

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2004

1. GENERAL

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

The Company is an investment holding company. The principal activities of its principal subsidiaries are set out in note 37.

2. IMPACT OF RECENTLY ISSUED ACCOUNTING STANDARDS

The Hong Kong Institute of Certified Public Accountants has issued a number of new and revised Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards ("new HKFRSs") which are effective for accounting periods beginning on or after 1st January 2005. The Group has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a significant impact on its results of operations and financial position.

3. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention as modified for the revaluation of certain properties.

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

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31st December each year. Subsidiaries are those entities in which the Group, directly or indirectly, controls the composition of the board of directors, or controls more than half of the voting power or holds more than half of the issued share capital. The results of the subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

All significant intercompany transactions and balances within the Group are eliminated on consolidation.

The gain or loss on the disposal of a subsidiary represents the difference between the proceeds of the sale and the Group's share of its net assets together with any unamortised goodwill or negative goodwill or goodwill/negative goodwill taken to reserves and which was not previously charged or recognised in the consolidated income statement and any related accumulated foreign currency translation reserve.

Minority interests represent the interests of outside shareholders in the operating results and net assets of subsidiaries.

Notes to the Financial Statements

For the year ended 31st December, 2004

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary at the date of acquisition. Goodwill is recognised as an asset and amortised on a straight line basis over its useful economic life. Goodwill arising on the acquisition of subsidiaries is presented separately in the balance sheet.

On disposal of a subsidiary, the attributable amount of unamortised goodwill is included in the determination of the profit or loss on disposal.

Negative goodwill

Negative goodwill represents the excess of the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary or an associate at the date of acquisition over the cost of acquisition. To the extent that the negative goodwill is attributable to losses or expenses anticipated at the date of acquisition, it is released to income in the period in which those losses or expenses arise. The remaining negative goodwill is recognised as income on a straight line basis over the remaining average useful life of the identifiable acquired depreciable assets. To the extent that such negative goodwill exceeds the aggregate fair value of the acquired identifiable non-monetary assets, it is recognised as income immediately.

Negative goodwill arising on the acquisition of an associate is deducted from the carrying value of the associate. Negative goodwill arising on the acquisition of subsidiaries is presented separately in the balance sheet as a deduction from assets.

Property, plant and equipment

Property, plant and equipment, other than properties under construction, is stated at cost or valuation less depreciation and amortisation and any accumulated impairment losses.

Land and buildings 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 amortisation and any subsequent impairment losses. Revaluations are performed with sufficient regularity such that the carrying amounts do not differ materially from that which would be determined using fair values at the balance sheet date.

Any surplus arising on the revaluation of land and buildings is credited to the revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised as an expense, in which case this surplus is credited to the income statement to the extent of the deficit previously charged. A decrease in the net carrying amount arising on the revaluation of an asset is dealt with as an expense to the extent that it exceeds the balance, if any, on the revaluation reserve relating to a previous revaluation of that asset.

Notes to the Financial Statements

For the year ended 31st December, 2004

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant and equipment (Continued)

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the income statement. The revaluation surplus attributable to a revalued asset is transferred to retained profits on disposal.

Impairment

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible 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. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount under another SSAP, in which case the impairment loss is treated as a revaluation decrease under that SSAP.

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

Investment properties

Investment properties are completed properties which are held for their investment potential, any rental income being negotiated at arm's length.

Investment properties are stated at their open market value based on independent professional valuations at the balance sheet date. Any surplus or deficit arising on the revaluation of investment properties is credited or charged to the investment property revaluation reserve unless the balance of this reserve is insufficient to cover a deficit, in which case the excess of the deficit over the balance on the investment property revaluation reserve is charged to the income statement. Where a deficit has previously been charged to the income statement and a revaluation surplus subsequently arises, this surplus is credited to the income statement to the extent of the deficit previously charged.

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

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

Notes to the Financial Statements

For the year ended 31st December, 2004

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Properties under construction

Properties under construction are stated at cost, which includes land cost and the related construction and borrowing costs, as appropriate, less any accumulated impairment losses.

No depreciation or amortisation is provided for properties under construction until the construction is completed and the properties are ready for their intended use, when the cost of the completed properties under construction is transferred to the appropriate categories of property, plant and equipment.

Interests in subsidiaries

Interests in subsidiaries are included in the Company's balance sheet at cost less any identified impairment loss. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable during the year.

Interests in associates

An associate is an entity, not being a subsidiary or a joint venture, in which an equity interest is held for long term and significant influence is exercised in its management.

The consolidated income statement includes the Group's share of the post-acquisition results of its associates for the year. In the consolidated balance sheet, interests in associates are stated at the Group's share of net assets of the associates less any negative goodwill arising on acquisition in so far as it has not already been released to income, less any identified impairment loss.

The results of associates are accounted for by the Company on the basis of dividends received and receivable during the year. In the Company's balance sheet, investments in associates are stated at cost less any identified impairment loss.

Investments in securities

Investments in securities are recognised on a trade date basis and are initially measured at cost.

Investment securities, which are securities held for an identified long-term strategic purpose, are measured at subsequent reporting dates at cost, as reduced by any impairment loss that is other than temporary.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average method.

Notes to the Financial Statements

For the year ended 31st December, 2004

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Turnover

Turnover represents the net amounts received and receivable for goods supplied by the Group to outside customers during the year.

Revenue recognition

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

Rental income, including rentals invoiced in advance from properties under operating leases, is recognised on a straight line basis over the period of the leases.

Commission income, handling and services income are recognised when services are provided.

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

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established prior to the balance sheet date.

Depreciation and amortisation

Depreciation and amortisation are provided to write off the cost or valuation of items of property, plant and equipment, other than properties under construction, less any accumulated impairment losses, using the straight line method, over their estimated useful lives which are as follows:

Leasehold land	Over the period of the leases
Buildings	40 years or unexpired term of the leases, if shorter
Furniture, fixtures and equipment	5 – 10 years
Plant and machinery	5 – 10 years
Motor vehicles	5 years

Leases

A lease is classified as a finance lease 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 dates of acquisition. The corresponding liability to the lessor, net of interest charges, is included in the balance sheet as a finance lease. Finance costs, which represent the difference between the total commitments and the fair value of the assets acquired, are charged to the income statement over the period of the relevant leases so as to produce a constant periodic rate of charge on the remaining balances of the obligations for each accounting period.

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

Notes to the Financial Statements

For the year ended 31st December, 2004

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation

The charge for taxation is based on the results for the year as adjusted for items which are non-assessable or disallowed.

Deferred taxation

Deferred taxation is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Taxation rates enacted or substantively enacted by the balance sheet date are used to determine deferred taxation.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred taxation is provided on temporary differences arising on investments in subsidiaries, associates, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Retirement benefits schemes

Payments to defined contribution retirement plans, state-managed retirement benefits schemes and the Mandatory Provident Fund Scheme are charged as expenses as they fall due.

Foreign currencies

Transactions in foreign currencies are initially recorded at the rates of exchange 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 included in the net profit for the year.

In preparing consolidated financial statements, the assets and liabilities of the Group's overseas operations are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the year. Exchange differences arising, if any, are classified as equity and transferred to the Group's translation reserve. Such translation differences are recognised as income or as expenses in the period in which the operation is disposed of.

Notes to the Financial Statements

For the year ended 31st December, 2004

4. BUSINESS AND GEOGRAPHICAL SEGMENTS

Business segments

For management purposes, the Group is currently organised into five operating divisions – trading of industrial consumables, manufacture of plastic processing products, manufacture of machinery, manufacture of audio products and manufacture of printed circuit boards. These divisions are the basis on which the Group reports its primary segment information.

Segment information about these businesses is presented below:

2004

	Industrial consumables	Plastic processing products	Machinery	Audio products	Printed circuit boards	Other operations	Eliminations	Consolidated
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
TURNOVER								
External sales	266,707,052	285,238,625	615,290,689	140,204,253	348,862,289	-	-	1,656,302,908
Inter-segment sales	5,145,693	20,407,404	16,691,400	6,523	-	-	(42,251,020)	-
Total revenue	<u>271,852,745</u>	<u>305,646,029</u>	<u>631,982,089</u>	<u>140,210,776</u>	<u>348,862,289</u>	<u>-</u>	<u>(42,251,020)</u>	<u>1,656,302,908</u>
Inter-segment sales are charged at prevailing market rates.								
RESULTS								
Segment results	<u>13,964,868</u>	<u>23,721,511</u>	<u>36,171,931</u>	<u>(7,352,242)</u>	<u>(2,888,016)</u>	<u>(1,147,878)</u>	<u>(2,023,417)</u>	<u>60,446,757</u>
Unallocated corporate expenses								<u>(12,522,256)</u>
Profit from operations								47,924,501
Finance costs								(19,967,833)
Investment deficit								(606,339)
Gain on partial disposal of interests in subsidiaries			3,561,010					3,561,010
Share of results of associates		(277,147)	9,148,880			30,498,906		<u>39,370,639</u>
Profit before taxation								70,281,978
Taxation								<u>13,507,592</u>
Profit before minority interests								<u>56,774,386</u>

Notes to the Financial Statements

For the year ended 31st December, 2004

4. BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)

Business segments (Continued)

	Industrial consumables	Plastic processing products	Machinery	Audio products	Printed circuit boards	Other operations	Consolidated
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
ASSETS							
Segment assets	138,318,933	274,588,652	867,453,520	102,652,409	211,649,363	46,717,831	1,641,380,708
Interests in associates							164,785,287
Investments in securities							7,589,720
Unallocated corporate assets							23,240,739
Consolidated total assets							<u>1,836,996,454</u>
LIABILITIES							
Segment liabilities	62,074,645	53,703,927	317,173,479	50,803,746	141,351,352	30,790,272	655,897,421
Tax payable							12,981,901
Borrowings							297,179,655
Unallocated corporate liabilities							28,123,271
Consolidated total liabilities							<u>994,182,248</u>
OTHER INFORMATION							
Addition of goodwill	-	-	1,137,323	399,132	-	-	1,536,455
Capital additions	1,310,278	29,870,355	31,660,590	649,886	32,515,903	656,627	96,663,639
Depreciation and amortisation	1,112,655	18,818,131	21,368,847	7,030,942	10,705,280	1,442,030	60,477,885
Other non-cash expenses	1,369,942	2,906,060	8,865,195	-	360,000	500,000	14,001,197

Notes to the Financial Statements

For the year ended 31st December, 2004

4. BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)

Business segments (Continued)

2003

	Industrial consumables	Plastic processing products	Machinery	Audio products	Printed circuit boards	Other operations	Eliminations	Consolidated
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
TURNOVER								
External sales	244,266,379	222,229,560	601,290,577	72,769,318	253,072,375	-	-	1,393,628,209
Inter-segment sales	5,307,730	9,966,586	13,452,758	-	-	-	(28,727,074)	-
Total revenue	<u>249,574,109</u>	<u>232,196,146</u>	<u>614,743,335</u>	<u>72,769,318</u>	<u>253,072,375</u>	<u>-</u>	<u>(28,727,074)</u>	<u>1,393,628,209</u>
Inter-segment sales are charged at prevailing market rates.								
RESULTS								
Segment results	<u>16,248,758</u>	<u>10,180,339</u>	<u>24,271,649</u>	<u>(15,942,808)</u>	<u>11,763,290</u>	<u>460,760</u>	<u>3,991,411</u>	<u>50,973,399</u>
Unallocated corporate expenses								<u>(21,948,507)</u>
Profit from operations								29,024,892
Finance costs								(17,825,958)
Investment income								835,739
Loss on disposal of subsidiaries			(244,385)			(1,973,348)		(2,217,733)
Share of results of associates		(796,870)	4,772,315			24,375,584		28,351,029
Release of negative goodwill of an associate						13,998,675		<u>13,998,675</u>
Profit before taxation								52,166,644
Taxation								<u>13,378,918</u>
Profit before minority interests								<u>38,787,726</u>

Notes to the Financial Statements

For the year ended 31st December, 2004

4. BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)

Business segments (Continued)

	Industrial consumables	Plastic processing products	Machinery	Audio products	Printed circuit boards	Other operations	Consolidated
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
ASSETS							
Segment assets	121,737,425	247,336,086	869,190,301	82,101,572	157,245,064	49,131,801	1,526,742,249
Interests in associates							128,314,924
Investments in securities							10,698,471
Unallocated corporate assets							25,959,732
Consolidated total assets							<u>1,691,715,376</u>
LIABILITIES							
Segment liabilities	60,057,834	57,308,903	353,542,540	28,949,311	92,943,985	2,664,646	595,467,219
Tax payable							9,838,254
Borrowings							248,783,946
Unallocated corporate liabilities							35,340,645
Consolidated total liabilities							<u>889,430,064</u>
OTHER INFORMATION							
Addition of goodwill	-	219,662	-	-	-	-	219,662
Capital additions	721,751	26,287,091	25,226,820	579,564	11,720,899	562,473	65,098,598
Depreciation and amortisation	821,777	20,257,245	21,473,837	10,174,388	9,425,844	1,386,171	63,539,262
Other non-cash expenses	18,800	226,470	9,000,000	-	59,625	323,047	9,627,942

Notes to the Financial Statements

For the year ended 31st December, 2004

4. BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)

Geographical segments

The Group's operations are located in Hong Kong, other regions in the People's Republic of China (the "PRC"), other Asia-Pacific countries, Europe and North America. The Group's trading of industrial consumables division is located in Hong Kong and the PRC. The manufacturing of plastic processing products, machinery, audio products and printed circuit boards divisions are located in the PRC.

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

	Sales revenue by geographical market	
	2004	2003
	HK\$	HK\$
Hong Kong	643,730,354	492,211,488
PRC	749,507,103	727,082,820
Other Asia-Pacific countries	85,293,226	94,733,524
Europe	40,686,874	35,934,453
North America	137,085,351	43,665,924
	1,656,302,908	1,393,628,209

Notes to the Financial Statements

For the year ended 31st December, 2004

4. BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)

Geographical segments (Continued)

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

	Carrying amount of segment assets		Additions to property, plant and equipment and intangible assets	
	2004	As restated* 2003	2004	2003
	HK\$	HK\$	HK\$	HK\$
Hong Kong	342,628,140	321,170,504	1,191,192	655,444
PRC	1,439,098,279	1,337,943,889	97,008,902	64,662,816
Other Asia-Pacific countries	25,974,996	14,840,856	-	-
Europe	19,277,377	6,654,447	-	-
North America	10,017,662	11,105,680	-	-
	1,836,996,454	1,691,715,376	98,200,094	65,318,260

* The comparative figures have been reclassified in order to conform to the current year's basis of allocation of segment assets.

5. OTHER OPERATING INCOME

	2004	2003
	HK\$	HK\$
Other operating income included the following items:		
Commission income	8,900,723	8,363,370
Exchange gain	94,306	-
Handling and services income	854,329	2,243,711
Rental income net of outgoings	2,869,478	3,443,759
Release of negative goodwill to income	6,755,992	289,012

Notes to the Financial Statements

For the year ended 31st December, 2004

6. PROFIT FROM OPERATIONS

	2004	2003
	<i>HK\$</i>	<i>HK\$</i>
Profit from operations has been arrived at after charging:		
Staff costs		
Directors' remuneration (<i>note 9</i>)	9,169,158	7,103,710
Salaries and other benefits	188,729,246	181,847,836
Retirement benefits schemes contributions	7,271,625	6,190,884
	<u>205,170,029</u>	<u>195,142,430</u>
Depreciation and amortisation		
Depreciation and amortisation on:		
– Owned assets	54,918,517	54,787,499
– Assets held under finance leases	3,720,610	5,653,564
Amortisation of goodwill (included in other operating expenses)	1,838,758	3,098,199
	<u>60,477,885</u>	<u>63,539,262</u>
Auditors' remuneration		
– Current year	1,714,827	2,361,958
– Overprovided in prior years	(204,000)	(13,500)
Deficit arising on revaluation of leasehold land and buildings	–	627,942
Exchange loss	–	1,071,725
Loss on disposal of property, plant and equipment	444,501	930,823
Operating lease payments (<i>note 31</i>)	14,134,812	14,707,970
and crediting:		
Surplus arising on revaluation of leasehold land and buildings	<u>(558,041)</u>	<u>–</u>

Notes to the Financial Statements

For the year ended 31st December, 2004

7. FINANCE COSTS

	<u>2004</u>	<u>2003</u>
	<i>HK\$</i>	<i>HK\$</i>
Interest on:		
Borrowings wholly repayable within five years		
– bank loans and overdrafts	17,569,865	15,058,527
– other loans	2,277,832	2,536,287
Finance leases	120,136	231,144
	<u>19,967,833</u>	<u>17,825,958</u>

8. INVESTMENT (DEFICIT) INCOME

	<u>2004</u>	<u>2003</u>
	<i>HK\$</i>	<i>HK\$</i>
Interest income	760,803	527,648
Dividends received and receivable from investments in securities	110,266	308,091
Loss on disposal of investments in securities	(1,477,408)	–
	<u>(606,339)</u>	<u>835,739</u>

Notes to the Financial Statements

For the year ended 31st December, 2004

9. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

Directors

	2004	2003
	<i>HK\$</i>	<i>HK\$</i>
Fees:		
Executive directors	40,000	40,000
Non-executive directors	298,000	200,000
	<u>338,000</u>	<u>240,000</u>
Other emoluments:		
Executive directors		
Salaries and other benefits	7,759,275	5,848,960
Retirement benefits schemes contributions	340,453	283,320
	<u>8,099,728</u>	<u>6,132,280</u>
Non-executive directors		
Salaries and other benefits	680,400	680,400
Retirement benefits schemes contributions	51,030	51,030
	<u>731,430</u>	<u>731,430</u>
	<u>9,169,158</u>	<u>7,103,710</u>

The amounts disclosed above included directors' fees of HK\$178,000 (2003: HK\$80,000) payable to independent non-executive directors.

Notes to the Financial Statements

For the year ended 31st December, 2004

9. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (Continued)

The emoluments of the directors were within the following bands:

	Number of directors	
	2004	2003
Nil to HK\$1,000,000	9	6
HK\$1,000,001 to HK\$1,500,000	2	–
HK\$1,500,001 to HK\$2,000,000	–	–
HK\$2,000,001 to HK\$2,500,000	–	–
HK\$2,500,001 to HK\$3,000,000	2	–
HK\$3,000,001 to HK\$3,500,000	–	2
	13	8

Employees

The five highest paid individuals included four (2003: two) directors, details of whose emoluments are set out above. The emoluments of the remaining one (2003: three) individual are as follows:

	2004	2003
	HK\$	HK\$
Salaries and other benefits	2,224,300	7,307,569
Retirement benefits schemes contributions	36,750	118,980
	2,261,050	7,426,549

The emoluments of the employee(s) were within the following bands:

	Number of employees	
	2004	2003
HK\$1,000,001 to HK\$1,500,000	–	–
HK\$1,500,001 to HK\$2,000,000	–	2
HK\$2,000,001 to HK\$2,500,000	1	–
HK\$2,500,001 to HK\$3,000,000	–	–
HK\$3,000,001 to HK\$3,500,000	–	–
HK\$3,500,001 to HK\$4,000,000	–	–
HK\$4,000,001 to HK\$4,500,000	–	1
	1	3

Notes to the Financial Statements

For the year ended 31st December, 2004

10. TAXATION

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

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

	2004	2003
	<i>HK\$</i>	<i>HK\$</i>
Hong Kong Profits Tax		
Current year	1,432,913	1,078,917
Underprovision in prior years	62,867	93,010
	<u>1,495,780</u>	<u>1,171,927</u>
Taxation outside Hong Kong	<u>7,852,446</u>	<u>8,722,972</u>
Deferred taxation relating to the origination and reversal of temporary differences (<i>note 27</i>)		
Current year	(414,316)	632,535
Effect of increase in tax rate	–	19,261
	<u>(414,316)</u>	<u>651,796</u>
Taxation attributable to the Company and its subsidiaries	8,933,910	10,546,695
Share of tax on results of associates	4,573,682	2,832,223
Taxation charge	<u>13,507,592</u>	<u>13,378,918</u>

Notes to the Financial Statements

For the year ended 31st December, 2004

10. TAXATION (Continued)

The taxation on the Group's profit before taxation differs from the theoretical amount that would arise using the taxation rate of the home country of the Group as follows:

	2004	2003
	HK\$	HK\$
Profit before taxation	70,281,978	52,166,644
Tax at the domestic income tax rate of 17.5% (2003: 17.5%)	12,299,346	9,129,163
Tax effect of expenses that are not deductible in determining taxable profit	11,339,090	11,086,234
Tax effect of income that is not taxable in determining taxable profit	(11,256,339)	(9,190,745)
Underprovision of Hong Kong Profits Tax in prior years	62,867	93,010
Underprovision of overseas tax in prior years	83,254	–
Decrease in opening net deferred tax assets resulting from changes in applicable tax rates	–	19,261
Tax effect of tax losses not recognised	5,577,135	6,267,005
Tax effect of utilisation of tax losses not previously recognised	(1,793,230)	(1,309,035)
Effect of different tax rates of associates and subsidiaries operating in other jurisdictions	(2,804,531)	(2,715,975)
Taxation charge	13,507,592	13,378,918

11. DIVIDENDS

	2004	2003
	HK\$	HK\$
Dividend proposed after the balance sheet date of HK\$0.01 (2003: Nil) per share	7,062,289	–

The Board recommends the payment of a final dividend for the year ended 31st December, 2004 of 1 HK cent per share (2003: Nil) to shareholders of the Company (the "Shareholders") whose names appear on the register of members of the Company as at the date of the 2005 Annual General Meeting (the "AGM"). Such final dividend will be satisfied by way of a scrip dividend with an alternative to the Shareholders to elect to receive such final dividend (or part thereof) in cash in lieu of such scrip dividend (the "Scrip Dividend Scheme").

Notes to the Financial Statements

For the year ended 31st December, 2004

11. DIVIDENDS (Continued)

Subject to the approval by Shareholders in the AGM, a circular containing details of the Scrip Dividend Scheme together with the relevant election form will be sent to Shareholders as soon as practicable. The Scrip Dividend Scheme is conditional upon the granting by the Listing Committee of the Stock Exchange of the listing of and permission to deal in the new shares to be issued pursuant thereto.

12. EARNINGS PER SHARE

The calculation of the basic earnings per share for the year is based on the net profit for the year of HK\$41,849,359 (2003: HK\$20,528,285) and on the weighted average number of shares in issue during the year of 706,228,857 (2003: as restated of 705,590,556).

The adjustment to the comparative basic earnings per share, arising from the bonus issue of shares is as follows:

	<i>HK cents</i>
Reconciliation of 2003 earnings per share:	
Reported figure before adjustments	3.20
Adjustments arising from the bonus issue of shares	(0.29)
	<hr/>
As restated	2.91
	<hr/>

13. INVESTMENT PROPERTIES

	<i>HK\$</i>
THE GROUP	
VALUATION	
At 1st January, 2004 and 31st December, 2004	24,400,000
	<hr/>

The investment properties of the Group are situated in Hong Kong and held under medium-term leases. They are held for rental purposes under operating leases. The investment properties of the Group were revalued as at 31st December, 2004 on the open market existing use basis by Messrs. Knight Frank, an independent firm of professional valuers.

Notes to the Financial Statements

For the year ended 31st December, 2004

14. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings	Furniture, fixtures and equipment	Plant and machinery	Motor vehicles	Properties under construction	Total
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
THE GROUP						
COST OR VALUATION						
At 1st January, 2004	180,530,000	127,116,422	421,437,690	38,491,712	28,124,629	795,700,453
Currency realignment	197,358	156,227	615,457	75,056	67,243	1,111,341
Reclassifications	21,123,852	5,629,856	5,488,493	5,717	(32,247,918)	-
Additions	1,391,516	14,686,332	41,834,449	6,689,593	32,061,749	96,663,639
Disposals	(601,907)	(1,911,457)	(12,065,317)	(4,374,308)	(2,314,834)	(21,267,823)
Adjustment on revaluation	2,149,181	-	-	-	-	2,149,181
	<u>204,790,000</u>	<u>145,677,380</u>	<u>457,310,772</u>	<u>40,887,770</u>	<u>25,690,869</u>	<u>874,356,791</u>
At 31st December, 2004						
Comprising:						
At cost	-	145,677,380	457,310,772	40,887,770	25,690,869	669,566,791
At valuation - 2004	204,790,000	-	-	-	-	204,790,000
	<u>204,790,000</u>	<u>145,677,380</u>	<u>457,310,772</u>	<u>40,887,770</u>	<u>25,690,869</u>	<u>874,356,791</u>
DEPRECIATION AND AMORTISATION						
At 1st January, 2004	-	78,652,503	280,449,993	23,940,305	-	383,042,801
Currency realignment	(5,858)	62,036	257,229	33,706	-	347,113
Provided for the year	7,002,826	11,954,001	35,293,051	4,389,249	-	58,639,127
Reclassifications	-	36,575	(37,037)	462	-	-
Eliminated on disposals	(274,860)	(1,150,857)	(6,774,411)	(3,363,474)	-	(11,563,602)
Eliminated on revaluation	(6,722,108)	-	-	-	-	(6,722,108)
	<u>-</u>	<u>89,554,258</u>	<u>309,188,825</u>	<u>25,000,248</u>	<u>-</u>	<u>423,743,331</u>
At 31st December, 2004						
NET BOOK VALUES						
At 31st December, 2004	<u>204,790,000</u>	<u>56,123,122</u>	<u>148,121,947</u>	<u>15,887,522</u>	<u>25,690,869</u>	<u>450,613,460</u>
At 31st December, 2003	<u>180,530,000</u>	<u>48,463,919</u>	<u>140,987,697</u>	<u>14,551,407</u>	<u>28,124,629</u>	<u>412,657,652</u>

Notes to the Financial Statements

For the year ended 31st December, 2004

14. PROPERTY, PLANT AND EQUIPMENT (Continued)

The net book value of leasehold land and buildings held by the Group comprises:

	<u>2004</u>	<u>2003</u>
	<i>HK\$</i>	<i>HK\$</i>
In Hong Kong:		
– under medium-term leases	17,200,000	17,050,000
Outside Hong Kong:		
– under long leases	1,800,000	1,580,000
– under medium-term leases	185,790,000	161,900,000
	<u>204,790,000</u>	<u>180,530,000</u>

The leasehold land and buildings of the Group were revalued as at 31st December, 2004 on the open market existing use basis by Messrs. Knight Frank, an independent firm of professional valuers. The surplus arising on revaluation attributable to the Group have been credited to the asset revaluation reserve and the consolidated income statement.

Had leasehold land and buildings been carried at cost less accumulated depreciation and amortisation, the carrying value of leasehold land and buildings would have been approximately HK\$139,869,000 (2003: HK\$133,510,000).

The net book value of the Group's plant and machinery includes an amount of HK\$11,490,321 (2003: HK\$9,228,584) in respect of assets held under finance leases.

Notes to the Financial Statements

For the year ended 31st December, 2004

14. PROPERTY, PLANT AND EQUIPMENT (Continued)

	Furniture, fixtures and equipment	Motor vehicles	Total
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
THE COMPANY			
COST			
At 1st January, 2004	9,153,727	417,111	9,570,838
Additions	118,806	537,821	656,627
Disposals	–	(417,111)	(417,111)
	<u>9,272,533</u>	<u>537,821</u>	<u>9,810,354</u>
At 31st December, 2004	9,272,533	537,821	9,810,354
DEPRECIATION			
At 1st January, 2004	5,204,934	417,110	5,622,044
Provided for the year	885,195	107,564	992,759
Eliminated on disposals	–	(417,110)	(417,110)
	<u>6,090,129</u>	<u>107,564</u>	<u>6,197,693</u>
At 31st December, 2004	6,090,129	107,564	6,197,693
NET BOOK VALUES			
At 31st December, 2004	<u>3,182,404</u>	<u>430,257</u>	<u>3,612,661</u>
At 31st December, 2003	<u>3,948,793</u>	<u>1</u>	<u>3,948,794</u>

Notes to the Financial Statements

For the year ended 31st December, 2004

15. GOODWILL

	THE GROUP
	<i>HK\$</i>
COST	
At 1st January, 2004	23,352,393
Arising on acquisition of additional interests in subsidiaries during the year	<u>1,145,550</u>
At 31st December, 2004	<u>24,497,943</u>
AMORTISATION	
At 1st January, 2004	21,391,991
Charge for the year	<u>1,760,577</u>
At 31st December, 2004	<u>23,152,568</u>
NET BOOK VALUE	
At 31st December, 2004	<u>1,345,375</u>
At 31st December, 2003	<u>1,960,402</u>

The amortisation periods adopted for goodwill are three to five years.

Notes to the Financial Statements

For the year ended 31st December, 2004

16. NEGATIVE GOODWILL

	THE GROUP HK\$
GROSS AMOUNT	
At 1st January, 2004	30,845,729
Arising on acquisition of additional interests in subsidiaries during the year	<u>7,138,191</u>
At 31st December, 2004	<u>37,983,920</u>
RELEASED TO INCOME	
At 1st January, 2004	30,052,758
Released in the year	<u>6,755,992</u>
At 31st December, 2004	<u>36,808,750</u>
CARRYING AMOUNT	
At 31st December, 2004	<u>1,175,170</u>
At 31st December, 2003	<u>792,971</u>

The negative goodwill is released to other operating income on a straight line basis over one to five years based on the weighted average useful life of the identifiable acquired depreciable non-monetary assets.

17. INTERESTS IN SUBSIDIARIES

	THE COMPANY	
	2004	2003
	HK\$	HK\$
Unlisted shares/capital contributions, at cost less impairment loss	40,781,145	40,781,145
Amounts due from subsidiaries less allowance	576,649,383	588,772,141
	<u>617,430,528</u>	<u>629,553,286</u>

Details of the Company's principal subsidiaries at 31st December, 2004 are set out in note 37.

Amounts due from subsidiaries are unsecured, interest free and have no fixed terms of repayment. In the opinion of the directors, the amounts will not be repayable within twelve months of the balance sheet date and are accordingly classified as non-current.

Notes to the Financial Statements

For the year ended 31st December, 2004

18. INTERESTS IN ASSOCIATES

	2004	2003
	HK\$	HK\$
THE GROUP		
Share of net assets	147,475,322	111,293,929
Goodwill (<i>note</i>)	312,724	–
Amounts due from associates less allowance	16,997,241	17,020,995
	<u>164,785,287</u>	<u>128,314,924</u>
THE COMPANY		
Unlisted shares, at cost	–	–
Amounts due from associates less allowance	2,003,003	2,464,143
	<u>2,003,003</u>	<u>2,464,143</u>

Amounts due from associates are unsecured, interest free and have no fixed terms of repayment. In the opinion of the directors, the amounts will not be repayable within twelve months of the balance sheet date and are accordingly classified as non-current.

Note:

	HK\$
GROSS AMOUNT	
At 1st January, 2004	–
Goodwill arising on acquisition of additional interest in an associate during the year	390,905
	<u>390,905</u>
At 31st December, 2004	<u>390,905</u>
AMORTISATION	
At 1st January, 2004	–
Charge for the year	78,181
	<u>78,181</u>
At 31st December, 2004	<u>78,181</u>
CARRYING VALUE	
At 31st December, 2004	<u>312,724</u>
At 31st December, 2003	<u>–</u>

The amortisation period adopted for goodwill on interests in associates is five years.

Notes to the Financial Statements

For the year ended 31st December, 2004

18. INTERESTS IN ASSOCIATES (Continued)

Details of the principal associates of the Group at 31st December, 2004 are as follows:

Name of associate	Place of incorporation/ registration and operation	Proportion of nominal value of issued share capital/registered capital attributable to the Group %	Principal activities
Dalian Huada Plastics Co Ltd	PRC	30.0	Plastic processing
Shenzhen Hao Ning Da Meters Manufacturing Company Limited	PRC	42.0	Manufacturing and trading of electronic meters
Suzhou Sanguang Science & Technology Co., Ltd. (formerly Suzhou Sodick San-Guang Machinery Electric Co., Ltd.)	PRC	30.0	Manufacturing of industrial machinery, equipment and supplies

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

19. INVESTMENTS IN SECURITIES

	THE GROUP		THE COMPANY	
	2004 HK\$	2003 HK\$	2004 HK\$	2003 HK\$
Unlisted investment securities, at cost	9,661,509	13,665,620	4,579,544	5,474,904
Impairment loss	(2,071,789)	(2,967,149)	-	(895,360)
	7,589,720	10,698,471	4,579,544	4,579,544

Notes to the Financial Statements

For the year ended 31st December, 2004

20. INVENTORIES

	THE GROUP	
	2004	2003
	HK\$	HK\$
Trading inventories and finished goods	189,141,830	169,485,560
Work in progress	83,996,016	66,082,571
Raw materials	206,289,943	178,416,245
	479,427,789	413,984,376

Included above are trading inventories and finished goods of HK\$160,092,537 (2003: HK\$150,682,841), work in progress of HK\$59,147,435 (2003: HK\$56,298,195) and raw materials of HK\$169,119,361 (2003: HK\$160,813,609) which are carried at net realisable value.

21. TRADE AND OTHER RECEIVABLES

The Group allows an average credit period of 90 days to 120 days to its customers.

Included in trade and other receivables are trade receivables of HK\$476,722,571 (2003: HK\$444,023,610) and their aged analysis at the balance sheet date is as follows:

	THE GROUP	
	2004	2003
	HK\$	HK\$
0 to 3 months	327,431,607	302,305,328
4 to 6 months	50,976,608	49,587,238
7 to 9 months	29,665,864	27,776,134
Over 9 months	68,648,492	64,354,910
	476,722,571	444,023,610

Notes to the Financial Statements

For the year ended 31st December, 2004

22. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade payables of HK\$323,783,270 (2003: HK\$287,960,543) and their aged analysis at the balance sheet date is as follows:

	THE GROUP	
	2004	2003
	HK\$	HK\$
0 to 3 months	249,729,334	230,002,038
4 to 6 months	41,617,321	33,004,988
7 to 9 months	8,304,796	6,335,876
Over 9 months	24,131,819	18,617,641
	323,783,270	287,960,543

23. BORROWINGS

	THE GROUP		THE COMPANY	
	2004	2003	2004	2003
	HK\$	HK\$	HK\$	HK\$
Bank loans				
– secured	147,819,027	90,025,801	–	–
– unsecured	142,476,456	142,891,932	10,000,000	10,000,000
	290,295,483	232,917,733	10,000,000	10,000,000
Other loans				
– secured	352,845	9,006,736	–	–
– unsecured	122,180	215,558	–	–
	475,025	9,222,294	–	–
Total	290,770,508	242,140,027	10,000,000	10,000,000

Notes to the Financial Statements

For the year ended 31st December, 2004

23. BORROWINGS (Continued)

The above amounts bear interest at prevailing market rates and are repayable as follows:

	THE GROUP		THE COMPANY	
	2004	2003	2004	2003
	HK\$	HK\$	HK\$	HK\$
Within one year	243,462,644	221,208,941	10,000,000	10,000,000
Between one and two years	39,452,191	18,444,577	-	-
Between two and five years	7,855,673	2,486,509	-	-
	290,770,508	242,140,027	10,000,000	10,000,000
Less: Amount due within one year shown under current liabilities	243,462,644	221,208,941	10,000,000	10,000,000
Amount due after one year	47,307,864	20,931,086	-	-

24. OBLIGATIONS UNDER FINANCE LEASES

THE GROUP

	Minimum lease payments		Present value of minimum lease payments	
	2004	2003	2004	2003
	HK\$	HK\$	HK\$	HK\$
Amounts payable under finance leases:				
Within one year	5,608,933	3,836,068	5,373,852	3,543,358
In the second to fifth year inclusive	1,069,263	3,180,049	1,035,295	3,100,561
	6,678,196	7,016,117	6,409,147	6,643,919
Less: Future finance charges	269,049	372,198	N/A	N/A
Present value of lease payments	6,409,147	6,643,919	6,409,147	6,643,919
Less: Amount due for settlement within one year shown under current liabilities			5,373,852	3,543,358
Amount due for settlement after one year			1,035,295	3,100,561

Notes to the Financial Statements

For the year ended 31st December, 2004

24. OBLIGATIONS UNDER FINANCE LEASES (Continued)

It is the Group's policy to lease certain of its plant and machinery under finance leases. The average lease term is 4 years. For the year ended 31st December, 2004, the average effective borrowing rate was 6.75% (2003: 6.75%). Interest rates are fixed at the contract date. All leases are on a fixed repayment basis and no arrangement has been entered into for contingent rental payments.

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

THE COMPANY

The Company has no obligations under finance leases for both of the year end dates.

25. SHARE CAPITAL

	Number of ordinary shares	Value
		HK\$
Ordinary shares of HK\$0.40 each		
Authorised:		
At 1st January, 2003, 31st December, 2003 and 31st December, 2004	1,000,000,000	400,000,000
Issued and fully paid:		
At 1st January, 2003	640,838,234	256,335,294
Exercise of share options	1,100,000	440,000
Exercise of warrants	88,000	35,200
At 31st December, 2003	642,026,234	256,810,494
Bonus issue of shares	64,202,623	25,681,049
At 31st December, 2004	706,228,857	282,491,543

Pursuant to an ordinary resolution passed on 19th October, 2004 at the extraordinary general meeting of the Company, an aggregate of 64,202,623 new ordinary shares of HK\$0.40 each were issued as fully paid bonus shares by capitalising the sum of HK\$25,681,049 to the credit of the Company's share premium account, on the basis of 1 bonus share for every 10 existing shares held by such shareholders on 19th October, 2004. The bonus shares rank pari passu in all respects with the shares then in issue.

Notes to the Financial Statements

For the year ended 31st December, 2004

26. RESERVES

	Share premium	Retained profits	Proposed dividend	Total
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
THE COMPANY				
At 1st January, 2003	267,148,838	91,261,660	-	358,410,498
On issue of shares	11,000	-	-	11,000
Loss for the year	-	(16,541,626)	-	(16,541,626)
At 31st December, 2003 and 1st January, 2004	267,159,838	74,720,034	-	341,879,872
Bonus issue of shares	(25,681,049)	-	-	(25,681,049)
Loss for the year	-	(17,987,691)	-	(17,987,691)
Proposed dividend	-	(7,062,289)	7,062,289	-
At 31st December, 2004	<u>241,478,789</u>	<u>49,670,054</u>	<u>7,062,289</u>	<u>298,211,132</u>

The Company's retained profits of HK\$56,732,343 as at 31st December, 2004 (2003: HK\$74,720,034) are available for distribution to shareholders.

Notes to the Financial Statements

For the year ended 31st December, 2004

27. DEFERRED TAXATION

THE GROUP

Deferred taxation is calculated in full on temporary difference under the liability method using a principal taxation rate of 17.5% (2003: 17.5%).

The following are the major components of deferred tax assets (liabilities) recognised by the Group and movements thereon during the current and prior years:

	Decelerated (accelerated) tax depreciation	Revaluation of properties	Tax losses	Others	Total
	HK\$	HK\$	HK\$	HK\$	HK\$
At 1st January, 2003	(520,189)	(4,070,508)	-	9,797,602	5,206,905
Exchange differences	(816)	-	-	(2,442)	(3,258)
(Charged) credited to income statement	(1,121,368)	72,295	-	416,538	(632,535)
Charged to equity	-	(84,287)	-	-	(84,287)
Effect of change in tax rate - (Charged) credited to income statement	(22,407)	-	-	3,146	(19,261)
At 31st December, 2003 and 1st January, 2004	(1,664,780)	(4,082,500)	-	10,214,844	4,467,564
Exchange differences	19,558	(13,939)	-	-	5,619
(Charged) credited to income statement	1,881,674	(1,712,569)	159,600	85,611	414,316
Charged to equity	-	(736,968)	-	-	(736,968)
At 31st December, 2004	236,452	(6,545,976)	159,600	10,300,455	4,150,531

Notes to the Financial Statements

For the year ended 31st December, 2004

27. DEFERRED TAXATION (Continued)

The deferred taxation charged to equity during the year is as follows:

	<u>2004</u>	<u>2003</u>
	<i>HK\$</i>	<i>HK\$</i>
Fair value reserve in shareholders' equity		
– Properties	736,968	84,287

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

	<u>2004</u>	<u>2003</u>
	<i>HK\$</i>	<i>HK\$</i>
Deferred tax liabilities	(11,795,716)	(11,682,388)
Deferred tax assets	15,946,247	16,149,952
	4,150,531	4,467,564

Deferred tax assets have not been recognised in respect of the following item:

	<u>2004</u>	<u>2003</u>
	<i>HK\$</i>	<i>HK\$</i>
Unused tax losses	238,047,678	216,425,366

The tax losses do not expire under current tax legislation.

Temporary differences arising in connection with interests in associates are insignificant.

THE COMPANY

Deferred tax assets have not been recognised in respect of the following item:

	<u>2004</u>	<u>2003</u>
	<i>HK\$</i>	<i>HK\$</i>
Unused tax losses	76,092,361	70,177,236

The tax losses do not expire under current tax legislation.

The Company has no significant unprovided deferred tax liabilities at both year end dates.

Notes to the Financial Statements

For the year ended 31st December, 2004

28. DISPOSAL OF SUBSIDIARIES

	2004	2003
	<i>HK\$</i>	<i>HK\$</i>
NET LIABILITIES DISPOSED OF:		
Property, plant and equipment	-	397,602
Inventories	-	8,217,560
Trade and other receivables	-	1,104,079
Bank balances and cash	-	1,182,268
Trade and other payables	-	(17,837,735)
Minority interests	-	(4,163,264)
	-	(11,099,490)
Statutory reserve realised upon disposal	-	(594,457)
Translation reserve realised upon disposal	-	15,141,841
Loss on disposal of subsidiaries	-	(2,217,733)
	-	1,230,161
SATISFIED BY:		
Cash consideration	-	1,230,161

The subsidiaries disposed of during the year ended 31st December, 2003 did not contribute significantly to the results of the Group in the year up to the date of disposal. The cash flows contributed or utilised by the subsidiaries disposed of during the year ended 31st December, 2003 were not significant.

29. ANALYSIS OF THE NET INFLOW OF CASH AND CASH EQUIVALENTS IN RESPECT OF THE DISPOSAL OF SUBSIDIARIES

	2004	2003
	<i>HK\$</i>	<i>HK\$</i>
Cash consideration	-	1,230,161
Bank balances and cash disposed of	-	(1,182,268)
Net inflow of cash and cash equivalents in respect of the disposal of subsidiaries	-	47,893

Notes to the Financial Statements

For the year ended 31st December, 2004

30. MAJOR NON-CASH TRANSACTIONS

During the year, the Group entered into finance leases in respect of the acquisition of property, plant and equipment with a total capital value at the inception of the leases of HK\$6,055,800 (2003: HK\$3,878,540).

31. OPERATING LEASE COMMITMENTS

The Group as lessee

	THE GROUP	
	2004	2003
	HK\$	HK\$
Minimum lease payments made during the year under operating leases in respect of:		
Land and buildings	12,414,167	14,252,265
Plant and machinery	1,720,645	455,705
	14,134,812	14,707,970

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	
	2004	2003
	HK\$	HK\$
Within one year	11,716,345	12,296,942
In the second to fifth year inclusive	36,057,655	40,788,937
Over five years	71,861,550	93,633,489
	119,635,550	146,719,368

Operating lease payments represent rentals payable by the Group for certain of its office properties, factories and plant and machinery. Leases are negotiated for an average term of 2-10 years and rentals are fixed for an average of 2-10 years.

Notes to the Financial Statements

For the year ended 31st December, 2004

31. OPERATING LEASE COMMITMENTS (Continued)

The Group as lessor

Property rental income earned during the year net of outgoings of HK\$507,171 (2003: HK\$435,586), was HK\$2,869,478 (2003: HK\$3,443,759). The remaining properties are expected to generate rental yields of 9% (2003: 11%) on an ongoing basis. All of the properties held have committed tenants for the next 1-3 years.

At the balance sheet date, the Group had contracted with tenants for the following future minimum lease receipts under non-cancellable operating leases:

	THE GROUP	
	2004	2003
	HK\$	HK\$
Within one year	1,629,634	2,513,603
In the second to fifth year inclusive	196,692	847,778
	1,826,326	3,361,381

THE COMPANY

The Company had no operating lease commitments at both year end dates.

32. OTHER COMMITMENTS

	THE GROUP	
	2004	2003
	HK\$	HK\$
Capital expenditure contracted for but not provided in the financial statements in respect of:		
Acquisition of property, plant and equipment	9,284,097	9,755,206
Investments	18,841,191	–
	28,125,288	9,755,206
Capital expenditure authorised but not contracted for in respect of the acquisition of property, plant and equipment	–	18,661,814

The Company had no capital commitments at both year end dates.

Notes to the Financial Statements

For the year ended 31st December, 2004

33. CONTINGENT LIABILITIES

	THE GROUP		THE COMPANY	
	2004	2003	2004	2003
	HK\$	HK\$	HK\$	HK\$
Guarantees given to financial institutions in respect of credit facilities utilised by:				
Subsidiaries	-	-	511,049,811	369,121,143
Outsiders	6,109,023	6,091,846	-	-
	6,109,023	6,091,846	511,049,811	369,121,143

34. RETIREMENT BENEFITS SCHEMES

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

For members of the MPF Scheme, the Group contributes 5% of relevant payroll costs to the Scheme, which contribution is matched by the employee.

The ORSO Scheme is funded by monthly contributions from both employees and the Group at rates ranging from 5% to 7.5% of the employee's basic salary, depending on the length of service with the Group.

Employees who are employed by subsidiaries in the PRC are members of the state-managed pension scheme operated by the PRC government. These subsidiaries are required to contribute 10% – 15% of payroll costs to the pension scheme to fund the benefits. The only obligation of the Group with respect to the pension scheme is to make the required contributions under the scheme.

The total cost charged to the consolidated income statement of HK\$7,256,195 (2003: HK\$6,190,884) represents contributions payable to these schemes by the Group in respect of the current accounting period. As at 31st December, 2004, contributions of approximately HK\$59,491 (2003: HK\$220,869) due in respect of the reporting period had not been paid over to the schemes.

Notes to the Financial Statements

For the year ended 31st December, 2004

35. PLEDGE OF ASSETS

At the balance sheet date, the following assets were pledged by the Group to secure general banking facilities:

	Net book value	
	2004	2003
	HK\$	HK\$
Investment properties	13,500,000	13,500,000
Leasehold land and buildings	45,356,594	25,309,004
Plant and machinery	58,189,309	37,191,627
Bank deposits (<i>note</i>)	3,961,106	13,969,104
	121,007,009	89,969,735

Note: The bank deposits have been pledged to secure short-term bank borrowings and are therefore classified as current assets.

36. TRANSACTIONS AND BALANCES WITH RELATED PARTIES

During the year, the Group had significant transactions with the following related parties, together with balances with them as at the balance sheet date, details of which are as follows:

	2004	2003
	HK\$	HK\$
Substantial shareholders and its subsidiaries:		
EDP charges received (<i>note i</i>)	183,600	183,600
Management fee paid (<i>note i</i>)	3,470,766	3,768,464
Balances due from the Group as at the balance sheet date (<i>note iii</i>)	5,061,751	5,952,605
Balances due to the Group as at the balance sheet date (<i>note iii</i>)	56,922	88,073
Company controlled by certain directors:		
Management fee paid (<i>note i</i>)	996,000	996,000

Notes to the Financial Statements

For the year ended 31st December, 2004

36. TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

	2004	2003
	HK\$	HK\$
Minority shareholders:		
Purchases of finished goods (note i)	22,150,864	16,880,689
Rental paid (note i)	2,200,106	4,358,718
Interest paid (note ii)	1,865,207	1,695,643
Balances due from the Group as at the balance sheet date (note iv)	21,023,983	20,640,288
Balances due to the Group as at the balance sheet date (note iii)	12,969,085	11,593,329
Associates:		
Sales of finished goods (note i)	10,467	1,615,341
Balances due from the Group as at the balance sheet date (note iii)	13,577,507	1,440,584
Balances due to the Group as at the balance sheet date (note iii)	16,997,241	17,020,995

Notes:

- (i) The prices of the transactions were determined by the directors with reference to prices for similar transactions with unrelated third parties.
- (ii) The interest was charged at 10% (2003: 10%) per annum on the outstanding balances.
- (iii) The balances are unsecured, interest free and have no fixed repayment terms.
- (iv) The balances are unsecured and have no fixed repayment terms. Other than an amount of HK\$16,694,624 (2003: HK\$14,829,417) which bears interest at 10% (2003: 10%) per annum, the remaining balances are interest free.

Save as disclosed above, there were no other significant transactions with related parties during the year or significant balances with them at the end of the year.

Notes to the Financial Statements

For the year ended 31st December, 2004

37. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Details of the Company's principal subsidiaries at 31st December, 2004 are as follows:

Name of subsidiary	Place of incorporation/ registration	Place of operation	Issued and fully paid share capital/ registered capital	Proportion of nominal value of issued share capital/ registered capital held by the attributable Company*/ to the subsidiaries Group		Principal activities
				%	%	
Cosmos Machinery International Limited	Hong Kong	Hong Kong	HK\$32,000,000	100.0*	100.0	Trading in industrial machinery, equipment and supplies and investment holding
Dongguan Cosmos Machinery Limited (note b)	PRC	PRC	HK\$30,000,000	75.56	75.56	Manufacturing of industrial machinery
Dongguan Great Wall Optical Plastic Works Limited (note a)	PRC	PRC	HK\$16,126,800	100.0	100.0	Manufacturing of microscopes and magnifiers with acrylic lenses
Dong Hua Machinery Limited (note b)	PRC	PRC	Rmb40,800,000	75.56	75.56	Assembling and trading of machinery
Dongguan Welltec Machinery Limited (note b)	PRC	PRC	HK\$55,920,000	75.56	75.56	Manufacturing and trading of machinery
Gainbase Industrial Limited	Hong Kong	Hong Kong	HK\$10,000	100.0	52.0	Trading in printed circuit boards
Glory Horse Industries Limited	Hong Kong	PRC	HK\$46,765,174	99.29	92.94	Manufacturing, assembling and designing of electronic products

Notes to the Financial Statements

For the year ended 31st December, 2004

37. PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

Name of subsidiary	Place of incorporation/ registration	Place of operation	Issued and fully paid share capital/ registered capital	Proportion of nominal value of issued share capital/ registered capital held by the attributable Company*/ to the Group		Principal activities
				%	%	
Grand Technology Products Limited	Hong Kong	Hong Kong	HK\$9,500,000	100.0	100.0	Trading of machinery and investment holding
Great Wall (Holding) Company Limited	Hong Kong	Hong Kong	HK\$9,900,000	100.0	100.0	Investment holding
Karmay Industrial Limited	Hong Kong	Hong Kong	HK\$14,979,444	100.0	100.0	General trading and investment holding
Karmay Plastic Products (Zhuhai) Co., Ltd. (note a)	PRC	PRC	HK\$16,800,000	100.0	100.0	Manufacturing of plastic products
Melco Trading Company Limited	Hong Kong	Hong Kong	HK\$1,500,000	100.0	100.0	Trading in industrial equipment and screws
Ming Sun Enterprises Limited	Hong Kong	Hong Kong	HK\$3,000,000	100.0	100.0	Investment holding
Ming Sun Enterprises (China) Limited	Hong Kong	Hong Kong	HK\$1,000,000	100.0	100.0	Manufacturing of moulds and trading of plasticwares
Shenzhen Gainbase Printed Circuit Board Co., Limited (note b)	PRC	PRC	HK\$29,500,000	100.0	52.0	Manufacturing of printed circuit boards
Cosmos Machinery Limited (formerly Welltec Industrial Equipment Limited)	Hong Kong	Hong Kong	HK\$10,000,000	100.0	100.0	Investment holding

Notes to the Financial Statements

For the year ended 31st December, 2004

37. PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

Name of subsidiary	Place of incorporation/ registration	Place of operation	Issued and fully paid share capital/ registered capital	Proportion of nominal value of issued share capital/ registered capital		Principal activities
				held by the Company*/ subsidiaries %	attributable to the Group %	
Welltec Machinery Limited	Hong Kong	Hong Kong	HK\$10,000,000	100.0	100.0	Manufacturing and trading of machinery and investment holding
Wu Xi Grand Tech Machinery Group Co. Ltd. (note b)	PRC	PRC	US\$6,586,000	51.0	51.0	Manufacturing and trading of machinery and investment holding
Wu Xi Grand Plastic Machine Manufacture Co., Ltd. (note b)	PRC	PRC	US\$2,850,000	76.0	51.0	Manufacturing and trading of machinery

Notes:

- (a) The companies are registered in the form of wholly-owned foreign investment enterprises.
- (b) The companies are registered in the term of sino-foreign cooperative enterprises.

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

None of the subsidiaries had any debt capital in issue at the end of the year or at any time during the year.