

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2002

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. 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 material effect on the results for the current or prior accounting periods. Accordingly, no prior year adjustment has been required.

Foreign currencies

The revisions to SSAP 11 "Foreign Currency Transaction" have eliminated the choice of translating the income statements of overseas subsidiaries/associates at the closing rate for the year, the policy previously followed by the Group. They are now required to be translated at an average rate. This change in accounting policy has not had any material effect on the results for the current or prior accounting periods.

Cash flow statements

In the current year, the Group has adopted SSAP 15 (Revised) "Cash Flow Statements". Under SSAP 15 (Revised), cash flows are classified under three headings - operating, investing and financing, rather than the previous five headings. Interest paid, interest received and dividends paid, which were previously presented under a separate heading, are classified as operating, investing and financing cash flows respectively. Cash flows arising from taxes on income are classified as operating activities, unless they can be separately identified with investing or financing activities. In addition, the amounts presented for cash and cash equivalents have been amended to exclude short-term loans that are financing in nature. The re-definition of cash and cash equivalents has resulted in a restatement in the comparative amounts shown in the cash flow statement.

This change in accounting policy has not had any material effect on the results for the current or prior accounting periods.

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 any identified impairment loss.

Revenue recognition

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

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.

Property, plant and equipment

Property, plant and equipment are 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.

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 terms 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment

At each balance sheet date, the Group reviews the carrying amounts of its 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 loss is 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.

Investments 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 year.

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 terms of the relevant lease.

3. **SIGNIFICANT ACCOUNTING POLICIES** (Continued)

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 initially recorded at the rates of exchange prevailing 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 prevailing on the balance sheet date. Profits and losses arising on exchange are included in net profit or loss for the year.

On consolidation, the assets and liabilities of the Group's overseas operations are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the year. Exchange differences arising, if any, are classified as equity and transferred to the Group's translation reserve. Such translation differences are recognised as income or as expenses in the period in which the operation is disposed of.

Retirement benefit cost

Payment to state-managed retirement benefit schemes and the Mandatory Provident Fund Scheme are charged as an expenses as they fall due.

4. TURNOVER

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

	2002	2001
	HK\$	HK\$
Continuing operations:		
Sale of household and consumer products	1,019,928,764	995,177,315
Discontinued operations:		
Operating of a general merchandise store	—	1,891,343
	1,019,928,764	997,068,658

5. BUSINESS AND GEOGRAPHICAL SEGMENTS**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 — household products	—	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, 2002

5. **BUSINESS AND GEOGRAPHICAL SEGMENTS** (Continued)**Business segments** (Continued)**INCOME STATEMENT FOR THE YEAR ENDED 31ST DECEMBER, 2002**

	Trading HK\$	Manufacturing – household products HK\$	Manufacturing – others HK\$	Other operations HK\$	Consolidated HK\$
TURNOVER					
External sales	123,633,431	136,842,027	759,453,306	—	1,019,928,764
RESULTS					
Segment results	5,501,504	44,672,037	44,208,408	—	94,381,949
Unallocated income and expenses					(69,974,457)
Impairment loss recognised in respect of property, plant and equipment					(1,000,000)
Impairment loss recognised in respect of investment securities					(2,500,000)
Unrealised holding loss on other investments					(9,272,277)
Net loss in a fire	—	—	(4,344,703)	—	(4,344,703)
Profit from operations					7,290,512
Finance costs					(4,037,910)
Share of losses of associates					(927,977)
Profit before taxation					2,324,625
Taxation					(1,255,977)
Profit after taxation					1,068,648

5. BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)**Business segments** (Continued)**BALANCE SHEET AS AT 31ST DECEMBER, 2002**

	Trading HK\$	Manufacturing – household products HK\$	Manufacturing – others HK\$	Other operations HK\$	Consolidated HK\$
ASSETS					
Segment assets	57,546,604	63,694,698	353,496,289	20,502,262	495,239,853
Interests in associates					2,116,597
Unallocated corporate assets					<u>1,109,932</u>
Consolidated total assets					<u>498,466,382</u>
LIABILITIES					
Segment liabilities	17,754,044	19,650,829	109,059,238	38,561	146,502,672
Unallocated corporate liabilities					<u>70,538,718</u>
Consolidated total liabilities					<u>217,041,390</u>

NOTES TO THE FINANCIAL STATEMENTS For the year ended 31st December, 2002

5. **BUSINESS AND GEOGRAPHICAL SEGMENTS** (Continued)**Business segments** (Continued)**OTHER INFORMATION FOR THE YEAR ENDED 31ST DECEMBER, 2002**

	Trading HK\$	Manufacturing – household products HK\$	Manufacturing – others HK\$	Other operations HK\$	Consolidated HK\$
Capital additions	1,916,162	2,120,879	11,770,567	—	15,807,608
Depreciation and amortisation	3,662,108	4,053,356	22,495,532	176,219	30,387,215
Impairment loss recognised in respect of property, plant and equipment	—	—	—	1,000,000	1,000,000
Impairment loss recognised in respect of investment securities	—	—	—	2,500,000	2,500,000
Loss on disposal of property, plant and equipment	—	62,540	—	—	62,540
Allowance for bad and doubtful debts	—	—	75,796	—	75,796

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

INCOME STATEMENT FOR THE YEAR ENDED 31ST DECEMBER, 2001

	Trading HK\$	Manufacturing – household products HK\$	Manufacturing – others HK\$	Discontinued general merchandise store HK\$	Other operations HK\$	Consolidated 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						(87,583,532)
Expenses for cessation of a general merchandise store	—	—	—	(4,790,152)	—	(4,790,152)
Impairment loss recognised in respect of property, plant and equipment						(6,000,000)
Impairment loss recognised in respect of 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

NOTES TO THE FINANCIAL STATEMENTS For the year ended 31st December, 2002

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

BALANCE SHEET AS AT 31ST DECEMBER, 2001

	Trading HK\$	Manufacturing – household products HK\$	Manufacturing – others HK\$	Discontinued general merchandise store HK\$	Other operations HK\$	Consolidated HK\$
ASSETS						
Segment assets	60,617,638	60,626,125	298,970,195	66,994	32,789,401	453,070,353
Interests in associates						8,040,577
Unallocated corporate assets						<u>1,379,268</u>
Consolidated total assets						<u>462,490,198</u>
LIABILITIES						
Segment liabilities	17,535,882	17,538,338	86,488,130	10,000	25,921	121,598,271
Unallocated corporate liabilities						<u>55,586,716</u>
Consolidated total liabilities						<u>177,184,987</u>

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

OTHER INFORMATION FOR THE YEAR ENDED 31ST DECEMBER, 2001

	Trading HK\$	Manufacturing — household products HK\$	Manufacturing — others HK\$	Discontinued general merchandise store HK\$	Other operations HK\$	Consolidated 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
Impairment loss recognised in respect of property, plant and equipment	—	—	—	—	6,000,000	6,000,000
Impairment loss recognised in respect of investment securities	—	—	—	—	2,749,005	2,749,005
Loss (gain) on disposal of property, plant and equipment	—	320,861	(424,301)	3,793,871	—	3,690,431
Allowance for bad and doubtful debts	—	—	4,512,601	—	—	4,512,601

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, irrespective of the origin of the goods.

Geographical market	Sales revenue by geographical market	
	Year ended	Year ended
	31.12.2002	31.12.2001
	HK\$	HK\$
North America	426,656,273	386,234,207
Holland	129,398,359	176,328,627
Germany	118,747,122	89,283,378
United Kingdom	109,582,576	104,380,416
France	70,428,966	75,433,983
Other European countries	66,602,504	59,168,031
Hong Kong	43,330,259	42,131,149
Australia	27,231,066	31,893,691
PRC	13,048,545	13,277,242
Others	14,903,094	18,937,934
	1,019,928,764	997,068,658

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 31.12.2002 HK\$	At 31.12.2001 HK\$	Year ended 31.12.2002 HK\$	Year ended 31.12.2001 HK\$
Hong Kong	196,930,002	190,505,660	735,913	1,813,038
PRC	291,131,906	260,974,765	15,071,695	21,117,656
Canada	10,404,474	11,009,773	—	—
	498,466,382	462,490,198	15,807,608	22,930,694

6. OTHER OPERATING INCOME

	2002 HK\$	2001 HK\$
Interest income on bank deposits	570,001	1,002,391
Rental income	155,800	888,057
Sundry income	961,430	891,345
	1,687,231	2,781,793

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, 2001 are set out in note 5 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS For the year ended 31st December, 2002

8. NET LOSS IN A FIRE

	HK\$
Written off, property, plant and equipment	1,972,019
Written off, inventories	9,300,000
Repair costs	2,388,571
Amount recovered from insurance company	(9,315,887)
	<u>4,344,703</u>

9. PROFIT FROM OPERATIONS

	2002 HK\$	2001 HK\$
Profit from operations has been arrived at after charging:		
Auditors' remuneration		
Charge for the year	1,052,455	1,134,805
Underprovided in prior year	—	31,370
	<u>1,052,455</u>	<u>1,166,175</u>
Depreciation and amortisation:		
Owned assets	25,863,956	28,614,777
Assets held under finance leases	4,523,259	5,535,172
Loss on disposals of property, plant and equipment	62,540	3,690,431
Operating lease payments in respect of rented properties	17,937,376	21,790,385
Allowance for bad and doubtful debts	75,796	4,512,601
Staff costs:		
Directors' remuneration (note)	6,655,600	7,174,100
Other staff salaries and allowances and benefits	122,814,553	128,400,818
Other staff retirement scheme contributions	3,147,787	1,290,494
	<u>132,617,940</u>	<u>136,865,412</u>
and after crediting:		
Exchange gain	1,060,738	3,549,035
Net rental income, net of outgoings of nil (2001: HK\$183,110)	155,880	704,947

9. PROFIT FROM OPERATIONS (Continued)

Note:

Information regarding directors' and employees' emoluments

	2002	2001
	HK\$	HK\$
Directors		
Fees to non-executive directors	450,000	540,000
Other emoluments to executive directors:		
Salaries and other benefits	4,820,000	4,820,000
Performance related incentive payments	1,241,000	1,669,500
Retirement scheme contributions	144,600	144,600
	6,205,600	6,634,100
	6,655,600	7,174,100

The amounts disclosed above include directors' fees of HK\$360,000 (2001: HK\$360,000) payable to independent non-executive directors.

Emoluments of the directors were within the following bands:

	Number of directors	
	2002	2001
Nil — HK\$1,000,000	5	6
HK\$2,000,001 — HK\$2,500,000	2	1
HK\$2,500,001 — HK\$3,000,000	—	1

Employees

The five highest paid individuals of the Group included two (2001: 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:

	2002	2001
	HK\$	HK\$
Salaries and other benefits	4,774,000	4,584,000
Retirement scheme contributions	104,300	89,400
	4,878,300	4,673,400

NOTES TO THE FINANCIAL STATEMENTS For the year ended 31st December, 2002

9. PROFIT FROM OPERATIONS (Continued)

Note: (Continued)

Emoluments of these remaining three (2001: three) highest paid employees were within the following bands:

	Number of employees	
	2002	2001
HK\$1,000,001 — HK\$1,500,000	2	2
HK\$2,500,001 — HK\$3,000,000	1	1

10. FINANCE COSTS

	2002	2001
	HK\$	HK\$
Interest on:		
Bank borrowings wholly repayable within five years	3,552,462	6,016,728
Obligations under finance leases	485,448	1,139,556
	4,037,910	7,156,284

11. TAXATION

	2002	2001
	HK\$	HK\$
The Company and its subsidiaries:		
Hong Kong Profits Tax		
Current year	1,398,903	2,357,222
Overprovision in prior years	(68)	(339,844)
Deferred taxation (note 26)	(177,899)	(422,199)
	1,220,936	1,595,179
Share of taxation of an associate		
Overseas taxation	35,041	45,517
	1,255,977	1,640,696

Hong Kong Profits Tax is calculated at 16% (2001: 16%) of the estimated assessable profit for the year.

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

12. DIVIDENDS

	2002	2001
	HK\$	HK\$
Interim dividend paid, nil (2001: 1 cent) per share	—	4,779,263
Final dividend proposed, 1 cent (2001: 1 cent) per share	4,779,263	4,779,263
	4,779,263	9,558,526

13. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on net profit for the year of HK\$1,323,201 (2001: HK\$6,024,252) and 477,926,292 (2001: 477,926,292) shares in issue during the year.

The computation of diluted earnings per share for 2001 had not assumed the exercise of share options because the exercise prices of the Company's outstanding share options were higher than the fair value per share for 2001.

NOTES TO THE FINANCIAL STATEMENTS For the year ended 31st December, 2002

14. 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, 2002	101,489,311	13,266,247	102,643,847	9,258,503	265,212,640	491,870,548
Currency realignment	113,701	—	—	—	—	113,701
Additions	5,209,891	891,674	2,386,903	696,387	6,622,753	15,807,608
Write off	—	—	(4,037,988)	—	(598,572)	(4,636,560)
Disposals	—	—	(121,434)	(763,902)	—	(885,336)
At 31st December, 2002	106,812,903	14,157,921	100,871,328	9,190,988	271,236,821	502,269,961
DEPRECIATION, AMORTISATION AND IMPAIRMENT						
At 1st January, 2002	25,155,818	8,885,641	67,622,851	5,446,174	174,947,809	282,058,293
Currency realignment	12,351	—	—	—	—	12,351
Provided for the year	2,937,183	946,575	6,886,460	834,273	18,782,724	30,387,215
Impairment loss	1,000,000	—	—	—	—	1,000,000
Eliminated on write off	—	—	(2,191,417)	—	(473,124)	(2,664,541)
Eliminated on disposals	—	—	(35,507)	(630,925)	—	(666,432)
At 31st December, 2002	29,105,352	9,832,216	72,282,387	5,649,522	193,257,409	310,126,886
NET BOOK VALUES						
At 31st December, 2002	77,707,551	4,325,705	28,588,941	3,541,466	77,979,412	192,143,075
At 31st December, 2001	76,333,493	4,380,606	35,020,996	3,812,329	90,264,831	209,812,255

During the year, the directors reviewed the recoverable amount of a property relating to the general merchandise business which was ceased in 2001 with reference to the current market prices and concluded a further impairment of HK\$1,000,000 has to be made.

14. PROPERTY, PLANT AND EQUIPMENT (Continued)

	Motor vehicles HK\$
THE COMPANY	
COST	
At 1st January, 2002 and 31st December, 2002	1,262,761
DEPRECIATION	
At 1st January, 2002	1,259,764
Provided for the year	898
At 31st December, 2002	1,260,662
NET BOOK VALUES	
At 31st December, 2002	2,099
At 31st December, 2001	2,997

The property interests of the Group comprise:

	2002 HK\$	2001 HK\$
Freehold properties in Canada	9,857,409	9,932,278
Leasehold properties:		
— Held in Hong Kong, long leases	25,439,818	26,194,094
— Held in Hong Kong, medium-term leases	3,760,796	5,059,817
— Held outside Hong Kong, long leases	9,150,733	4,501,827
— Held outside Hong Kong, medium-term leases	29,498,795	30,645,477
	77,707,551	76,333,493

The net book value of property, plant and equipment of the Group includes an amount of HK\$18,093,040 (2001: HK\$22,616,299) in respect of assets held under finance leases.

NOTES TO THE FINANCIAL STATEMENTS For the year ended 31st December, 2002

15. INVESTMENTS IN SUBSIDIARIES

	THE COMPANY	
	2002	2001
	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, 2002 are set out in note 34.

16. INTERESTS IN ASSOCIATES

	THE GROUP		THE COMPANY	
	2002	2001	2002	2001
	HK\$	HK\$	HK\$	HK\$
Unlisted shares, at cost	—	—	11,490,000	11,490,000
Goodwill on acquisition of associate	—	103,200	—	—
Impairment loss recognised	—	(103,200)	(8,266,339)	(8,266,339)
Share of net assets	2,116,597	8,040,577	—	—
	2,116,597	8,040,577	3,223,661	3,223,661

Details of the Group's associates at 31st December, 2002 are set out in note 35.

17. INVESTMENTS IN SECURITIES

	THE GROUP		THE COMPANY	
	2002	2001	2002	2001
	HK\$	HK\$	HK\$	HK\$
Non-current assets				
Investment securities:				
Unlisted shares	5,530,000	8,916,439	5,530,000	8,030,000
Current assets				
Other investments:				
Listed equity securities	3,687,788	12,869,628	3,687,788	12,869,628
Unlisted shares	511,063	—	—	—
	4,198,851	12,869,628	3,687,788	12,869,628
	9,728,851	21,786,067	9,217,788	20,899,628
Market value of listed equity securities	3,687,788	12,869,628	3,687,788	12,869,628

18. INVENTORIES

	THE GROUP	
	2002	2001
	HK\$	HK\$
Raw materials	79,828,324	55,406,631
Work in progress	31,317,777	21,195,952
Finished goods	30,258,806	17,180,303
	141,404,907	93,782,886

The cost of inventories recognised as an expenses during the year was HK\$668,116,649 (2001: HK\$663,529,889).

NOTES TO THE FINANCIAL STATEMENTS For the year ended 31st December, 2002

19. DEBTORS AND PREPAYMENTS

	THE GROUP	
	2002 HK\$	2001 HK\$
Trade debtors	80,404,126	73,536,819
Bills receivable	1,762,269	3,732,208
Other debtors and prepayments	17,916,303	15,116,488
	100,082,698	92,385,515

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:

	2002 HK\$	2001 HK\$
0 — 60 days	65,215,315	67,518,069
61 — 90 days	8,993,850	2,348,709
> 90 days	6,194,961	3,670,041
	80,404,126	73,536,819

20. CREDITORS, BILLS PAYABLE AND ACCRUED CHARGES

	THE GROUP	
	2002 HK\$	2001 HK\$
Trade creditors	90,288,298	62,821,936
Bills payable	9,463,721	14,818,966
Other creditors and accrued charges	46,750,653	39,014,235
	146,502,672	116,655,137

20. CREDITORS, BILLS PAYABLE AND ACCRUED CHARGES (Continued)

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

	2002 HK\$	2001 HK\$
0-60 days	58,357,958	46,668,905
61-90 days	23,467,095	13,161,899
> 90 days	8,463,245	2,991,132
	90,288,298	62,821,936

21. OBLIGATIONS UNDER FINANCE LEASES

	THE GROUP			
	Minimum lease payments		Present value of minimum lease payments	
	2002 HK\$	2001 HK\$	2002 HK\$	2001 HK\$
Amounts payable under finance leases:				
Within one year	5,582,460	8,552,472	5,418,342	8,062,053
In the second to fifth year inclusive	1,273,501	6,872,249	1,259,555	6,677,266
	6,855,961	15,424,721	6,677,897	14,739,319
Less: Future finance charges	(178,064)	(685,402)	N/A	N/A
Present value of lease obligations	6,677,897	14,739,319	6,677,897	14,739,319
Less: Amount due for settlement within 12 months (shown under current liabilities)			(5,418,342)	(8,062,053)
Amount due for settlement after 12 months			1,259,555	6,677,266

It is the Group's policy to lease certain of its plant and equipment under finance leases. The average lease term is 3 years. For the year ended 31st December, 2002, the average effective borrowing rate was approximately 4.19% per annum. Interest rates are fixed at the contract date. All leases are on a fixed repayment basis and no arrangements 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.

NOTES TO THE FINANCIAL STATEMENTS For the year ended 31st December, 2002

22. BANK BORROWINGS

	THE GROUP	
	2002	2001
	HK\$	HK\$
Bank borrowings comprise the following:		
Import loans and export loans	56,985,888	33,214,465
Bank loans	—	554,399
Bank overdrafts	—	205,604
	56,985,888	33,974,468
Secured	14,656,918	19,037,831
Unsecured	42,328,970	14,936,637
	56,985,888	33,974,468

The bank borrowings bear interest at prevailing market rates and their balances are repayable within one year.

23. SHARE CAPITAL

	Number of ordinary shares of HK\$0.10 each 2002 & 2001	Nominal value 2002 & 2001 HK\$
Authorised:		
Ordinary shares of HK\$0.1 each	1,000,000,000	100,000,000
Issued and fully paid:		
At beginning of the year and at end of the year	477,926,292	47,792,629

At 31st December, 2002, no options to subscribe for share was outstanding under the Company's share option scheme.

24. SHARE OPTIONS SCHEME

Under the terms of the share option scheme adopted by the Company for the primary purpose of providing incentives to directors and eligible employees, the directors of the Company may, at their discretion, grant options to employees of the Group including executive directors of the Company to subscribe for shares.

During the year, there is no outstanding share option and no share options were granted or exercised during the year.

25. RESERVES

	Share premium HK\$	Goodwill HK\$	Contributed surplus HK\$	Translation reserve HK\$	Capital redemption reserve HK\$	Dividend reserve HK\$	Retained profits HK\$	Total HK\$
THE GROUP								
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 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)
At 1st January, 2002	144,997,035	(42,196,793)	—	1,295,807	85,000	4,779,263	66,272,014	175,232,326
Exchange adjustment	—	—	—	(169,604)	—	—	—	(169,604)
Profit for the year	—	—	—	—	—	—	1,323,201	1,323,201
Amount set aside for 2002 dividend	—	—	—	—	—	4,779,263	(4,779,263)	—
Final dividend for 2001 paid	—	—	—	—	—	(4,779,263)	—	(4,779,263)
At 31st December, 2002	144,997,035	(42,196,793)	—	1,126,203	85,000	4,779,263	62,815,952	171,606,660
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)
At 31st December, 2001	144,997,035	(42,196,793)	—	1,295,807	85,000	4,779,263	66,272,014	175,232,326
— The Company and subsidiaries	144,997,035	(42,196,793)	—	1,283,675	85,000	4,779,263	63,776,416	172,724,596
— Associates	—	—	—	(157,472)	—	—	(960,464)	(1,117,936)
At 31st December, 2002	144,997,035	(42,196,793)	—	1,126,203	85,000	4,779,263	62,815,952	171,606,660

NOTES TO THE FINANCIAL STATEMENTS For the year ended 31st December, 2002

25. RESERVES (Continued)

	Share premium HK\$	Goodwill HK\$	Contributed surplus HK\$	Translation reserve HK\$	Capital redemption reserve HK\$	Dividend reserve HK\$	Retained profits (deficit) HK\$	Total HK\$
THE COMPANY								
At 1st January, 2001	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)
At 1st January, 2002	144,997,035	—	29,223,544	—	85,000	4,779,263	(506,498)	178,578,344
Loss for the year	—	—	—	—	—	—	(6,392,460)	(6,392,460)
Amount set aside for 2002 dividend	—	—	(4,779,263)	—	—	4,779,263	—	—
Final dividend for 2001 paid	—	—	—	—	—	(4,779,263)	—	(4,779,263)
At 31st December, 2002	144,997,035	—	24,444,281	—	85,000	4,779,263	(6,898,958)	167,406,621

The goodwill included a negative goodwill of HK\$18,236,237 (2001: 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.

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.

25. RESERVES (Continued)

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

	2002 HK\$	2001 HK\$
Contributed surplus	24,444,281	29,223,544
Deficit	(6,898,958)	(506,498)
	17,545,323	28,717,046

26. DEFERRED TAXATION

	THE GROUP	
	2002 HK\$	2001 HK\$
Balance at beginning of the year	6,872,929	7,295,128
Charge for the year (note 11)	(177,899)	(422,199)
Balance at end of the year	6,695,030	6,872,929

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

	Provided		Unprovided	
	2002 HK\$	2001 HK\$	2002 HK\$	2001 HK\$
THE GROUP				
Tax effect of timing differences because of:				
Excess of tax allowances over depreciation	6,695,030	6,872,929	—	197,024
Tax losses	—	—	(27,839,882)	(27,798,942)
	6,695,030	6,872,929	(27,839,882)	(27,601,918)

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.

NOTES TO THE FINANCIAL STATEMENTS For the year ended 31st December, 2002

26. DEFERRED TAXATION *(Continued)*

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

	THE GROUP	
	2002	2001
	HK\$	HK\$
Tax effect of timing differences because of:		
Difference between tax allowances and depreciation	(197,024)	39,005
Tax losses arising	(40,940)	(1,452,216)
	(237,964)	(1,413,211)

The Company had no significant unprovided deferred taxation at 31st December, 2002 and 2001 and for the years then ended.

27. MAJOR NON-CASH TRANSACTION

During the year, the Group did not entered into any finance lease arrangements. In 2001, the Group entered into finance lease management in respect of assets with a total capital value at the inception of the leases of HK\$6,841,498.

During the year, the amount due to an associate of HK\$4,471,567 was offset with the share of net assets by the Group upon the dissolution of the associate.

28. PLEDGE OF ASSETS

Certain of the Group's property, plant and equipment with carrying value of approximately HK\$25 million (2001: HK\$25 million) have been pledged to banks to secure banking facilities granted to subsidiaries.

Besides, the Group's bank deposit of approximately HK\$2.7 million (2001: HK\$2.6 million) has been pledged to a bank to secure banking facilities granted to a subsidiary.

29. CONTINGENT LIABILITIES

	THE GROUP		THE COMPANY	
	2002	2001	2002	2001
	HK\$	HK\$	HK\$	HK\$
Export bills discounted with recourse	40,634,703	40,174,624	—	—
Guarantees given to bankers in respect of banking facilities utilised by subsidiaries	—	—	56,985,888	33,959,004

30. CAPITAL COMMITMENTS

	THE GROUP	
	2002	2001
	HK\$	HK\$
Capital expenditure in respect of acquisition of property, plant and equipment contracted for but not provided in the financial statements	138,000	742,045
Capital expenditure in respect of acquisition of property, plant and equipment authorised but not contracted for	—	1,550,000

In addition, two subsidiaries of the Group are committed to contribute approximately HK\$17,869,000 (2001: HK\$18,269,000) in respect of unpaid investments in their subsidiaries.

The Company did not have any capital commitments at 31st December, 2002 or 2001.

31. 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:

	THE GROUP		THE COMPANY	
	2002	2001	2002	2001
	HK\$	HK\$	HK\$	HK\$
Within one year	17,305,192	18,383,340	960,000	960,000
In the second to fifth year inclusive	37,633,019	46,671,296	—	—
Over five years	1,440,720	8,553,312	—	—
	56,378,931	73,607,948	960,000	960,000

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

32. RELATED PARTY TRANSACTIONS

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

	Rental paid to related party	
	2002	2001
	<i>HK\$</i>	<i>HK\$</i>
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.

33. RETIREMENT BENEFITS SCHEME**Defined contribution scheme**

Since 1st December, 2000, the Group has operated pension schemes under the rules and regulations of the Mandatory Provident Fund Schemes Ordinance ("MPF Schemes") for all qualifying employees in Hong Kong. The assets of the MPF Scheme are held separately in an independently managed fund. The Group has followed the minimum statutory contribution requirements of 5% of eligible employees' relevant aggregate income. The contributions are charged to the income statement as incurred.

The relevant PRC subsidiaries are required to make contributions to the state requirement schemes in the PRC based on 3% to 4% of the monthly salaries of their current employees to fund the benefits. The employees are entitled to retirement pension calculated with reference to their basic salaries on retirement and their length of service in accordance with the relevant government regulations. The PRC government is responsible for the pension liability to these retired staff.

The total cost charged to income statement of HK\$3,292,387 represents contributions payable to the schemes by the Group at rates specified in the rules of the schemes.

33. RETIREMENT BENEFITS SCHEME (Continued)**Defined benefit scheme**

A subsidiary of the Company operates 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 the obligations were fixed at that date.

At 31st December, 2002 and 2001, there was no material difference between the present value of the scheme obligations and the market value of the scheme assets.

34. SUBSIDIARIES

Details of the Company's subsidiaries at 31st December, 2002 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
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% <i>note (i)</i>	Investment holding, property investment and design, manufacture and sale of a diversified range of consumer home products

NOTES TO THE FINANCIAL STATEMENTS For the year ended 31st December, 2002

34. SUBSIDIARIES (Continued)

Name of company	Place of incorporation/ registration	Nominal value of issued/registered capital	Attributable equity interest to the Group	Principal activities
Frankie Trading Company Limited	Hong Kong	Ordinary — HK\$5,000,000	100%	Leasing of property, plant and equipment
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% 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 PRC
東莞五洲制罐廠有限公司 (Equity joint venture company)	PRC	HK\$30,000,000	note (ii)	Tin-plate printing
東莞嘉利美商家庭用品有限公司 (Equity joint venture company)	PRC	HK\$26,850,000	note (iii)	Production of consumer home products
天津嘉田印鐵有限公司 (Sino-foreign equity joint venture)	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.

34. SUBSIDIARIES (Continued)*Notes: (Continued)*

- (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, 2002, approximately HK\$17,769,000 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 debt securities subsisting at the end of the year or at any time during the year.

35. ASSOCIATES

Details of the Group's associates at 31st December, 2002 are as follows:

Name of company	Place of incorporation	Nominal value of issued capital	Attributable equity interest		Principal activities
			The Group	The Company	
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.