

# Notes to the Financial Statements

For the year ended 31st December, 2003

## 1. GENERAL

The Company was incorporated in Bermuda on 24th November, 1993 as an exempted company under the Companies Act 1981 of Bermuda (as amended). The Company is a public limited company and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Its ultimate holding company is Suncorp Investments Group Limited ("Suncorp"), a company incorporated in the British Virgin Islands.

The principal activities of the Company are investment holding and those of its principal subsidiaries are set out in note 15.

## 2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

In October 1999, there was a court judgment regarding the ownership of Matrix Plastic Manufacturing (Zhongshan) Co., Ltd. ("MPMZ"), an indirect wholly-owned major subsidiary of the Company, in connection with a claim made by a trade creditor, which had subsequently been settled. The Company has made an application for a judicial review of the judgment regarding the ownership of MPMZ. In 2002, the Company received an acknowledgement from Zhongshan Intermediate People's Court that Guangdong High People's Court has transferred the Company's application to Zhongshan Intermediate People's Court for processing. The directors have sought independent legal advice and are of the opinion that the aforesaid judgment can be overruled and will have no material impact on the financial position and operations of the Group. Accordingly, MPMZ is still treated as an indirect subsidiary of the Company.

## 3. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has adopted, for the first time, the following Hong Kong Financial Reporting Standards (HKFRSs) issued by the Hong Kong Society of Accountants (HKSA), the term of HKFRS is inclusive of Statements of Standard Accounting Practice (SSAPs) and Interpretations approved by the HKSA:

SSAP 12 (Revised)	Income taxes
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In the current year, the Group has adopted SSAP 12 (Revised) Income Taxes. The principal effect of the implementation of SSAP 12 (Revised) is in relation to deferred tax. SSAP 12 (Revised) requires the adoption of a balance sheet liability method, whereby deferred tax is recognised in respect of all temporary differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, with limited exceptions. In the absence of any specific transitional requirements in SSAP 12 (Revised), the new accounting policy has been applied retrospectively. Comparative amounts for 2002 have been restated accordingly. As a result of this change in policy, the balance on the Group's other asset revaluation reserves at 1st January, 2002 has been decreased by HK\$2.3 million, representing the deferred tax liability recognised in respect of the revaluation surplus on the Group's property, plant and equipment at that date. The change has resulted in an increase in other asset revaluation reserves by HK\$0.3 million for the year ended 31st December, 2002 and a decrease in other asset revaluation reserves by HK\$0.02 million for the year ended 31st December, 2003.



# Notes to the Financial Statements

For the year ended 31st December, 2003

## 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Property, plant and equipment

Leasehold land and buildings and plant and machinery are stated in the balance sheet at their revalued amount, being the fair value on the basis of their existing use at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are performed with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair values at the balance sheet date.

Any revaluation increase arising on revaluation of leasehold land and buildings and plant and machinery is credited to the other asset revaluation reserves, except to the extent that it reverses a revaluation decrease of the same asset previously recognised as an expense, in which case the increase is credited to the income statement to the extent of the decrease previously charged. A decrease in net carrying amount arising on revaluation of an asset is charged as an expense to the income statement to the extent that it exceeds the balance, if any, on the revaluation reserve relating to a previous revaluation of that asset. On the subsequent sale or retirement of a revalued asset, the attributable revaluation surplus is transferred to accumulated profits.

Construction in progress represents buildings in the course of development for production or administrative purposes or for the purposes not yet determined, and is carried at cost, less any identified impairment losses. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Other assets are stated at cost less depreciation and accumulated impairment losses.

Depreciation is provided to write off the cost or valuation of items of property, plant and equipment, other than construction in progress, over their estimated useful lives, using the straight line method, at the following rates per annum:

Leasehold land	2% or over the lease term, if shorter
Buildings	2% – 4% or over the lease term, if shorter
Leasehold improvement	2% or over the lease term, if shorter
Plant and machinery	20%
Furniture and equipment	10% – 20%
Motor vehicle	30%

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

## Notes to the Financial Statements

For the year ended 31st December, 2003

#### 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

## Impairment

At each balance sheet date, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment losses are recognised as an expense immediately, unless the relevant asset is carried at a revalued amount under another standard, in which case the impairment loss is treated as a revaluation decrease under that standard.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount under another standard, in which case the reversal of the impairment loss is treated as a revaluation increase under that standard.

## Leased assets

Leases are classified as finance leases when the terms of the lease transfer substantially all the risks and rewards of ownership of the assets concerned to the Group. Assets held under finance leases are capitalised at their fair values at the date of acquisition. The corresponding liability to the lessor, net of interest charges, is included in the balance sheet as a finance lease obligation. Finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are charged to the income statement over the period of the relevant lease so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

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

## Notes to the Financial Statements

For the year ended 31st December, 2003

### 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Foreign currencies

Transactions in foreign currencies are initially recorded at the rates prevailing on the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are re-translated at the rates prevailing on the balance sheet date. Profits and losses arising on exchange are dealt with in the income statement.

On consolidation, the assets and liabilities of subsidiaries which are denominated in currencies other than Hong Kong dollars are translated at the rates ruling on the balance sheet date. Income and expenses items are translated at the average exchange rates for the period. Exchange differences arising, if any, are classified as equity and transferred to the Group's translation reserve. Such translation differences are recognised to income or as expenses in the period in which the operation is disposed of.

#### Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years, and it further excludes income statement items that are never taxable or deductible.

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

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





## Notes to the Financial Statements

For the year ended 31st December, 2003

### 5. SEGMENT INFORMATION (Continued)

The Group's customers are mainly located in United States. The following table provides an analysis of the Group's segment information by geographical location of the Group's customers:

#### 2003

	United States HK\$'000	Canada HK\$'000	Taiwan HK\$'000	Hong Kong HK\$'000	Others HK\$'000	Consolidated HK\$'000
REVENUE						
External sales	448,983	14,824	11,713	23,254	1,583	500,357
RESULTS						
Segment results	166,018	4,043	3,476	8,554	508	182,599
Unallocated income and expenses						(23,968)
Profit from operations						158,631
Finance costs						(1,153)
Profit before taxation						157,478
Taxation						(26,312)
Net profit for the year						131,166
ASSETS						
Segment assets	120,163	1,559	1,196	12,111	313	135,342
Unallocated corporate assets						228,406
						363,748
LIABILITIES						
Segment liabilities	35,379	262	12	1,671	13	37,337
Unallocated corporate liabilities						89,113
						126,450
OTHER INFORMATION						
Unallocated additions to property, plant and equipment						30,564
Unallocated depreciation						17,658

## 5. SEGMENT INFORMATION (Continued)

	United States HK\$'000	Canada HK\$'000	Taiwan HK\$'000	Hong Kong HK\$'000	Others HK\$'000	Consolidated HK\$'000
<b>REVENUE</b>						
External sales	351,796	22,943	18,018	2,887	–	395,644
<b>RESULTS</b>						
Segment results	136,849	6,435	5,316	1,036	–	149,636
Unallocated income and expenses						(33,069)
Profit from operations						116,567
Finance costs						(1,626)
Profit before taxation						114,941
Taxation						(13,002)
Net profit for the year						101,939
<b>ASSETS</b>						
Segment assets	81,296	3,295	2,863	512	461	88,427
Unallocated corporate assets						177,565
						265,992
<b>LIABILITIES</b>						
Segment liabilities	27,748	824	2,504	57	24	31,157
Unallocated corporate liabilities						71,018
						102,175
<b>OTHER INFORMATION</b>						
Unallocated additions to property, plant and equipment						30,034
Unallocated depreciation						13,949
Impairment losses recognised						471



# Notes to the Financial Statements

For the year ended 31st December, 2003

## 5. SEGMENT INFORMATION (Continued)

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

	Carrying amount of segment assets		Additions to property, plant and equipment	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
PRC	166,922	132,348	16,155	15,870
Vietnam	77,801	67,894	14,250	13,330
Hong Kong	82,573	55,028	159	834
Macau	36,452	10,722	–	–
	363,748	265,992	30,564	30,034

## 6. OTHER OPERATING INCOME

	2003 HK\$'000	2002 HK\$'000
Interest income on bank deposits	647	97
Net exchange gain	5,927	3,478
Profit on disposal of property, plant and equipment	–	176
Others	1,902	1,894
	8,476	5,645



# Notes to the Financial Statements

For the year ended 31st December, 2003

## 9. DIRECTORS' EMOLUMENTS

Directors' emoluments are analysed as follows:

	2003 HK\$'000	2002 HK\$'000
Fees		
Independent non-executive directors	120	120
Other emoluments (executive directors)		
Salaries and allowances	2,202	2,551
Contributions to MPFS	60	65
	<b>2,382</b>	<b>2,736</b>

Directors' emoluments are within the following bands:

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

No director waived any emoluments in the two years ended 31st December, 2003.

## 10. HIGHEST PAID EMPLOYEES

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

	2003 HK\$'000	2002 HK\$'000
Salaries and allowances	2,029	2,930
Contributions to MPFS	24	28
	<b>2,053</b>	<b>2,958</b>

Employees' emoluments are within the following bands:

	Number of employees	
	2003	2002
Nil to HK\$1,000,000	3	2
HK\$1,000,001 to HK\$1,500,000	–	1

## Notes to the Financial Statements

For the year ended 31st December, 2003

## II. TAXATION

	2003 HK\$'000	2002 HK\$'000
Current tax:		
Hong Kong	24,147	11,650
Other jurisdiction	1,277	1,400
	25,424	13,050
Overprovision in prior year:		
Hong Kong	(1,014)	(48)
Deferred tax:		
Current year (Note 25)	1,902	—
Taxation attributable to the Company and its subsidiaries	26,312	13,002

Hong Kong Profits Tax is calculated at 17.5% (2002: 16%) on the estimated assessable profit for the year. In June 2003, the Hong Kong Profits Tax rate was increased from 16% to 17.5% with effect from the 2003/2004 year of assessment. The effect of this increase has been reflected in the calculation of current and deferred tax balances at 31st December 2003.

According to the Investment License granted by Vietnam authority to the Vietnam subsidiaries, the Vietnam enterprise income tax rate is 10% on the estimated assessable profits during the operating period. The Vietnam subsidiaries are eligible for exemption from Vietnam enterprise income tax for four years from the first profit-making year followed by a 50% reduction in the Vietnam enterprise income tax for the next four years.

Vietnam enterprise income tax is calculated at 5% (2002: 5%) on the estimated assessable profit for the year.

According to the Investment License, the tax for transferring profits of Vietnam subsidiaries outside Vietnam is calculated at 3% on the profits transferred. No provision for such tax has been made as the Group currently has no intention of transferring profits of the Vietnam subsidiaries outside Vietnam.

# Notes to the Financial Statements

For the year ended 31st December, 2003

## II. TAXATION (Continued)

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

	Hong Kong		Other jurisdictions		Total	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Profit before taxation	133,109	75,331	24,369	39,610	157,478	114,941
Tax at the domestic income tax rate	23,294	12,053	3,182	3,495	26,476	15,548
Tax effect of expenses not deductible for tax purpose	1,114	553	339	35	1,453	588
Tax effect of income not taxable for tax purpose	(1,104)	(19)	(8)	(465)	(1,112)	(484)
Overprovision in respect of prior year	(1,014)	(48)	–	–	(1,014)	(48)
Tax effect of tax losses/deferred tax assets not recognised	1,530	595	138	–	1,668	595
Utilisation of tax losses/deferred tax assets previously not recognised	(28)	–	(2,540)	(1,988)	(2,568)	(1,988)
Others	1,376	(1,532)	33	323	1,409	(1,209)
Tax effect for the year	25,168	11,602	1,144	1,400	26,312	13,002





# Notes to the Financial Statements

For the year ended 31st December, 2003

## 14. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings HK\$'000	Construction in progress HK\$'000	Leasehold improvement HK\$'000	Plant and machinery HK\$'000	Furniture and equipment HK\$'000	Motor vehicle HK\$'000	Total HK\$'000
<b>THE GROUP</b>							
COST OR VALUATION							
At 1st January, 2003	70,454	7,392	4,935	46,434	1,055	423	130,693
Exchange adjustments	(191)	(111)	–	(369)	(1)	–	(672)
Additions	4,553	–	751	22,411	2,849	–	30,564
Transfer	7,281	(7,281)	–	–	–	–	–
Disposals	–	–	–	(896)	(10)	–	(906)
<b>At 31st December, 2003</b>	<b>82,097</b>	<b>–</b>	<b>5,686</b>	<b>67,580</b>	<b>3,893</b>	<b>423</b>	<b>159,679</b>
Comprising							
At cost	24,897	–	5,686	60,717	3,893	423	95,616
At valuation							
31st December, 2001	57,200	–	–	6,863	–	–	64,063
	82,097	–	5,686	67,580	3,893	423	159,679
DEPRECIATION AND IMPAIRMENT LOSSES							
At 1st January, 2003	2,800	–	277	11,448	447	127	15,099
Exchange adjustments	(14)	–	–	(99)	(1)	–	(114)
Provided for the year	2,678	–	195	13,905	753	127	17,658
Eliminated on disposals	–	–	–	(264)	(4)	–	(268)
<b>At 31st December, 2003</b>	<b>5,464</b>	<b>–</b>	<b>472</b>	<b>24,990</b>	<b>1,195</b>	<b>254</b>	<b>32,375</b>
NET BOOK VALUES							
<b>At 31st December, 2003</b>	<b>76,633</b>	<b>–</b>	<b>5,214</b>	<b>42,590</b>	<b>2,698</b>	<b>169</b>	<b>127,304</b>
At 31st December, 2002	67,654	7,392	4,658	34,986	608	296	115,594



# Notes to the Financial Statements

For the year ended 31st December, 2003

## 15. INTERESTS IN SUBSIDIARIES (Continued)

Details of the principal subsidiaries at 31st December, 2003 are as follows:

Name of subsidiary	Place/country of incorporation or registration/operation	Issued and fully paid share capital/registered capital/contributed legal capital	Class of share held	Proportion of nominal value of issued capital/registered capital/contributed legal capital held by the Company	Principal activities
Associated Traders Hong Kong Limited	Hong Kong	HK\$10,000	Ordinary	100%	Trading of gifts and novelties
Besco Enterprises Limited	Hong Kong	HK\$10,000	Ordinary	100%	Manufacture of gifts and novelties
Goldpex Technology Limited	The British Virgin Islands	US\$10	Ordinary	100%	Products design
Keengold Enterprises Limited	The British Virgin Islands	US\$10	Ordinary	100%	Investment holding
Keyhinge Holdings Limited	Hong Kong	HK\$10,000	Ordinary	100%	Investment holding
Keyhinge Procurement Limited	Hong Kong	HK\$10,000	Ordinary	100%	Purchasing
Keyhinge Toys Company Limited	The British Virgin Islands	US\$10	Ordinary	100%	Trading of gifts
Keyhinge Toys Vietnam Company Limited	Vietnam	US\$5,085,864	Capital contribution	100%	Manufacture of gifts and novelties
Matrix International Holdings Limited	The British Virgin Islands	US\$6	Ordinary	100%	Investment holding
Matrix Investments Group Limited	The British Virgin Islands	US\$10	Ordinary	100%	Investment holding
Matrix Manufacturing Limited	The British Virgin Islands	US\$1	Ordinary	100%	Investment holding





# Notes to the Financial Statements

For the year ended 31st December, 2003

## 16. INVENTORIES

	THE GROUP	
	2003 HK\$'000	2002 HK\$'000
Raw materials	21,012	15,880
Work in progress	22,631	11,382
Finished goods	67,214	30,612
	<b>110,857</b>	<b>57,874</b>

All of the inventories above are carried at cost.

## 17. TRADE AND OTHER RECEIVABLES

The trade and other receivables include trade receivables of HK\$34,917,000 (2002: HK\$39,122,000). The Group allows a credit period of 14 to 60 days to its trade customers.

The following is an aged analysis of trade receivables at the balance sheet date:

	THE GROUP	
	2003 HK\$'000	2002 HK\$'000
0 – 60 days	34,871	38,794
61 – 90 days	–	56
> 90 days	46	272
	<b>34,917</b>	<b>39,122</b>

## 18. PLEDGED BANK DEPOSIT

The amount represents deposit pledged to a bank to secure a bank overdraft facility granted to the Group and is therefore classified as a current asset.



## Notes to the Financial Statements

For the year ended 31st December, 2003

### 22. RESERVES

	Share premium HK\$'000	Contributed surplus HK\$'000	Accumulated (losses) profits HK\$'000	Total HK\$'000
<b>THE COMPANY</b>				
At 1st January, 2002	55,708	56,202	(52,541)	59,369
Net profit for the year	—	—	65,088	65,088
Transfer	—	(52,541)	52,541	—
Dividends paid	—	—	(25,818)	(25,818)
At 31st December, 2002	55,708	3,661	39,270	98,639
Net profit for the year	—	—	107,682	107,682
Dividends paid	—	—	(54,863)	(54,863)
Special dividend declared	—	—	(13,882)	(13,882)
<b>At 31st December, 2003</b>	<b>55,708</b>	<b>3,661</b>	<b>78,207</b>	<b>137,576</b>

The contributed surplus of the Company represents the difference between the nominal amount of the share capital issued by the Company and the book value of the underlying consolidated net tangible assets of subsidiaries acquired as a result of the group reorganisation.

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

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



# Notes to the Financial Statements

For the year ended 31st December, 2003

## 24. OBLIGATIONS UNDER A FINANCE LEASE

	THE GROUP			
	Minimum lease payments		Present value of minimum lease payments	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Within one year	121	121	106	98
In the first to second year inclusive	182	243	173	219
In the third to fifth year inclusive	–	61	–	60
	303	425	279	377
Less: Future finance charges	(24)	(48)	–	–
Present value of lease obligations	279	377	279	377
Less: Amount due for settlement within 12 months shown under current liabilities			(106)	(98)
Amount due for settlement after 12 months			173	279

It is the Group's policy to lease its motor vehicle under finance lease. The lease term is 4 years. For the year ended 31st December, 2003, the effective borrowing rate was 3.68% per annum. Interest rate is fixed at the contract date. The lease is on a fixed repayment basis and no arrangement has been entered into for contingent rental payments.

The Group's obligations under a finance lease are secured by the lessor's charge over the leased asset.





## Notes to the Financial Statements

For the year ended 31st December, 2003

### 25. DEFERRED TAXATION (Continued)

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

	2003 HK\$'000	2002 HK\$'000
Deferred tax liabilities	4,010	1,955
Deferred tax assets	(146)	—
	<b>3,864</b>	<b>1,955</b>

At the balance sheet date, the Group has unused estimated tax losses of HK\$44,990,000 (2002: HK\$43,050,000) available for offset against future profits. No deferred tax asset has been recognised in respect of the estimated tax losses due to the unpredictability of future profit streams. Included in unrecognised tax losses are losses of HK\$25,409,000 (2002: 34,817,000) that will expired in 2005. Other losses may be carried forward indefinitely.

At the balance sheet date, the aggregate amount of temporary differences associated with undistributed earnings of subsidiaries for which deferred tax liabilities have not been recognised was HK\$159,841,000 (2002: HK\$137,931,000). No liability has been recognised in respect of these differences because the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

The Company has no material deferred taxation for the year and at the balance sheet date.



# Notes to the Financial Statements

For the year ended 31st December, 2003

## 27. MAJOR NON-CASH TRANSACTIONS

During the year ended 31st December, 2002, the Group entered into a finance lease arrangement in respect of a motor vehicle with a total capital value at the inception of the finance lease of HK\$423,000.

During the year ended 31st December, 2003, convertible loan stock of HK\$14,000,000 (2002: HK\$17,800,000) was converted into 140,000,000 (2002: 178,000,000) shares of HK\$0.10 each in the Company.

## 28. CONTINGENT LIABILITIES

### THE COMPANY

The Company has given guarantee to a bank in respect of general facilities granted to its subsidiary which has not been utilised at the balance sheet date.

## 29. OPERATING LEASE COMMITMENTS

	THE GROUP	
	2003 HK\$'000	2002 HK\$'000
Minimum lease payments in respect of land and buildings under operating leases recognised in the income statement for the year	3,645	4,545

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

	THE GROUP	
	2003 HK\$'000	2002 HK\$'000
Within one year	955	2,370
In the second to fifth year inclusive	720	1,470
After five years	4,636	2,183
	6,311	6,023

Operating lease payments represent rentals payable by the Group for its factory properties and office properties. Leases are negotiated for a term of 8 to 20 years for factory properties and a term of 2 years for office properties. The rentals are fixed throughout the lease period.





## Notes to the Financial Statements

For the year ended 31st December, 2003

### 32. SHARE OPTION SCHEME *(Continued)*

The total number of shares in respect of which options may be granted under the New Scheme is not permitted to exceed 10% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. The number of shares to be issued to each participant in any twelve-month period must not exceed 1% of the share capital of the Company in issue, without prior approval from the Company's shareholders. Options granted to substantial shareholders or independent non-executive directors in excess of 0.1% of the Company's share capital and with a value in excess of HK\$5 million must be approved in advance by the Company's shareholders.

Options granted must be taken up not later than 28 days after the date of grant, upon payment of HK\$1 per option. The period during which an option may be exercised will be determined by the board of directors of the Company at its absolute discretion, save that no option may be exercised more than 10 years after it has been granted. No option may be granted more than 10 years after the date of approval of the New Scheme.

No options have been granted since the establishment of the New Scheme.

### 33. RETIREMENT BENEFIT SCHEMES AND MANDATORY PROVIDENT FUND

The Group operates a MPFS for all qualifying employees in Hong Kong. The assets of the scheme are held separately from those of the Group, in funds under the control of trustees. The Group contributes 5% of relevant payroll cost to the scheme which is matched by the employee.

The eligible employees of the subsidiaries in the PRC are members of pension schemes operated by the Chinese local government. The subsidiaries are required to contribute certain percentages of the relevant part of the payroll of these employees to the pension schemes to fund the benefits.

Eligible employees in Vietnam currently participate in a defined contribution pension scheme operated by the local municipal government. The calculation of contributions is based on certain percentages of the employees' payroll.

The retirement benefits cost charged to income statement of approximately HK\$1,862,000 (2002: HK\$791,000) represents contributions payable to the schemes by the Group at the rates specified in the rules of the various schemes.

### 34. POST BALANCE SHEET EVENT

In February 2004, Suncorp has converted the remaining HK\$12,200,000 convertible loan stock into 122,000,000 shares of HK\$0.10 each in the Company.