARE CAPITAL

	Company	
	2003	2002
	HK$'000	*HK$'000*
Authorised:		
1,000,000,000 ordinary shares of HK$0.10 each	**100,000**	100,000
Issued and fully paid:		
404,820,000 (2002: 379,120,000) ordinary shares of HK$0.10 each	**40,482**	37,912

The subscription rights attaching to 19,210,000 and 6,490,000 share options were exercised during the year at the subscription prices of HK$0.87 per share and HK$0.3032 per share, respectively (note 25), resulting in the total issue of 25,700,000 shares of HK$0.10 each for a total cash consideration of approximately HK$18,681,000.

25. SHARE OPTION SCHEME

SSAP 34 was adopted during the year, as explained in note 2 and under the heading "Employee benefits" in note 3 to the financial statements. As a result, the following detailed disclosures relating to the Company's share option scheme are now included in the notes to the financial statements. In the prior year, these disclosures were included in the Report of the Directors, as their disclosure is also a requirement of the Listing Rules.

On 20 August 2002, the share option scheme of the Company adopted on 8 April 1997 ceased to operate and a new share option scheme (the "Scheme") was adopted on the same date to comply with the new requirements of Chapter 17 of the Listing Rules regarding share option schemes of a company. The options granted under the old scheme will remain in force and effect for the periods set out below.

The Company operates the 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 Scheme include the Company's directors, including independent non-executive directors, other employees of the Group, suppliers of goods or services to the Group, customers of the Group, any person or entity that provides research, development or other technological support to the Group and any minority shareholder in the Company's subsidiaries. The Scheme became effective on 20 August 2002 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

The maximum number of unexercised share options currently permitted to be granted under the Scheme is an amount equivalent, upon their exercise, to 10% of the shares of the Company in issue at any time. The maximum number of shares issuable under share options to each eligible participant in the Scheme within any 12-month period, is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the price of the Company's shares at the date of grant) in excess of HK$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

The offer of a grant of share options may be accepted within 28 days from the date of the offer, upon payment of a nominal consideration of HK$1 in total by the grantee. The exercise period of the share options granted is determinable by the directors, and commences after a certain vesting period and ends on a date which is not later than 10 years from the date of the offer of the share options.

The exercise price of the share options is determinable by the directors, but may not be less than the higher of (i) The Stock Exchange of Hong Kong Limited (the "Stock Exchange") closing price of the Company's shares on the date of the offer of the share options; (ii) the average Stock Exchange closing price of the Company's shares for the five trading days immediately preceding the date of the offer; and (iii) the nominal value of the Company's shares.

25. SHARE OPTION SCHEME (continued)

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

The following share options were outstanding under the old scheme during the year:

	Date of share options granted	Number of share options: At 1 April 2002	Exercised during the year	Lapsed during the year	At 31 March 2003	Exercise period	Exercise price per share HK$	Price of Company's shares at exercise date of options* HK$
Directors								
Cheng Chor Kit	7/7/1997	6,000,000	(6,000,000)	–	–	7/7/1997-7/4/2007	0.8700	1.94
	6/11/1998	1,500,000	(1,500,000)	–	–	6/11/1998-5/11/2008	0.3032	1.94
Cheng Chor Chiu	7/7/1997	4,500,000	(4,500,000)	–	–	7/7/1997-7/4/2007	0.8700	2.65
	6/11/1998	1,000,000	(1,000,000)	–	–	6/11/1998-5/11/2008	0.3032	2.65
Cheng Chor Yip	7/7/1997	3,000,000	(3,000,000)	–	–	7/7/1997-7/4/2007	0.8700	2.65
	6/11/1998	1,000,000	(1,000,000)	–	–	6/11/1998-5/11/2008	0.3032	2.65
Wong Kin Chung	7/7/1997	1,500,000	(1,500,000)	–	–	7/7/1997-7/4/2007	0.8700	2.65
Chui Pak Shing	7/7/1997	150,000	(150,000)	–	–	7/7/1997-7/4/2007	0.8700	2.65
	6/11/1998	1,000,000	(1,000,000)	–	–	6/11/1998-5/11/2008	0.3032	2.65
Other employees								
In aggregate	7/7/1997	4,060,000	(4,060,000)	–	–	7/7/1997-7/4/2007	0.8700	2.65
	6/11/1998	4,750,000	(1,990,000)	(1,000,000)	1,760,000	6/11/1998-5/11/2008	0.3032	2.58
		28,460,000	(25,700,000)	(1,000,000)	1,760,000			

* The price of the Company's shares disclosed as at the date of the exercise of the share options is the weighted average of the Stock Exchange closing prices over all of the exercises of options within the disclosure line.

Included in the aggregate share options granted to other employees, 200,000 share options were granted to Tsang Yuk Wan, the spouse of Cheng Chor Kit, on 6 November 1998, which were exercised during the year.

25. SHARE OPTION SCHEME (continued)

The 25,700,000 share options exercised during the year resulted in the issue of 25,700,000 ordinary shares of the Company and new share capital of HK$2,570,000 and share premium of HK$16,111,000 (before issue expenses), as detailed in note 24 to the financial statements.

At the balance sheet date, the Company had 1,760,000 share options outstanding under the old scheme. The exercise in full of these share options would, under the present capital structure of the Company, result in the issue of 1,760,000 additional ordinary shares of the Company and additional share capital of HK$176,000 and share premium of HK$358,000 (before issue expenses).

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 in the financial statements.

The contributed surplus of the Group represents the difference between the nominal value of the shares of the aggregate share capital of the subsidiaries acquired pursuant to the Group reorganisation on 7 April 1997, over the nominal value of the Company's shares issued in exchange therefor.

(b) Company

	Share premium	Contributed surplus	Retained profits	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 1 April 2001	88,310	104,750	18,795	211,855
Issue of shares	20	–	–	20
Net profit for the year	–	–	40,588	40,588
Interim dividend	–	–	(11,374)	(11,374)
Proposed final dividend	–	–	(27,798)	(27,798)
At 31 March 2002 and at beginning of year	88,330	104,750	20,211	213,291
Issue of shares *(note 25)*	16,111	–	–	16,111
Net profit for the year	–	–	30,123	30,123
Interim dividend	–	–	(10,121)	(10,121)
Proposed final dividend	–	–	(20,241)	(20,241)
At 31 March 2003	**104,441**	**104,750**	**19,972**	**229,163**

26. RESERVES (continued)

The contributed surplus of the Company represents the excess of the then combined net assets of the subsidiaries acquired pursuant to the same reorganisation, over the nominal value of the Company's shares issued in exchange therefor.

Under the Companies Act 1981 of Bermuda, the Company's contributed surplus is available for cash distribution and/or distribution in specie under certain circumstances prescribed by section 54 thereof.

27. RELATED PARTY AND CONNECTED TRANSACTIONS

In addition to the transactions and balances detailed elsewhere in these financial statements, the Group had the following material transactions with related and connected parties during the year:

(a) On 17 April 2002, Cavetto Investments Limited, a wholly-owned subsidiary of the Group, entered into an agreement with Yim Tit Shing, a director and substantial shareholder of Standard Motor, Lee Kwai Wing, a director of Standard Motor, and other shareholders of Standard Motor, to acquire from them a 20% share capital of Standard Motor, a subsidiary of the Group, at a consideration of HK$30,000,000. Standard Motor and its subsidiaries are engaged in the manufacture and trading of motors.

This agreement was completed upon the approval by the independent shareholders of the Company on 29 May 2002. The purchase consideration for the acquisition of HK$30,000,000 was in form of cash and was paid on the completion date.

The amount of goodwill arising from the acquisition is disclosed in note 14 to the financial statements.

(b) At the balance sheet date, a corporate guarantee of HK$15,000,000 (2002: HK$15,000,000) was given by the Group in respect of banking facilities granted to Full Summit, an associate of the Group, in proportion to its shareholding.

(c) As detailed in note 16, the Group granted a loan of HK$18,228,000 (2002: HK$18,228,000) to an associate in proportion to its shareholding in this associate. This loan is unsecured, interest-free and has no fixed terms of repayment.

(d) During the year, the Group sold motors of HK$2,198,000 to Gimelli Laboratories Company Limited, of which Chung Chi Ping, Roy, an independent non-executive director of the Company, is a director.

The directors consider that these sales of motors were made according to prices and conditions similar to those offered to other customers of the Group.

27. RELATED PARTY AND CONNECTED TRANSACTIONS (continued)

(e) During the year, the Group purchased raw materials of HK$6,114,000 (2002: HK$575,000) from Success Mode, an associate of the Group.

The directors consider that the purchases of raw materials from Success Mode were made according to prices and conditions similar to those offered by non-related suppliers of the Group.

28. OPERATING LEASE ARRANGEMENTS

(a) As lessor

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

	2003	2002
	HK$'000	*HK$'000*
Within one year	**104**	371
In the second to fifth years, inclusive	**–**	97
	104	468

(b) As lessee

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

	2003	2002
	HK$'000	*HK$'000*
Within one year	**910**	1,412
In the second to fifth years, inclusive	**825**	1,697
After five years	**120**	158
	1,855	3,267

The Company did not have any operating lease arrangements at the balance sheet date (2002: Nil).

29. COMMITMENTS

(i) At the balance sheet date, the Group had contracted capital commitments in respect of its wholly-owned investments in the PRC amounting to HK$6,758,000 (2002: HK$20,644,000).

(ii) Capital commitments

At the balance sheet date, the Group had contracted for capital commitments in respect of acquisition of property, plant and equipment of HK$4,016,000 (2002: HK$8,882,000).

The Group did not have any significant authorised, but not contracted for, capital commitments as at the balance sheet date (2002: Nil).

The Company did not have any other significant commitments at the balance sheet date (2002: Nil).

30. CONTINGENT LIABILITIES

At the balance sheet date, the Company had provided guarantees of HK$127,000,000 (2002: HK$97,000,000) and HK$15,000,000 (2002: HK$15,000,000) in respect of banking facilities granted to certain subsidiaries and an associate, of which HK$5,963,000 (2002: HK$700,000) and HK$12,500,000 (2002: HK$470,000) had been utilised as at the balance sheet date, respectively.

31. COMPARATIVE AMOUNTS

As further explained in note 2 to the financial statements, due to the adoption of certain new and revised SSAPs during the current year, the accounting treatment and presentation of certain items in the financial statements have been revised to comply with the new requirements. Accordingly, certain comparative amounts have been reclassified to conform with the current year's presentation.

32. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 21 July 2003.