

31 December 2000

	Share premium HK\$'000	Capital redemption reserve HK\$'000	Reserve on consolidation HK\$'000	Investment property revaluation reserve HK\$'000	Investments reserve HK\$'000	Exchange fluctuation reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
(ii) Associated companies								
Share of post-acquisition reserves								
At 1 January 1999	-	-	-	-	-	16	12,955	12,971
Share of profit for the year less dividends	-	-	-	-	-	-	1,598	1,598
At 1 January 2000	-	-	-	-	-	16	14,553	14,569
Share of profit for the year less dividends	-	-	-	-	-	-	1,041	1,041
At 31 December 2000	-	-	-	-	-	16	15,594	15,610
(i) and (ii) The Group								
At 31 December 2000	<u>10,374</u>	<u>582</u>	<u>20,964</u>	<u>1,718</u>	<u>-</u>	<u>(30,751)</u>	<u>427,068</u>	<u>429,955</u>
At 31 December 1999	<u>5,397</u>	<u>347</u>	<u>20,964</u>	<u>-</u>	<u>139,838</u>	<u>(31,822)</u>	<u>199,892</u>	<u>334,616</u>

Share premium of the Group includes HK\$1,856,000 which arose upon the combination of the Company and a then fellow subsidiary pursuant to a group restructuring in 1993.

(b) The Company

	Share premium HK\$'000	Capital redemption reserve HK\$'000	Contributed surplus HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1 January 1999	3,541	347	171,750	288,734	464,372
Loss for the year	-	-	-	(83,732)	(83,732)
Dividends	-	-	(166,302)	(39,912)	(206,214)
At 1 January 2000	3,541	347	5,448	165,090	174,426
Profit for the year	-	-	-	290,891	290,891
Exercise of share options	6,462	-	-	-	6,462
Shares repurchased	(1,485)	235	-	(235)	(1,485)
Dividends	-	-	(5,448)	(21,025)	(26,473)
At 31 December 2000	<u>8,518</u>	<u>582</u>	<u>-</u>	<u>434,721</u>	<u>443,821</u>

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20 RESERVES (CONT'D)

(b) The Company (cont'd)

The reserves of the Company available for dividend or distribution comprised the following:-

	2000 <i>HK\$'000</i>	1999 <i>HK\$'000</i>
Capital redemption reserve	582	347
Contributed surplus	-	5,448
Retained profits	434,721	165,090
	<u>435,303</u>	<u>170,885</u>

21 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Reconciliation of profit before taxation to net cash inflow/(outflow) from operating activities

	2000 <i>HK\$'000</i>	1999 <i>HK\$'000</i>
Profit before taxation	118,482	39,602
Interest income	(25,401)	(11,749)
Interest on bank loans and overdrafts	11,186	8,786
Dividends received from investments	(1,060)	(4,141)
Depreciation	12,872	28,814
Loss/(gain) on disposal of fixed assets	1,635	(262)
Net realised (gain)/loss on disposal of investment securities	(186,269)	3,200
Net realised (gain)/loss on disposal of other investments	(937)	3,464
Net unrealised loss on other investments	65,709	-
Share of profits of associated companies	(21,293)	(21,134)
(Increase)/decrease in inventories	(13,542)	62,622
Decrease/(increase) in trade receivables, other receivables, deposits and prepayments	269,006	(240,701)
Increase/(decrease) in trade payables, other payables and accrued charges	29,024	(10,508)
Net cash inflow/(outflow) from operating activities	<u>259,412</u>	<u>(142,007)</u>

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(b) Analysis of changes in financing during the year

	Share capital including premium	
	2000	1999
	HK\$'000	HK\$'000
At 1 January	71,504	71,504
Share repurchase	(1,720)	–
Exercise of share options	7,860	–
At 31 December	<u>77,644</u>	<u>71,504</u>

(c) Analysis of cash and cash equivalents

	2000	1999
	HK\$'000	HK\$'000
Cash and bank balances	376,051	336,251
Bank loans	(84,096)	(334,149)
	<u>291,955</u>	<u>2,102</u>

22 CONTINGENT LIABILITIES

- (a) The Company has executed guarantees amounting to approximately HK\$517 million (1999: HK\$592 million) with respect to banking facilities made available to subsidiaries. As at 31 December 2000, the borrowings outstanding against the facilities amounted to HK\$84 million (1999: HK\$334 million).
- (b) The Internal Revenue Service of the United States of America (“IRS”) is examining the income tax returns of the US subsidiaries for the tax years 1995, 1996 and 1997. Such examination includes review of transfer pricing methodology and timing of certain deductions, and is currently ongoing. The subsidiaries have been advised by their legal counsel that the positions taken by them in respect of the matters under IRS review are based upon substantial authority, and that the examination is unlikely to result in a material unfavourable adjustment. Accordingly, no provision has been made in the accounts in respect of this event.

23 BANKING FACILITIES

As at 31 December 2000, the Group has available banking facilities amounting to approximately HK\$517 million (1999: HK\$592 million), of which, HK\$84 million (1999: HK\$334 million) were utilised. The whole (1999: HK\$296 million) of the utilised facilities were secured by inventories of HK\$19 million (1999: HK\$6 million), trade receivables of HK\$216 million (1999: HK\$350 million) and bank balance of HK\$66 million (1999: HK\$66 million) of the Group.

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24 COMMITMENTS

As at 31 December 2000, the Group had the following commitments:-

(a) Capital commitments

	2000 <i>HK\$'000</i>	1999 <i>HK\$'000</i>
Contracted but not provided for in respect of		
– purchase of a subsidiary	231,560	–
– investment properties	14,184	–
	<u>245,744</u>	<u>–</u>

(b) Licensing commitments

In the normal course of business, the Group enters into contractual licensing agreements to secure its rights to create, develop and market certain toys and family entertainment activity products for future sales. Certain licensing agreements contain financial commitment by the Group to the licensors to be fulfilled during the terms of contract. The amount of financial commitment contracted but not provided for at the end of the year were payable as follows:-

	2000 <i>HK\$'000</i>	1999 <i>HK\$'000</i>
Within one year	4,776	5,553
In the second to fifth year inclusive	3,313	1,511
After the fifth year	447	–
	<u>8,536</u>	<u>7,064</u>

(c) Lease commitments

Commitments to make payments in the next year in respect of operating leases for office and warehouse facilities which expire as follows:-

	2000 <i>HK\$'000</i>	1999 <i>HK\$'000</i>
Within one year	4,313	668
In the second to fifth year inclusive	7,332	8,808
After the fifth year	3,187	3,092
	<u>14,832</u>	<u>12,568</u>

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(d) Other commitments

During the year ended 31 December 2000, the Group granted call options to a bank to buy certain other investments held by the Group with market value of HK\$7,175,000 as at 31 December 2000. The call options can be exercised by the bank within one year from the date of grant in May 2000 at the exercise price of HK\$44,333,000. The Group received premium of HK\$11,970,000 from the bank as consideration for granting the option. The premium received was included in other payables and accrued charges and will be recognised in the profit and loss account upon expiry of the options.

25 RELATED PARTY TRANSACTIONS

- (a) During the year, the Group leased office premises and a storeroom for its own occupation from subsidiaries of Prestige Properties Holdings Limited ("PPHL") in the normal course of business. The gross rent paid during the year amounted to HK\$2,512,000 (1999: HK\$5,619,000), being at fair market rent. The Company and PPHL were related parties by reason of their being held by a common major shareholder. Such relationship ceased on 28 September 2000.
- (b) An agreement dated 14 September 2000 was made between Playmates Toys Investments Limited ("PTIL"), a wholly-owned subsidiary of the Company and Mr. Ip Shu Wing, Charles ("Mr. Ip"), Vice Chairman and an executive director of the Company, whereby Mr. Ip agreed to sell and the Group agreed to purchase one share which represents 50 percent of the issued share capital of Nippon Toys Limited together with the benefits of and interests in a shareholder's loan at a total cash consideration of HK\$13,000,000.

26 SUBSEQUENT EVENTS**(a) The acquisition of Pretty Star Limited**

On 1 December 2000, Autoestate Properties Limited, a wholly-owned subsidiary of the Group, entered into a Sale and Purchase Agreement to acquire the entire issued share capital of Pretty Star Limited ("Pretty Star") and the benefits of and interest in the loan owed by Pretty Star to its then fellow subsidiary for a consideration of HK\$256.9 million. The principal asset of Pretty Star is the whole of a commercial building situated at No. 100 Canton Road, Tsimshatsui, Kowloon, Hong Kong, which is agreed at a value of HK\$498 million. The major liability of Pretty Star is a bank mortgage loan of HK\$238 million. The acquisition was completed on 16 January 2001.

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26 SUBSEQUENT EVENTS (CONT'D)

(b) Rights issue

It was announced on 6 February 2001 that the Group proposed to raise approximately HK\$107 million by way of a rights issue of one rights share at HK\$0.32 per share for every two existing shares held on 26 February 2001 (the "Rights Issue").

This Rights Issue exercise has become unconditional on 16 March 2001 and 336,351,836 shares were issued and allotted accordingly. The total number of shares in issue was increased to 1,009,055,509.

The Group intends to use the net proceeds of approximately HK\$105 million from the Rights Issue for payment of initial costs of the Group's current and ongoing licensing commitments, and, the remainder (if any) for reducing the bank borrowings and as general working capital of the Group.

27 US DOLLAR EQUIVALENTS

These are shown for reference only and have been arrived at based on the exchange rate of HK\$7.78 to US\$1.00 ruling at 31 December 2000.

28 COMPARATIVE AMOUNTS

Certain comparative amounts have been reclassified to conform with current year's presentation.

29 APPROVAL OF ACCOUNTS

The accounts were approved by the Board of Directors on 17 April 2001.