

NOTES_TO THE ACCOUNTS

3 OPERATING PROFIT

Operating profit is stated after crediting and charging the following:

	Group	
	2000	1999
	HK\$'000	HK\$'000
<u>Crediting</u>		
Reversal of write-down of inventories	1,899	—
<u>Charging</u>		
Cost of inventories sold	575,657	556,675
Staff costs	75,076	67,924
Depreciation	54,768	45,177
Operating leases in respect of factory premises and sales liaison offices	9,997	8,824
Repairs and maintenance expenses	9,298	9,376
Retirement benefit costs	581	634
Auditors' remuneration	1,963	1,829
Provision for doubtful debts	21,535	1,536
Loss on disposal/write-off of fixed assets	10,087	287

4 FINANCE COSTS

	Group	
	2000 HK\$'000	1999 HK\$'000
Interest on short-term bank loans	352	7,061
Less: amount capitalised in construction-in-progress	—	(3,286)
	352	3,775
Net exchange loss	823	1,696
Other finance charges	57	169
	1,232	5,640

5 TAXATION

	Group	
	2000 HK\$'000	1999 HK\$'000
Hong Kong profits tax (Note (a))	—	674
PRC income tax (Note (b))	20,157	17,871
	20,157	18,545

- (a) No provision for Hong Kong profits tax has been made in the accounts as the Group has no assessable profits in Hong Kong during the current year (1999: provided at a rate of 16% on the estimated assessable profits of the Group).

NOTES_TO THE ACCOUNTS

5 TAXATION *(Continued)*

- (b) PRC income tax represents tax charges on the assessable profits of the PRC subsidiaries of the Group at the prevailing tax rates applicable to the PRC subsidiaries of the Group. The PRC subsidiaries of the Group which are categorised as foreign investment enterprises are entitled to preferential tax treatments including full exemption from PRC income tax for two years starting from their first profit-making year following by a 50% reduction for the next consecutive three years. In addition, certain subsidiaries of the Group which are assessed as welfare enterprises are entitled to full exemption from PRC income tax provided that certain conditions are satisfied.
- (c) No provision for deferred taxation has been made in the accounts for the years ended 31st December 1999 and 2000 as the effect of timing differences is immaterial to the Group.

6 PROFIT ATTRIBUTABLE TO SHAREHOLDERS

Included in the profit attributable to shareholders is a profit of HK\$56,874,000 (1999: HK\$385,647,000), including dividend income from subsidiaries of HK\$51,919,000 (1999: HK\$361,672,000), which is dealt with in the accounts of the Company.

7 DIVIDENDS

	Group	
	2000	1999
	HK\$'000	HK\$'000
Interim, paid, of HK 10 cents (1999: HK 15 cents) per ordinary share	99,531	152,007
Final, proposed, of HK 8 cents (1999: HK 10 cents) per ordinary share	79,625	100,231
	179,156	252,238

8 EARNINGS PER SHARE

The calculation of earnings per share is based on the Group's profit attributable to shareholders of HK\$209,160,000 (1999: HK\$302,514,000) and the weighted average number of 999,367,066 (1999: 1,012,426,619) ordinary shares in issue during the year. There is no dilutive earnings per share since the Company has no dilutive potential ordinary shares.

9 DIRECTORS' EMOLUMENTS

(a) The aggregate amounts of emoluments payable to directors of the Company (the "Directors") during the year are as follows:

	Group	
	2000 HK\$'000	1999 HK\$'000
Fees	475	—
Other emoluments:		
Basic salaries and other allowances	3,077	3,213
Discretionary bonuses	325	410
	3,877	3,623

During the years ended 31st December 1999 and 2000, no amounts have been paid in respect of directors' fees to independent non-executive directors and the non-executive director of the Company.

NOTES_TO THE ACCOUNTS

9 DIRECTORS' EMOLUMENTS *(Continued)*

The emoluments of the Directors fell within the following bands:

Emolument bands	Number of directors	
	2000	1999
HK\$Nil to HK\$1,000,000	8	8
HK\$1,000,001 to HK\$1,500,000	1	1
	9	9

- (b) The five individuals whose emoluments were the highest in the Group for both years were also Directors and their emoluments are reflected in the analysis presented above.

10 FIXED ASSETS

	Leasehold land and buildings HK\$'000	Plant and machinery HK\$'000	Group Office equipment, furniture and fixtures HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
Cost or valuation					
At 1st January 2000	212,756	470,043	7,758	15,475	706,032
Exchange adjustment	741	1,641	76	54	2,512
Additions at cost	20,311	21,524	8,624	2,481	52,940
Transfer from construction-in-progress	6,615	79,086	2,840	—	88,541
Disposals/write-off	(1,106)	(16,569)	(1,155)	(1,482)	(20,312)
At 31st December 2000	239,317	555,725	18,143	16,528	829,713
Accumulated depreciation					
At 1st January 2000	7,462	108,686	3,257	6,579	125,984
Exchange adjustment	27	379	59	24	489
Charge for the year	8,454	41,315	2,467	2,532	54,768
Disposals/write-off	(174)	(7,104)	(570)	(545)	(8,393)
At 31st December 2000	15,769	143,276	5,213	8,590	172,848
Net book value					
At 31st December 2000	223,548	412,449	12,930	7,938	656,865
At 31st December 1999	205,294	361,357	4,501	8,896	580,048

NOTES_TO THE ACCOUNTS

10 FIXED ASSETS (Continued)

(a) The analysis of cost or valuation at 31st December 2000 of the above assets is as follows:

	Leasehold land and buildings HK\$'000	Plant and machinery HK\$'000	Group Office equipment, furniture and fixtures HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
At cost, acquired subsequent to the latest professional valuation	101,253	555,725	18,143	16,528	691,649
At 1998 professional valuation (Note (c))	138,064	—	—	—	138,064
	239,317	555,725	18,143	16,528	829,713

(b) The Group's interests in leasehold land and buildings at their net book values are analysed as follows:

	2000 HK\$'000	1999 HK\$'000
In Hong Kong, held on:		
Lease over 50 years	11,065	—
Outside Hong Kong, held on:		
Leases over 50 years	11,930	11,930
Leases between 10 to 50 years	200,553	193,364
	223,548	205,294

10 FIXED ASSETS *(Continued)*

- (c) The Group's leasehold land and buildings were revalued on 31st August 1998 by Chesterton Petty Limited, an independent firm of chartered surveyors, at open market value basis as set out in the prospectus for the initial public offer of the shares of the Company dated 27th November 1998. The Directors are of the opinion that the aggregate net book value of leasehold land and buildings as at 31st December 2000 was not materially different from their aggregate estimated open market value as at 31st December 2000. Had these leasehold land and buildings not been revalued, their net book value as at 31st December 2000 would have been HK\$174,049,000 (1999: HK\$155,795,000), being costs of HK\$196,954,000 (1999: HK\$170,393,000) less accumulated depreciation of HK\$22,905,000 (1999: HK\$14,598,000).

11 CONSTRUCTION-IN-PROGRESS

	Group	
	2000 HK\$'000	1999 HK\$'000
At 1st January	60,019	44,577
Exchange adjustment	209	113
Additions at cost	88,461	70,059
Transfer to fixed assets	(88,541)	(54,730)
At 31st December	60,148	60,019

During the year ended 31st December 2000, there was no interest expenses capitalised in construction-in-progress (1999: HK\$3,286,000).