

2 REVENUES AND TURNOVER

The Group is principally engaged in the export trading of consumer products. Turnover comprises sales at invoiced value to customers outside the Group less discounts and returns, and gross rental revenue derived from properties in and outside Hong Kong. Revenues recognised during the year are as follows:

	2000 HK\$'000	1999 HK\$'000
Turnover		
Sale at invoiced value	24,990,647	16,293,730
Rental income	2,371	3,771
	<u>24,993,018</u>	<u>16,297,501</u>
Other revenues		
Handling income	70,509	37,448
Commission income	4,645	17,558
	<u>75,154</u>	<u>55,006</u>
Interest income	140,330	43,830
	<u>25,208,502</u>	<u>16,396,337</u>

No analysis of the Group's turnover and contribution to operating profit for the year by principal activities is provided as over 90% of the Group's turnover and contribution to operating profit are attributable to the export trading of consumer products.

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

	2000 HK\$'000	1999 HK\$'000
USA	17,145,148	11,138,791
European Union	6,519,108	4,500,327
Asia Pacific	743,755	400,167
Other countries	585,007	258,216
	<u>24,993,018</u>	<u>16,297,501</u>

No analysis of contribution to operating profit by geographical location has been prepared as no contribution to operating profit from any of the above geographical locations is substantially out of line with the normal ratio of profit to turnover.

Notes to the Accounts (continued)

3 OPERATING PROFIT

Operating profit is stated after crediting and charging the following:

	2000 HK\$'000	1999 HK\$'000
<u>Crediting</u>		
Profit on disposal of fixed assets	7,205	1,142
Net exchange gains	11,805	8,308
Net rental income from land and buildings	<u>1,973</u>	<u>3,062</u>
<u>Charging</u>		
Auditors' remuneration	4,447	2,758
Depreciation:		
Owned fixed assets	95,679	78,376
Leased fixed assets	260	—
Operating leases in respect of land and buildings	53,043	29,220
Provision for doubtful debts	16,618	12,523
Provision for diminution in value of investments	5,790	—
Staff costs, including directors' emoluments	<u>978,919</u>	<u>646,071</u>

4 INTEREST EXPENSES

	2000 HK\$'000	1999 HK\$'000
Interest on bank loans and overdrafts	<u>20,585</u>	<u>32,243</u>

5 TAXATION

Hong Kong profits tax has been provided at the rate of 16% (1999: 16%) on the estimated assessable profit for the year. Taxation on overseas profits has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries in which subsidiaries of the Group operate.

The amount of taxation charged to the consolidated profit and loss account represents:

	2000 HK\$'000	1999 HK\$'000
Hong Kong profits tax	41,813	22,299
Overseas taxation	14,307	15,090
Overprovision in prior years	(1,177)	(1,795)
Deferred taxation (note 22)	5,853	189
	60,796	35,783
Share of taxation attributable to associated companies		
- Hong Kong	1,409	(197)
- Overseas	1,973	1,052
	3,382	855
	64,178	36,638

Deferred taxation for the year has not been provided in respect of the following :

	2000 HK\$'000	1999 HK\$'000
Accelerated depreciation allowance	—	4,500
Tax losses	(9,042)	34,859
	(9,042)	39,359

At the date of approval of the accounts, certain subsidiaries of the Group have disputes with the Hong Kong Inland Revenue involving tax of approximately HK\$205 million on the non-taxable claim of certain non-Hong Kong sourced income and the deduction claim of marketing expenses for the years of assessment from 1992/1993 to 1999/2000. Under professional advice, the subsidiaries are pursuing objection against the disputes and the directors believe that no material tax liabilities will finally crystallize. Accordingly, the directors consider that sufficient provision has been made.

6 PROFIT ATTRIBUTABLE TO SHAREHOLDERS

The profit attributable to shareholders is dealt with in the accounts of the Company to the extent of HK\$715,729,000 (1999: HK\$436,986,000).

7 DIVIDENDS

Dividends declared and proposed for the year, as adjusted for the effect of the share subdivision as explained in *note* 19(f) to the accounts (the "Share Subdivision"), under which each of the existing issued and unissued shares of HK\$0.050 each in the share capital of the Company was subdivided into two shares of HK\$0.025 each (the "Share"), are as follows:

	2000 HK\$'000	1999 HK\$'000
Interim, paid, of HK\$0.07 (1999: HK\$0.045) per Share	192,318	116,355
Final, proposed, of HK\$0.18 (1999: HK\$0.125) per Share	515,942	324,650
	<u>708,260</u>	<u>441,005</u>

8 EARNINGS PER SHARE

- (a) The calculation of basic earnings per Share is based on the Group's profit attributable to shareholders of HK\$870,388,000 (1999: HK\$574,638,000) and on the weighted average number of 2,706,660,000 (1999: 2,568,896,000) Shares in issue and to be issued during the year, as adjusted for the effect of the Share Subdivision and including the weighted average number of shares to be issued as explained in *note* 19(h) below.
- (b) In the event that Share Options outstanding at 31 December 2000 were exercised in full, the diluted earnings per Share would not be significantly different from the basic earnings per Share as disclosed in the consolidated profit and loss account.

9 DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) Directors' remuneration

The aggregate amounts of the emoluments payable to directors of the Company during the year are as follows:

	2000 HK\$'000	1999 HK\$'000
Executive:		
Fees	218	165
Basic salaries, housing allowances, other allowances and benefits in kind	8,285	5,259
Discretionary bonuses	22,262	14,119
Contributions to pension scheme	220	157
	30,985	19,700
Non-executive:		
Fees	309	309
	31,294	20,009

In addition to the directors' remuneration disclosed above, certain directors of the Company were granted options under the Share Option Scheme of the Company to acquire 1,200,000 (1999: 4,800,000) Shares of the Company at HK\$15.26 (1999: HK\$4.1525) per Share during the year, as adjusted for the effect of the Share Subdivision. The closing market price of the Shares as at 29 December 2000 was HK\$14.2 per Share. The exercisable period of these options is from 7 July 2001 to 6 July 2003.

During the year, a total of 2,080,000 (1999: 320,000) Shares, 2,040,000 (1999: 2,400,000) Shares and 4,560,000 (1999: Nil) Shares were issued to certain directors of the Company at an exercise price of HK\$1.755, HK\$2.1575 and HK\$4.1525 respectively upon the exercise of the options under the Share Option Scheme.

As at 31 December 2000, certain directors held options to acquire 360,000 (1999: 2,400,000) Shares, 1,440,000 (1999: 4,800,000) Shares and 1,200,000 (1999: Nil) Shares of the Company at an exercise price HK\$2.1575, HK\$4.1525 and HK\$15.26 per Share respectively.

Directors' fees disclosed above include HK\$150,000 (1999: HK\$150,000) paid to independent non-executive directors.

The number of directors whose emoluments fell within the following bands are set out as below. The emoluments represent the amount paid to or receivable by the directors of the Company in the respective financial year and exclude the benefits derived or to be derived from the Share Options granted under the Share Option Scheme.