

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2001

### 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.

### 2. ADOPTION OF STATEMENTS OF STANDARD ACCOUNTING PRACTICE

In the current year, the Group has adopted for the first time a number of new and revised Statements of Standard Accounting Practice ("SSAPs") issued by the Hong Kong Society of Accountants. Adoption of these Standards has led to a number of changes in the Group's accounting policies. The revised accounting policies are set out in note 3. In addition, the new and revised Standards have introduced additional and revised disclosure requirements which have been adopted in these financial statements. Comparative amounts for the prior year have been restated in order to achieve a consistent presentation.

The adoption of these new and revised Standards has resulted in the following changes to the Group's accounting policies that have affected the amounts reported for the current or prior periods.

#### **Dividends proposed or declared after the balance sheet date**

In accordance with SSAP 9 (Revised) Events after the Balance Sheet Date, dividends proposed or declared after the balance sheet date are not recognised as a liability at the balance sheet date, but are disclosed as a separate component of equity in the notes to the financial statements. This change in accounting policy has been applied retrospectively.

#### **Leases**

SSAP 14 (Revised) "Leases" has introduced some amendments to the basis of accounting for finance and operating leases, and to the disclosures specified for the Company's leasing arrangements. These changes have not had any material effect on the results for the current or prior accounting periods and, accordingly, no prior period adjustment had been required. Disclosures for all of the Company's leasing arrangements have been modified so as to comply with the requirements of SSAP 14 (Revised). Comparative amounts have been restated in order to achieve a consistent presentation.

## 2. ADOPTION OF STATEMENTS OF STANDARD ACCOUNTING PRACTICE (Continued)

### Goodwill

In the current period, the Group has adopted SSAP 30 Business Combinations and has elected not to restate goodwill (negative goodwill) previously eliminated against (credited to) reserves. However, impairment losses in respect of goodwill that arose between the date of acquisition of the relevant subsidiary or associate and the date of adoption of SSAP 30 have been recognised retrospectively. Goodwill arising on acquisitions prior to 1st January, 2001 continues to be 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 further impairment losses are identified. Negative goodwill arising on acquisitions prior to 1st January, 2001 will be credited to income at the time of disposal of the relevant subsidiary or associate.

Goodwill arising on acquisitions after 1st January 2001 is capitalised and amortised over its estimated useful life. Negative goodwill arising on acquisition after 1st 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.

The financial effect of the adoption of the new/revised accounting policies described above on the financial position of the Group at 1st January, 2000 is summarised as follows:

	Retained profits <i>HK\$</i>	Goodwill <i>HK\$</i>	Dividend reserve <i>HK\$</i>	Total <i>HK\$</i>
Balance at 1st January, 2000				
As originally stated	127,102,564	(73,612,368)	–	53,490,196
Retrospective recognition of impairment of goodwill held in reserves	(31,415,575)	31,415,575	–	–
Derecognition of liability for final dividend for 1999	–	–	14,337,278	14,337,278
As restated	95,686,989	(42,196,793)	14,337,278	67,827,474

### 3. 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 the effective dates of acquisition or up to their effective dates of disposal, as appropriate.

#### **Goodwill**

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary or associate at the date of acquisition.

Goodwill arising on acquisition after 1st January, 2001 is capitalised and amortised on a straight-line basis over its useful economic life. Goodwill arising on the acquisition of an associate is included within the carrying amount of the associate. Goodwill arising on the acquisition of subsidiaries is presented separately in the balance sheet.

Goodwill arising on acquisition prior to 1st January, 2001 continues to be 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.

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

#### **Investments in subsidiaries**

Investments in subsidiaries are included in the Company's balance sheet at cost less any identified impairment loss.

### 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Interests in associates

The consolidated income statement includes the Group's share of the post-acquisition results of its associates for the year. In the consolidated balance sheet, interests in associates are stated at the Group's share of the net assets of the associates less any identified impairment loss.

The results of associates are accounted for by the Company on the basis of dividends received and receivable during the year. In the Company's balance sheet, investments in associates are stated at cost, as reduced by any identified impairment loss.

#### Club debenture

Club debentures are stated at cost less for any identified impairment loss.

#### 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.

#### Property, plant and equipment

Property, plant and equipment is stated at cost less depreciation or amortisation and accumulated impairment losses.

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.

### 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Property, plant and equipment (Continued)

Depreciation is provided to write off the cost of other assets over their estimated useful lives and after taking into account their estimated residual value, 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.

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.

#### 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 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 losses are recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, such that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

#### 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.

### 3. 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 of the assets concerned to the Group. Assets held under finance leases are capitalised at their fair values at the date of acquisition. The corresponding liability to the lessor, net of interest charges, is included in the balance sheet as a finance lease obligation. Finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are charged to the income statement over the period of the relevant lease so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

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

#### Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average cost method.

#### 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.

#### 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 dollars are translated at the rates ruling on the balance sheet date. All exchange differences arising on consolidation are dealt with in the translation reserve.

### 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Pension scheme

##### (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.

##### (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.

### 4. TURNOVER

Turnover represents the net amounts received and receivables for goods sold by the Group to outside customers, less returns and allowances and revenue arising on sale of properties for the year, and is analysed as follows:

	2001 HK\$	2000 HK\$
Continuing operations:		
Sale of household and consumer products	995,177,315	1,131,508,837
Sale of properties held for resale	–	443,700
	<b>995,177,315</b>	<b>1,131,952,537</b>
Discontinued operations:		
Operating of a general merchandise store	1,891,343	15,558,180
	<b>997,068,658</b>	<b>1,147,510,717</b>

## 5. BUSINESS AND GEOGRAPHICAL SEGMENTS

### Business segments

The Group is mainly engaged in trading, manufacturing and sale of household and consumer products and operate under three divisions. These divisions are the basis on which the Group reports its primary segment information.

Principal activities are as follows:

Trading – resale of household products

Manufacturing of household – manufacturing and sale of household products

Manufacturing – others – manufacturing and sale of other consumer products

In prior years, the Group was also involved in the operating of a general merchandise store. That operation was discontinued on 1st March, 2001 (see note 7).

Segment information about these business is presented below.



## NOTES TO THE FINANCIAL STATEMENTS For the year ended 31st December, 2001

## 5. BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)

## Business segments (Continued)

## INCOME STATEMENT FOR THE YEAR ENDED 31ST DECEMBER, 2001

	Trading	Manufacturing of household	Manufacturing – others	General merchandise store	Other operations	Consolidation
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
TURNOVER						
External sales	143,558,529	143,578,631	708,040,155	1,891,343	–	997,068,658
RESULTS						
Segment results	7,239,502	49,075,626	50,532,970	122,061	–	106,970,159
Unallocated income and expenses						(93,583,532)
Expenses for cessation of a general merchandise store	–	–	–	(4,790,152)	–	(4,790,152)
Impairment loss recognised on investment securities						(2,749,005)
Unrealised holding gain on other investments						7,618,805
Profit from operations						13,466,275
Finance costs						(7,156,284)
Gain on deemed disposal of an associate						4,525,766
Goodwill of an associate written off						(103,200)
Share of losses of associates						(2,826,434)
Profit before taxation						7,906,123
Taxation						(1,640,696)
Profit after taxation						6,265,427

## 5. BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)

### Business segments (Continued)

#### OTHER INFORMATION FOR THE YEAR ENDED 31ST DECEMBER, 2001

	Trading	Manufacturing of household	Manufacturing – others	General merchandise store	Other operations	Consolidation
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
Capital additions	3,307,849	3,308,313	16,314,532	–	–	22,930,694
Depreciation and amortisation	4,900,062	4,900,748	24,167,432	–	181,707	34,149,949

#### BALANCE SHEET AS AT 31ST DECEMBER, 2001

	Trading	Manufacturing of household	Manufacturing – others	General merchandise store	Other operations	Consolidation
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
<b>ASSETS</b>						
Segment assets	60,816,603	60,825,118	299,951,505	66,994	32,789,401	454,449,621
Interests in associates						8,040,577
Consolidated total assets						<u>462,490,198</u>
<b>LIABILITIES</b>						
Segment liabilities	25,554,501	25,558,079	126,036,486	10,000	25,921	<u>177,184,987</u>

## NOTES TO THE FINANCIAL STATEMENTS For the year ended 31st December, 2001

## 5. BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)

## Business segments (Continued)

## INCOME STATEMENT FOR THE YEAR ENDED 31ST DECEMBER, 2000

	Trading	Manufacturing of household	Manufacturing – others	General merchandise store	Other operations	Consolidation
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
TURNOVER						
External sales	189,054,402	189,481,941	752,972,494	15,558,180	443,700	1,147,510,717
RESULTS						
Segment results	9,290,100	64,620,633	83,700,009	2,149,010	(57,305)	159,702,447
Unallocated income and expenses						(111,963,988)
Impairment loss recognised on investment securities						(113,194)
Profit from operations						47,625,265
Finance costs						(10,397,101)
Share of losses of associates						(2,684,187)
Goodwill of associates written off						(31,779,964)
Profit before taxation						2,764,013
Taxation						(5,573,993)
Loss after taxation						(2,809,980)

## 5. BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)

### Business segments (Continued)

#### OTHER INFORMATION FOR THE YEAR ENDED 31ST DECEMBER, 2000

	Trading	Manufacturing of household	Manufacturing – others	General merchandise store	Other operations	Consolidation
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
Capital additions	7,419,727	7,436,506	29,551,548	–	–	44,407,781
Depreciation and amortisation	5,750,147	5,763,150	22,901,885	964,793	201,640	35,581,615

#### BALANCE SHEET AS AT 31ST DECEMBER, 2000

	Trading	Manufacturing of household	Manufacturing – others	General merchandise store	Other operations	Consolidation
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
<b>ASSETS</b>						
Segment assets	76,456,298	76,629,201	304,512,821	10,105,693	23,905,410	491,609,423
Interests in associates						14,922,090
Consolidated total assets						506,531,513
<b>LIABILITIES</b>						
Segment liabilities	34,210,707	34,288,073	136,255,600	5,646,329	27,797	210,428,506

**5. BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)****Geographical segments**

The Group's operations are mainly located in Hong Kong, the People's Republic of China (other than Hong Kong) (the "PRC") and Canada.

The following table provides an analysis of the Group's sales by geographical market, in irrespective of the origin of the goods.

	<b>Sales revenue by geographical market</b>	
	<b>Year ended 31.12.2001 HK\$</b>	<b>Year ended 31.12.2000 HK\$</b>
<b>Geographical market</b>		
North America	<b>386,234,207</b>	396,766,181
Holland	<b>176,328,627</b>	220,604,212
Germany	<b>89,283,378</b>	102,212,968
United Kingdom	<b>104,380,416</b>	123,281,128
France	<b>75,433,983</b>	90,151,578
Other European countries	<b>59,168,031</b>	74,296,970
Hong Kong	<b>42,131,149</b>	54,291,467
Australia	<b>31,893,691</b>	36,635,309
PRC	<b>13,277,242</b>	20,542,604
Others	<b>18,937,934</b>	28,728,300
	<b>997,068,658</b>	1,147,510,717

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 is carried out in Hong Kong and sale of properties held for resale which is carried out in Canada.

**5. BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)****Geographical segments (Continued)**

The following is an analysis of the carrying amount of segment assets, and additions to property, plant and equipment, analysed by the geographical area in which the assets are located:

	Carrying amount of segment assets		Additions to property, plant and equipment	
	At 31.12.2001 HK\$	At 31.12.2000 HK\$	Year ended 31.12.2001 HK\$	Year ended 31.12.2000 HK\$
Hong Kong	190,505,660	205,855,967	1,813,038	4,758,246
PRC	260,974,765	288,180,136	21,117,656	39,739,535
Canada	11,009,773	12,495,410	–	–
	<b>462,490,198</b>	<b>506,531,513</b>	<b>22,930,694</b>	<b>44,497,781</b>

**6. OTHER REVENUE**

	2001 HK\$	2000 HK\$
Interest income on bank deposits	1,002,391	1,555,459
Rental income	888,057	10,239,854
Dividend income from investments	–	831,211
Gain on disposal of other investments	–	839,224
Gain on disposal of trading securities	–	72,541
Sundry income	891,345	368,309
	<b>2,781,793</b>	<b>13,906,598</b>

**7. DISCONTINUED OPERATIONS**

On 1st March, 2001, the Group discontinued its business of operating of a general merchandise store. The cost incurred for such discontinuance was approximately HK\$4,790,000.

The results of the discontinued operations for the period from 1st January, 2001 up to the date of discontinuance and for the year ended 31st December, 2000 are set out in note 5 to the financial statements.

## NOTES TO THE FINANCIAL STATEMENTS For the year ended 31st December, 2001

**8. PROFIT FROM OPERATIONS**

	<b>2001</b>	2000
	<b>HK\$</b>	HK\$
Profit from operations has been arrived at after charging:		
Auditors' remuneration		
Charge for the year	<b>1,134,805</b>	1,347,821
Under(over)provided in prior year	<b>31,370</b>	(10,000)
	<b>1,166,175</b>	1,337,821
Depreciation and amortisation:		
Owned assets	<b>28,614,777</b>	30,357,982
Assets held under finance leases	<b>5,535,172</b>	5,223,633
Loss on disposal of property, plant and equipment	<b>3,690,431</b>	294,436
Impairment loss on other investment	<b>2,749,005</b>	113,194
Operating lease payments in respect of rented properties	<b>21,790,385</b>	32,031,956
Allowance for bad and doubtful debts	<b>4,512,601</b>	2,265,671
Staff costs:		
Directors' remuneration ( <i>note</i> )	<b>7,174,100</b>	9,266,000
Salaries and allowances	<b>128,400,818</b>	131,796,510
Pension contributions	<b>1,290,494</b>	1,364,148
	<b>136,865,412</b>	142,426,658
and after crediting:		
Exchange gain	<b>3,549,035</b>	2,905,208
Net rental income, net of outgoings		
of HK\$183,110 (2000: HK\$2,726,640)	<b>704,947</b>	7,513,214

**8. PROFIT FROM OPERATIONS (Continued)**

Note:

**Information regarding directors' and employees' emoluments**

	2001 HK\$	2000 HK\$
<b>Directors</b>		
Fees to non-executive directors	540,000	540,000
Other emoluments to executive directors:		
Salaries and other benefits	4,820,000	5,911,000
Performance related incentive payments	1,669,500	2,815,000
Pension scheme contributions	144,600	–
	<b>6,634,100</b>	<b>8,726,000</b>
	<b>7,174,100</b>	<b>9,266,000</b>

The amounts disclosed above include directors' fees of HK\$360,000 (2000: HK\$360,000) payable to independent non-executive directors.

Emoluments of the directors were within the following bands:

	Number of directors	
	2001	2000
HK\$nil – HK\$1,000,000	6	3
HK\$1,000,001 – HK\$1,500,000	–	3
HK\$2,000,001 – HK\$2,500,000	1	–
HK\$2,500,001 – HK\$3,000,000	1	2



**8. PROFIT FROM OPERATIONS (Continued)****Information regarding directors' and employees' emoluments (Continued)****Employees**

The five highest paid individuals of the Group included two (2000: two) 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:

	2001 HK\$	2000 HK\$
Salaries and other benefits	4,584,000	4,092,000
Performance related incentive payments	–	2,968,900
Pension scheme contributions	89,400	89,400
	<b>4,673,400</b>	<b>7,150,300</b>

Emoluments of these remaining three (2000: three) highest paid employees were within the following bands:

	Number of employees	
	2001	2000
HK\$1,000,000 – HK\$1,500,000	2	–
HK\$1,500,001 – HK\$2,000,000	–	2
HK\$2,500,001 – HK\$3,500,000	1	–
HK\$3,500,001 – HK\$4,000,000	–	1

**9. FINANCE COSTS**

	2001 HK\$	2000 HK\$
Interest on:		
Bank borrowings wholly repayable within five years	6,016,728	9,066,761
Obligations under finance leases	1,139,556	1,330,340
	<b>7,156,284</b>	<b>10,397,101</b>

**10. TAXATION**

	2001 HK\$	2000 HK\$
The Company and its subsidiaries:		
Hong Kong Profits Tax		
Current year	2,357,222	5,284,017
Overprovision in prior years	(339,844)	(1,006,219)
Deferred taxation (note 24)	(422,199)	1,296,195
	<b>1,595,179</b>	5,573,993
Share of taxation of an associate		
Overseas taxation	45,517	–
	<b>1,640,696</b>	5,573,993

Hong Kong Profits Tax is calculated at 16% (2000: 16%) of the estimated assessable profit for the year.

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

**11. DIVIDENDS**

	2001 HK\$	2000 HK\$
Interim dividend paid, 1 cent (2000: 1 cent) per share	4,779,263	4,779,093
Final dividend proposed 1 cent (2000: 2 cents) per share	4,779,263	9,558,526
	<b>9,558,526</b>	14,337,619

**12. EARNINGS (LOSS) PER SHARE**

The calculation of the basic earnings (loss) per share is based on net profit for the year of HK\$6,024,252 (2000: net loss of HK\$11,543,082) and the weighted average of 477,926,292 (2000: 469,043,000) shares in issue during the year.

The computation of diluted earnings per share for both 2001 and 2000 has not assume the exercise of share options because the exercise prices of the Company's outstanding share options are higher than the fair value per share for both 2001 and 2000.

## NOTES TO THE FINANCIAL STATEMENTS For the year ended 31st December, 2001

**13. PROPERTY, PLANT AND EQUIPMENT**

	Land and buildings HK\$	Computer equipment HK\$	Furniture and fixtures HK\$	Motor vehicles HK\$	Plant and machinery HK\$	Total HK\$
<b>THE GROUP</b>						
COST						
At 1st January, 2001	115,665,758	19,964,345	116,157,995	9,437,691	256,527,640	517,753,429
Currency realignment	(727,680)	-	-	-	-	(727,680)
Additions	-	1,159,324	4,406,892	-	17,364,478	22,930,694
Disposals	(13,448,767)	(7,857,422)	(17,921,040)	(179,188)	(8,679,478)	(48,085,895)
<b>At 31st December, 2001</b>	<b>101,489,311</b>	<b>13,266,247</b>	<b>102,643,847</b>	<b>9,258,503</b>	<b>265,212,640</b>	<b>491,870,548</b>
DEPRECIATION AND AMORTISATION						
At 1st January, 2001	19,710,851	14,217,989	75,055,698	4,667,507	162,293,699	275,945,744
Currency realignment	(67,175)	-	-	-	-	(67,175)
Provided for the year	2,775,239	946,967	8,228,722	954,950	21,244,071	34,149,949
Impairment loss	6,000,000	-	-	-	-	6,000,000
Eliminated on disposals	(3,263,097)	(6,279,315)	(15,661,569)	(176,283)	(8,589,961)	(33,970,225)
<b>At 31st December, 2001</b>	<b>25,155,818</b>	<b>8,885,641</b>	<b>67,622,851</b>	<b>5,446,174</b>	<b>174,947,809</b>	<b>282,058,293</b>
NET BOOK VALUES						
<b>At 31st December, 2001</b>	<b>76,333,493</b>	<b>4,380,606</b>	<b>35,020,996</b>	<b>3,812,329</b>	<b>90,264,831</b>	<b>209,812,255</b>
At 31st December, 2000	95,954,907	5,746,356	41,102,297	4,770,184	94,233,941	241,807,685

**13. PROPERTY, PLANT AND EQUIPMENT (Continued)****Motor vehicles  
HK\$****THE COMPANY**

## COST

At 1st January, 2001 and 31st December, 2001 1,262,761

## DEPRECIATION

At 1st January, 2001 1,258,479

Provided for the year 1,285

**At 31st December, 2001 1,259,764**

## NET BOOK VALUE

**At 31st December, 2001 2,997**

At 31st December, 2000 4,282

The property interests of the Group comprise:

	<b>2001</b>	2000
	<b>HK\$</b>	HK\$
Freehold properties in Canada	<b>9,932,278</b>	10,774,490
Leasehold properties:		
– Held in Hong Kong, long leases	<b>26,194,094</b>	26,948,370
– Held in Hong Kong, medium term leases	<b>5,059,817</b>	11,358,837
– Held outside Hong Kong, long leases	<b>4,501,827</b>	4,683,920
– Held outside Hong Kong, medium term leases	<b>30,645,477</b>	42,189,290
	<b>76,333,493</b>	95,954,907

The net book value of property, plant and equipment of the Group includes an amount of HK\$22,616,299 (2000: HK\$20,575,706) in respect of assets held under finance leases.

## NOTES TO THE FINANCIAL STATEMENTS For the year ended 31st December, 2001

**14. INVESTMENTS IN SUBSIDIARIES**

	<b>THE COMPANY</b>	
	<b>2001</b>	2000
	<b>HK\$</b>	HK\$
Unlisted shares, at cost	<b>55,882,070</b>	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, 2001 are set out in note 35.

**15. INTERESTS IN ASSOCIATES**

	<b>THE GROUP</b>		<b>THE COMPANY</b>	
	<b>2001</b>	2000	<b>2001</b>	2000
	<b>HK\$</b>	HK\$	<b>HK\$</b>	HK\$
Unlisted shares, at cost	–	–	<b>11,490,000</b>	39,820,000
Goodwill on acquisition of associates	<b>103,200</b>	31,779,964	–	–
Impairment loss recognised	<b>(103,200)</b>	(31,779,964)	<b>(8,266,339)</b>	–
Share of net assets	<b>8,040,577</b>	14,922,090	–	–
	<b>8,040,577</b>	14,922,090	<b>3,223,661</b>	39,820,000

Details of the Group's associates at 31st December, 2001 are set out in note 36.

**16. INVESTMENTS IN SECURITIES**

	<b>THE GROUP</b>		<b>THE COMPANY</b>	
	<b>2001</b>	2000	<b>2001</b>	2000
	<b>HK\$</b>	HK\$	<b>HK\$</b>	HK\$
Non-current assets				
Investment securities:				
Unlisted shares	<b>8,916,439</b>	11,665,444	<b>8,030,000</b>	10,530,000
Current assets				
Other investment:				
Listed equity securities	<b>12,869,628</b>	–	<b>12,869,628</b>	–
	<b>21,786,067</b>	11,665,444	<b>20,899,628</b>	10,530,000
Market value of listed equity securities	<b>12,869,628</b>	–	<b>12,869,628</b>	–

**17. INVENTORIES**

	THE GROUP	
	2001 HK\$	2000 HK\$
Raw materials	55,406,631	71,383,483
Work in progress	21,195,952	18,459,811
Finished goods	17,180,303	20,995,020
	<b>93,782,886</b>	110,838,314

Included above are raw materials of HK\$Nil (2000: HK\$259,884) which are carried at net realisable value.

**18. DEBTORS AND PREPAYMENTS**

	THE GROUP	
	2001 HK\$	2000 HK\$
Trade debtors	73,536,819	75,268,643
Bills receivable	3,732,208	18,605,581
Other debtors and prepayments	15,116,488	9,648,397
	<b>92,385,515</b>	103,522,621

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

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

	2001 HK\$	2000 HK\$
0-60 days	67,518,069	63,815,238
61-90 days	2,348,709	1,847,755
>90 days	3,670,041	9,605,650
	<b>73,536,819</b>	75,268,643

## NOTES TO THE FINANCIAL STATEMENTS For the year ended 31st December, 2001

**19. CREDITORS, BILLS PAYABLE AND ACCRUED CHARGES**

	THE GROUP	
	2001 HK\$	2000 HK\$
Trade creditors	62,821,936	78,083,201
Bills payable	14,818,966	2,119,738
Other creditors and accrued charges	39,014,235	44,395,956
	<b>116,655,137</b>	<b>124,598,895</b>

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

	THE GROUP	
	2001 HK\$	2000 HK\$
0–60 days	46,668,905	65,351,060
61–90 days	13,161,899	8,928,101
>90 days	2,991,132	3,804,040
	<b>62,821,936</b>	<b>78,083,201</b>

**20. OBLIGATIONS UNDER FINANCE LEASES**

	THE GROUP			
	Minimum lease payments		Present value of minimum lease payments	
	2001 HK\$	2000 HK\$	2001 HK\$	2000 HK\$
Amounts payable under finance leases:				
Within one year	8,552,472	9,843,642	8,062,053	8,749,008
In the second to fifth years inclusive	6,872,249	9,714,478	6,677,266	8,992,575
	<b>15,424,721</b>	19,558,120	<b>14,739,319</b>	17,741,583
Less: Future finance charges	<b>(685,402)</b>	(1,816,537)	N/A	N/A
Present value of lease obligations	<b>14,739,319</b>	17,741,583	<b>14,739,319</b>	17,741,583
Less: Amount due for settlement within 12 months (shown under current liabilities)			<b>(8,062,053)</b>	(8,749,008)
Amount due for settlement after 12 months			<b>6,677,266</b>	8,992,575

**20. OBLIGATIONS UNDER FINANCE LEASES (Continued)**

It is the Group's policy to lease certain of its fixture and equipment under finance leases. The average lease term is 3 years. For the year ended 31st December, 2001, the average effective borrowing rate was approximately 6.85% per annum. Interest rates are fixed at the contract date. All leases are on a fixed repayment basis and no arrangement 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.

**21. BANK BORROWINGS**

	THE GROUP	
	2001	2000
	HK\$	HK\$
Bank borrowings comprise the following:		
Import loans and export loans	33,214,465	48,881,296
Bank loans	554,399	1,557,891
Bank overdrafts	205,604	71,905
	<b>33,974,468</b>	50,511,092
Secured	19,037,831	27,022,551
Unsecured	14,936,637	23,488,541
	<b>33,974,468</b>	50,511,092

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

	THE GROUP	
	2001	2000
	HK\$	HK\$
Within one year	33,974,468	49,957,708
Between one to two years	-	553,384
	<b>33,974,468</b>	50,511,092
Amount due within one year classified as current liabilities	<b>(33,974,468)</b>	(49,957,708)
Amount due after one year	-	553,384



## NOTES TO THE FINANCIAL STATEMENTS For the year ended 31st December, 2001

**22. SHARE CAPITAL**

	Number of ordinary shares of HK\$0.10 each		Nominal value	
	2001	2000	2001 HK\$	2000 HK\$
<i>Authorised:</i>				
Ordinary shares of HK\$0.1 each	<b>1,000,000,000</b>	1,000,000,000	<b>100,000,000</b>	100,000,000
<i>Issued and fully paid:</i>				
At beginning of the year	<b>477,926,292</b>	445,149,272	<b>47,792,629</b>	44,514,927
Exercise of warrants	-	17,020	-	1,702
Exercise of share options	-	2,100,000	-	210,000
Issue of shares	-	30,660,000	-	3,066,000
At end of the year	<b>477,926,292</b>	477,926,292	<b>47,792,629</b>	47,792,629

At 31st December, 2001, no option to subscribe for share was outstanding under the Company's share option scheme.

**23. RESERVES**

	Share premium HK\$	Contributed Goodwill HK\$	Translation surplus HK\$	Translation reserve HK\$	Capital redemption reserve HK\$	Dividend reserve HK\$	Retained profits HK\$	Total HK\$
<b>THE GROUP</b>								
At 1st January, 2000								
As original stated	132,166,061	(73,612,368)	-	(159,919)	85,000	-	127,102,564	185,581,338
Prior period adjustments (Note 2)	-	31,415,575	-	-	-	14,337,278	(31,415,575)	14,337,278
As restated	132,166,061	(42,196,793)	-	(159,919)	85,000	14,337,278	95,686,989	199,918,616
Exchange adjustment	-	-	-	433,109	-	-	-	433,109
Premium on issue of shares	12,849,722	-	-	-	-	-	-	12,849,722
Shares issuing expenses	(18,748)	-	-	-	-	-	-	(18,748)
Loss for the year (Note a)	-	-	-	-	-	-	(11,543,082)	(11,543,082)
Amount set aside for 2000 dividend	-	-	-	-	-	14,337,619	(14,337,619)	-
Final dividend for 1999 paid	-	-	-	-	-	(14,337,278)	-	(14,337,278)
Interim dividend for 2000 paid	-	-	-	-	-	(4,779,093)	-	(4,779,093)
At 31st December, 2000	144,997,035	(42,196,793)	-	273,190	85,000	9,558,526	69,806,288	182,523,246
Exchange adjustment	-	-	-	1,022,617	-	-	-	1,022,617
Profit for the year	-	-	-	-	-	-	6,024,252	6,024,252
Amount set aside for 2001 dividend	-	-	-	-	-	9,558,526	(9,558,526)	-
Final dividend for 2000 paid	-	-	-	-	-	(9,558,526)	-	(9,558,526)
Interim dividend for 2001 paid	-	-	-	-	-	(4,779,263)	-	(4,779,263)
<b>At 31st December, 2001</b>	<b>144,997,035</b>	<b>(42,196,793)</b>	<b>-</b>	<b>1,295,807</b>	<b>85,000</b>	<b>4,779,263</b>	<b>66,272,014</b>	<b>175,232,326</b>
Attributable to:								
- The Company and subsidiaries	144,997,035	(42,196,793)	-	1,463,884	85,000	4,779,263	67,240,102	176,368,491
- Associates	-	-	-	(168,077)	-	-	(968,088)	(1,136,165)
	144,997,035	(42,196,793)	-	1,295,807	85,000	4,779,263	66,272,014	175,232,326

## NOTES TO THE FINANCIAL STATEMENTS For the year ended 31st December, 2001

**23. RESERVES (Continued)**

	Share premium HK\$	Goodwill HK\$	Contributed surplus HK\$	Translation reserve HK\$	Capital redemption reserve HK\$	Dividend reserve HK\$	Retained profits HK\$	Total HK\$
<b>THE COMPANY</b>								
At 1st January, 2000	132,166,061	-	38,782,070	-	85,000	-	30,447,136	201,480,267
Prior period adjustment	-	-	-	-	-	14,337,278	-	14,337,278
As restated	132,166,061	-	38,782,070	-	85,000	14,337,278	30,447,136	215,817,545
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)
Amount set aside for 2000 dividend	-	-	-	-	-	14,337,619	(14,337,619)	-
Final dividend for 1999 paid	-	-	-	-	-	(14,337,278)	-	(14,337,278)
Interim dividend for 2000 paid	-	-	-	-	-	(4,779,093)	-	(4,779,093)
At 31st December, 2000	144,997,035	-	38,782,070	-	85,000	9,558,526	14,359,224	207,781,855
Loss for the year	-	-	-	-	-	-	(14,865,722)	(14,865,722)
Amount set aside for 2001 dividend	-	-	-	-	-	9,558,526	(9,558,526)	-
Final dividend for 2000 paid	-	-	-	-	-	(9,558,526)	-	(9,558,526)
Interim dividend for 2001 paid	-	-	-	-	-	(4,779,263)	-	(4,779,263)
<b>At 31st December, 2001</b>	<b>144,997,035</b>	<b>-</b>	<b>38,782,070</b>	<b>-</b>	<b>85,000</b>	<b>4,779,263</b>	<b>(10,065,024)</b>	<b>178,578,344</b>

The goodwill included a negative goodwill of HK\$18,236,237 (2000: HK\$18,236,237).

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.

**23. RESERVES (Continued)**

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.

Note a

	HK\$
Profit for the year ended 31st December, 2000 – as original stated	20,236,882
Prior period adjustment on change of accounting policy – goodwill of associates written off (note 2)	(31,779,964)
<b>Loss for the year ended 31st December, 2000 – as restated</b>	<b>(11,543,082)</b>

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

	2001 HK\$	2000 HK\$
Contributed surplus	38,782,070	38,782,070
(Deficit) retained profits	(10,065,024)	14,359,224
	<b>28,717,046</b>	<b>53,141,294</b>

**24. DEFERRED TAXATION**

	THE GROUP	
	2001 HK\$	2000 HK\$
Balance at beginning of the year	7,295,128	5,998,933
Charge for the year (note 10)	(422,199)	1,296,195
<b>Balance at end of the year</b>	<b>6,872,929</b>	<b>7,295,128</b>

## NOTES TO THE FINANCIAL STATEMENTS For the year ended 31st December, 2001

**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	
	2001 HK\$	2000 HK\$	2001 HK\$	2000 HK\$
<b>THE GROUP</b>				
Tax effect of timing differences because of:				
Excess of tax allowances over depreciation	<b>6,872,929</b>	7,295,128	<b>197,024</b>	158,019
Tax losses	–	–	<b>(27,798,942)</b>	(26,346,726)
	<b>6,872,929</b>	7,295,128	<b>(27,601,918)</b>	(26,188,707)

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	
	2001 HK\$	2000 HK\$
Tax effect of timing differences because of:		
Difference between tax allowances and depreciation	<b>39,005</b>	(33,487)
Tax losses arising	<b>(1,452,216)</b>	(2,289,134)
	<b>(1,413,211)</b>	(2,322,621)

The Company had no significant unprovided deferred taxation at 31st December, 2001 and 2000 and for the years then ended.

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

	2001 HK\$	2000 HK\$
Profit before taxation	7,906,123	2,764,013
Share of losses of associates	2,826,434	2,684,187
Impairment loss of property, plant and equipment	6,000,000	–
Impairment loss of investments in securities	2,749,005	113,194
Gain on deemed disposal of an associate	(4,525,766)	–
Goodwill of associates written off	103,200	31,779,964
Depreciation and amortisation	34,149,949	35,581,615
Dividend income	–	(831,211)
Gain on disposal of other investment	–	(839,224)
Loss on disposal of property, plant and equipment	3,690,431	294,436
Provision on bad and doubtful debt	4,512,601	2,265,671
Interest on bank borrowings	6,016,728	9,066,761
Finance lease charges	1,139,556	1,330,340
Interest income	(1,002,391)	(1,555,459)
Unrealised holding gain on other investments	(7,618,805)	–
Decrease in properties held for resale	–	536,000
Decrease in inventories	17,055,428	9,197,504
Decrease in debtors and prepayments	6,624,505	11,022,713
Decrease in amount due from an associate	–	67,982
(Decrease) increase in amounts due to associates	(10,102)	4,067,688
Decrease in creditors, bills payable and accrued charges	(7,943,758)	(2,244,511)
Effect of foreign exchange rate changes	1,766,631	753,431
<b>Net cash inflow from operating activities</b>	<b>73,439,769</b>	<b>106,055,094</b>

## NOTES TO THE FINANCIAL STATEMENTS For the year ended 31st December, 2001

**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, 2000	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
<b>At 31st December, 2000</b>	<b>192,789,664</b>	<b>17,741,583</b>	<b>1,557,891</b>	<b>65,787,132</b>
Inception of finance lease contracts	–	6,841,498	–	–
Repayments of borrowings	–	(9,843,762)	(1,003,492)	–
Minority interests' share of profit for the year	–	–	–	241,175
Dividends paid to minority shareholders of subsidiaries	–	–	–	(3,748,051)
<b>At 31st December, 2001</b>	<b>192,789,664</b>	<b>14,739,319</b>	<b>554,399</b>	<b>62,280,256</b>

**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\$6,841,498 (2000: HK\$14,521,743).

During the year, the Group exchanged its 25.08% interest in ProSticks.com Limited for a 18.81% interest in ProSticks International Holdings Limited, a company listed in the GEM Board of the Stock Exchange of Hong Kong Limited. The carrying amount of the interest in ProSticks International Holdings Limited was approximately HK\$5,251,000 at the time of the share exchange.

**28. ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS**

	2001 HK\$	2000 HK\$
Short term bank deposits	19,096,911	7,617,163
Bank balances and cash	12,176,336	12,223,502
Import loans and export loans	(33,214,465)	(48,881,296)
Bank overdrafts	(205,604)	(71,905)
	<b>(2,146,822)</b>	<b>(29,112,536)</b>

**29. PLEDGE OF ASSETS**

Certain of the Group's property, plant and equipment with carrying value of approximately HK\$25 million (2000: HK\$26 million) have been pledged to banks to secure banking facilities granted to subsidiaries.

Besides, the Group's bank deposit of approximately HK\$2.6 million (2000: HK\$2.5 million) has been pledged to a bank to secure banking facilities granted to a subsidiary.

**30. CONTINGENT LIABILITIES**

	THE GROUP		THE COMPANY	
	2001 HK\$	2000 HK\$	2001 HK\$	2000 HK\$
Export bills discounted with recourse	40,174,624	25,264,653	-	-
Guarantees given to bankers in respect of banking facilities utilised by subsidiaries	-	-	33,959,004	49,921,306
	<b>40,174,624</b>	<b>25,264,653</b>	<b>33,959,004</b>	<b>49,921,306</b>



## NOTES TO THE FINANCIAL STATEMENTS For the year ended 31st December, 2001

**31. CAPITAL COMMITMENTS**

	<b>THE GROUP</b>	
	<b>2001</b>	2000
	<b>HK\$</b>	HK\$
Capital expenditure in respect of acquisition of property, plant and equipment contracted for but not provided in the financial statements	<b>18,910,975</b>	24,040,313
Capital expenditure in respect of acquisition of property, plant and equipment authorised but not contracted for	<b>1,550,000</b>	6,027,200

In addition, two subsidiaries of the Group are committed to contribute approximately HK\$18,268,930 (2000: HK\$18,568,320) in respect of unpaid investments in their subsidiaries.

The Company did not have any capital commitments at 31st December, 2001 or 2000.

**32. OPERATING LEASE COMMITMENTS**

At the balance sheet date, the Group had future minimum payments under non-cancellable operating leases in respect of rented properties which fall due as follows:

	<b>THE GROUP</b>		<b>THE COMPANY</b>	
	<b>2001</b>	2000	<b>2001</b>	2000
	<b>HK\$</b>	HK\$	<b>HK\$</b>	HK\$
Within one year	<b>18,383,340</b>	20,855,044	<b>960,000</b>	960,000
In the second to fifth years inclusive	<b>46,671,296</b>	56,689,902	–	–
Over five years	<b>8,553,312</b>	14,232,000	–	–
	<b>73,607,948</b>	91,776,946	<b>960,000</b>	960,000

Leases are negotiated for a term of one to ten years and rentals are fixed for the leased period.

**33. RELATED PARTY TRANSACTIONS**

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

	<b>Rental paid to related party</b>	
	<b>2001</b>	2000
	<b>HK\$</b>	HK\$
Related company	<b>960,000</b>	960,000

### 33. RELATED PARTY TRANSACTIONS (Continued)

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. PENSION SCHEME

#### 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 charged to income statement 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, no (2000: HK\$630,762) 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\$75,000 (2000: HK\$ HK\$777,000).

#### 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 Scheme was frozen at 30th November, 2000 and nil contributions was made to the Scheme after that date. In December 2000, the Group had joined the Mandatory Provident Fund Scheme under the rules and regulations of the Mandatory Provident Fund Authority.

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. With the frozen of the Scheme on 30th November, 2000, no further actuarial assessment have been done. At 31st December, 2001, the market value of the assets of the scheme was HK\$3,675,000 (2000: HK\$9,655,000), and the market value of the assets was sufficient to cover 153% of the benefits that had accrued to members.

## NOTES TO THE FINANCIAL STATEMENTS For the year ended 31st December, 2001

**35. SUBSIDIARIES**

Details of the Company's subsidiaries at 31st December, 2001 are as follows:

<b>Name of company</b>	<b>Place of incorporation/ registration</b>	<b>Nominal value of issued/ registered capital</b>	<b>Attributable equity interest to the Group</b>	<b>Principal activities</b>
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% note (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
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

## 35. SUBSIDIARIES (Continued)

Name of company	Place of incorporation/ registration	Nominal value of issued/ registered capital	Attributable equity interest to the Group	Principal activities
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% <i>note (i)</i>	Inactive
Home Mart Store Limited	Hong Kong	Ordinary – HK\$5,000,000	100%	Inactive
Islandcan Limited	Hong Kong	Ordinary – HK\$4,400,000 Deferred – HK\$3,600,000	100% <i>note (i)</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 PRC
東莞五洲制罐廠有限公司	PRC	HK\$30,000,000	<i>note (ii)</i>	Tin-plate printing
東莞嘉利美商家庭用品有限公司	PRC	HK\$26,850,000	<i>note (iii)</i>	Production of consumer home products
天津嘉田印鐵有限公司	PRC	RMB7,500,000	60%	Tin-plate printing

## 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 substantial sum of amount 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 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, 2001, approximately HK\$18,168,930 registered capital has not been paid up.

**35. SUBSIDIARIES (Continued)**

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 debt capital subsisting at the end of the year or at any time during the year.

**36. ASSOCIATES**

Details of the Group's associates at 31st December, 2001 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
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 operate principally in their places of incorporation.

All the financial statements of the associates are not audited by Deloitte Touche Tohmatsu.