

NOTES TO THE FINANCIAL STATEMENT

For the year ended 31st December, 2000

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 (the "Stock Exchange").

The Company is an investment holding company. Its subsidiaries are principally engaged in the design, manufacture and sale of a diversified range of consumer home products and operation of a general merchandise store.

2. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention, as modified for the revaluation of investments in securities.

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

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31st December each year.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from their effective dates of acquisition or up to their effective dates of disposal, as appropriate.

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

Goodwill

Goodwill represents the excess of the purchase consideration over the fair value ascribed to the Group's share of the net assets at the date of acquisition of a subsidiary and is written off to reserves immediately on acquisition. Negative goodwill, which represents the excess of the fair value ascribed to the Group's share of the separable net assets of a subsidiary at the date of acquisition over the purchase consideration is credited to reserves.

Any premium or discount arising on the acquisition of an interest in an associate, representing the excess or shortfall respectively of the purchase consideration over the fair value ascribed to the Group's share of the separable net assets of the associate at the date of acquisition, is dealt with in the same manner as that described above for goodwill.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Goodwill (Continued)

On disposal of a subsidiary or an associate, the attributable amount of goodwill or capital reserve previously eliminated against or credited to reserves is included in the determination of the profit or loss on disposal of the subsidiary or associate.

Investments in subsidiaries

A subsidiary is an enterprise in which the Company, directly or indirectly, holds more than half of the issued share capital, or controls more than half of the voting power, or where the Company controls the composition of its board of directors or equivalent governing body.

Investments in subsidiaries are stated at cost less any impairment loss. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

Interests in associates

An associate is an enterprise over which the Group is in a position to exercise significant influence, including participation in financial and operating policy decisions of the investee.

The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting. The carrying amount of such interests is reduced to recognise any decline, other than a temporary decline, in the value of individual investments.

Where a group enterprise transacts with an associate of the Group, unrealised profits and losses are eliminated to the extent of the Group's interest in the relevant associate, except where unrealised losses provide evidence of an impairment of the asset transferred.

Club debenture

Club debentures are stated at cost less provision, if necessary, for any permanent impairment in value.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets held under finance leases

Leases are classified as finance leases when the terms of the lease transfer substantially all the risks and rewards of ownership to the Group. Assets held under finance leases are capitalised at their fair value at the date of acquisition. The corresponding principal portions of leasing commitments are shown as obligations under finance leases. The finance costs, which represent the difference between the total leasing commitments and the original outstanding principal at the inception of the leases, are charged to the income statement over the period of the relevant leases so as to produce a constant periodic rate of charge on the remaining balances of the obligations for each accounting period.

All other leases are classified as operating leases and the rentals payable are charged to the income statement on a straight line basis over the relevant lease term.

Investment in securities

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

Investments other than held-to-maturity debt securities are classified as investment securities and other investments.

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

Other investments are measured at fair value, with unrealised gains and losses included in net profit or loss for the period.

Property, plant and equipment

Property, plant and equipment is stated at cost less depreciation or amortisation. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its present working condition and location for its intended use. Expenditure incurred after the assets have been put into operation, such as repairs and maintenance and overhaul costs, is normally charged to the income statement 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.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant and equipment (Continued)

The cost of buildings in Hong Kong is depreciated over thirty years by equal annual instalments. The cost of buildings held overseas is depreciated using the reducing balance method at 4% per annum. Land held under long leases and medium term leasehold land and buildings are amortised over the remaining lease term on a straight line basis by equal monthly instalments.

Depreciation is provided to write off the cost of other assets over their estimated useful lives, using the reducing balance method, at 20% per annum.

Assets held under finance leases are depreciated over their estimated useful lives on the same basis as assets owned by the Group or, where shorter, the term of the relevant leases.

Where the recoverable amount of an asset has declined below its carrying amount, the carrying amount is reduced to reflect the decline in value. In determining the recoverable amount of assets, expected future cash flows are not discounted to their present values.

The gain or loss arising from disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the income statement.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost, which comprises all costs of purchase and, where applicable, costs of conversion and other costs that have been incurred in bringing the inventories to their present location and condition, is calculated using the weighted average cost method. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Taxation

The charge for taxation is based on the results for the year as adjusted for items which are non-assessable or disallowed. Timing differences arise from the recognition for tax purposes of certain items of income and expense in a different accounting period from that in which they are recognised in the financial statements. The tax effect of the resulting timing differences, computed using the liability method, is recognised as deferred taxation in the financial statements to the extent that it is probable that a liability or asset will crystallise in the foreseeable future.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition

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

For completed properties which were acquired for resale, revenue is recognised on the execution of a binding sales agreement.

Rental income under operating leases is recognised on a straight-line basis over the term of the relevant lease.

Interest income from bank deposits is accrued on a time basis, by reference to the principal outstanding and at the interest rate applicable.

Dividend income from investments is recognised when the rights to receive payment have been established.

Foreign currencies

Transactions in foreign currencies are translated at the rates ruling on the dates of the transactions or at the contracted settlement rate. Monetary assets and liabilities denominated in foreign currencies are re-translated at the rates ruling on the balance sheet date. Gains and losses arising on translation are dealt with in the income statement.

On consolidation, the financial statements of overseas operations and subsidiaries which are denominated in currencies other than Hong Kong dollar are translated at the rates ruling on the balance sheet date. All exchange differences arising on consolidation are dealt with in the translation reserve.

Pension

(a) *Defined contribution scheme*

The pension cost charged in the income statement represents the amount of contributions payable to the Group's defined contribution scheme.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Pension (Continued)

(b) Defined benefit scheme

The expected costs of providing pensions, as calculated periodically by professionally qualified actuaries, are charged to the income statement so as to spread the costs over the service lives of employees in the scheme operated by the Group in such a way that the pension cost is a substantially level percentage of current and expected future pensionable payroll in light of the current actuarial assumptions.

Cash equivalents

Cash equivalents represent short-term, highly liquid investments which are readily convertible into known amounts of cash and which were within three months of maturity when acquired; less advances from banks repayable within three months from the date of the advances.

3. TURNOVER

An analysis of the Group's turnover and contribution to operating profit by activity is as follows:

Activity	2000		1999	
	Turnover HK\$	Contribution to operating profit HK\$	Turnover HK\$	Contribution to operating profit HK\$
Manufacture and sale of consumer home products	1,131,508,837	61,916,294	1,139,924,024	71,994,790
Investment in securities	–	4,027,724	–	–
Sale of properties held for resale	443,700	(27,788,336)	–	–
Operating of a general merchandise store	15,558,180	(927,518)	26,649,420	(11,798,279)
	1,147,510,717	37,228,164	1,166,573,444	60,196,511

NOTES TO THE FINANCIAL STATEMENT For the year ended 31st December, 2000

3. TURNOVER (Continued)

An analysis of the Group's turnover by geographical market is as follows:

Geographical market	Turnover	
	2000 HK\$	1999 HK\$
North America	396,766,181	304,645,726
Holland	220,604,212	228,251,911
Germany	102,212,968	145,424,918
United Kingdom	123,281,128	105,071,118
France	90,151,578	106,649,750
Other European countries	74,296,970	95,417,719
Hong Kong	54,291,467	75,659,755
Australia	36,635,309	46,365,742
China	20,542,604	21,444,108
Others	28,728,300	37,642,697
	1,147,510,717	1,166,573,444

Contribution to operating profit by geographical market has not been presented as the contribution to operating profit from each market is closely proportional to the turnover attributable to that market, except as regards the turnover and operating loss derived from operation of a general merchandise store which are carried out in Hong Kong and sale of properties held for resale which is carried out in Canada.

4. OTHER REVENUE

	2000 HK\$	1999 HK\$
Interest income on bank deposits	1,555,459	1,408,235
Rental income	10,239,854	12,564,378
Dividend income from investments	831,211	–
Gain on disposal of other investment	839,224	–
Gain on disposal of trading securities	72,541	–
Sundry income	368,309	403,388
	13,906,598	14,376,001

5. PROFIT FROM OPERATIONS

	2000	1999
	HK\$	HK\$
Profit from operations has been arrived at after charging:		
Auditors' remuneration		
Charge for the year	1,347,821	1,362,641
Overprovided in prior year	(10,000)	–
	1,337,821	1,326,641
Bad debts written off	–	158,180
Depreciation and amortisation:		
Owned assets	30,357,982	29,855,253
Assets held under finance leases	5,223,633	3,792,237
Loss on disposal of property, plant and equipment	294,436	1,806,722
Provision for impairment loss on other investment	113,194	–
Operating lease payments in respect of rented properties	32,031,956	37,964,934
Provision for bad and doubtful debts	2,265,671	–
Staff costs:		
Directors' remuneration (note (i))	9,266,000	10,596,767
Salaries and allowances	131,796,510	106,160,161
Pension contributions (note (ii))	1,364,148	3,049,411
	142,426,658	119,806,339
and after crediting:		
Exchange gain	2,905,208	9,470,600
Net rental income, net of outgoings of HK\$2,726,640 (1999: HK\$2,953,815)	7,513,214	9,610,563

NOTES TO THE FINANCIAL STATEMENT For the year ended 31st December, 2000

5. PROFIT FROM OPERATIONS (Continued)**(i) Information regarding directors' and employees' emoluments**

	2000	1999
	<i>HK\$</i>	<i>HK\$</i>
<i>Directors</i>		
Fees to non-executive directors	540,000	540,000
Other emoluments to executive directors:		
Salaries and other benefits	5,911,000	6,562,000
Performance related incentive payments	2,815,000	3,266,000
Pension scheme contributions	–	228,767
	8,726,000	10,056,767
	9,266,000	10,596,767

The amounts disclosed above include directors' fees of HK\$360,000 (1999: HK\$360,000) payable to independent non-executive directors.

Emoluments of the directors were within the following bands:

	Number of directors	
	2000	1999
HK\$nil - HK\$1,000,000	3	5
HK\$1,000,001 - HK\$1,500,000	3	–
HK\$1,500,001 - HK\$2,000,000	–	1
HK\$2,000,001 - HK\$2,500,000	–	1
HK\$2,500,001 - HK\$3,000,000	2	–
HK\$3,500,000 - HK\$4,000,000	–	1

5. PROFIT FROM OPERATIONS (Continued)

(i) Information regarding directors' and employees' emoluments (Continued)

Employees

The five highest paid individuals of the Group included two (1999: three) directors, details of whose emoluments are set out above. The emoluments of the remaining three highest paid employees, other than directors of the Company, were as follows:

	2000 HK\$	1999 HK\$
Salaries and other benefits	4,092,000	3,006,000
Performance related incentive payments	2,968,900	1,615,900
Pension scheme contributions	89,400	42,900
	7,150,300	4,664,800

Emoluments of these remaining three (1999: two) highest paid employees were within the following bands:

	Number of employees	
	2000	1999
HK\$1,500,001 - HK\$2,000,000	2	1
HK\$3,000,001 - HK\$3,500,000	-	1
HK\$3,500,001 - HK\$4,000,000	1	-

(ii) Pension contributions

	2000 HK\$	1999 HK\$
Pension contributions to the Group's defined contribution scheme	1,364,148	2,263,166
Pension contributions to the Group's defined benefit scheme	-	786,245
	1,364,148	3,049,411

5. PROFIT FROM OPERATIONS (Continued)

(ii) Pension contributions (Continued)

Defined contribution scheme

Certain subsidiaries of the Company operate a defined contribution pension scheme for all qualifying employees. The assets of the scheme are held separately from those of the Group in funds under the control of a trustee.

The pension cost charge represents contributions payable to the scheme by the Group at rates specified in the rules of the scheme. Where there are employees who leave the scheme prior to vesting fully in the contributions, the contribution payable by the Group is reduced by the amount of forfeited contributions.

During the year, HK\$630,762 (1999: nil) forfeited contribution was utilised by the Group to reduce the contributions payable in the year.

At the balance sheet date, the total amount of forfeited contributions, which arose upon employees leaving the pension scheme and which are available to reduce the contributions payable in future years was approximately HK\$777,000 (1999: HK\$1,143,000).

In December 2000, the Group had also joined the Mandatory Provident Fund Scheme under the rules and regulations of the Mandatory Provident Fund Authority.

Defined benefit scheme

Certain subsidiaries of the Company operate a funded defined benefit pension scheme for all qualifying employees. The assets of the scheme are held separately from those of the Group in funds under the control of the trustee.

The pension cost is assessed in accordance with the advice of HSBC Life (International) Limited using the projected benefits method. The latest actuarial assessment of the scheme was at 31st December, 1998. At that date of the latest actuarial valuation the market value of the assets of the scheme was HK\$8,636,000 (1999: HK\$8,636,000), and the actuarial value of the assets was sufficient to cover 109% of the benefits that had accrued to members, after allowing for expected future increases in earnings. The assumptions which have the most significant effect on the results of the valuation are those relating to the rate of return on investments and the rates of increase in salaries and pension. It was assumed that the investment return would be 9% per annum and salary increases would average 8% per annum.

6. FINANCE COSTS

	2000 HK\$	1999 HK\$
Interest on:		
Bank borrowings wholly repayable within five years	9,066,761	6,942,359
Obligations under finance leases	1,330,340	990,805
	10,397,101	7,933,164

7. TAXATION

	2000 HK\$	1999 HK\$
The Company and its subsidiaries:		
Hong Kong Profits Tax		
Current year	5,284,017	8,029,917
Overprovision in prior years	(1,006,219)	(70,658)
Deferred taxation (note 24)	1,296,195	721,370
	5,573,993	8,680,629
Share of taxation of an associate		
Overseas taxation	-	(57,363)
	5,573,993	8,623,266

Hong Kong Profits Tax is calculated at 16% (1999: 16%) of the estimated assessable profit for the year.

Overseas taxation for the year was calculated at the rate prevailing in the relevant jurisdiction.

8. NET PROFIT FOR THE YEAR

Of the consolidated profit for the year of HK\$20,236,882 (1999: HK\$35,420,088), a loss of HK\$1,750,293 (1999: profit of HK\$24,206,646) has been dealt with in the financial statements of the Company.

NOTES TO THE FINANCIAL STATEMENT For the year ended 31st December, 2000

9. DIVIDENDS

	2000	1999
	HK\$	HK\$
Interim dividend paid, 1 cent (1999: 1 cent) per share	4,779,093	4,452,873
Final dividend proposed of 2 cents (1999: 3 cents) per share	9,558,526	14,337,278
	14,337,619	18,790,151

The final dividend is calculated by reference to 447,926,292 (1999: 477,909,272) shares in issue as at the date of this report.

10. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on net profit for the year of HK\$20,236,882 (1999: HK\$35,420,088) and the weighted average of 469,043,000 (1999: 445,099,365) shares in issue during the year.

No diluted earnings per share for two years as the exercise prices of the Company's outstanding share options and warrants are higher than the fair value per share for both 2000 and 1999.

11. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings HK\$	Computer equipment HK\$	Furniture and fixtures HK\$	Motor vehicles HK\$	Plant and machinery HK\$	Total HK\$
THE GROUP						
COST						
At 1st January, 2000	113,180,380	18,608,368	106,914,086	9,029,038	229,238,360	476,970,232
Currency realignment	(318,360)	-	-	-	-	(318,360)
Additions	2,803,738	1,355,977	9,316,383	3,055,557	27,966,126	44,497,781
Disposals	-	-	(72,474)	(2,646,904)	(676,846)	(3,396,224)
At 31st December, 2000	115,665,758	19,964,345	116,157,995	9,437,691	256,527,640	517,753,429
DEPRECIATION AND AMORTISATION						
At 1st January, 2000	16,590,951	12,875,699	65,578,888	5,529,326	142,052,579	242,627,443
Currency realignment	(23,984)	-	-	-	-	(23,984)
Provided for the year	3,143,884	1,342,290	9,498,066	797,249	20,800,126	35,581,615
Eliminated on disposals	-	-	(21,256)	(1,659,068)	(559,006)	(2,239,330)
At 31st December, 2000	19,710,851	14,217,989	75,055,698	4,667,507	162,293,699	275,945,744
NET BOOK VALUES						
At 31st December, 2000	95,954,907	5,746,356	41,102,297	4,770,184	94,233,941	241,807,685
At 31st December, 1999	96,589,429	5,732,669	41,335,198	3,499,712	87,185,781	234,342,789

NOTES TO THE FINANCIAL STATEMENT For the year ended 31st December, 2000

11. PROPERTY, PLANT AND EQUIPMENT (Continued)

	Motor vehicles
	<i>HK\$</i>
THE COMPANY	
COST	
At 1st January, 2000	3,732,438
Transferred to a group company	(967,055)
Disposals	(1,502,622)
At 31st December, 2000	1,262,761
DEPRECIATION	
At 1st January, 2000	2,512,795
Transferred to a group company	(244,987)
Provided for the year	1,835
Eliminated on disposals	(1,011,164)
At 31st December, 2000	1,258,479
NET BOOK VALUE	
At 31st December, 2000	4,282
At 31st December, 1999	1,219,643

The property interests of the Group comprise:

	2000	1999
	<i>HK\$</i>	<i>HK\$</i>
Freehold properties in Canada	10,774,490	11,270,506
Leasehold properties:		
– Held in Hong Kong, long leases	26,948,370	27,702,645
– Held in Hong Kong, medium term leases	11,358,837	11,657,860
– Held outside Hong Kong, long leases	4,683,920	4,866,016
– Held outside Hong Kong, medium term leases	42,189,290	41,092,402
	95,954,907	96,589,429

11. PROPERTY, PLANT AND EQUIPMENT (Continued)

The net book value of property, plant and equipment of the Group includes an amount of HK\$27,520,347 (1999: HK\$11,526,710) in respect of assets held under finance leases.

12. INVESTMENTS IN SUBSIDIARIES

	THE COMPANY	
	2000	1999
	HK\$	HK\$
Unlisted shares, at cost	55,882,070	55,882,070

The cost of the unlisted shares is based on the book values of the underlying net tangible assets of the subsidiaries attributable to the Group as at the date on which the Company became the ultimate holding company of the Group.

Details of the Company's subsidiaries at 31st December, 2000 are set out in note 34.

13. INTERESTS IN ASSOCIATES

	THE GROUP		THE COMPANY	
	2000	1999	2000	1999
	HK\$	HK\$	HK\$	HK\$
Unlisted shares, at cost	–	–	39,820,000	–
Share of net assets	14,922,090	9,834,859	–	–
	14,922,090	9,834,859	39,820,000	–

Details of the Group's associates at 31st December, 2000 are set out in note 35.

NOTES TO THE FINANCIAL STATEMENT For the year ended 31st December, 2000

14. INVESTMENTS IN SECURITIES

	THE GROUP		THE COMPANY	
	2000	1999	2000	1999
	HK\$	HK\$	HK\$	HK\$
Other investment:				
Unlisted investment in unit trust	1,135,444	6,000,000	–	6,000,000
Investment securities:				
Unlisted shares, at cost	10,530,000	–	10,530,000	–
	11,665,444	6,000,000	10,530,000	6,000,000

15. INVENTORIES

	THE GROUP	
	2000	1999
	HK\$	HK\$
Raw materials	71,383,483	81,930,781
Work in progress	18,459,811	15,105,797
Finished goods	20,995,020	22,999,240
	110,838,314	120,035,818

Included above are raw materials of HK\$259,884 (1999: HK\$359,521) which are carried at net realisable value.

16. DEBTORS AND PREPAYMENTS

	THE GROUP	
	2000	1999
	HK\$	HK\$
Trade debtors	75,268,643	74,808,680
Bills receivable	18,605,581	32,813,625
Other debtors and prepayments	9,648,397	9,188,700
	103,522,621	116,811,005

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

16. DEBTORS AND PREPAYMENTS (Continued)

The following is an aged analysis of trade debtors as at the reporting date:

	2000 HK\$	1999 HK\$
0-60 days	63,815,238	53,258,617
61-90 days	1,847,755	10,593,953
> 90 days	9,605,650	10,956,110
	75,268,643	74,808,680

17. CREDITORS, BILLS PAYABLES AND ACCRUED CHARGES

	THE GROUP	
	2000 HK\$	1999 HK\$
Trade creditors	78,083,201	68,703,750
Bill payables	2,119,738	446,044
Other creditors and accrued charges	44,395,956	57,693,612
	124,598,895	126,843,406

The following is an aged analysis of trade creditors as at of the reporting date:

	2000 HK\$	1999 HK\$
0-60 days	65,351,060	54,029,968
61-90 days	8,928,101	10,811,798
> 90 days	3,804,040	3,861,984
	78,083,201	68,703,750

NOTES TO THE FINANCIAL STATEMENT For the year ended 31st December, 2000

18. OBLIGATIONS UNDER FINANCE LEASES

	THE GROUP		THE COMPANY	
	2000	1999	2000	1999
	HK\$	HK\$	HK\$	HK\$
The repayment schedule of obligations under finance leases is as follows:				
Within one year	8,749,008	6,301,800	–	162,916
Between one to two years	5,810,497	4,182,342	–	67,882
Between two to five years	3,182,078	806,657	–	–
	17,741,583	11,290,799	–	230,798
Amount due within one year classified as current liabilities	(8,749,008)	(6,301,800)	–	(162,916)
Amount due after one year	8,992,575	4,988,999	–	67,882

19. BANK BORROWINGS

	THE GROUP	
	2000	1999
	HK\$	HK\$
Bank borrowings comprise the following:		
Import loans and export loans	48,881,296	62,781,733
Bank loans	1,557,891	2,755,570
Bank overdrafts	71,905	–
	50,511,092	65,537,303
Secured	27,022,551	13,674,704
Unsecured	23,488,541	51,862,599
	50,511,092	65,537,303

19. BANK BORROWINGS (Continued)

The bank borrowings bear interest at prevailing market rates and their balances are repayable as follows:

	THE GROUP	
	2000 HK\$	1999 HK\$
Within one year	49,957,708	63,978,211
Between one to two years	553,384	1,001,808
Between two to five years	–	557,284
	50,511,092	65,537,303
Amount due within one year classified as current liabilities	(49,957,708)	(63,978,211)
Amount due after one year	553,384	1,559,092

20. SHARE CAPITAL

	Number of ordinary shares of HK\$0.10 each		Nominal value	
	2000	1999	2000 HK\$	1999 HK\$
Authorised:				
Ordinary shares of HK\$0.1 each	1,000,000,000	1,000,000,000	100,000,000	100,000,000
Issued and fully paid:				
At beginning of the year	445,149,272	445,011,272	44,514,927	44,501,127
Exercise of warrants	17,020	138,000	1,702	13,800
Exercise of share options	2,100,000	–	210,000	–
Issue of shares	30,660,000	–	3,066,000	–
At end of the year	477,926,292	445,149,272	47,792,629	44,514,927

- (a) During the year, 17,020 (1999: 138,000) shares were issued on exercise of rights attached to the warrants giving proceeds of HK\$20,424 (1999: HK\$165,000).

20. SHARE CAPITAL (Continued)

- (b) During the year, 2,100,000 shares were issued on exercise of rights attached to the Company's share options scheme giving proceeds of HK\$777,000.
- (c) On 27th March, 2000, the Company entered into a conditional agreement with ProSticks.com Limited ("ProSticks") for the subscription by the Company of 200,000 new ordinary shares of HK\$1.00 each in ProSticks. The total consideration for the subscription was HK\$20,000,000 which was satisfied as to HK\$13,000,000 in cash, and as to the remainder by the allotment and issue to ProSticks of 14,000,000 new shares of HK\$0.10 each at HK\$0.50 in the capital of the Company.

In addition, pursuant to the agreement, the Company also agreed to purchase 100,000 shares of HK\$1.00 each in ProSticks from Mr. Li Ching Ping Vincent. The total consideration for the sale and purchase of the shares was HK\$8,330,000 which was satisfied by the allotment and issue to the vendor of 16,660,000 new shares of HK\$0.10 each at HK\$0.50 in the capital of the Company. Completion of the Agreement took place on 12th April, 2000.

All shares issued during the year rank pari passu with existing shares in all respects.

21. WARRANTS

During the year, a registered holder exercised his right to subscribe for ordinary shares. The premium on the exercise of warrants amounting to HK\$18,722 (1999: HK\$151,800) was credited against the share premium account. The outstanding warrants were expired on 27 November 2000.

22. SHARE OPTION SCHEME

Under the Company's share option scheme, the directors may grant options to any eligible employees of the Group, including directors of the Company or its subsidiaries, to subscribe for shares in the Company. Options granted are exercisable in the period commencing on the date six months after the date of acceptance by the grantee (the "Commencement Date") up to the close of business on the day preceding the sixth anniversary from the Commencement Date. The subscription price of the share options is the higher of the nominal value of the shares and an amount which is not less than 80% of the average of the last dealt prices of the shares on the five trading days immediately preceding the offer of the options.

22. SHARE OPTION SCHEME (Continued)

A summary of the share options of the Company, outstanding at 1st January, 2000 and 31st December, 2000, is as follows:

Name	Date of grant	Exercise price	Number of share options outstanding at 1st January, 2000	Granted during the year	Exercised during the year	Cancelled during the year	Number of options outstanding at 31st December, 2000
Directors:							
Lam Po Kwai, Frankie	29.02.2000	0.37	-	1,500,000	-	-	1,500,000
Wong Yau Ching, Maria	10.10.1994	0.50	1,400,000	-	-	-	1,400,000
	29.02.2000	0.37	-	1,500,000	-	-	1,500,000
Ko Sin Kuen, Catherine	10.10.1994	0.50	1,400,000	-	-	1,400,000	-
	29.02.2000	0.37	-	1,000,000	-	1,000,000	-
Lee Yuen Bing, Nina	10.10.1994	0.50	900,000	-	-	-	900,000
	29.02.2000	0.37	-	1,500,000	-	-	1,500,000
So Man Yee, Katherine	10.10.1994	0.50	900,000	-	-	-	900,000
	29.02.2000	0.37	-	1,500,000	-	-	1,500,000
An Son Yiu	29.02.2000	0.37	-	700,000	-	-	700,000
Lee Johnson	29.02.2000	0.37	-	700,000	-	-	700,000
Employees of the Group:							
Others	29.02.2000	0.37	-	9,000,000	2,100,000	-	6,900,000
			4,600,000	17,400,000	2,100,000	2,400,000	17,500,000

NOTES TO THE FINANCIAL STATEMENT For the year ended 31st December, 2000

23. RESERVES

	Share premium HK\$	Goodwill HK\$	Contributed surplus HK\$	Translation reserve HK\$	Capital redemption reserve HK\$	Retained profits HK\$	Total HK\$
THE GROUP							
At 1st January, 1999	132,014,261	(73,612,368)	-	646,134	85,000	110,472,627	169,605,654
Exchange adjustment	-	-	-	(806,053)	-	-	(806,053)
Premium on issue of shares	151,800	-	-	-	-	-	151,800
Profit for the year	-	-	-	-	-	35,420,088	35,420,088
Dividends	-	-	-	-	-	(18,790,151)	(18,790,151)
At 31st December, 1999	132,166,061	(73,612,368)	-	(159,919)	85,000	127,102,564	185,581,338
Exchange adjustment	-	-	-	433,109	-	-	433,109
Goodwill acquired on acquisition of associates	-	(31,779,964)	-	-	-	-	(31,779,964)
Premium on issue of shares	12,849,722	-	-	-	-	-	12,849,722
Shares issuing expenses	(18,748)	-	-	-	-	-	(18,748)
Profit for the year	-	-	-	-	-	20,236,882	20,236,882
Dividends	-	-	-	-	-	(14,337,619)	(14,337,619)
At 31st December, 2000	144,997,035	(105,392,332)	-	273,190	85,000	133,001,827	172,964,720
Attributable to:							
- The Company and subsidiaries	144,997,035	(105,392,332)	-	357,758	85,000	136,042,668	176,090,129
- Associates	-	-	-	(84,568)	-	(3,040,841)	(3,125,409)
	144,997,035	(105,392,332)	-	(273,190)	85,000	133,001,827	172,964,720
THE COMPANY							
At 1st January, 1999	132,014,261	-	38,782,070	-	85,000	25,030,641	195,911,972
Premium on issue of shares	151,800	-	-	-	-	-	151,800
Profit for the year	-	-	-	-	-	24,206,646	24,206,646
Dividends	-	-	-	-	-	(18,790,151)	(18,790,151)
At 31st December, 1999	132,166,061	-	38,782,070	-	85,000	30,447,136	201,480,267
Premium on issue of shares	12,849,722	-	-	-	-	-	12,849,722
Shares issuing expenses	(18,748)	-	-	-	-	-	(18,748)
Profit for the year	-	-	-	-	-	(1,750,293)	(1,750,293)
Dividends	-	-	-	-	-	(14,337,617)	(14,337,617)
At 31st December, 2000	144,997,035	-	38,782,070	-	85,000	14,359,224	198,223,329

23. RESERVES (Continued)

The contributed surplus represents the difference between the balance of the consolidated shareholders' funds of Frankie Dominion (B.V.I.) Company Limited at the date when its shares were acquired by the Company, and the nominal amount of the Company's shares issued for the acquisition.

Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus account of the Company is available for distribution. However, the Company cannot declare or pay a dividend, or make a distribution out of contributed surplus if:

- (a) it is, or would after the payment be, unable to pay its liabilities as they become due; or
- (b) the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

The distributable reserves of the Company calculated in accordance with The Companies Act 1981 of Bermuda (as amended) were as follows:

	2000 HK\$	1999 HK\$
Contributed surplus	38,782,070	38,782,070
Retained profits	23,917,750	30,447,136
	62,699,820	69,229,206

24. DEFERRED TAXATION

	THE GROUP	
	2000 HK\$	1999 HK\$
Balance at beginning of the year	5,998,933	5,277,563
Charge for the year (note 7)	1,296,195	721,370
Balance at end of the year	7,295,128	5,998,933

NOTES TO THE FINANCIAL STATEMENT For the year ended 31st December, 2000

24. DEFERRED TAXATION (Continued)

At the balance sheet date, the major components of the deferred taxation liabilities (assets), provided and unprovided, are as follows:

	Provided		Unprovided	
	2000	1999	2000	1999
	HK\$	HK\$	HK\$	HK\$
THE GROUP				
Tax effect of timing differences because of:				
Excess of tax allowances over depreciation	7,295,128	5,998,933	158,019	191,506
Tax losses	–	–	(26,346,726)	(24,057,592)
	7,295,128	5,998,933	(26,188,707)	(23,866,086)

A deferred tax asset has not been recognised in the financial statements in respect of tax losses available to offset future profits as it is not certain that the tax losses will be utilised in the foreseeable future.

Movements in unprovided deferred tax for the year are as follows:

	THE GROUP	
	2000	1999
	HK\$	HK\$
Tax effect of timing differences because of:		
Difference between tax allowances and depreciation	(33,487)	15,843
Tax losses arising	(2,289,134)	(1,877,804)
	(2,322,621)	(1,861,961)

The Company had no significant unprovided deferred taxation at 31st December, 2000 and 1999 and for the years then ended.

25. RECONCILIATION OF PROFIT BEFORE TAXATION TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2000 HK\$	1999 HK\$
Profit before taxation	34,543,977	60,107,000
Share of loss of associates	2,684,187	89,511
Depreciation and amortisation	35,581,615	33,647,490
Dividend income	(831,211)	–
Gain on disposal of other investment	(839,224)	–
Loss on disposal of property, plant and equipment	294,436	1,806,722
Provision on bad and doubtful debt	2,265,671	–
Provision for impairment loss on other investments	113,194	–
Interest on bank borrowings	9,066,761	6,942,359
Finance lease charges	1,330,340	990,805
Interest income	(1,555,459)	(1,408,235)
Decrease in properties held for resale	536,000	–
Decrease (increase) in inventories	9,197,504	(13,992,148)
Decrease (increase) in debtors and prepayments	11,022,713	(13,852,488)
Decrease (increase) in amount due from an associate	67,982	(10,105)
Increase in amounts due to associates	4,067,688	5,595
(Decrease) increase in creditors, bills payable and accrued charges	(2,244,511)	9,093,576
Decrease in amount due to a related company	–	(1,007,660)
Effect of foreign exchange rate changes	753,431	(2,092,904)
Net cash inflow from operating activities	106,055,094	80,319,518

NOTES TO THE FINANCIAL STATEMENT For the year ended 31st December, 2000

26. ANALYSIS OF CHANGES IN FINANCING DURING THE YEAR

	Share capital and premium HK\$	Obligations under finance leases HK\$	Bank loans HK\$	Minority interests HK\$
At 1st January, 1999	176,515,388	11,410,431	4,481,889	49,442,045
Inception of finance lease contracts	–	6,328,960	–	–
Repayments of borrowings	–	(6,448,592)	(1,726,319)	–
Issue of new shares	165,600	–	–	–
Minority interests' share of profit for the year	–	–	–	16,063,646
Dividends paid to minority shareholders of subsidiaries	–	–	–	(3,752,325)
At 31st December, 1999	176,680,988	11,290,799	2,755,570	61,753,366
Inception of finance lease contracts	–	14,521,743	–	–
Repayments of borrowings	–	(8,070,959)	(1,197,679)	–
Issue of new shares, net of expenses	16,108,676	–	–	–
Minority interests' share of profit for the year	–	–	–	8,733,102
Dividends paid to minority shareholders of subsidiaries	–	–	–	(7,503,075)
Capital contributed by minority shareholder of a subsidiary	–	–	–	2,803,739
At 31st December, 2000	192,789,664	17,741,583	1,557,891	65,787,132

27. MAJOR NON-CASH TRANSACTION

During the year, the Group entered into finance lease arrangements in respect of assets with a total capital value at the inception of the leases of HK\$14,521,743 (1999: HK\$6,328,960).

During the year, the Group acquired a 25% interest in ProSticks.com Ltd for HK\$28,330,000. The aggregate consideration of HK\$15,330,000 was satisfied by issuing 30,660,000 shares of HK\$0.10 each in the Company at a price of HK\$0.50 per share.

28. ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS

	2000 HK\$	1999 HK\$
Short term bank deposits	7,617,163	21,675,659
Bank balances and cash	12,223,502	14,380,480
Import loans and export loans	(48,881,296)	(62,781,733)
Bank overdrafts	(71,905)	–
	(29,112,536)	(26,725,594)

29. PLEDGE OF ASSETS

Certain of the Group's property, plant and equipment with carrying value of approximately HK\$26 million (1999: HK\$35 million) have been pledged to banks to secure banking facilities granted to subsidiaries.

Besides, the Group's bank deposit of approximately HK\$2.5 million (1999: nil) has been pledged to a bank to secure banking facilities granted to a subsidiary.

30. CONTINGENT LIABILITIES

	THE GROUP		THE COMPANY	
	2000 HK\$	1999 HK\$	2000 HK\$	1999 HK\$
Export bills discounted with recourse	25,264,653	11,158,658	–	–
Guarantees given to bankers in respect of banking facilities utilised by subsidiaries	–	–	49,921,306	67,760,232
Indemnities given to a bank in respect of guarantee granted to third parties	–	200,000	–	–
	25,264,653	11,358,658	49,921,306	67,760,232

NOTES TO THE FINANCIAL STATEMENT For the year ended 31st December, 2000

31. CAPITAL COMMITMENTS

	THE GROUP	
	2000	1999
	HK\$	HK\$
Capital expenditure in respect of acquisition of property, plant and equipment contracted for but not provided in the financial statements	24,040,313	537,668
Capital expenditure in respect of acquisition of property, plant and equipment authorised but not contracted for	6,027,200	–

In addition, two subsidiaries of the Group are committed to contribute approximately HK\$18,568,320 (1999: HK\$18,768,320) in respect of unpaid investments in their subsidiaries.

The Company did not have any capital commitments at 31st December, 2000 or 1999.

32. OPERATING LEASE COMMITMENTS

At the balance sheet date, the Group had outstanding commitments under non-cancellable operating leases in respect of rented properties. The portion of these commitments which is payable in the following year is as follows:

	THE GROUP		THE COMPANY	
	2000	1999	2000	1999
	HK\$	HK\$	HK\$	HK\$
Operating leases which expire:				
Within one year	3,620,062	960,000	960,000	960,000
In the second to fifth years inclusive	10,118,982	23,164,302	–	–
Over five years	7,116,000	7,116,000	–	–
	20,855,044	31,240,302	960,000	960,000

33. RELATED PARTY TRANSACTIONS

During the year, the Group entered into the following transactions with related parties:

	Rental paid to related party	
	2000	1999
	HK\$	HK\$
Related company	960,000	960,000

The related company is a company in which certain directors of the Company have beneficial interests.

Rental expense paid to the related company was transacted with reference to the rental rates prevailing in the market. This expense was paid to provide a quarter to certain directors of the Company and has been included in directors' remuneration.

34. SUBSIDIARIES

Details of the Company's subsidiaries at 31st December, 2000 are as follows:

Name of company	Place of incorporation/ registration	Nominal value of issued/ registered capital	Attributable equity interest to the Group	Principal activities
Big Field (B.V.I.) Limited	British Virgin Islands	Ordinary - US\$600	62.5%	Investment holding
Bigfield Goldenford Holdings Limited	Hong Kong	Ordinary - HK\$153,000 Deferred - HK\$147,000	62.5% <i>note (i)</i>	Manufacture of wooden and paper products
Blandas Concord Inc.	Liberia	Ordinary - CAD\$1,400,000	100%	Investment holding
Diamond Link Enterprises (Canada) Ltd.	Canada	Ordinary - CAD\$2	100%	Property investment
Dominion Trading Ltd.	British Virgin Islands	Ordinary - US\$100	100%	Investment holding property and share investment
Drayton Enterprises Inc.	British Virgin Islands	Ordinary - US\$100	100%	Investment holding
Excellot Trading Ltd.	British Virgin Islands	Ordinary - US\$100	62.5%	Investment holding
Fortune Fine Properties Limited	Hong Kong	Ordinary - HK\$2	100%	Property investment
Fortune Gain International Limited	Hong Kong	Ordinary - HK\$2	100%	Property investment
Fortune Link International Limited	Hong Kong	Ordinary - HK\$2	100%	Property investment
Fortune Rich International Limited	Hong Kong	Ordinary - HK\$2	100%	Property investment

NOTES TO THE FINANCIAL STATEMENT For the year ended 31st December, 2000

34. SUBSIDIARIES (Continued)

Name of company	Place of incorporation/ registration	Nominal value of issued/ registered capital	Attributable equity interest to the Group	Principal activities
Fortune Team International Limited	Hong Kong	Ordinary - HK\$2	100%	Property investment
Frankie Design Studio Limited	Hong Kong	Ordinary - HK\$2,000,000	100%	Inactive
Frankie Dominion (B.V.I.) Company Limited	British Virgin Islands	Ordinary - US\$35,000	100%	Investment holding
Frankie Dominion (Holdings) Limited	Hong Kong	Ordinary - HK\$1,000 Deferred - HK\$35,000,000	100% note (i)	Investment holding, property investment and the design, manufacture and sale of a diversified range of consumer home products
Frankie Dominion Property Limited	Hong Kong	Ordinary - HK\$10,000	100%	Not yet commenced business
Frankie Trading Company Limited	Hong Kong	Ordinary - HK\$5,000,000	100%	Leasing of fixed assets
Golden Ford Limited	Hong Kong	Ordinary - HK\$1,000 Deferred - HK\$10,000	62.5% note (i)	Inactive
Home Mart Store Limited	Hong Kong	Ordinary - HK\$5,000,000	100%	Operating a department store in Hong Kong
Islandcan Limited	Hong Kong	Ordinary - HK\$4,400,000 Deferred - HK\$3,600,000	100% note (i)	Investment holding
Michel Manufactory Limited	Hong Kong	Ordinary - HK\$10,000	100%	Provision of marketing services
Newall International Inc.	British Virgin Islands	Ordinary - US\$100	100%	Manufacture of consumer home products in the People's Republic of China
Polarease Industrial Limited 東莞五洲制罐廠有限公司	Hong Kong People's Republic of China	Ordinary - HK\$10,000 HK\$30,000,000	62.5% note (ii)	Investment holding Tin-plate printing
東莞嘉利美商家庭用品有限公司	People's Republic of China	HK\$26,850,000	note (iii)	Production of consumer home products of China
天津嘉田印鐵有限公司	People's Republic of China	RMB7,500,000	60%	Tin-plate printing

34. SUBSIDIARIES (Continued)

Notes:

- (i) The deferred shares, which are not held by the Group except for Bigfield Goldenford Holdings Limited, carry minimal rights to dividends or to receive notice of or attend or vote at any general meeting of these companies. On a winding-up, the holders of the deferred shares are entitled to share out of the surplus assets of these companies only after a total of HK\$100,000,000,000,000 has been distributed equally amongst the holders of the ordinary shares, namely, the Group.
- (ii) Under a joint venture agreement, the Group, through Islandcan Limited, is required to contribute 75% of the registered capital of HK\$30,000,000 in this company, an equity joint venture company registered in the People's Republic of China ("PRC"). As at the balance sheet date, approximately HK\$100,000 registered capital has not been paid up. However, under the joint venture agreement, Islandcan Limited will be entitled to 100% of the joint venture company's profit after deducting a fixed annual amount attributable to assets contributed by the PRC joint venture partner. On cessation of the joint venture company, the Group will be entitled to all assets other than those contributed by the PRC joint venture partner and those immovable building improvements.
- (iii) Under a joint venture agreement, the Group, through Frankie Dominion (Holdings) Limited, is required to contribute 100% of the registered capital of HK\$26,850,000 in this company, an equity joint venture company registered in the PRC. As at 31st December, 2000, approximately HK\$18,468,320 registered capital has not been paid up.

Except for Frankie Dominion (B.V.I.) Company Limited which is held directly by the Company, all other subsidiaries are indirectly held. All subsidiaries operate principally in their places of incorporation, unless specified otherwise under the heading "Principal activities".

None of the subsidiaries had any loan capital subsisting at the end of the year or at any time during the year.

NOTES TO THE FINANCIAL STATEMENT For the year ended 31st December, 2000

35. ASSOCIATES

Details of the Group's associates at 31st December, 2000 are as follows:

Name of company	Place of incorporation	Nominal value of issued capital	Attributable equity interest		Principal activities
			The Group	The Company	
Frankie Finance Ltd.	Hong Kong	Ordinary - HK\$10,000,000	50%	-	Not yet commenced operation
Partrex Investment Ltd.	Hong Kong	Ordinary HK\$10,000,000	-50%	-	Investment of marketable securities
ProSticks.com Limited	Hong Kong	Ordinary - HK\$1,200,000	25%	20%	Development of computer software applications
Port-style Enterprises Inc.	Canada	Common- C\$100	25%	-	General trading
Webradio Ltd.	Hong Kong	Ordinary - HK\$153,400	33%	33%	Operation of a website

All the associates are operate principally in their places of incorporation.

The financial statements of the Frankie Finance Ltd., ProSticks.com Limited, Port-style Enterprises Inc. and Webradio Ltd. are not audited by Deloitte Touche Tohmatsu.