



INTERIM REPORT 2002

嘉利美商國際有限公司

**FRANKIE DOMINION
INTERNATIONAL LIMITED**

(Incorporated in Bermuda with limited liability)

CORPORATION INFORMATION

BOARD OF DIRECTORS

Mr. Lam Po Kwai, Frankie (*Chairman*)
Ms. Wong Yau Ching, Maria (*Vice Chairman*)
Ms. Lee Yuen Bing, Nina
Ms. So Man Yee, Katherine
Mr. Au Son Yiu (*Independent Non-Executive Director*)
Mr. Lee Johnson (*Independent Non-Executive Director*)
Ms. He Ling (*Non-Executive Director*)

AUDIT COMMITTEE

Mr. Lee Johnson
Mr. Au Son Yiu

COMPANY SECRETARY

Mr. Cheung Chiu Fan

COMPANY SOLICITORS

In Hong Kong
Sit, Fung, Kwong & Shum
Deacons

In Bermuda

Appleby, Spurling & Kempe

AUDITORS

Deloitte Touche Tohmatsu
Certified Public Accountants

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited
Hang Seng Bank Limited

SHARE REGISTERED AND TRANSFER OFFICE

In Hong Kong
Secretaries Limited

In Bermuda

Butterfield Corporate Services Limited

PRINCIPAL OFFICE IN HONG KONG

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Hong Kong
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Website: www.frankiedominion.com

REGISTERED OFFICE

Cedar House
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Hamilton HM12
Bermuda

RESULTS

The board of directors (the “Directors”) of Frankie Dominion International Limited (the “Company”) are pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively referred to as the “Group”), for the six months ended 30th June, 2002 with comparative figures for the corresponding period of 2001 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

		For the six months ended 30th June,	
		2002	2001
		(unaudited)	(unaudited)
	<i>Notes</i>	HK\$	HK\$
Turnover	3	440,119,881	455,711,715
Cost of sales		(373,634,970)	(377,742,320)
Gross profit		66,484,911	77,969,395
Other revenue		469,363	1,528,792
Distribution costs		(29,982,538)	(32,177,558)
Administrative expenses		(35,200,368)	(46,690,214)
Expenses for cessation of a general merchandise store		—	(3,146,714)
Impairment loss of investments in securities		—	(2,500,000)
Unrealized holding loss on other investments		(4,741,441)	—
Loss from operations	4	(2,970,073)	(5,016,299)
Finance costs	5	(1,857,849)	(4,025,109)
Goodwill of an associate written off		—	(103,200)
		(4,827,922)	(9,144,608)
Share of loss of associates		(461,631)	(1,658,807)
Loss before taxation		(5,289,553)	(10,803,415)
Taxation	6	—	(48,490)
Net loss after taxation		(5,289,553)	(10,851,905)
Minority interests		1,656,353	3,184,705
Loss attributable to shareholders		(3,633,200)	(7,667,200)
Interim dividend		—	4,779,263
Loss per share — basic	7	(0.76) Cent	(1.60) Cents

CONDENSED CONSOLIDATED BALANCE SHEET

		At 30th June, 2002 (unaudited) <i>HK\$</i>	At 31st December, 2001 (audited) <i>HK\$</i>
Non-current assets			
Property, plant and equipment	8	203,714,723	209,812,255
Interest in associates		2,607,379	8,040,577
Investments in securities		8,720,438	8,916,439
Club debenture		880,000	880,000
		215,922,540	227,649,271
Current assets			
Inventories		137,804,664	93,782,886
Amount due from associates		516,165	516,165
Debtors and prepayments	9	109,941,488	92,385,515
Investments in securities		8,128,187	12,869,628
Tax recoverable		2,615,172	1,379,268
Short term bank deposits		36,926,387	19,096,911
Short term pledged bank deposits		2,654,400	2,634,218
Bank balances and cash		11,155,634	12,176,336
		309,742,097	234,840,927
Current liabilities			
Creditors, bills payable and accrued charges	10	185,586,790	116,655,137
Amount due to an associate		—	4,943,134
Obligations under finance leases			
— due within one year		7,843,648	8,062,053
Bank borrowings			
— due within one year		47,621,943	33,974,468
		241,052,381	163,634,792
Net current assets		68,689,716	71,206,135
Total assets less current liabilities		284,612,256	298,855,406
Capital and reserves			
Share capital	11	47,792,629	47,792,629
Reserves	12	166,819,863	175,232,326
Total capital and reserves		214,612,492	223,024,955
Minority interests		60,623,902	62,280,256
Non-current liabilities			
Deferred taxation		6,872,929	6,872,929
Obligations under finance leases			
— due after one year		2,502,933	6,677,266
		9,375,862	13,550,195
		284,612,256	298,855,406

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	For the six months ended 30th June,	
	2002 (unaudited) HK\$	2001 (unaudited) HK\$
Net cash from operating activities	20,870,072	2,413,709
Net cash used in investing activities	(8,536,771)	(5,387,399)
Net cash from financing activities	4,671,628	11,563,605
Increase in cash and cash equivalents	17,004,929	8,589,915
Cash and cash equivalents at 1st January	31,067,643	19,768,760
Cash and cash equivalents at 30th June	48,072,572	28,358,675
Analysis of balances of cash and cash equivalents:		
Cash and cash equivalents as previously reported	—	(41,424,321)
Effect of reclassification of import loans and export loans	—	69,782,996
Cash and cash equivalents as restated	48,072,572	28,358,675
Being:		
Short term bank deposits	36,926,387	11,737,902
Bank balances and cash	11,155,634	17,704,910
Bank overdrafts	(9,449)	(1,084,137)
	48,072,572	28,358,675

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30th June, 2002

	Total equity (unaudited) HK\$
At 1st January, 2001	230,315,875
Net loss for the period	(7,667,200)
Final dividend for 2000 paid	<u>(9,558,526)</u>
At 30th June, 2001	213,090,149
Exchange differences on translation of overseas operations not recognised in income statement	1,022,617
Net profit for the period	13,691,452
Interim dividend for 2001 paid	<u>(4,779,263)</u>
At 31st December, 2001	223,024,955
Net loss for the period	(3,633,200)
Final dividend for 2001 paid	<u>(4,779,263)</u>
At 30th June, 2002	<u><u>214,612,492</u></u>

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

1. Basis of preparation

The condensed financial statements of the Group for the six months ended 30th June, 2002 have been prepared in accordance with the Statement of Standard Accounting Practice (“SSAP”) No. 25 “Interim financial reporting” issued by the Hong Kong Society of Accountants and with the applicable disclosure requirement of Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

2. Principal accounting policies

The principal accounting policies used in the preparation of the condensed financial statements are consistent with those adopted by the Group in its financial statements for the year ended 31st December, 2001 except adoption of the following which are effective for the accounting periods commencing on or after 1st January, 2002.

SSAP 1 (revised)	:	Presentation of financial statements
SSAP 11 (revised)	:	Foreign currency translation
SSAP 15 (revised)	:	Cash flow statements
SSAP 34	:	Employee benefits

The adoption of these SSAPs has resulted in a change in the format of presentation of the cash flow statement and the statement of changes in equity, but has had no significant effect on the results for the current or prior accounting period. Accordingly, no prior period adjustment has been required.

The condensed financial statements of the Group for the six months ended 30th June, 2002 are unaudited and have been reviewed by the Audit Committee of the Company.

Certain comparative figures have been reclassified to conform with the current period's presentation.

3. Turnover

Turnover represents the net amounts received and receivables for goods sold by the Group to outside customers, less returns and allowance for the six months ended 30th June, 2002, and is analysed as follows:

	For the six months ended 30th June,	
	2002	2001
	(unaudited)	(unaudited)
	HK\$	HK\$
Continuing operations:		
Sale of household and consumer products	440,119,881	453,820,372
Discontinued operations:		
Operating of a general merchandise store	—	1,891,343
	<u>440,119,881</u>	<u>455,711,715</u>

Business segments

The Group is mainly engaged in trading, manufacturing and sale of household and consumer products and operates 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

Segment information about these businesses is presented below.

Unaudited income statement for the six months ended 30th June, 2002

	Trading	Manufacturing of household	Manufacturing — others	General merchandise store	Consolidation
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
Turnover					
External sales	<u>55,937,964</u>	<u>64,462,142</u>	<u>319,719,775</u>	<u>—</u>	<u>440,119,881</u>
Results					
Segment results	<u>2,882,917</u>	<u>14,593,671</u>	<u>19,025,786</u>	<u>—</u>	36,502,374
Unallocated income and expenses					(34,731,006)
Unrealised holding loss on other investments					<u>(4,741,441)</u>
Loss from operations					(2,970,073)
Finance costs					(1,857,849)
Share of losses of associates					<u>(461,631)</u>
Loss before taxation					(5,289,553)
Taxation					<u>—</u>
Loss after taxation					<u><u>(5,289,553)</u></u>

Unaudited income statement for the six months ended 30th June, 2001

	Trading	Manufacturing of household	Manufacturing — others	General merchandise store	Consolidation
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
Turnover					
External sales	<u>67,905,327</u>	<u>73,331,248</u>	<u>312,583,797</u>	<u>1,891,343</u>	<u>455,711,715</u>
Results					
Segment results	<u>3,548,895</u>	<u>19,813,719</u>	<u>22,346,671</u>	<u>82,552</u>	45,791,837
Unallocated income and expenses					(45,161,422)
Expenses for cessation of a general merchandise store				(3,146,714)	(3,146,714)
Impairment loss of investments in securities					<u>(2,500,000)</u>
Loss from operations					(5,016,299)
Finance costs					(4,025,109)
Goodwill of associates written off					(103,200)
Share loss of associates					<u>(1,658,807)</u>
Loss before taxation					(10,803,415)
Taxation					(48,490)
Loss after taxation					<u><u>(10,851,905)</u></u>

Geographical segments

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

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

	For the six months ended 30th June,	
	2002	2001
	(unaudited)	(unaudited)
	<i>HK\$</i>	<i>HK\$</i>
Geographical market		
North America	170,526,312	174,800,546
Holland	62,066,712	93,735,545
Germany	60,158,569	37,023,065
United Kingdom	43,280,738	39,176,113
France	37,613,652	36,140,462
Other European countries	26,945,089	25,285,029
Hong Kong	17,743,076	18,120,096
Australia	10,734,213	12,248,494
China	4,882,305	6,655,833
Others	6,169,215	12,526,532
	<u>440,119,881</u>	<u>455,711,715</u>

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 carried out in Hong Kong which ceased operation on 1st March, 2001.

4. Loss from operations

Loss from operations has been arrived at after charging (crediting):

	For the six months ended 30th June,	
	2002	2001
	(unaudited)	(unaudited)
	<i>HK\$</i>	<i>HK\$</i>
Depreciation and amortisation	14,901,760	16,008,921
Gain on disposal of property, plant and equipment	(18,619)	(439,035)
Operating lease payments in respect of rented properties	9,036,821	12,354,384
Provision for bad and doubtful debts	—	2,000,464
	<u>—</u>	<u>2,000,464</u>

5. Finance costs

	For the six months ended 30th June,	
	2002	2001
	(unaudited)	(unaudited)
	HK\$	HK\$
Interest on:		
Bank borrowings wholly repayable within five years	1,828,263	3,355,355
Obligations under finance leases	29,586	669,754
	<u>1,857,849</u>	<u>4,025,109</u>

6. Taxation

	For the six months ended 30th June,	
	2002	2001
	(unaudited)	(unaudited)
	HK\$	HK\$
Hong Kong profits tax	—	—
Share of taxation of an associate	—	48,490
Overseas taxation	—	48,490
	<u>—</u>	<u>48,490</u>

No provision for profit tax is payable by the Group since the Group had no assessable profit for the period. Profits tax for 2001 was calculated at the rate of 16% on the estimated assessable profit for that period.

7. Loss per share

The calculation of basic loss per share is based on the loss attributable to shareholders for the period of HK\$3,633,200 (2001: HK\$7,667,200) and the weighted average of 477,926,292 (2001: 477,926,292) shares in issue during the period.

No diluted loss per share is shown as there is no dilutive effect on the loss per share for the six months ended 30th June, 2001 and 30th June, 2002.

8. Property, plant and equipment

During the period, the Group spent approximately HK\$8,908,000 (2001: HK\$13,454,000) on additions to property, plant and equipment to upgrade its manufacturing capabilities.

9. Debtors and prepayments

	30th June, 2002 (unaudited) HK\$	31st December, 2001 (audited) HK\$
Trade debtors	80,769,925	73,536,819
Bills receivable	15,297,452	3,732,208
Other debtors and prepayments	13,874,111	15,116,488
	<u>109,941,488</u>	<u>92,385,515</u>

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:

	30th June, 2002 (unaudited) HK\$	31st December, 2001 (audited) HK\$
0 — 60 days	77,277,999	67,518,069
61 — 90 days	2,956,304	2,348,709
> 90 days	535,622	3,670,041
	<u>80,769,925</u>	<u>73,536,819</u>

10. Creditors, bills payable and accrued charges

	30th June, 2002 (unaudited) HK\$	31st December, 2001 (audited) HK\$
Trade creditors	79,892,862	62,821,936
Bills payable	64,671,575	14,818,966
Other creditors and accrued charges	41,022,353	39,014,235
	<u>185,586,790</u>	<u>116,655,137</u>

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

	30th June, 2002 (unaudited) HK\$	31st December, 2001 (audited) HK\$
0 — 60 days	63,950,871	46,668,905
61 — 90 days	13,811,555	13,161,899
> 90 days	2,130,436	2,991,132
	<u>79,892,862</u>	<u>62,821,936</u>

11. Share capital

There were no movements in the share capital of the Company during the period from 1st January, 2002 to 30th June, 2002.

	Number of ordinary shares of HK\$0.10 each		Nominal value	
	30th June, 2002 (unaudited)	31st December, 2001 (audited)	30th June, 2002 (unaudited) HK\$	31st December, 2001 (audited) HK\$
Authorised:				
Ordinary shares of HK\$0.1 each	<u>1,000,000,000</u>	1,000,000,000	<u>100,000,000</u>	100,000,000
Issued and fully paid:				
Ordinary share of HK\$0.1 each	<u>477,926,292</u>	477,926,292	<u>47,792,629</u>	47,792,629

12. Reserves

	Share premium HK\$	Goodwill HK\$	Translation reserve HK\$	Capital redemption reserve HK\$	Dividend reserve HK\$	Retained profits HK\$	Total HK\$
At 1st January,							
2001	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 period	—	—	—	—	—	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)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
At 31st December,							
2001	144,997,035	(42,196,793)	1,295,807	85,000	4,779,263	66,272,014	175,232,326
Loss for the period	—	—	—	—	—	(3,633,200)	(3,633,200)
Final dividend for 2001 paid	—	—	—	—	(4,779,263)	—	(4,779,263)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
At 30th June, 2002	<u>144,997,035</u>	<u>(42,196,793)</u>	<u>1,295,807</u>	<u>85,000</u>	<u>—</u>	<u>62,638,814</u>	<u>166,819,863</u>

13. Contingent liabilities

	30th June, 2002 (unaudited) HK\$	31st December, 2001 (audited) HK\$
Export bills discounted with recourse	<u>30,008,011</u>	<u>40,174,624</u>

14. Capital commitments

	30th June, 2002 (unaudited) HK\$	31st December, 2001 (audited) HK\$
Capital expenditure in respect of acquisition of property, plant and equipment contracted for but not provided in the financial statements	<u>—</u>	<u>18,910,975</u>
Capital expenditure in respect of acquisition of property, plant and equipment authorised but not contracted for	<u>—</u>	<u>1,550,000</u>

INTERIM DIVIDEND

The directors have resolved not to pay any interim dividend for the six months ended 30th June, 2002 (2001: HK\$0.01 per share).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Turnover of the Group for the six months ended 30th June, 2002 decreased from HK\$455,711,000 last year to HK\$440,119,000 this year, representing a slight decrease of approximately 3.42% due to a slowdown in the global economic environment. The Group's unaudited loss attributable to shareholders reduced to HK\$3,633,200 when compared with the loss of HK\$7,667,200 for the previous corresponding period. Loss per share also reduced to HK\$0.0076 from HK\$0.016 in 2001.

The management had anticipated the continuation of the slowing down of the world's major economies in 2002 and thus strengthened its precautionary strategy to implement a series of measures to tighten factory overhead control, enhance productivity and reduce wastages. During the period, the Group also strengthened its liquidity and financial position through a decrease in inventories level, trade receivables and bank borrowings. The loss attributable for the period was mainly due to a loss in operation from non wholly-owned subsidiary and unrealized holding loss on investments.

Bigfield Goldenford Holdings Limited

Bigfield Goldenford Holdings Limited, a 62.50% subsidiary of the Group, recorded a half year turnover of HK\$315,592,000, a slight increase of 2.88% from that of the previous corresponding period. Net loss for the period reduced to approximately HK\$4.15 million from HK\$8.5 million in the same period of last year.

Frankie Dominion (Holdings) Limited

Frankie Dominion (Holdings) Limited has recorded a decline in business operations. Turnover decreased by 18.40% amounting to HK\$133,980,000 in the first half of this year as compared with the same period in 2001.

Interest Expenses

As a result of lower bank borrowings, interest expenses reduced to 0.42% in the first half of 2002 compared with 0.88% of the Group's turnover as at 30th June, 2001.

Provisions for bad and doubtful debt

No provision was made for the period. In the corresponding period of 2001, HK\$2 million was being provided.

Charges on assets

There has been no material change in the charges on the Group's assets since 31st December, 2001.

LIQUIDITY AND FINANCIAL RESOURCES

Net current assets and current ratio were HK\$71,206,135 and 1.44:1 as at 31st December, 2001 and HK\$68,689,716 and 1.28:1 as at 30th June, 2002. A slight decrease in net current assets is largely due to an increase in trade creditors and bills payable.

The Group's gearing ratio was reduced from 6.64% as at 31st December, 2001 to 3.37% as at 30th June, 2002, which was calculated based on the net borrowings of HK\$7,232,103 (31st December, 2001: HK\$14,806,322) and the shareholders' funds of HK\$214,612,492 (31st December, 2001: HK\$223,024,955).

As at 30th June, 2002, the Group does not engage in foreign currency speculation or any financial instrument used for hedging purposes.

The Group generally finances its business with internally generated cash flows and revolving credit facilities provided by the Group's principal bankers. With net current assets of HK\$68,689,716 the management believes that the Group has sufficient financial resources to discharge its debts and to finance its daily operations and capital expenditure.

EMPLOYEES AND REMUNERATION

As at 30th June, 2002, the Group had approximately 9,600 (31st December, 2001: 9,800) employees. Less than 200 staff are stationed in Hong Kong and the rest are PRC workers. Employees are remunerated according to the nature of the job and market trend, with built-in merit component incorporated in the annual increment and year end performance bonus and share option scheme to reward and motivate individual performance.

PROSPECTS

The global economy recovery is still uncertain. In this difficult operating environment, the Group will focus on stringent cost control and continue to strengthen the competitiveness of business operations. In addition, the Group will explore business opportunities in Mainland China to pave the way for future growth. The management are optimistic that the Group should have a better performance in the second half of the year.

SHARE OPTION SCHEME

At the annual general meeting of the Company held on 31st May, 2002, shareholders of the Company approved the termination of the share option scheme adopted by the Company on 1st June, 2001 and the adoption of a New Share Option Scheme in compliance with the amended Chapter 17 of the Listing Rules. A summary of the principal terms of the New Share Option Scheme is contained in the circular dated 29th April, 2002 sent to the shareholders of the Company. No options were granted during the period.

AUDIT COMMITTEE

The Audit Committee has reviewed with management the accounting policies and practice adopted by the Group and discussed auditing, internal controls and financial reporting matters including a review of the interim financial statements for the period ended 30th June, 2002.

DIRECTORS' INTERESTS IN SHARES

As at 30th June, 2002, the beneficial interests of the directors and chief executive of the Company and their associates in the share capital of the Company which have been disclosed to The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and the Company under section 28 of the Securities (Disclosure of Interests) Ordinance (including interests which they are deemed or taken to have under section 31 or Part I of the Schedule to that Ordinance) and which have been registered by the Company under section 29 of the said Ordinance or were required pursuant to the Model Code for Securities Transactions by Directors of Listed Companies to be notified to the Company and the Stock Exchange were as follows:

Name of directors	Number of shares held	
	Personal interests	Corporate interests
Lam Po Kwai Frankie	63,135,785	104,729,411(a)
Wong Yau Ching Maria	19,073,433	—
Lee Yuen Bing Nina	10,867,059	24,367,798(b)
So Man Yee Katherine	737,045	—
Au Son Yiu	1,433,660	—

Notes:

- (a) These shares are held through Carrson Holdings Investment Limited and Frankfort Capital Investment Limited, both of which are companies beneficially owned by Mr. Lam Po Kwai Frankie.
- (b) These shares are held through Joint Admin Benefit Corporation Limited, a company beneficially owned by Ms. Lee Yuen Bing Nina.

SUBSTANTIAL SHAREHOLDERS' INTEREST

As at 30th June, 2002, according to the register of interests kept by the Company under section 16(1) of the SDI Ordinance, other than the interests in Shares disclosed above in respect of the Directors and Chief Executive, there were no persons who, as at 30th June, 2002, were interested in 10% or more of the issued share capital of the Company.

CODE OF BEST PRACTICE

The Company has complied throughout the six months ended 30th June, 2002 with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

PURCHASE, SALE OR REDEMPTION OF OWN LISTED SECURITIES

During the period, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

By Order of the Board
Lam Po Kwai, Frankie
Chairman

Hong Kong, 13th September, 2002