

**THE
GRANDE HOLDINGS
LIMITED**



**THE
GRANDE HOLDINGS
LIMITED**



Corporate Information 7

Chairman's Statement 9

Review of Operations and Prospects 10

Corporate Chart 13

Report of the Directors 15

Report of the Auditors 23

Audited Financial Statements and Notes to Financial Statements 24



FOUNDING CHAIRMAN

Dr. Stanley Ho

BOARD OF DIRECTORS

Mr. Christopher W. Ho
Chairman

Mr. C. F. Lam

Mr. Adrian C. C. Ma

Mr. Samuel K. Yuen
(Resigned on 16 February 2004)

Mr. Paul K. F. Law

Mrs. Christine L. S. Asprey

Mr. Michael A.B. Binney

Mr. Herbert H. K. Tsoi

Ms. Anita S. C. Chiu

AUDITORS

Deloitte Touche Tohmatsu

COMPANY SECRETARY

Mr. Michael A.B. Binney

**ASSISTANT COMPANY
SECRETARY**

The Bank of Bermuda Limited

CORPORATE OFFICE IN HONG KONG

12th Floor, The Grande Building,
398 Kwun Tong Road,
Kowloon, Hong Kong

CORPORATE OFFICE IN SINGAPORE

146 Robinson Road, #01-01
Overseas Union Trust Building
Singapore 068909

REGISTERED OFFICE

Bank of Bermuda Building,
6 Front Street,
Hamilton HM 11, Bermuda

SOLICITORS

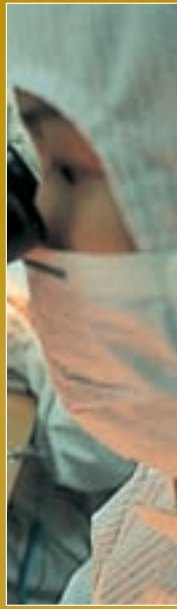
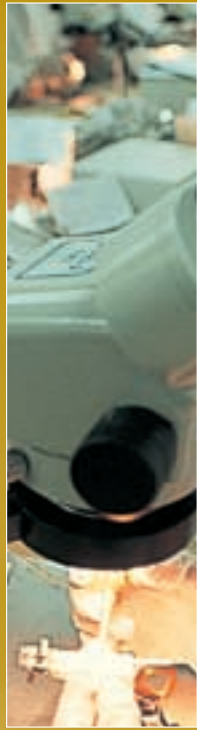
Baker & Mckenzie

**SHARE REGISTRAR AND
TRANSFER OFFICE**

Tengis Limited,
G/F BEA Harbour View Centre,
56 Gloucester Road,
Wanchai, Hong Kong

PRINCIPAL BANKERS

Absa Bank (Asia) Limited
Bank of China (Hong Kong) Limited
The Bank of East Asia, Limited
DBS Bank Limited
The Hongkong and Shanghai Banking
Corporation Limited
HSH Nordbank AG
Indover bank (Asia) Limited
Jian Sing Bank Limited
KBC Bank N.V.



I am pleased to announce that a consolidated profit attributable to shareholders of HK\$450 million was recorded for the year 2003.

Your Board of Directors has recommended a final dividend for 2003 of HK10 cents per share and a special dividend of HK\$1.45 per share in specie of Sansui Electric Co., Ltd. Japan. Together with the interim dividend of HK10 cents per share on 5 November 2003, the total distribution for the year 2003 is HK\$1.65 per share.

Despite the tough business environment, The Grande Group managed an increase in turnover as well as a healthy increase in net profit. The results reflect the Group's focus on both the Electronics Manufacturing Services Group and the Branded Distribution Group.

I am very pleased that our three global brands, Nakamichi, Akai and Sansui have continued to make significant inroads into the world's premier consumer markets, particularly, the markets in the USA and Europe. Demand in The People's Republic of China is also increasing at a tremendous rate.

In this modern era, digital electronics have become an integral part of a consumer's daily life. We will continue to invest in advanced technology so that we can develop products with high-tech but user friendly features and yet competitively priced to meet this demand.

Our cost structure is now very efficient following the rationalisation of our Electronics Manufacturing Services Group in The People's Republic of China. Combining this with our market expertise and speed to market innovations, we have a very competitive edge on which to strengthen our foundation towards long-term growth.

I would like to extend my appreciation to the management and the staff of The Grande Group for their dedication loyalty and commitment. I would also like to thank our shareholders, customers, suppliers and business associates for their continuing support and confidence.



Christopher W. Ho
Chairman

Hong Kong, 26 April 2004

For the year 2003, profit attributable to shareholders was HK\$450 million as compared to HK\$378 million for the year 2002.

The total turnover was HK\$7,723 million for the year compared to HK\$6,646 million for 2002, while the gross profit from the operating activities was HK\$897 million as compared to HK\$734 million for 2002.

The Grande Group comprises of:

- (i) The Electronics Manufacturing Services Group
- (ii) The Branded Distribution Group
and
- (iii) The Financial Services Group

ELECTRONICS MANUFACTURING SERVICES GROUP

For 2003, the Magnetic Media Division was merged into the Consumer Electronic Division forming the Electronics Manufacturing Services Group (“EMS”). The directors consider the nature of business of the two divisions similar and accordingly the comparative amounts have been restated to conform to the current year’s presentation.

The EMS Group achieved an increase in turnover for 2003 of 58.9% to HK\$4,089 million, as compared to HK\$2,574 million in 2002. This was largely as a result of more global companies shifting their production to The People’s Republic of China and the particularly strong demand in the last quarter of 2003. The operating profit for this Group for 2003 was HK\$222 million, compared to HK\$207 million in 2002. The increased sales of the consumer electronic products resulted in additional return, while the sales of the magnetic media products were steady. However, there was continuous pricing pressure in the industry affecting the margins achieved. This Group also benefited from the completion of the consolidation of its consumer electronic manufacturing facilities in Zhongshan which began in 2002.

For 2003, the Group is expanding its manufacturing capability of visual display products, adding both plasma and LCD-TV facilities in its line up. The Group expects to benefit from the continuing high global demands for such visual display products. Along with this capability and the continued global shift of production into The People’s Republic of China, the Group’s customer base will continue to expand.

BRANDED DISTRIBUTION GROUP

The Branded Distribution Group's turnover for 2003 was HK\$2,128 million as compared to HK\$2,039 million in 2002. The turnover was affected by the subdued market conditions lingering in the USA and Europe following the Iraq conflict and the impact of the SARS outbreak in Asia.

This Group manages the distribution and licensing, including all trademark and patents, of three global brands, namely Nakamichi, Sansui and Akai (collectively referred to as "Brands"). We continued to invest heavily in the Brands in 2003 by expanding the global sales network and increasing the range of products, in particular the home entertainment systems including plasmas and LCD-TVs.

The Group's operating profit for 2003 was HK\$318 million which was a 24.2% increase compared to HK\$256 million in 2002. The increase in profit is due to the Group's global strategy to manage as well as license the Brands, expanding its distribution network, improve the product selection and maintaining an efficient cost structure.

The Group will continue to expand its range of products offered to meet the global demands. Akai has increased its product line up, offering digital cameras, telecommunication products and home appliances such as air-conditioners and microwave ovens. Sansui has included plasmas and LCD-TVs to increase its market share in Europe.

The Group's investment in direct sales and marketing of the Brands in the People's Republic of China continues into 2004. The successful launch in 2003 of both the Akai and Sansui brands has presented tremendous opportunities for this Group. Combined with the strong economic growth in The People's Republic of China, 2004 looks to be a promising year for this Group.

FINANCIAL SERVICES GROUP

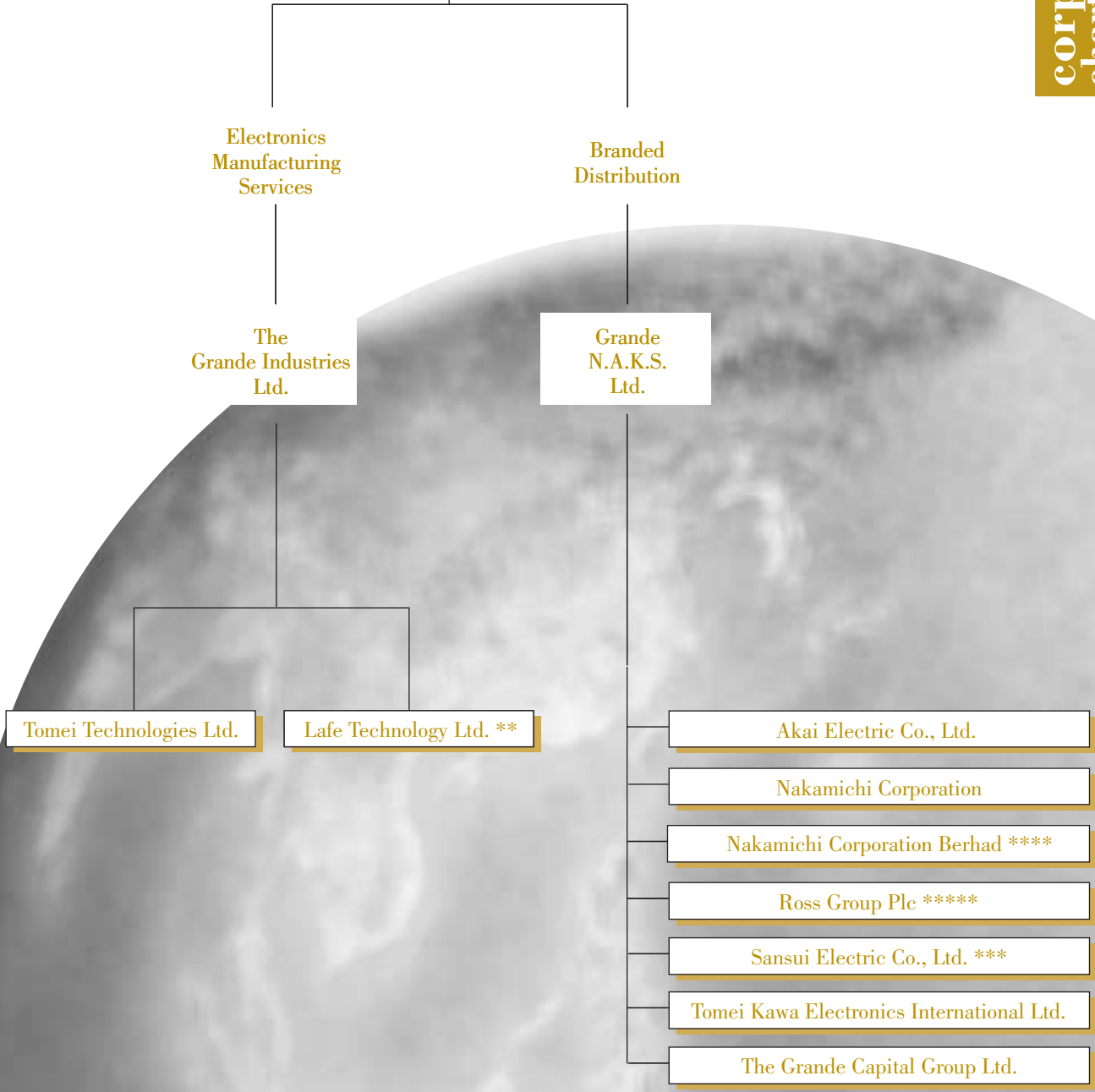
This Group included the business of foreign exchange services up to its date of disposal at the end of October 2003, at which date the Group reflected a gain on disposal of HK\$30 million. The Grande Group considered that such business was no longer in line with its long term strategy. The turnover for this Group in 2003 was HK\$1,506 million as compared to HK\$2,033 million in 2002. As stated earlier, this included the turnover up to the date of the sale of the business only. The Group incurred an operating loss for 2003 of HK\$79 million which was due largely to exchange losses incurred in that year, compared to a profit of HK\$15 million in 2002.

Adrian C. C. Ma
Group Managing Director

Hong Kong, 26 April 2004



THE GRANDE HOLDINGS LIMITED*



* Listed on the Stock Exchange of Hong Kong
 ** Listed on the Singapore Exchange Securities Trading Limited
 *** Listed on the Tokyo Stock Exchange
 **** Listed on the Kuala Lumpur Stock Exchange
 ***** Listed on the London Stock Exchange

The directors herein present their report and the audited financial statements of the Company and the Group for the year ended 31 December 2003.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the subsidiaries and associates consisted of the design, development, manufacture and distribution of electronic and computer products and components.

SEGMENTED INFORMATION

Details of turnover and segmented information are set out in notes 5 and 37 to the financial statements.

RESULTS AND DIVIDENDS

The Group's results for the year ended 31 December 2003 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 24 to 74.

An interim dividend of HK10 cents per ordinary share was paid on 5 November 2003. The directors recommend the payment of a final cash dividend of HK10 cents per share, together with a special dividend, subject to compliance with regulatory requirements, if any, the dividend by way of a distribution in specie of one share of Sansui Electric Co., Ltd. ("SEC"), a company listed on the first section of the Tokyo Stock Exchange, for every two shares of the Company being held by the shareholders on the register of members on 16 June 2004. The market value at close of business on 23 April 2004 of SEC was 40 Yen per share which equates to a special dividend of HK\$1.45 per share.

COMPLIANCE WITH THE CODE OF BEST PRACTICE

In the opinion of the directors, the Company has complied with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited throughout the year covered by the annual report, except that independent non-executive directors are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the provisions of the Company's Bye-Laws.

SUMMARY FINANCIAL INFORMATION

A summary of the published results and of the assets and liabilities of the Group for the last five financial years, as extracted from the published audited financial statements and restated as appropriate, is set out below:

RESULTS

	Year ended 31 December				
	<u>2003</u> HK\$ million	<u>2002</u> HK\$ million	<u>2001</u> HK\$ million	<u>2000</u> HK\$ million	<u>1999</u> HK\$ million
TURNOVER	<u>7,723</u>	<u>6,646</u>	<u>7,818</u>	<u>8,309</u>	<u>5,757</u>
PROFIT/(LOSS) BEFORE TAX	<u>445</u>	<u>305</u>	<u>532</u>	<u>(350)</u>	<u>376</u>
Tax	<u>2</u>	<u>(3)</u>	<u>(4)</u>	<u>(13)</u>	<u>(11)</u>
PROFIT/(LOSS) BEFORE MINORITY INTERESTS	<u>447</u>	<u>302</u>	<u>528</u>	<u>(363)</u>	<u>365</u>
Minority interests	<u>3</u>	<u>76</u>	<u>(71)</u>	<u>(218)</u>	<u>(174)</u>
NET PROFIT/(LOSS) ATTRIBUTABLE TO SHAREHOLDERS (RESTATED)	<u>450</u>	<u>378</u>	<u>457</u>	<u>(581)</u>	<u>191</u>
NET PROFIT ATTRIBUTABLE TO SHAREHOLDERS (AS PREVIOUSLY REPORTED)				<u>406</u>	<u>195</u>

ASSETS AND LIABILITIES

	31 December				
	<u>2003</u> HK\$ million	(Restated) <u>2002</u> HK\$ million	(Restated) <u>2001</u> HK\$ million	(Restated) <u>2000</u> HK\$ million	(Restated) <u>1999</u> HK\$ million
NON-CURRENT ASSETS	<u>3,148</u>	<u>3,161</u>	<u>2,251</u>	<u>2,394</u>	<u>2,227</u>
CURRENT ASSETS	<u>3,487</u>	<u>2,639</u>	<u>3,593</u>	<u>3,964</u>	<u>3,296</u>
TOTAL ASSETS	<u>6,635</u>	<u>5,800</u>	<u>5,844</u>	<u>6,358</u>	<u>5,523</u>
CURRENT LIABILITIES	<u>2,740</u>	<u>2,245</u>	<u>2,819</u>	<u>3,697</u>	<u>3,073</u>
NON-CURRENT LIABILITIES	<u>404</u>	<u>926</u>	<u>221</u>	<u>72</u>	<u>75</u>
TOTAL LIABILITIES	<u>3,144</u>	<u>3,171</u>	<u>3,040</u>	<u>3,769</u>	<u>3,148</u>
	<u>3,491</u>	<u>2,629</u>	<u>2,804</u>	<u>2,589</u>	<u>2,375</u>
SHARE CAPITAL AND RESERVES	<u>2,951</u>	<u>2,045</u>	<u>2,052</u>	<u>1,527</u>	<u>1,670</u>
MINORITY INTERESTS	<u>540</u>	<u>584</u>	<u>752</u>	<u>1,062</u>	<u>705</u>
	<u>3,491</u>	<u>2,629</u>	<u>2,804</u>	<u>2,589</u>	<u>2,375</u>

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group are set out in note 11 to the financial statements.

INVESTMENT PROPERTIES

Details of movements in the investment properties of the Group are set out in note 12 to the financial statements.

SUBSIDIARIES AND ASSOCIATES

Particulars of the Company's principal subsidiaries and associates are set out in notes 14, 15 and 38 to the financial statements, respectively.

SHARE CAPITAL AND SHARE PREMIUM

Details of movements in the Company's share capital and share premium are set out in notes 29 and 30 to the financial statements.

DISTRIBUTABLE RESERVES

At 31 December 2003, the Company's reserves available for distribution to shareholders, calculated under the provisions of the Companies Act 1981 of Bermuda amounted to HK\$1,394 million.

The Company's share premium account may be distributed in the form of fully paid bonus shares.

MAJOR CUSTOMERS AND MAJOR SUPPLIERS

In the year under review, sales to the Group's largest customer and five largest customers accounted for approximately 11% and 44%, respectively, of the Group's total turnover for the year.

Purchases from the Group's largest supplier and five largest suppliers accounted for approximately 15% and 27%, respectively, of the Group's total purchases for the year.

None of the directors, their associates or any shareholders (which to the knowledge of the directors owns more than 5% of the Company's issued share capital) had any interest in the Group's major customers and suppliers.

DIRECTORS' REMUNERATION

Details of the directors' remuneration are set out in note 7 to the financial statements.

DIRECTORS

The directors of the Company during the year were:

Mrs. Christine L. S. Asprey
 Mr. Michael A. B. Binney
 Ms. Anita S. C. Chiu
 Mr. Christopher W. Ho
 Mr. C. F. Lam
 Mr. Paul K. F. Law
 Mr. Adrian C. C. Ma
 Mr. Herbert H. K. Tsoi
 Mr. Samuel K. Yuen (resigned on 16 February 2004)

In accordance with Bye-Law 99, Mr. Christopher W. Ho, Mr. Paul K. F. Law and Mr. Herbert H. K. Tsoi will retire and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed in notes 4 and 28 to the financial statements, no director had a beneficial interest, either direct or indirect, in any significant contract to which the Company or any of its subsidiaries was a party at the balance sheet date or at any time during the year.

There were no unexpired service contracts which are not determinable by the Company within one year without compensation, other than statutory payments, in respect of any director proposed for re-election at the forthcoming annual general meeting.

DIRECTORS' INTERESTS IN SHARE CAPITAL

The interests of the directors and their associates in the equity or debt securities of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register required to be kept under section 352 of the SFO at the balance sheet date are set out below:

Directors	Number of issued ordinary shares of HK\$0.10 each in the Company		% of the issued share capital
	Personal interests (Long positions)	Corporate interests	
Mr. Christopher W. Ho	–	305,081,713*	66.29%
Mr. C. F. Lam	303,600	–	0.07%
Mr. Adrian C. C. Ma	78,000	–	0.02%

* Mr. Christopher W. Ho had a 100% deemed beneficial interest in The Grande International Holdings Limited ("GIHL") which owned 305,081,713 ordinary shares in the Company through its wholly owned subsidiary, Barrican Investments Corporation ("BIC").

Save as disclosed above, none of the directors or their associates had any personal, family, corporate or other interests in the equity or debt securities of the Company or any of its associated corporations as defined in the SFO Ordinance (Cap. 571) – Disclosure of interest.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

The share option scheme adopted by the Company on 26 November 1990 had expired and there were no options outstanding as at the date of this report.

Apart from the foregoing, at no time during the year was the Company or any of its subsidiaries a party to any arrangement to enable the Company's directors, their respective spouse or children under 18 years of age, to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2003, the interests of every person, other than the directors of the Company, in the shares of the Company as recorded in the register required to be kept under section 336 of the SFO, are set out below:

Name of shareholder	Capacity	No. of ordinary shares held (Long positions)	% of the issued share capital
Mr. Lawrence Y. L. Ho	Corporate	24,986,000*	5.43%

* Mr. Lawrence Y. L. Ho owned 24,986,000 ordinary shares in the Company through Grand Villa Assets Limited that he has 100% control.

BRIEF BIOGRAPHICAL DETAILS IN RESPECT OF DIRECTORS

Name	Age	Position held	Number of years of service	Business experience
Board of Directors				
Mr. Christopher W. Ho	53	Chairman	13	Manufacturing, international trading and corporate finance
Mr. Adrian C. C. Ma	59	Group Managing Director and Managing Director, Branded Distribution Group	20	Consumer electronics industry
Mrs. Christine L. S. Asprey	55	Group Executive Director	6	International marketing, market research and industrial affairs
Mr. Michael A. B. Binney	44	Group Executive Director, Company Secretary and Managing Director, Finance and Accounting Group	14	Finance, accounting and corporate restructuring
Mr. C. F. Lam	54	Group Executive Director and Managing Director, Electronics Manufacturing Services Group – Magnetic Media Division	29	Computer magnetic media industry
Mr. Paul K. F. Law	47	Group Executive Director and Managing Director, Electronics Manufacturing Services Group – Consumer Electronics Division	12	Consumer electronics industry
Independent Directors				
Mr. Herbert H. K. Tsoi	53	Non-executive Director	6	Solicitor
Ms. Anita S. C. Chiu	47	Non-executive Director	5	Architect

Mr. Christopher W. Ho and Mrs. Christine L. S. Asprey are brother and sister.

BRIEF BIOGRAPHICAL DETAILS IN RESPECT OF SENIOR MANAGEMENT STAFF

Name	Age	Position held	Number of years of service	Business experience
Electronics Manufacturing Services Group				
Ms. Anissa Y. Y. Choi	49	Deputy Managing Director	23	Consumer electronics industry
Mr. K. T. Fok	43	Director – Engineering and Operations	21	Computer industry
Mr. Chau Lung	49	Director – Development	21	Computer industry
Branded Distribution Group				
Mr. Takeshi Nakamichi	54	Deputy Managing Director	32	Product research and development
Mr. Christopher T. O. Chiang	47	Executive Director	5	Sales and marketing
Mr. Ata Malik	57	Executive Director	31	Sales and marketing
Ms. Ann Leong	45	Executive Director	3	Sales and marketing
Mr. H. C. Yeung	45	General Manager – China	20	Sales and marketing
Treasury				
Mrs. Eleanor Crosthwaite	50	Managing Director	18	Treasury
Mr. Tony W. M. Lam	39	Director	12	Banking and treasury
Legal				
Ms. Ruby Y. K. Lee	42	Group Legal Counsel	10	Solicitor

EMPLOYEES AND REMUNERATION POLICIES

The number of employees of the Group as at 31 December 2003 was approximately 12,000. Employees are remunerated according to their performance and working experience, and the nature of the job and market conditions.

PURCHASE, SALE OR REDEMPTION OF OWN LISTED SECURITIES

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year.

POST BALANCE SHEET EVENT

Details of the significant post balance sheet event of the Group are set out in note 39 to the financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Bye-Laws or the laws in Bermuda which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

CONNECTED TRANSACTIONS

Significant related party transactions entered by the Group during the year ended 31 December 2003, which constitutes connected transactions under the Rules Governing the listing of Securities on The Stock Exchange of Hong Kong Limited, is disclosed in note 4 to the financial statements.

AUDIT COMMITTEE

To comply with the Code of Best Practice as set out in Appendix 14 of the Listing Rules, the Company has established an Audit Committee.

The members of the Audit Committee during the year were:

Independent non-executive directors

Mr. Herbert H. K. Tsoi

Ms. Anita S. C. Chiu

The principal activities of the Audit Committee include the review and supervision of the Group's financial reporting process and internal controls.

AUDITORS

Messrs. Deloitte Touche Tohmatsu retire and a resolution for their reappointment as auditors of the Company will be proposed at the forthcoming annual general meeting.

ON BEHALF OF THE BOARD

Christopher W. Ho
Chairman

Hong Kong
26 April 2004

To the shareholders of
The Grande Holdings Limited
(Incorporated in Bermuda with limited liability)

We have audited the financial statements on pages 24 to 74 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The Company's directors are responsible for the preparation of financial statements which give a true and fair view. In preparing financial statements which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently.

It is our responsibility to form an independent opinion, based on our audit, on those financial statements and to report our opinion solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

BASIS OF OPINION

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Society of Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the circumstances of the Company and the Group, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the financial statements are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

OPINION

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and the Group as at 31 December 2003 and of the profit and cash flows of the Group for the year then ended and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong
26 April 2004

	Notes	2003 HK\$ million	(Restated) 2002 HK\$ million
TURNOVER	5	7,723	6,646
Cost of sales		(6,826)	(5,912)
Gross Profit		897	734
Other operating income		199	278
Gain on disposal of subsidiaries		30	–
Distribution costs		(116)	(126)
Administrative expenses		(297)	(313)
Other operating expenses		(234)	(228)
PROFIT FROM OPERATING ACTIVITIES		479	345
Finance costs		(34)	(40)
PROFIT BEFORE TAX	6	445	305
Tax	8	2	(3)
PROFIT BEFORE MINORITY INTERESTS		447	302
Minority interests		3	76
NET PROFIT ATTRIBUTABLE TO SHAREHOLDERS		450	378
DIVIDENDS	9	90	163
		HK\$	HK\$
EARNINGS PER SHARE	10		
Basic		1.05	0.94
Diluted		N/A	N/A

	Notes	2003 HK\$ million	(Restated) 2002 HK\$ million
NON-CURRENT ASSETS			
Property, plant and equipment	11	1,323	1,386
Investment properties	12	60	14
Properties held for sale	13	–	–
Interests in associates	15	–	–
Long term investments	16	58	46
Brands, trademarks and patents	17	1,391	1,475
Other assets	18	36	31
Goodwill	19	284	217
Negative goodwill	19	(4)	(8)
		<hr/> 3,148 <hr/>	<hr/> 3,161 <hr/>
CURRENT ASSETS			
Cash and bank balances		785	305
Pledged deposits with banks		21	61
Short term investments	20	773	90
Properties held for sale	13	92	74
Accounts, bills and other receivables	21	767	911
Amounts due from associates	15	92	95
Inventories	22	738	862
Prepayments, deposits and other assets		218	239
Tax recoverable		1	2
		<hr/> 3,487 <hr/>	<hr/> 2,639 <hr/>
CURRENT LIABILITIES			
Bank overdrafts	35	616	92
Trust receipt loans	35	490	539
Current portion of secured bank loans	23, 35	164	186
Current portion of unsecured bank loans	23	267	225
Obligations under finance leases	24, 35	9	11
Accounts and bills payables	25	851	835
Accrued liabilities and other payables		339	354
Tax		4	3
		<hr/> 2,740 <hr/>	<hr/> 2,245 <hr/>

	Notes	2003 HK\$ million	(Restated) 2002 HK\$ million
NET CURRENT ASSETS		747	394
TOTAL ASSETS LESS CURRENT LIABILITIES		3,895	3,555
NON-CURRENT LIABILITIES			
Non-current portion of bank loans	23, 35	178	340
Obligations under finance leases	24, 35	9	16
Deferred tax	26	11	31
Provision for retirement and long service	27	57	82
Accrued liabilities and other payables	28	149	457
		404	926
		3,491	2,629
CAPITAL AND RESERVES			
Share capital	29	46	40
Share premium	30	812	254
Reserves	31	2,093	1,751
		2,951	2,045
MINORITY INTERESTS		540	584
		3,491	2,629

Christopher W. Ho
Chairman

Michael A. B. Binney
Director

	2003 HK\$ million	(Restated) 2002 HK\$ million
Total equity at 1 January, as previously reported	2,066	2,074
Adjustment on adoption of SSAP 12 (revised)	(21)	(21)
Total equity at 1 January, as restated	2,045	2,053
Effect of change in tax rate	(3)	–
Change in fair value of equity securities	15	(26)
(Deficit)/surplus on revaluation of investment properties	(3)	5
Exchange differences on translation of the financial statements of overseas subsidiaries	(37)	(14)
Net loss not recognised in the income statement	(28)	(35)
Realisation of change in fair value of equity securities on disposal	–	(188)
Impairment loss in respect of long term investments recognised to income statement	10	–
Net profit attributable to shareholders	450	378
Dividends paid	(90)	(163)
Net proceeds from issue of new shares	564	–
Total equity at 31 December	2,951	2,045

	<u>2003</u> HK\$ million	<u>2002</u> HK\$ million
OPERATING ACTIVITIES		
Profit from operating activities	479	345
Adjustments for:		
Change in fair value of short term equity securities	(83)	(106)
Gain on disposal of long term investments	(10)	(1)
Interest income	(5)	(7)
Depreciation	128	160
Release of negative goodwill	(1)	(2)
Amortisation of goodwill	16	4
Amortisation of brands, trademarks and patents	78	72
Amortisation of other assets	7	5
(Gain)/loss on disposal of property, plant and equipment	(3)	21
Gain on disposal of subsidiaries	(30)	–
Impairment loss recognised in respect of property, plant and equipment	–	16
Impairment loss (reversed)/recognised in respect of properties held for sale	(18)	67
Impairment loss recognised in respect of long term investments	10	14
Impairment loss recognised in respect of other assets	15	–
Operating cash flows before movements in working capital	583	588
Decrease in accounts, bills and other receivables	673	147
Decrease/(increase) in inventories	97	(152)
Increase in short term investments	(507)	(2)
Increase in prepayments, deposits and other assets	(507)	(70)
Increase in amounts due from associates	(17)	(12)
Decrease in accounts and bills payables	(2)	(326)
Decrease in accrued liabilities and other payables	(422)	(79)
Cash (used in)/generated from operations	(102)	94
Interest paid	(33)	(40)
Hong Kong profits tax paid	(4)	(4)
Overseas profits tax refunded	1	–
Net cash (used in)/generated from operating activities	(138)	50

	Notes	2003 HK\$ million	2002 HK\$ million
NET CASH (USED IN)/GENERATED FROM OPERATING ACTIVITIES		(138)	50
INVESTING ACTIVITIES			
Purchases of property, plant and equipment		(90)	(88)
Purchases of subsidiaries	32(a)	(2)	(11)
Purchases of additional interests in a subsidiary		–	(14)
Purchases of investment properties		(49)	–
Payments for other assets		(27)	(24)
Payments for brands, trademarks and patents		–	(6)
Purchases of long term investments		(2)	(7)
Decrease/(increase) in pledged deposits with banks		40	(14)
Interest received		6	6
Proceeds from disposal of property, plant and equipment		35	20
Proceeds from disposal of long term investments		–	12
Disposal of subsidiaries	32(b)	(16)	–
Net cash used in investing activities		(105)	(126)
FINANCING ACTIVITIES			
Proceeds from issue of shares		576	–
Share issue expenses		(12)	–
Dividend paid to minority interests		(23)	(31)
Dividends paid		(90)	(36)
Capital element of finance lease rental payments		(9)	(1)
New secured bank loans		88	208
New unsecured bank loans		90	297
Repayment of secured bank loans		(157)	(134)
Repayment of unsecured bank loans		(219)	(155)
Decrease in trust receipt loans		(48)	(150)
Net cash generated from/(used in) financing activities		196	(2)
DECREASE IN CASH AND CASH EQUIVALENTS		(47)	(78)
Cash and cash equivalents at beginning of year		213	287
Effect of foreign exchange rate changes, net		3	4
CASH AND CASH EQUIVALENTS AT END OF YEAR		169	213
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		785	305
Bank overdrafts		(616)	(92)
		169	213

	Notes	<u>2003</u> HK\$ million	<u>2002</u> HK\$ million
NON-CURRENT ASSETS			
Interests in subsidiaries	14	1,238	1,238
Amounts due from subsidiaries	14	3,531	2,999
		<u>4,769</u>	<u>4,237</u>
CURRENT ASSETS			
Cash and bank balances		–	40
Short term investments	20	1	1
		<u>1</u>	<u>41</u>
CURRENT LIABILITIES			
Current portion of secured bank loans	23, 35	8	–
Current portion of unsecured bank loans	23	44	66
Accrued liabilities and other payables		7	7
		<u>59</u>	<u>73</u>
NET CURRENT LIABILITIES		<u>(58)</u>	<u>(32)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>4,711</u>	<u>4,205</u>
NON-CURRENT LIABILITIES			
Non-current portion of bank loans	23, 35	48	16
Amounts due to subsidiaries	14	2,050	2,050
		<u>2,098</u>	<u>2,066</u>
		<u>2,613</u>	<u>2,139</u>
CAPITAL AND RESERVES			
Share capital	29	46	40
Share premium	30	812	254
Reserves	31	1,755	1,845
		<u>2,613</u>	<u>2,139</u>

Christopher W. Ho
Chairman

Michael A. B. Binney
Director

1. GENERAL

The Company is incorporated in Bermuda as an exempted company with limited liability and its shares are listed on the Stock Exchange of Hong Kong Limited.

During the year, the Company acts as an investment holding company. The principal activities of the principal subsidiaries and associates are set out in notes 38 and 15 respectively. In the opinion of the directors, the ultimate holding company is The Grande International Holdings Limited, a company incorporated in the British Virgin Islands.

2. ADOPTION OF NEW AND REVISED STATEMENTS OF STANDARD ACCOUNTING PRACTICE

In the current year, the Group has adopted, for the first time, the Statement of Standard Accounting Practice 12 (revised) "Income taxes" ("SSAP 12 (revised)") issued by the Hong Kong Society of Accountants which is effective for accounting periods commencing on or after 1 January 2003.

The principal effect of the implementation of SSAP 12 (revised) is in relation to deferred tax. In previous periods, deferred tax was accounted for using the income statement liability method on all significant timing differences to the extent it was probable that the liability would crystallise in the foreseeable future. A deferred tax asset was not recognised until its realisation was assured beyond reasonable doubt. SSAP 12 (revised) requires the adoption of the balance sheet liability method, whereby deferred tax is recognised in respect of all temporary 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, 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 of retained profits at 1 January 2002 has been increased by HK\$4 million, representing the cumulative effect of the change in policy on the results for periods prior to 1 January 2002. The balance on the Group's capital reserve at 1 January 2002 has been decreased by HK\$25 million, representing the deferred tax liability recognised in respect of the revaluation surplus on the Group's properties at that date. The change has resulted in an increase in the profit of HK\$1 million and a decrease in capital reserve of HK\$3 million for the year ended 31 December 2003, but has no material effect to the profit and capital reserve of the Group during the year ended 31 December 2002.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting

These financial statements have been prepared under the historical cost convention as modified for the revaluation of certain properties and investments in securities. The financial statements have been prepared in accordance with accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance.

Basis of consolidation

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

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 basis:

- on the sale of goods, when the goods are delivered and title, 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;
- on the rendering of services, based on the stage of completion of the transaction, provided that this and the costs incurred as well as the estimated costs to completion can be measured reliably. The stage of completion of a transaction associated with the rendering of services is established by reference to the costs incurred to date as compared to the total costs to be incurred under the transaction; and
- interest income, on a time proportion basis, taking into account the principal outstanding and the effective interest rate applicable.

Investments in subsidiaries

A subsidiary is an enterprise in which the Company has control either directly or indirectly. Control is the power to govern the financial and operating policies of another enterprise so as to obtain benefits from its activities.

Investments in subsidiaries are stated in the Company's balance sheet at cost less any impairment loss. The results of subsidiaries are accounted for by the Company on the basis of dividend received during the year.

Associates

An associate is an enterprise, not being a subsidiary, in which the Group is in a position to exercise significant influence, including participation in the financial and operating policy decisions.

The Group's share of the post-acquisition results and reserves of associates is included in the consolidated income statement and consolidated reserves, respectively. The Group's investment in associates is stated in the consolidated balance sheet at the Group's share of the net assets. Where audited financial statements are not co-terminus with those of the Group, the share of the results is arrived at from the latest audited financial statements available or unaudited management financial statements to 31 December.

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

Goodwill

Goodwill arising on acquisitions prior to 1 January 2001 is held in reserves and will be charged to the income statement at the time of disposal of the relevant subsidiary or associate, or at such time as the goodwill is determined to be impaired. Goodwill arising on acquisitions after 1 January 2001 is capitalised and amortised over its estimated useful life but not more than 20 years.

Negative goodwill

Negative goodwill arising on acquisitions prior to 1 January 2001 is held in reserves and will be credited to the income statement at the time of disposal of the relevant subsidiary or associate. Negative goodwill arising on acquisitions after 1 January 2001 is presented as a deduction from assets and will be released to income based on an analysis of the circumstances from which the balance resulted.

Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

In accordance with the Group's internal management reporting, the Group has determined that business segments be presented as the primary reporting format and geographical as the secondary reporting format. Inter-segment transfer pricing is based on cost plus an appropriate margin.

Segment revenue, expenses, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to that segment. Segment revenue, expenses, assets and liabilities are determined before inter-segment balances and inter-segment transactions are eliminated as part of the consolidation.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets that are expected to be used for more than one period.

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

Property, plant and equipment

Property, plant and equipment are stated at cost or valuation less accumulated depreciation and impairment losses, except for freehold land which is stated at cost less impairment loss and is not depreciated. Surpluses arising on revaluation are credited directly to reserves, except that a revaluation increase is recognised as income to the extent that it reverses a revaluation decrease of the same asset previously recognised as an expense.

In accordance with the transitional provisions set out in paragraph 80 of Statements of Standard Accounting Practice (“SSAP”) 17 (revised), “Property, plant and equipment” issued by the Hong Kong Society of Accountants in 1995, subsequent revaluations of the leasehold land and buildings of the Group, which have been carried at revalued amounts prior to 30 September 1995, will not be undertaken on a regular basis.

Depreciation is calculated on the straight-line basis to write off the cost or valuation of each asset over its estimated useful life as set out below:

Freehold buildings outside Hong Kong	5 to 50 years
Long term leasehold land outside Hong Kong	99 years
Long term leasehold buildings outside Hong Kong	45 years
Medium term leasehold land and buildings in Hong Kong	20 to 40 years
Medium term leasehold land and buildings outside Hong Kong	Over the lease terms
Plant, equipment and other assets	2 to 15 years
Moulds	2 to 5 years

The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after the assets have been put into operation, such as repairs and maintenance, is normally charged as an expense 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 the asset.

Upon the disposal of properties which have been revalued, the relevant portion of the revaluation reserve attributable to the properties realised is transferred directly to retained profits as a reserve movement.

The gain or loss on disposal or retirement of an asset recognised in the income statement is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Properties held for sale

Properties held for sale are stated at the lower of cost and net realisable value. Cost includes all costs attributable to such development, including finance charges. No depreciation is provided on properties held for sale.

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

Investment properties

Investment properties are completed properties which are held for their investment potential, any rental income being negotiated at arm's length. They are stated at their open market values on the basis of annual valuations. Any surplus or deficit on revaluation is taken to the investment properties revaluation reserve unless the total of this reserve is insufficient to cover a deficit, in which case the amount by which the deficit exceeds the amount in the reserve is charged to the income statement. Where a deficit has previously been charged to the income statement and a revaluation surplus subsequently arises, the surplus is credited to the income statement to the extent of the deficit previously charged.

Upon the disposal of an investment property, the relevant portion of the investment properties revaluation reserve recognised in respect of previous valuations is released to the income statement.

No depreciation is provided in respect of investment properties with an unexpired lease term of more than 20 years since the valuations take into account the state of the buildings.

Leased assets

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases are included in property, plant and equipment and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to the income statement so as to provide a constant periodic rate of charge over the lease terms.

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. The rentals applicable to such operating leases are charged to the income statement on the straight-line basis over the lease terms.

Long term investments

Long term investments are non-trading investments in listed and unlisted equity securities intended to be held on a long term basis.

Listed 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. Unlisted securities are stated at their estimated fair values on an individual basis.

The gains or losses arising from changes in the fair values of a security are dealt with as movements in the long term investment revaluation reserve, until the security is sold, collected, or otherwise disposed of, or until the security is determined to be impaired, when the cumulative gain or loss derived from the security recognised in the long term investment revaluation reserve, together with the amount of any further impairment, is charged to the income statement for the period in which the impairment arises. Where the circumstances and events which led to an impairment cease to exist and there is persuasive evidence that the new circumstances and events will persist for the foreseeable future, the amount of the impairment previously charged and any appreciation in fair value is credited to the income statement to the extent of the amount previously charged.

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

Short term investments

Short term investments are investments in equity securities held for trading purposes and are stated at their fair values 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 income statement for the period in which they arise.

Listed 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. Unlisted securities are stated at their estimated fair values on an individual basis.

Brands, trademarks and patents

Brands, trademarks and patents are stated at cost less accumulated amortisation and impairment losses. Amortisation is provided over their estimated useful lives but not more than 20 years.

Research and deferred development costs

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

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

Deferred development costs are amortised, using the straight-line basis, over the expected useful lives of the products not exceeding five years, commencing in the year 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 any further costs expected to be incurred to completion and 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 such an indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. Where it is not possible to estimate the recoverable amount of individual assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

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 loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount under another accounting standard, in which case the impairment loss is treated as a revaluation decrease under that accounting standard.

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

Impairment (*continued*)

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, however, the increased carrying amount would not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) 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 accounting standard, in which case the reversal of the impairment loss is treated as a revaluation increase under that accounting standard.

Foreign currencies

Foreign currency transactions are recorded at the applicable rates of exchange ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are re-translated at the applicable rates of exchange ruling at that date. Exchange differences are dealt with in the income statement.

On consolidation, the assets and liabilities of overseas subsidiaries and the Group's share of net assets of overseas associates are translated to Hong Kong dollars at the applicable rates of exchange ruling at the balance sheet date. Income and expenses items are translated at the average exchange rates for the year. The resulting translation differences are included in the exchange fluctuation reserve. Such translation differences are recognised as income or as expenses in the period in which the operation is disposed of.

Retirement benefit costs

Payments to defined contribution retirement benefit plans and the Mandatory Provident Fund Scheme are charged as expenses as they fall due.

Tax

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 affects 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.

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

Tax (*continued*)

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

4. RELATED PARTY TRANSACTIONS

The Group had the following material transactions with related parties during the year ended 31 December 2003:

	Notes	<u>2003</u> HK\$ million	<u>2002</u> HK\$ million
Purchases of finished products from associates	(i)	–	37
Sales of goods to associates	(ii)	–	30
Interest from associates	(iii)	<u>4</u>	<u>9</u>

Notes:

- (i) The directors consider that the purchases of finished products were made according to prices and conditions similar to those offered by non-related suppliers of the Group.
- (ii) The directors consider that the sales of goods were made according to prices and conditions similar to those offered to non-related major customers of the Group.
- (iii) The interest from associates arose from loans, the terms and other details of which are set out in note 15 to the financial statements.

5. TURNOVER

Turnover represents the net invoiced value of goods sold after allowances for returns and trade discounts; and corporate finance and investment income but excludes intra-group transactions.

An analysis of the Group's turnover by principal activity for the year is as follows:

	<u>2003</u> HK\$ million	(Restated) <u>2002</u> HK\$ million
By principal activity:		
Electronics manufacturing services	4,089	2,574
Branded distribution	2,128	2,039
Financial services	<u>1,506</u>	<u>2,033</u>
	<u>7,723</u>	<u>6,646</u>

6. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	<u>2003</u> HK\$ million	<u>2002</u> HK\$ million
Depreciation of property, plant and equipment		
Owned assets	127	160
Leased assets	1	–
Operating lease rentals:		
Land and buildings	45	27
Interest on:		
Bank overdrafts and loans wholly repayable within five years	33	40
Finance leases	1	–
Auditors' remuneration	8	6
Release of negative goodwill included in other operating income	(1)	(2)
Amortisation of goodwill included in other operating expenses	16	4
Amortisation of brands, trademarks and patents included in other operating expenses	78	72
Amortisation of other assets included in other operating expenses	7	5
Write back of doubtful debts	–	(65)
Staff costs:		
Salaries and other benefits	170	166
Retirement benefit costs	10	12
Impairment loss recognised in respect of property, plant and equipment	–	16
Impairment loss (reversed)/recognised in respect of properties held for sale	(18)	67
Impairment loss recognised in respect of long term investments	10	14
Impairment loss recognised in respect of other assets	15	–
Research and development expenditure	2	7
(Gain)/loss on disposal of property, plant and equipment	(3)	21
Change in fair value of short term equity securities	(83)	(106)
Gain on disposal of long term investments	(10)	(1)
Interest income	(5)	(7)
	<u> </u>	<u> </u>

Amortisation of brands, trademarks and patents and other assets in 2002 were reclassified from administrative expenses to other operating expenses in order to give a fairer presentation and conform with the current year's presentation.

7. DIRECTORS' REMUNERATION AND EMPLOYEE COSTS

Directors' Remuneration

	<u>2003</u> HK\$ million	<u>2002</u> HK\$ million
Fees	–	–
Other emoluments:		
Basic salaries, housing, other allowances and benefits in kind	16	15
Bonuses paid and payable	2	2
	<u>18</u>	<u>17</u>

The number of directors whose remuneration fell within the bands set out below is as follows:

	<u>2003</u> Number of directors	<u>2002</u> Number of directors
HK\$		
Nil – 1,000,000	3	4
1,000,001 – 1,500,000	2	2
2,000,001 – 2,500,000	1	1
2,500,001 – 3,000,000	1	1
3,000,001 – 3,500,000	1	1
5,500,001 – 6,000,000	1	1
	<u>1</u>	<u>1</u>

There was no arrangement under which a director had waived or agreed to waive any remuneration.

The directors' fee payable to each of the independent non-executive directors of the Company for the year ended 31 December 2003 amounted to HK\$100,000 per annum (2002: HK\$100,000).

Employee Costs

	<u>2003</u> HK\$ million	<u>2002</u> HK\$ million
Basic salaries, housing, other allowances and benefits in kind	4	5
Bonuses paid and payable	1	2
	<u>5</u>	<u>7</u>

7. DIRECTORS' REMUNERATION AND EMPLOYEE COSTS (continued)

The number of non-directors whose remuneration fell within the bands set out below is as follows:

HK\$	<u>2003</u> Number of non-directors	<u>2002</u> Number of non-directors
2,500,001 – 3,000,000	2	1
4,000,001 – 4,500,000	–	1
	<hr/>	<hr/>

The five individuals whose emoluments were the highest in the Group during the year included three (2002: three) directors and two (2002: two) non-directors of the Company, details of whose remuneration are set out above.

8. TAX

In March 2003, the Hong Kong Government announced an increase in the profits tax rate applicable to the operations in Hong Kong for the fiscal year 2003/2004. Hong Kong profits tax has therefore been provided at the rate of 17.5% (2002:16%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable elsewhere have been provided at the applicable rates of tax in the countries in which the subsidiaries operate, based on existing legislation, interpretations and practices in respect thereof.

	Group	
	<u>2003</u> HK\$ million	<u>2002</u> HK\$ million
Current year provision		
Hong Kong	3	3
Overseas	2	2
Over provision in prior year		
Hong Kong	–	(3)
Deferred tax (Note 26)		
Hong Kong	(1)	1
Overseas	(6)	–
	<hr/>	<hr/>
	(2)	3
	<hr/>	<hr/>

8. TAX (continued)

Reconciliation between tax charge and profit before tax at applicable tax rates is as follows:

	Group	
	<u>2003</u> HK\$ million	<u>2002</u> HK\$ million
Profit before tax	<u>445</u>	<u>305</u>
Notional tax calculated at Hong Kong profits tax rates of 17.5% (2002:16%)	78	49
Effect of different tax rates in overseas jurisdictions	(10)	(20)
Income and expenses not subject to tax	(73)	(62)
Unused tax losses not recognised	12	53
Utilisation of unrecognised tax losses	(3)	(15)
Over provision in prior year	–	(3)
Others	(6)	1
	<u>(2)</u>	<u>3</u>

9. DIVIDENDS

	<u>2003</u> HK\$ million	<u>2002</u> HK\$ million
Interim dividend of HK10 cents (2002: HK9 cents) per share on 460.2 million shares (2002: 400.2 million shares)	46	36
2001 final dividend by way of a distribution in specie of one share of Sansui Electric Co., Ltd, a company listed on the first section of the Tokyo Stock Exchange, for every two shares of the Company	–	127
2002 final dividend of HK11 cents per share on 400.2 million shares	<u>44</u>	<u>–</u>
	<u>90</u>	<u>163</u>

The directors recommend a final cash dividend in respect of 2003 of HK10 cents per share on 460.2 million shares amounting to a total of HK\$46 million, together with a special dividend, subject to compliance with regulatory requirements, if any, the dividend by way of a distribution in specie of one share of Sansui Electric Co., Ltd. (“SEC”), a company listed on the first section of the Tokyo Stock Exchange, for every two shares of the Company being held by the shareholders on the register of members on 16 June 2004. The market value at close of business on 23 April 2004 of SEC was 40 Yen per share which equates to a special dividend of HK\$1.45 per share. The 2003 final cash dividend and special dividend were approved by the Board after the balance sheet date, and not recognised as a liability as at 31 December 2003.

10. EARNINGS PER SHARE

The calculation of earnings per share is based on profit attributable to shareholders of HK\$450 million (2002: HK\$378 million) and on the weighted average of approximately 429.3 million shares (2002: 400.2 million shares) in issue during the year.

Diluted earnings per share has not been presented as the Company did not have any potential ordinary shares during the above two years.

11. PROPERTY, PLANT AND EQUIPMENT

Group

	Land and buildings	Plant, equipment and other assets	Moulds	Total
	HK\$ million	HK\$ million	HK\$ million	HK\$ million
Cost or valuation:				
At 1 January 2003	941	1,184	205	2,330
Foreign currency adjustment	3	10	1	14
Additions	4	60	26	90
Arising on acquisition of subsidiaries	–	2	–	2
Disposal of subsidiaries	(1)	(5)	–	(6)
Disposals	–	(80)	(1)	(81)
	<u>947</u>	<u>1,171</u>	<u>231</u>	<u>2,349</u>
At 31 December 2003				
Accumulated depreciation:				
At 1 January 2003	115	682	147	944
Foreign currency adjustment	1	4	1	6
Provided during the year	22	94	12	128
Disposal of subsidiaries	–	(3)	–	(3)
Disposals	–	(48)	(1)	(49)
	<u>138</u>	<u>729</u>	<u>159</u>	<u>1,026</u>
At 31 December 2003				
Net book values:				
At 31 December 2003	<u>809</u>	<u>442</u>	<u>72</u>	<u>1,323</u>
At 31 December 2002	<u>826</u>	<u>502</u>	<u>58</u>	<u>1,386</u>

The net book value of plant and machinery held under finance leases at 31 December 2003 amounted to HK\$35 million (2002: HK\$36 million).

11. PROPERTY, PLANT AND EQUIPMENT *(continued)*

Land and buildings comprise:

	Group	
	<u>2003</u> HK\$ million	<u>2002</u> HK\$ million
Freehold land and buildings outside Hong Kong:		
At cost	<u>26</u>	<u>24</u>
Long term leasehold land and buildings outside Hong Kong:		
At cost	<u>68</u>	<u>68</u>
Medium term leasehold land and buildings in Hong Kong:		
At cost	14	16
At 1993 professional valuation	<u>279</u>	<u>279</u>
	<u>293</u>	<u>295</u>
Medium term leasehold land and buildings outside Hong Kong:		
At cost	279	273
At 1993 professional valuation	<u>281</u>	<u>281</u>
	<u>560</u>	<u>554</u>
Total cost or valuation	<u>947</u>	<u>941</u>

The valuation of medium term leasehold land and buildings in Hong Kong of HK\$301 million was carried out by Chesterton Petty Limited, a firm of independent professional valuers, on an open market, existing use basis as at 31 December 1993. During the year ended 31 December 1998, HK\$22 million of these leasehold land and buildings was disposed of.

The valuation of medium term leasehold land and buildings outside Hong Kong of HK\$281 million was carried out by Chesterton Petty Limited, a firm of independent professional valuers, on an open market, existing use basis as at 31 January 1993.

The Group has adopted the transitional arrangement set out in SSAP 17 (revised) "Property, plant and equipment" of not making subsequent regular revaluations on the above premises which have been carried at revalued amounts prior to 30 September 1995.

Had the revalued assets been stated at their cost less accumulated depreciation, the carrying amount of land and buildings as at 31 December 2003 would be restated at HK\$480 million (2002: HK\$488 million).

Certain of the above properties and plant and machinery held by the Group were pledged to secure banking and finance lease facilities (note 35).

12. INVESTMENT PROPERTIES

	2003 HK\$ million	Group	2002 HK\$ million
At valuation			
At beginning of year	14		–
Acquisition	49		9
(Deficit)/surplus on revaluation	(3)		5
	<u>60</u>		<u>14</u>
At end of year	<u>60</u>		<u>14</u>

The carrying amount of investment properties comprises land as follows:

	2003 HK\$ million	Group	2002 HK\$ million
Land outside Hong Kong:			
Freehold	46		–
Medium term leasehold	5		5
	<u>51</u>		<u>5</u>
Medium term leasehold land in Hong Kong	<u>9</u>		<u>9</u>
Carrying amount	<u>60</u>		<u>14</u>

The investment properties of HK\$14 million was revalued by Dudley Surveyors Limited, an independent firm of professional valuers, on an open market, existing use basis as at 31 December 2003.

The investment properties of HK\$46 million was revalued by Allsop & Co, an independent firm of professional valuers, on an open market, existing use basis as at 17 October 2003. The directors considered that there is no material fluctuation in the value of these properties between the year end date and the valuation date.

All the Group's investment properties were rent out under operating leases.

13. PROPERTIES HELD FOR SALE

	Group	
	<u>2003</u> HK\$ million	<u>2002</u> HK\$ million
Non-Current assets at cost less impairment		
At beginning of year	–	124
Impairment loss recognised	–	(67)
Reclassified as current assets	–	(57)
	<u>–</u>	<u>–</u>
At end of year	<u>–</u>	<u>–</u>
Current assets at net realisable value		
At beginning of year	74	–
Transferred from non-current assets	–	57
Transferred from property, plant and equipment	–	17
Impairment loss reversed	18	–
	<u>18</u>	<u>–</u>
At end of year	<u>92</u>	<u>74</u>

14. INTERESTS IN SUBSIDIARIES

	Company	
	<u>2003</u> HK\$ million	<u>2002</u> HK\$ million
Unlisted shares, at cost	<u>1,238</u>	<u>1,238</u>

The balances with subsidiaries are unsecured, interest-free and have no fixed terms of repayment. The Company has agreed not to demand for repayment in the next twelve months from the balance sheet date and accordingly, the amounts are shown as non-current.

Particulars of the principal subsidiaries are set out in note 38 to the financial statements.

15. INTERESTS IN ASSOCIATES

	2003	Group
	HK\$	2002
	million	HK\$
		million
Share of net assets	—	—

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

Name	Note	Place of incorporation/ registration and operations	Percentage of equity attributable to the Group		Principal activities
			2003	2002	
GrandeTel Technologies Inc.†		Canada	42%	42%	Telecommunications
Ross Group Plc ("Ross")*	(i)	United Kingdom	71%	48%	Design, manufacture, sale and distribution of battery chargers and electrical adaptors

+ Traded over the counter on the Nasdaq Stock Exchange.

* Listed on the London Stock Exchange.

Note (i) Ross was formerly a 48% owned associate of the Group. On 17 February 2003, the Group increased its interest in the ordinary shares of Ross to 71%, Ross has been accounted for as a subsidiary since that date.

The amounts due from associate included HK\$86 million (2002: HK\$84 million) which bears interest at commercial rates. The interest income from associates during the year amounted to HK\$4 million (2002: HK\$9 million). The remaining balances with associate were unsecured, interest-free and had no fixed terms of repayment.

16. LONG TERM INVESTMENTS

	Group	
	<u>2003</u> HK\$ million	<u>2002</u> HK\$ million
Listed investments, at market value		
Hong Kong	9	7
Outside Hong Kong	22	8
Unlisted investments, at cost less impairment	<u>27</u>	<u>31</u>
	<u>58</u>	<u>46</u>

17. BRANDS, TRADEMARKS AND PATENTS

	Group	
	<u>2003</u> HK\$ million	<u>2002</u> HK\$ million
Gross amount		
At beginning of year	1,547	389
Foreign currency adjustment	(6)	4
Additions	–	220
Arising from acquisition of subsidiaries	–	934
At end of year	<u>1,541</u>	<u>1,547</u>
Accumulated amortisation		
At beginning of year	72	–
Provided for the year	78	72
At end of year	<u>150</u>	<u>72</u>
Carrying amount at end of year	<u>1,391</u>	<u>1,475</u>

The amortisation period adopted for brands, trademarks and patents is 20 years.

18. OTHER ASSETS

	Group	
	<u>2003</u> HK\$ million	<u>2002</u> HK\$ million
Deferred development costs		
At beginning of year	45	21
Additions	27	24
	<hr/>	<hr/>
At end of year	72	45
	<hr/>	<hr/>
Accumulated amortisation		
At beginning of year	14	9
Impairment loss recognised	15	-
Provided for the year	7	5
	<hr/>	<hr/>
At end of year	36	14
	<hr/>	<hr/>
Carrying amount at end of year	36	31
	<hr/>	<hr/>

The amortisation period adopted for deferred development costs ranges from 3 to 5 years.

19. GOODWILL/(NEGATIVE GOODWILL)

	Goodwill		Negative goodwill	
	<u>2003</u> HK\$ million	<u>2002</u> HK\$ million	<u>2003</u> HK\$ million	<u>2002</u> HK\$ million
Gross amount				
At beginning of year	221	76	(10)	(10)
Additional interest in subsidiaries	-	145	-	-
Acquisition of subsidiaries	83	-	-	-
Disposal of subsidiaries	-	-	5	-
	<hr/>	<hr/>	<hr/>	<hr/>
At end of year	304	221	(5)	(10)
	<hr/>	<hr/>	<hr/>	<hr/>
(Amortisation)/release				
At beginning of year	(4)	-	2	-
Provided for the year	(16)	(4)	1	2
Disposal of subsidiaries	-	-	(2)	-
	<hr/>	<hr/>	<hr/>	<hr/>
At end of year	(20)	(4)	1	2
	<hr/>	<hr/>	<hr/>	<hr/>
Carrying amount at end of year	284	217	(4)	(8)
	<hr/>	<hr/>	<hr/>	<hr/>

The goodwill/(negative goodwill) is (amortised)/released to income statement on a straight-line basis of 20 years.

20. SHORT TERM INVESTMENTS

	Group		Company	
	<u>2003</u> HK\$ million	<u>2002</u> HK\$ million	<u>2003</u> HK\$ million	<u>2002</u> HK\$ million
Listed investments, at market value				
Outside Hong Kong (note a)	763	13	–	–
Unlisted investments, at fair value				
(note b)	<u>10</u>	<u>77</u>	<u>1</u>	<u>1</u>
	<u>773</u>	<u>90</u>	<u>1</u>	<u>1</u>

Notes:

- (a) Included in the listed investments was the Group's investment in Sansui Electric Co., Ltd. ("SEC"), a company incorporated in Japan whose shares are listed on the first section of the Tokyo Stock Exchange, with a carrying amount of HK\$763 million (2002: HK\$13 million). The Group's investment represents a 47.26% (2002: 4.27%) holding of the ordinary shares of SEC. SEC is principally engaged in manufacture and sales of audio, visual and other electronics products. SEC is not regarded as an associate of the Group because the directors of the Company do not intend to hold the shares in SEC for long term purpose. The investment is therefore accounted for as short term investments under SSAP 24, and is carried at fair value, with valuation movements dealt with in the income statement for the period.

As mentioned in note 9 above, the directors of the Company recommended, subject to compliance with regulatory requirements, if any, and approval by the shareholders in the forthcoming annual general meeting, a dividend by way of a distribution in specie of one share of SEC for every two shares of the Company being held by shareholders on the register of members on 16 June 2004. In addition, the Group is in the process of entering into an agreement with third parties to dispose of further shares in SEC. Subsequent to the above, the Group's shareholding in the ordinary shares of SEC would be decreased to below 20%.

- (b) Included in the unlisted investments was convertible instrument amounting to HK\$9 million which was issued by an associate of the Group.

21. ACCOUNTS, BILLS AND OTHER RECEIVABLES

The Group allows an average credit period of 30 to 90 days to its trade customers. The aged analysis of trade and other receivables (net of allowance for doubtful debts) is as follows:

	Group	
	<u>2003</u> HK\$ million	<u>2002</u> HK\$ million
0 – 3 months	675	874
3 – 6 months	20	6
Over 6 months	<u>72</u>	<u>31</u>
	<u>767</u>	<u>911</u>

22. INVENTORIES

	Group	
	<u>2003</u> HK\$ million	<u>2002</u> HK\$ million
Raw materials	353	564
Work in progress	60	22
Finished goods	325	276
	<u>738</u>	<u>862</u>

Included above are raw materials of HK\$253 million (2002: HK\$464 million) and finished goods of HK\$60 million (2002: HK\$3 million) which are carried at net realisable value.

23. BANK LOANS

	Group		Company	
	<u>2003</u> HK\$ million	<u>2002</u> HK\$ million	<u>2003</u> HK\$ million	<u>2002</u> HK\$ million
Secured bank loans wholly repayable:				
Within one year	164	186	8	–
In the second year	51	67	8	–
In the third to fifth years, inclusive	87	153	24	–
Beyond five years	40	–	16	–
	<u>342</u>	406	<u>56</u>	–
Portion classified as current liabilities	<u>(164)</u>	(186)	<u>(8)</u>	–
	<u>178</u>	220	<u>48</u>	–
Unsecured bank loans wholly repayable:				
Within one year	267	225	44	66
In the second year	–	120	–	16
	<u>267</u>	345	<u>44</u>	82
Portion classified as current liabilities	<u>(267)</u>	(225)	<u>(44)</u>	(66)
	–	120	–	16
Non-current portion	<u>178</u>	340	<u>48</u>	16

24. OBLIGATIONS UNDER FINANCE LEASES

	Group			
	Minimum lease payments		Present value of minimum lease payments	
	<u>2003</u> HK\$ million	<u>2002</u> HK\$ million	<u>2003</u> HK\$ million	<u>2002</u> HK\$ million
Amounts payable under finance leases:				
Within one year	10	12	9	11
In the second year	9	12	9	11
In the third to fifth years, inclusive	—	5	—	5
	<u>19</u>	<u>29</u>	<u>18</u>	<u>27</u>
Less: future finance charges	<u>(1)</u>	<u>(2)</u>	<u>—</u>	<u>—</u>
Present value of lease obligations	<u>18</u>	<u>27</u>	<u>18</u>	<u>27</u>
Portion classified as current liabilities			<u>(9)</u>	<u>(11)</u>
Non-current portion			<u>9</u>	<u>16</u>

The average lease term is 3 years. During the year, the average effective borrowing rate was 3.07% (2002: 3.28%). Interest rates are fixed at the contract date. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

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

25. ACCOUNTS AND BILLS PAYABLE

The aged analysis of accounts and bills payable is as follows:

	Group	
	<u>2003</u> HK\$ million	<u>2002</u> HK\$ million
	0 – 3 months	792
3 – 6 months	33	73
Over 6 months	<u>26</u>	<u>62</u>
	<u>851</u>	<u>835</u>

26. DEFERRED TAX

a) Deferred tax assets and liabilities recognised:

The major components of deferred tax (assets)/liabilities recognised in the balance sheets and the movements during the year are as follows:

	Accelerated tax depreciation	Tax losses	Total
	HK\$ million	HK\$ million	HK\$ million
At 1 January 2002			
As previously reported	3	–	3
Adjustment on adoption of SSAP 12 (revised)	22	(1)	21
	<u>25</u>	<u>(1)</u>	<u>24</u>
As restated	25	(1)	24
Arising from acquisition of subsidiaries	6	–	6
Credited to income statement (Note 8)	2	(1)	1
	<u>33</u>	<u>(2)</u>	<u>31</u>
At 31 December 2002 and 1 January 2003	33	(2)	31
Arising from acquisition of subsidiaries	–	(16)	(16)
Credited to income statement (Note 8)	(7)	–	(7)
Debited to reserves	3	–	3
	<u>29</u>	<u>(18)</u>	<u>11</u>
At 31 December 2003	29	(18)	11

For the purposes of balance sheet presentation, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purpose:

	Group	
	2003	2002
	HK\$ million	HK\$ million
Deferred tax liabilities	29	33
Deferred tax assets	(18)	(2)
	<u>11</u>	<u>31</u>

26. DEFERRED TAX (continued)

b) Deferred tax assets not recognised:

The deferred tax assets have not been recognised in respect of the following items:

	Group	
	<u>2003</u> HK\$ million	<u>2002</u> HK\$ million
Tax losses carried forward	437	398
Accelerated depreciation allowances	87	71
	<u>524</u>	<u>469</u>

The tax losses do not expire under current tax legislation.

c) Deferred tax liabilities not recognised:

There were no deferred tax liabilities not recognised for the year of 2003 (2002: Nil).

27. PROVISION FOR RETIREMENT AND LONG SERVICE

	Group	
	<u>2003</u> HK\$ million	<u>2002</u> HK\$ million
At beginning of year	112	50
Foreign currency adjustment	4	10
Acquisition of subsidiaries	3	86
Additional provision	7	8
Reversal provision	–	(8)
Utilisation of provision	(33)	(34)
At end of year	<u>93</u>	<u>112</u>
Analysis of provisions:		
Current liabilities	36	30
Non-current liabilities	57	82
	<u>93</u>	<u>112</u>

28. NON-CURRENT ACCRUED LIABILITIES AND OTHER PAYABLES

In 2002, included in the non-current accrued liabilities and other payables is an amount of HK\$248 million due to a related company of which a director of the Company has a deemed beneficial interest. The amount is unsecured and non-interest bearing.

29. SHARE CAPITAL

	Number of ordinary shares of HK\$0.10 each million	Amount HK\$ million
Authorised:		
At 1 January 2002, 31 December 2002 and 31 December 2003	1,000	100
Issued and fully paid:		
At 1 January 2002 and 31 December 2002	400	40
Issue of new shares	60	6
At 31 December 2003	460	46

In July 2003, arrangements were made for a private placement to independent private investors of 40 million shares of HK\$0.10 each in the Company held by Barrican Investments Corporation ("BIC"), a major shareholder of the Company, at a price of HK\$9.60 per share representing a discount of approximately 9.86% to the closing market price of the Company's shares on 8 July 2003.

Pursuant to a subscription agreement of the same date, BIC subscribed for 60 million new shares of HK\$0.10 each in the Company at a price of HK\$9.60 per share. The proceeds were used to reduce borrowings and to provide additional working capital for the Company. These new shares were issued under the general mandate granted to the directors at the annual general meeting of the Company held on 25 June 2003 and rank pari passu with other shares in issue in all respects.

30. SHARE PREMIUM

	<u>2003</u> HK\$ million	<u>2002</u> HK\$ million
At beginning of year	254	254
Premium on issue of new shares	570	–
Share issue expenses	(12)	–
At end of year	812	254

31. RESERVES

	Contributed reserve HK\$ million	Investment revaluation reserve HK\$ million	Capital reserve HK\$ million	Exchange fluctuation reserve HK\$ million	Retained profits HK\$ million	Total HK\$ million
<u>2002</u>						
Group						
At 1 January 2002, as previously reported	961	185	483	(180)	331	1,780
Adjustment on adoption of SSAP 12 (revised)	–	–	(25)	–	4	(21)
At 1 January 2002, as restated	961	185	458	(180)	335	1,759
Arising on consolidation of overseas subsidiaries	–	–	–	(14)	–	(14)
Realised on disposal of equity securities	–	(188)	–	–	–	(188)
Deficit on revaluation of equity securities	–	(26)	–	–	–	(26)
Surplus on revaluation of investment properties	–	5	–	–	–	5
Profit for the year	–	–	–	–	378	378
Dividends	–	–	–	–	(163)	(163)
At 31 December 2002, as restated	961	(24)*	458#	(194)	550	1,751
The reserves are retained as follows:						
Company and subsidiaries	961	(24)	458	(192)	576	1,779
Associates	–	–	–	(2)	(26)	(28)
	961	(24)	458	(194)	550	1,751

The balance of capital reserve comprise goodwill and negative goodwill of HK\$124 million and HK\$219 million, respectively.

* The balance of investment revaluation reserve included investment property revaluation reserve of HK\$5 million.

Company

At 1 January 2002	961	–	361	–	386	1,708
Profit for the year	–	–	–	–	300	300
Dividends	–	–	–	–	(163)	(163)
At 31 December 2002	961	–	361	–	523	1,845

31. RESERVES (continued)

	Contributed reserve HK\$ million	Investment revaluation reserve HK\$ million	Capital reserve HK\$ million	Exchange fluctuation reserve HK\$ million	Retained profits HK\$ million	Total HK\$ million
2003						
Group						
At 1 January 2003, as restated	961	(24)	458	(194)	550	1,751
Effect of change in tax rate	-	-	(3)	-	-	(3)
Arising on consolidation of overseas subsidiaries	-	-	-	(37)	-	(37)
Surplus on revaluation of equity securities	-	15	-	-	-	15
Deficit on revaluation of investment properties	-	(3)	-	-	-	(3)
Impairment loss recognised in respect of long term equity securities	-	10	-	-	-	10
Profit for the year	-	-	-	-	450	450
Dividends	-	-	-	-	(90)	(90)
	<u>961</u>	<u>(2)*</u>	<u>455#</u>	<u>(231)</u>	<u>910</u>	<u>2,093</u>
At 31 December 2003						
The reserves are retained as follows:						
Company and subsidiaries	961	(2)	455	(229)	936	2,121
Associates	-	-	-	(2)	(26)	(28)
	<u>961</u>	<u>(2)</u>	<u>455</u>	<u>(231)</u>	<u>910</u>	<u>2,093</u>
#	The balance of capital reserve comprise goodwill and negative goodwill of HK\$124 million and HK\$216 million, respectively.					
*	The balance of investment revaluation reserve included investment property revaluation reserve of HK\$2 million.					
Company						
At 1 January 2003	961	-	361	-	523	1,845
Dividends	-	-	-	-	(90)	(90)
	<u>961</u>	<u>-</u>	<u>361</u>	<u>-</u>	<u>433</u>	<u>1,755</u>
At 31 December 2003						

32. NOTES TO CONSOLIDATED CASH FLOW STATEMENT

(a) Purchases of subsidiaries

In February 2003, the Group acquired additional interest of issued shares of Ross for consideration of HK\$18 million.

In addition, in May 2003, the Group acquired 100% of the issued shares of Vigers Holdings Limited and its subsidiaries for consideration of HK\$23 million.

	<u>2003</u> HK\$ million	<u>2002</u> HK\$ million
Net assets acquired:		
Property, plant and equipment	2	1
Brands, trademarks and patents	–	934
Cash and bank balances	39	64
Accounts and bills receivables	19	5
Inventories	10	12
Prepayments, deposits and other assets	4	13
Amount due from associates	(20)	–
Accounts and bills payable	(18)	–
Accrued liabilities and other payable	(56)	(413)
Bank loans	(38)	–
Deferred tax	16	(6)
	<u>(42)</u>	<u>610</u>
Goodwill arising on acquisition	<u>83</u>	<u>–</u>
	<u>41</u>	<u>610</u>
Represented by:		
Cash consideration paid	41	75
Discharged through accounts receivable	–	509
Discharged through amount due from an associate	–	26
	<u>41</u>	<u>610</u>

The subsidiaries acquired during the year 2002 contributed HK\$118 million to the Group's net operating cash flows, paid HK\$154 million in respect of investing activities and paid HK\$2 million in respect of financing activities.

The subsidiaries acquired during the year 2003 utilised HK\$16 million of the Group's net operating cash flows, paid HK\$3 million in respect of investing activities and paid HK\$34 million in respect of financing activities.

The subsidiaries acquired during the year contributed HK\$88 million (2002: HK\$50 million) to the Group's turnover, and HK\$5 million (2002: HK\$19 million) to the Group's profit from operations.

32. NOTES TO CONSOLIDATED CASH FLOW STATEMENT *(continued)*

(a) Purchases of subsidiaries *(continued)*

The analysis of net outflow of cash and cash equivalents in respect of the acquisition of subsidiaries is as follows:

	<u>2003</u> HK\$ million	<u>2002</u> HK\$ million
Cash consideration paid	(41)	(75)
Cash and bank balances of acquired subsidiaries	<u>39</u>	<u>64</u>
	<u>(2)</u>	<u>(11)</u>

(b) Disposal of subsidiaries

Summary of the effects on disposal of subsidiaries

	<u>2003</u> HK\$ million	<u>2002</u> HK\$ million
Net assets disposed of:		
Property, plant and equipment	3	35
Long term investments	5	–
Cash and bank balances	21	–
Short term investments	6	–
Inventories	37	–
Prepayments, deposits and other assets	532	–
Bank overdrafts	(5)	–
Accounts and bills payable	–	(26)
Accrued liabilities and other payables	(7)	–
Minority interests	<u>(20)</u>	<u>–</u>
	572	9
Gain on disposal of interests in certain subsidiaries	<u>30</u>	<u>–</u>
	<u>602</u>	<u>9</u>
Represented by:		
Short term investments	100	–
Investment properties	–	9
Accounts, bills and other receivable	499	–
Release of negative goodwill	<u>3</u>	<u>–</u>
	<u>602</u>	<u>9</u>

32. NOTES TO CONSOLIDATED CASH FLOW STATEMENT (continued)

(b) Disposal of subsidiaries (continued)

The subsidiaries disposed of during the year ended 31 December 2002 had no material effect on the cashflow of the Group.

The subsidiaries disposed during the year 2003 utilised HK\$510 million of the Group's net operating cash flows.

The subsidiaries disposed during the year 2003 contributed HK\$1,328 million to the Group's turnover, and HK\$5 million to the Group's profit from operations.

The analysis of net outflow of cash and cash equivalents in respect of the disposal of subsidiaries is as follows:

	<u>2003</u> HK\$ million	<u>2002</u> HK\$ million
Cash and bank balances of disposed subsidiaries	(21)	—
Bank overdrafts of disposed subsidiaries	<u>5</u>	<u>—</u>
	<u>(16)</u>	<u>—</u>

(c) Major non-cash transactions

- (i) Sales proceeds of HK\$100 million on disposal of subsidiaries during the year was satisfied by marketable securities at fair value.
- (ii) Consideration for disposal of unlisted short term investment of HK\$39 million during the year was satisfied by marketable securities at fair value.

33. CONTINGENT LIABILITIES

	Group		Company	
	2003 HK\$ million	2002 HK\$ million	2003 HK\$ million	2002 HK\$ million
Bills discounted with recourse	<u>20</u>	<u>34</u>	<u>–</u>	<u>–</u>
Guarantee of trade finance banking facilities granted to:				
Subsidiaries	–	–	1,615	1,298
Associates	<u>–</u>	<u>31</u>	<u>–</u>	<u>31</u>
	<u>–</u>	<u>31</u>	<u>1,615</u>	<u>1,329</u>

All trade bills discounted at the balance sheet date were subsequently honoured by customers with no losses to the Group.

34. COMMITMENTS

	Group	
	2003 HK\$ million	2002 HK\$ million
(a) Capital commitments:		
Contracted for	1	1
Authorised, but not contracted for	<u>2</u>	<u>–</u>
	<u>3</u>	<u>1</u>
(b) The future minimum lease payments under non-cancellable operating leases for each of the following periods:		
Land and buildings:		
Not later than one year	29	41
Later than one year and not later than five years	23	31
Later than five years	<u>–</u>	<u>1</u>
	<u>52</u>	<u>73</u>

Operating lease payments represent rentals payable by the Group for certain of its office properties. Leases are negotiated for an average term of 3 years and rentals are fixed for an average of 3 years.

- (c) At the balance sheet date, the Group had contracted with tenants for the following future minimum lease payments:

Land and buildings:		
Not later than one year	3	1
Later than one year and not later than five years	<u>1</u>	<u>–</u>
	<u>4</u>	<u>1</u>

34. COMMITMENTS (continued)

Property rental income earned during the year was HK\$2 million (2002: HK\$1 million). The properties are expected to generate rental yields of 3.3% on an ongoing basis. All of the properties held have committed tenants for the next 2 years.

- (d) The group had commitments under the following foreign exchange forward contracts at fixed exchange rates for the purpose of hedging against accounts receivables and accounts payables:

To sell approximately JPY10,781 million and RMB82 million (2002: JPY1,354 million)	856	89
	<hr/>	<hr/>

35. BANKING AND FINANCE LEASE FACILITIES

Certain banking and finance lease facilities available to the Group were secured by assets for which the aggregate carrying values were as follows:

	2003	Group	2002
	HK\$		HK\$
	million		million
(i) Legal charges over brands, trademarks and patents	617		655
(ii) Legal charges over medium term leasehold land and buildings in Hong Kong and marketable securities	210		679
(iii) Legal charges over investment property	46		–
(iv) Legal charges over plant and machinery	35		36
(v) Pledge of medium term leasehold land and buildings outside Hong Kong	110		114
(vi) Pledge of accounts receivable and bank deposits	26		65
(vii) Pledge of unlisted investment securities	–		10
	<hr/>		<hr/>
	1,044		1,559
	<hr/>		<hr/>

36. PROVIDENT FUND SCHEMES

From 1 December 2000 onwards, all the staff of the Group in Hong Kong are offered the opportunity to join the Mandatory Provident Fund Scheme (the “MPF Scheme”), which is introduced by the Hong Kong Special Administrative Region. Under the MPF Scheme, the employees are required to contribute 5% of their monthly salaries up to a maximum of HK\$1,000 per employee and they can choose to make additional contributions. The employer’s monthly contributions are calculated at 5% of each employee’s monthly salaries up to a maximum of HK\$1,000. The employees are entitled to 100% of the employer’s mandatory contributions upon their retirement at the age of 65 years old, death or total incapacity.

The PRC employees of the subsidiaries in the PRC are members of the pension scheme operated by the PRC local government. The subsidiaries are required to contribute a certain percentage of the relevant payroll of these employees to the pension scheme to fund the benefits. The only obligation for the Group with respect of the pension scheme is the required contribution under the pension scheme.

37. SEGMENT REPORTING

(a) **Business segments**

The Grande Group comprises of:

Groups	Principal activities
(i) Electronics manufacturing services*	Manufacture and trading of electronic and computer products
(ii) Branded distribution [#]	Trading of audio and video products
(iii) Financial services [#]	Provision of foreign currencies exchange, corporate finance, investment and financial advisory and other services

* In previous years, the business segments were classified as electronics manufacturing services ("EMS"), magnetic media ("MM"), branded distribution and financial services. In 2003, MM had merged with EMS as the directors considered that the nature of business of MM is quite similar to EMS. Accordingly, the comparative amounts of the segment reporting have been restated to conform with the current year's presentation.

In current year, the turnover and operating results of Hi-Tech Precision Products (BVI) Limited ("Hi-Tech (BVI)"), a subsidiary principally engaged in the trading of shares in SEC are grouped under Branded Distribution segment instead of Financial Services segment. SEC is principally engaged in manufacturing and sales of audio, visual and other electronics products. The directors considered that it is more appropriate to reflect these in the Branded Distribution segment. Accordingly, the comparative amounts of the segment reporting have been restated to conform with the current year's presentation.

37. SEGMENT REPORTING (continued)

(a) Business segments (continued)

<u>2003</u>	Electronics manufacturing services HK\$ million	Branded distribution HK\$ million	Financial services HK\$ million	Inter-segment elimination HK\$ million	Consolidated HK\$ million
Turnover:					
Turnover from external customers	4,089	2,128	1,506	–	7,723
Inter-segment sales	110	48	15	(173)	–
Total	<u>4,199</u>	<u>2,176</u>	<u>1,521</u>	<u>(173)</u>	<u>7,723</u>
Result:					
Divisional operating results	<u>222</u>	<u>318</u>	<u>(79)</u>	<u>–</u>	461
Unallocated corporate expenses					<u>(23)</u>
					438
Gain on disposal of					
– subsidiaries	–	–	30	–	30
– long term investments	–	–	10	–	10
– property, plant and equipment	1	–	2	–	3
Impairment loss reversed/ (recognised)					
– properties held for sale	–	–	18	–	18
– long term investments	–	–	(10)	–	(10)
– other non-current assets	(15)	–	–	–	(15)
Interest income					<u>5</u>
Operating profit					479
Interest expenses					(34)
Taxation					2
Minority interests					<u>3</u>
Profit attributable to shareholders					<u>450</u>
Assets:					
Division assets	3,402	3,573	3,320	(3,661)	6,634
Unallocated assets					<u>1</u>
					<u>6,635</u>
Liabilities:					
Division liabilities	2,134	2,888	1,768	(3,661)	3,129
Unallocated liabilities					<u>15</u>
					<u>3,144</u>
Other information:					
Depreciation and amortisation	<u>92</u>	<u>93</u>	<u>44</u>		<u>229</u>
Capital expenditure	<u>77</u>	<u>33</u>	<u>56</u>		<u>166</u>
Allowance/(write back) of doubtful debts	<u>–</u>	<u>(1)</u>	<u>1</u>		<u>–</u>

37. SEGMENT REPORTING (continued)

(a) Business segments (continued)

	(Restated) Electronics manufacturing services HK\$ million	(Restated) Branded distribution HK\$ million	(Restated) Financial services HK\$ million	Inter-segment elimination HK\$ million	Consolidated HK\$ million
2002					
Turnover:					
Turnover from external customers	2,574	2,039	2,033	–	6,646
Inter-segment sales	110	15	41	(166)	–
	<u>2,684</u>	<u>2,054</u>	<u>2,074</u>	<u>(166)</u>	<u>6,646</u>
Total					
Result:					
Divisional operating results	207	256	15	–	478
Unallocated corporate expenses					(23)
					<u>455</u>
Gain/(loss) on disposal of property, plant and equipment	1	–	(22)	–	(21)
Gain/(loss) on disposal of long term investments	(1)	–	2	–	1
Impairment					
– property, plant and equipment	–	–	(16)	–	(16)
– properties held for sale	–	–	(67)	–	(67)
– long term investments	(14)	–	–	–	(14)
Interest income					7
Operating profit					<u>345</u>
Interest expenses					(40)
Taxation					(3)
Minority interests					76
Profit attributable to shareholders					<u>378</u>
Assets:					
Division assets	2,897	2,177	1,323	(599)	5,798
Unallocated assets					2
					<u>5,800</u>
Liabilities:					
Division liabilities	1,860	1,084	749	(556)	3,137
Unallocated liabilities					34
					<u>3,171</u>
Other information:					
Depreciation and amortisation	102	89	50		241
Capital expenditure	120	229	11		360
Write back of doubtful debts	(35)	(2)	(28)		(65)

37. SEGMENT REPORTING (continued)

(a) Business segments (continued)

In 2002, the turnover and operating results of two sub-groups namely, Capetronic International (Thailand) Public Company Limited and other subsidiaries engaged in the monitor manufacturing operations in Thailand ("CITL") and Hi-Tech Precision Products Limited and subsidiaries ("Hi-Tech") were grouped under Financial Services instead of Electronics Manufacturing Services ("EMS") as compared to 2001. This move was in line with the restructuring of CITL and the closing down of the production facilities of Hi-Tech in PRC, which was effected in 2001. Hi-Tech had no significant production in 2002, and its last orders from customers were produced by factories of EMS in Zhongshan, PRC.

The turnover and operating results of these two sub-groups in 2002 were:

	HK\$ million
Turnover:	
CITL	69
Hi-Tech	38
Operating loss:	
CITL	1
Hi-Tech	19

In lieu of EMS managing the operation and restructuring of CITL and the closing down of Hi-Tech, EMS charged HK\$36 million for the services rendered during 2002.

In 2002, Branded Distribution shared HK\$42 million out of a total of HK\$106 million profit realised by Financial Services on the disposal of shares in Sansui Electric Co., Ltd. This reflects the contribution of and reimbursement of costs and expenses incurred by Branded Distribution in the restructuring of Sansui Electric Co., Ltd.

37. SEGMENT REPORTING (continued)

(b) Geographical segments

	Turnover		Carrying amount of segment assets		Capital expenditure incurred during the year	
	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>
	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million
North America	667	1,236	177	149	–	–
Europe	634	734	150	132	49	–
Asia	6,422	4,676	4,916	4,042	117	140
Unallocated	–	–	1,391	1,475	–	220
	<u>7,723</u>	<u>6,646</u>	<u>6,634</u>	<u>5,798</u>	<u>166</u>	<u>360</u>

38. PARTICULARS OF PRINCIPAL SUBSIDIARIES

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

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary share/ registered capital	Percentage of equity attributable to the Group		Principal activities
			<u>2003</u>	<u>2002</u>	
Directly held:					
Broadland Investments Limited	British Virgin Islands	US\$106	100%	100%	Investment holding
The Grande Capetronic Holdings Limited	British Virgin Islands	US\$100	100%	100%	Investment holding
The Grande (Nominees) Limited	British Virgin Islands	US\$1	100%	100%	Investment holding
The Grande (Secretaries) Service Limited	British Virgin Islands	US\$1	100%	100%	Investment holding
The Grande Group Limited *	Singapore	S\$5,000,000	100%	100%	Provision of management services
Grande N.A.K.S. Limited	British Virgin Islands	US\$10,000	100%	100%	Investment holding
The Grande Industries Limited	British Virgin Islands	US\$101	100%	100%	Investment holding
The Grande Capital Group Limited	British Virgin Islands	US\$1	100%	—	Corporate finance and investment holding

* Audited by certified public accountants other than Deloitte Touche Tohmatsu.

38. PARTICULARS OF PRINCIPAL SUBSIDIARIES (continued)

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary share/ registered capital	Percentage of equity attributable to the Group		Principal activities
			<u>2003</u>	<u>2002</u>	
Indirectly held:					
The Alpha Capital Group Limited	British Virgin Islands	US\$100	100%	100%	Investment holding
The Alpha Capital Limited	Hong Kong	HK\$13,121,760	100%	100%	Provision of corporate finance, investment and financial advisory services
Ross Group Plc ^	United Kingdom	GBP11,136,000	71%	48%	Design, manufacture, sale and distribution of battery chargers and electrical adaptors
Hi-Tech Precision Products Limited	British Virgin Islands	US\$1	100%	100%	Investment holding
Sansui Enterprises Limited	British Virgin Islands	US\$1	100%	100%	Trading of audio and video products
Sansui Acoustic Research Corporation	British Virgin Islands	US\$2	100%	100%	Brands, trademarks and patents holding

^ Audited by certified public accountants other than Deloitte Touche Tohmatsu and listed on the London Stock Exchange.

38. PARTICULARS OF PRINCIPAL SUBSIDIARIES (continued)

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary share/ registered capital	Percentage of equity attributable to the Group		Principal activities
			2003	2002	
Indirectly held: (continued)					
Nakamichi Designs Limited	British Virgin Islands	US\$50,000	100%	100%	Brands, trademarks and patents holding
Nakamichi Enterprises Limited	British Virgin Islands	US\$10,001	100%	100%	Trading of audio and video products
Nakamichi Research (S) Pte Ltd *	Singapore	S\$600,000	100%	100%	Research and development
Nakamichi Vision 21 Limited	British Virgin Islands	US\$100	100%	100%	Trading of audio and video products
Sound View International Limited	Hong Kong	HK\$100,000	95%	95%	Trading of audio and video products
Akai Electric Co Ltd *	Japan	JPY4,684,650,000	88%	85%	Trading of audio and video products
Phenomenon Agents Ltd	British Virgin Islands	US\$2	88%	85%	Brands, trademarks and patents holding
N.A.K.S. Enterprises Limited	British Virgin Islands	US\$2	88%	85%	Trading of audio and video products

* Audited by certified public accountants other than Deloitte Touche Tohmatsu.

38. PARTICULARS OF PRINCIPAL SUBSIDIARIES (*continued*)

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary share/ registered capital	Percentage of equity attributable to the Group		Principal activities
			<u>2003</u>	<u>2002</u>	
Indirectly held: (<i>continued</i>)					
Nakamichi Corporation *	Japan	JPY209,640,000	100%	100%	Trading of audio and video products
Tomei Kawa Electronics International Limited	British Virgin Islands	US\$1	100%	100%	Brands, trademarks and patents holding
Nakamichi Corporation Berhad #	Malaysia	RM55,410,180	60%	60%	Manufacture of consumer electronic products
E-Zone Group Holdings Limited *	British Virgin Islands	US\$50,000	100%	100%	Investment holding
The Grande Group (Hong Kong) Limited	Hong Kong	HK\$20	100%	100%	Provision of administration services
Polycrown Company Limited *	Hong Kong	HK\$100,000	86%	86%	Property holding
South Sea International Press Limited *	Hong Kong	HK\$10,000,000	86%	86%	Manufacture and sale of printed products
Tomei Technologies Limited	British Virgin Islands	US\$100	100%	100%	Investment holding
Tomei Asia Limited	British Virgin Islands	US\$1	100%	100%	Trading of mechadecks and video products

* Audited by certified public accountants other than Deloitte Touche Tohmatsu.

Audited by certified public accountants other than Deloitte Touche Tohmatsu and listed on the Kuala Lumpur Stock Exchange in Malaysia.

38. PARTICULARS OF PRINCIPAL SUBSIDIARIES (continued)

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary share/ registered capital	Percentage of equity attributable to the Group		Principal activities
			<u>2003</u>	<u>2002</u>	
Indirectly held: (continued)					
Tomei Shoji Limited	British Virgin Islands	US\$1	100%	100%	Trading of mechadecks and video products
TWD Asia Limited	British Virgin Islands	US\$100	100%	100%	Trading of electronic products
Lafe International Holdings Limited	Cayman Islands	HK\$62,844,690	100%	100%	Investment holding
The Grande Properties Limited	Hong Kong	HK\$10,000,000	100%	100%	Property holding
Toyo Components Group Limited	British Virgin Islands	US\$100	100%	100%	Property holding
Capetronic International (Thailand) Public Company Limited ^o	Thailand	BAHT 14,009,374,000	83%	83%	Manufacture of computer monitors
Sheer Profit Corporation	British Virgin Islands	US\$1	100%	100%	Investment holding
Lafe Technology Limited ⁺	Bermuda	US\$40,000,000	63%	63%	Investment holding
Lafe Computer Magnetics Limited	Hong Kong	HK\$10,000,000	63%	63%	Marketing agent

^o Audited by certified public accountants other than Deloitte Touche Tohmatsu and listed on the Stock Exchange of Thailand.

⁺ Listed on the Singapore Stock Exchange.

38. PARTICULARS OF PRINCIPAL SUBSIDIARIES (*continued*)

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary share/ registered capital	Percentage of equity attributable to the Group		Principal activities
			<u>2003</u>	<u>2002</u>	
Indirectly held: (<i>continued</i>)					
Lafe Management Services Limited	Hong Kong	HK\$20	63%	63%	Procurement agent
Lafe Investment Limited	Hong Kong	HK\$20	63%	63%	Property holding
Lafe Electronic Components (Panyu) Co., Ltd. *	The People's Republic of China	HK\$35,000,000	63%	63%	Manufacture of computer magnetic heads
Lafe Peripherals International Limited	British Virgin Islands	US\$100	63%	63%	Trading of computer magnetic heads
Lafe (China) Corporation Limited	British Virgin Islands	US\$100	63%	63%	Manufacture of computer magnetic heads
Vigers Property Management Services (Hong Kong) Limited	Hong Kong	HK\$8,000,000	100%	—	Property management
Vigers Realty Limited	Hong Kong	HK\$10,000	100%	—	Realty services
Vigers Appraisal and Consulting Limited	Hong Kong	HK\$1,000,000	100%	—	Assets appraisal services
Vigers Building Consultancy Limited	Hong Kong	HK\$100	100%	—	Building consultancy services
Vigers Asset Management Limited	Hong Kong	HK\$20	100%	—	Assets management services

* Audited by certified public accountants other than Deloitte Touche Tohmatsu.

None of the subsidiaries had any debt securities subsisting at 31 December 2003 or at any time during the year.

39. POST BALANCE SHEET EVENT

On 31 December 2003, the Group entered into an agreement with Dolphin Network Company Limited, an independent third party, for the disposal of the Group's interest in Capetronic International (Thailand) Public Company Limited, a 83% owned subsidiary of the Group, for a consideration of approximately HK\$55 million.

40. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 26 April 2004.

