

## NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31st December, 2003

### 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 HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has adopted, for the first time, the following Hong Kong Financial Reporting Standard ("HKFRS") issued by the Hong Kong Society of Accountants ("HKSA"), the term of HKFRS is inclusive of Statements of Standard Accounting Practice ("SSAPs") and Interpretations approved by the HKSA:

SSAP 12 (Revised)	Income Taxes
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#### Income Taxes

In the current year, the Group has adopted SSAP 12 (Revised) Income Taxes. The principal effect of the implementation of SSAP 12 (Revised) is in relation to deferred tax. In previous years, partial provision was made for deferred tax using the income statement liability method, i.e. a liability was recognised in respect of timing differences arising, except where those timing differences were not expected to reverse in the foreseeable future. SSAP 12 (Revised) requires the adoption of a balance sheet liability method, whereby deferred tax is recognised in respect of all temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, with limited exceptions. In the absence of any specific transitional requirements in SSAP 12 (Revised), the new accounting policy has been applied retrospectively.

The adoption of the standard had had no material effect on the results for the current or prior accounting years. Accordingly, no prior year adjustment has been required.

## NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31st December, 2003

### 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.

#### **Negative goodwill**

Negative goodwill represents the excess of the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary at the date of acquisition over the cost of acquisition.

Negative goodwill arising on acquisitions prior to 1st January, 2001 continues to be held in reserves and will be credited to income at the time of disposal of the relevant subsidiary.

**NOTES TO THE FINANCIAL STATEMENTS**

For The Year Ended 31st December, 2003

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

Negative goodwill arising on acquisitions after 1st January, 2001 is presented as a deduction from assets. To the extent that such negative goodwill is attributable to losses or expenses anticipated at the date of acquisition, it is released to income in the period in which those losses or expenses arise. The remaining negative goodwill is recognised as income on a straight-line basis over the remaining average useful life of the identifiable acquired depreciable assets. To the extent that such negative goodwill exceeds the aggregate fair value of the acquired identifiable non-monetary assets, it is recognised in income immediately.

Negative goodwill arising on the acquisition of an associate or a jointly controlled entity is deducted from the carrying value of that associate or jointly controlled entity. Negative goodwill arising on the acquisition of subsidiaries is presented separately in the balance sheet as a deduction from assets.

**Investments in subsidiaries**

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

**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 debenture is 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 terms of the relevant leases.

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

**NOTES TO THE FINANCIAL STATEMENTS**

For The Year Ended 31st December, 2003

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

**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.

**NOTES TO THE FINANCIAL STATEMENTS**

For The Year Ended 31st December, 2003

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

**Inventories**

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

**Taxation**

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes income statement items that are never taxable or deductible.

## NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31st December, 2003

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

#### **Taxation** (Continued)

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill (or negative goodwill) or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited to the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

#### **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 expense as they fall due.

**NOTES TO THE FINANCIAL STATEMENTS**

For The Year Ended 31st December, 2003

**4. TURNOVER**

Turnover represents the net amounts received and receivables for the sale of household and consumer products by the Group to outside customers, less returns and allowances for the year.

**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

Segment information about these business is presented below.

## NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31st December, 2003

## 5. BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)

Business segments (Continued)

## INCOME STATEMENT FOR THE YEAR ENDED 31ST DECEMBER, 2003

	Trading HK\$	Manufacturing – household products HK\$	Manufacturing – others HK\$	Consolidated HK\$
TURNOVER				
External sales	145,827,598	144,293,459	699,821,611	989,942,668
RESULTS				
Segment results	6,512,242	47,808,500	31,718,567	86,039,309
Unallocated income and expenses				(65,425,400)
Loss on disposal of investment securities				(3,611,937)
Unrealised holding loss on other investments				(1,362,419)
Profit from operations				15,639,553
Finance costs				(5,140,548)
Share of losses of associates				(305,978)
Profit before taxation				10,193,027
Taxation				(1,595,864)
Profit after taxation				8,597,163



## NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31st December, 2003

## 5. BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)

Business segments (Continued)

BALANCE SHEET AS AT 31ST DECEMBER, 2003

	Trading HK\$	Manufacturing – household products HK\$	Manufacturing – others HK\$	Other operations HK\$	Consolidated HK\$
ASSETS					
Segment assets	63,330,228	62,663,980	303,919,578	21,972,242	451,886,028
Interests in associates					2,043,675
Unallocated corporate assets					149,420
Consolidated total assets					<u>454,079,123</u>
LIABILITIES					
Segment liabilities	14,338,963	14,188,114	68,812,191	32,017	97,371,285
Unallocated corporate liabilities					<u>70,635,316</u>
Consolidated total liabilities					<u>168,006,601</u>

## OTHER INFORMATION FOR THE YEAR ENDED 31ST DECEMBER, 2003

	Trading HK\$	Manufacturing – household products HK\$	Manufacturing – others HK\$	Other operations HK\$	Consolidated HK\$
Capital additions	1,398,590	1,383,876	6,711,784	–	9,494,250
Depreciation and amortisation	3,881,659	3,840,823	18,627,948	129,636	26,480,066
Loss on disposal of property, plant and equipment	–	99,563	132,067	2,008,751	2,240,381
Allowance for bad and doubtful debts	–	–	250,200	–	250,200

## NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31st December, 2003

## 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\$	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 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

## NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31st December, 2003

## 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\$
<b>ASSETS</b>					
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>
<b>LIABILITIES</b>					
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, 2003

## 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 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

**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.

## NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31st December, 2003

## 5. BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)

## Geographical segments (Continued)

Geographical market	Sales revenue by geographical market	
	Year ended	Year ended
	31.12.2003	31.12.2002
	HK\$	HK\$
North America	393,903,663	426,656,273
Holland	175,375,083	129,398,359
Germany	104,087,360	118,747,122
United Kingdom	126,017,330	109,582,576
France	47,749,509	70,428,966
Other European countries	53,826,034	66,602,504
Hong Kong	45,304,809	43,330,259
Australia	21,473,214	27,231,066
PRC	12,428,029	13,048,545
Others	9,777,637	14,903,094
	<b>989,942,668</b>	<b>1,019,928,764</b>

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	At	Year ended	Year ended
	31.12.2003	31.12.2002	31.12.2003	31.12.2002
	HK\$	HK\$	HK\$	HK\$
Hong Kong	211,396,385	196,930,002	556,858	735,913
PRC	233,923,587	291,131,906	8,937,392	15,071,695
Canada	8,759,151	10,404,474	–	–
	<b>454,079,123</b>	<b>498,466,382</b>	<b>9,494,250</b>	<b>15,807,608</b>

**NOTES TO THE FINANCIAL STATEMENTS**

For The Year Ended 31st December, 2003

**6. OTHER OPERATING INCOME**

	<b>2003</b>	2002
	<b>HK\$</b>	HK\$
Exchange gain	<b>2,394,533</b>	292,290
Interest income on bank deposits	<b>507,948</b>	570,001
Rental income	<b>60,014</b>	155,800
Sundry income	<b>403,960</b>	669,140
	<b>3,366,455</b>	1,687,231

**7. NET LOSS IN A FIRE**

	<b>2003</b>	2002
	<b>HK\$</b>	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)
	–	4,344,703

## NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31st December, 2003

## 8. PROFIT FROM OPERATIONS

	2003	2002
	HK\$	HK\$
Profit from operations has been arrived at after charging:		
Allowance for bad and doubtful debts	250,200	75,796
Auditors' remuneration	1,043,570	1,052,455
Depreciation and amortisation:		
Owned assets	23,423,787	25,863,956
Assets held under finance leases	3,056,279	4,523,259
Loss on disposals of property, plant and equipment	2,240,381	62,540
Operating lease payments in respect of rented properties	17,213,872	17,937,376
Staff costs:		
Directors' remuneration (note)	7,204,600	6,655,600
Other staff salaries and allowances and benefits	120,510,817	122,814,553
Other staff retirement benefit scheme contributions	4,348,242	3,147,787
	<b>132,063,659</b>	<b>132,617,940</b>

and after crediting:

Net rental income, net of outgoings of nil (2002: nil)	60,014	155,880
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Note:

## Information regarding directors' and employees' emoluments

	2003	2002
	HK\$	HK\$
<b>Directors</b>		
Fees to non-executive directors	450,000	450,000
Other emoluments to executive directors:		
Salaries and other benefits	4,820,000	4,820,000
Performance related incentive payments	1,790,000	1,241,000
Retirement scheme benefit contributions	144,600	144,600
	<b>6,754,600</b>	<b>6,205,600</b>
	<b>7,204,600</b>	<b>6,655,600</b>

The amounts disclosed above include directors' fees of HK\$360,000 (2002: HK\$360,000) payable to independent non-executive directors.

## NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31st December, 2003

### 8. PROFIT FROM OPERATIONS (Continued)

Note: (Continued)

Emoluments of the directors were within the following bands:

	Number of directors	
	2003	2002
Nil – HK\$1,000,000	5	5
HK\$2,000,001 – HK\$2,500,000	1	2
HK\$2,500,001 – HK\$3,000,000	1	–

#### Employees

The five highest paid individuals of the Group included two (2002: 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:

	2003	2002
	HK\$	HK\$
Salaries and other benefits	4,774,000	4,774,000
Retirement scheme benefit contributions	89,400	104,300
	<b>4,863,400</b>	<b>4,878,300</b>

Emoluments of these remaining three (2002: three) highest paid employees were within the following bands:

	Number of employees	
	2003	2002
HK\$1,000,001 – HK\$1,500,000	2	2
HK\$2,500,001 – HK\$3,000,000	1	1

### 9. FINANCE COSTS

	2003	2002
	HK\$	HK\$
Interest on:		
Bank borrowings wholly repayable within five years	4,981,382	3,552,462
Obligations under finance leases	159,166	485,448
	<b>5,140,548</b>	<b>4,037,910</b>



## NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31st December, 2003

## 10. TAXATION

	2003 HK\$	2002 HK\$
Current tax:		
Hong Kong Profits Tax		
Current year	1,842,205	1,398,903
Overprovision in prior years	(69,175)	(68)
	<hr/> 1,773,030	<hr/> 1,398,835
Deferred tax (note 25)		
Current year	(819,366)	(177,899)
Attributable to a change in tax rate	627,659	–
	<hr/> (191,707)	<hr/> (177,899)
Share of taxation of an associate		
Overseas taxation	14,541	35,041
	<hr/> 1,595,864	<hr/> 1,255,977

Hong Kong Profits Tax is calculated at 17.5% (2002: 16%) of the estimated assessable profit for the year. The Hong Kong Profits Tax was increased from 16% to 17.5% with effect from the 2003/2004 year of assessment. The effect of this increase has been reflected in the calculation of current and deferred tax balances at 31st December, 2003.

**NOTES TO THE FINANCIAL STATEMENTS**

For The Year Ended 31st December, 2003

**10. TAXATION** *(Continued)*

The charge for the year can be reconciled to the profit before taxation per the income statement as follows:

	<b>2003</b>	2002
	<b>HK\$</b>	HK\$
Profit before taxation	<b>10,193,027</b>	2,324,625
Tax at the domestic income tax rate of 17.5% (2002: 16%)	<b>1,783,780</b>	371,940
Tax effect of share of results of associates	<b>68,087</b>	183,516
Tax effect of expenses not deductible for tax purpose	<b>5,853,721</b>	8,898,677
Tax effect of income not taxable for tax purpose	<b>(6,701,431)</b>	(8,239,028)
Overprovision in respect of prior years	<b>(69,175)</b>	(68)
Tax effect of tax losses not recognised	<b>33,223</b>	40,940
Increase in opening deferred tax liability resulting from an increase in applicable tax rate	<b>627,659</b>	–
Tax effect for the year	<b>1,595,864</b>	1,255,977

**11. DIVIDEND**

	<b>2003</b>	2002
	<b>HK\$</b>	HK\$
Final dividend proposed, 1 cent (2002: 1 cent) per share	<b>4,779,263</b>	4,779,263

**12. EARNINGS PER SHARE**

The calculation of the earnings per share is based on net profit for the year of HK\$10,572,551 (2002: HK\$1,323,201) and 477,926,292 (2002: 477,926,292) shares in issue during the year.

## NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31st December, 2003

## 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, 2003	106,812,903	14,157,921	100,871,328	9,190,988	271,236,821	502,269,961
Currency realignment	2,364,960	–	–	–	–	2,364,960
Additions	–	343,516	5,286,834	887,054	2,976,846	9,494,250
Disposals	(17,326,320)	–	(107,619)	(822,337)	–	(18,256,276)
At 31st December, 2003	91,851,543	14,501,437	106,050,543	9,255,705	274,213,667	495,872,895
DEPRECIATION, AMORTISATION AND IMPAIRMENT						
At 1st January, 2003	29,105,352	9,832,216	72,282,387	5,649,522	193,257,409	310,126,886
Currency realignment	293,906	–	–	–	–	293,906
Provided for the year	2,600,801	916,693	6,276,014	787,594	15,898,964	26,480,066
Eliminated on disposals	(9,190,704)	–	(3,587)	(411,038)	–	(9,605,329)
At 31st December, 2003	22,809,355	10,748,909	78,554,814	6,026,078	209,156,373	327,295,529
NET BOOK VALUES						
At 31st December, 2003	69,042,188	3,752,528	27,495,729	3,229,627	65,057,294	168,577,366
At 31st December, 2002	77,707,551	4,325,705	28,588,941	3,541,466	77,979,412	192,143,075

## NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31st December, 2003

## 13. PROPERTY, PLANT AND EQUIPMENT (Continued)

	Motor vehicles HK\$
<b>THE COMPANY</b>	
COST	
At 1st January, 2003 and 31st December, 2003	1,262,761
DEPRECIATION	
At 1st January, 2003	1,260,662
Provided for the year	420
At 31st December, 2003	1,261,082
NET BOOK VALUES	
At 31st December, 2003	1,679
At 31st December, 2002	2,099

The property interests of the Group comprise:

	2003 HK\$	2002 HK\$
Freehold properties in Canada	7,424,004	9,857,409
Leasehold properties:		
– Held in Hong Kong, long leases	24,685,538	25,439,818
– Held in Hong Kong, medium-term leases	–	3,760,796
– Held outside Hong Kong, long leases	8,802,052	9,150,733
– Held outside Hong Kong, medium-term leases	28,130,594	29,498,795
	<b>69,042,188</b>	<b>77,707,551</b>

The net book value of property, plant and equipment of the Group includes an amount of nil (2002: HK\$18,093,040) in respect of assets held under finance leases.

**NOTES TO THE FINANCIAL STATEMENTS**

For The Year Ended 31st December, 2003

**14. INVESTMENTS IN SUBSIDIARIES**

	<b>THE COMPANY</b>	
	<b>2003</b>	2002
	<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, 2003 are set out in note 32.

**15. INTERESTS IN ASSOCIATES**

	<b>THE GROUP</b>		<b>THE COMPANY</b>	
	<b>2003</b>	2002	<b>2003</b>	2002
	<b>HK\$</b>	HK\$	<b>HK\$</b>	HK\$
Unlisted shares, at cost	–	–	<b>11,490,000</b>	11,490,000
Impairment loss recognised	–	–	<b>(10,919,619)</b>	(8,266,339)
Share of net assets	<b>2,043,675</b>	2,116,597	–	–
	<b>2,043,675</b>	2,116,597	<b>570,381</b>	3,223,661

During the year, the directors reviewed the carrying value of the investment cost in an associate with reference to the net asset value of the associate and determined to recognise further impairment loss of approximately HK\$2,653,000 in respect of the associate.

Details of the Group's associates at 31st December, 2003 are set out in note 33.

## NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31st December, 2003

## 16. INVESTMENTS IN SECURITIES

	THE GROUP		THE COMPANY	
	2003	2002	2003	2002
	HK\$	HK\$	HK\$	HK\$
Non-current assets				
Investment securities:				
Unlisted shares	–	5,530,000	–	5,530,000
Current assets				
Other investments:				
Listed equity securities	2,333,091	3,687,788	2,333,091	3,687,788
Unlisted shares	1,062,620	511,063	–	–
Equity linked note (note)	10,000,000	–	–	–
	<b>13,395,711</b>	4,198,851	<b>2,333,091</b>	3,687,788
Total investments in securities	<b>13,395,711</b>	9,728,851	<b>2,333,091</b>	9,217,788
Market value of listed equity securities	<b>2,333,091</b>	3,687,788	<b>2,333,091</b>	3,687,788

Note: The amount is interest bearing and will be settled either in cash at its issue price plus the interest accrued or in the underlying equity securities at an agreed strike price plus the interest accrued on its maturity date.

**NOTES TO THE FINANCIAL STATEMENTS**

For The Year Ended 31st December, 2003

**17. INVENTORIES**

	<b>THE GROUP</b>	
	<b>2003</b>	2002
	<b>HK\$</b>	HK\$
Raw materials	<b>52,752,562</b>	79,828,324
Work in progress	<b>7,280,431</b>	31,317,777
Finished goods	<b>25,878,824</b>	30,258,806
	<b>85,911,817</b>	141,404,907

The cost of inventories recognised as expenses during the year was HK\$690,551,284 (2002: HK\$668,116,649). Included above are raw materials of HK\$646,181 (2002: nil) which are carried at net realisable value.

**18. DEBTORS AND PREPAYMENTS**

	<b>THE GROUP</b>	
	<b>2003</b>	2002
	<b>HK\$</b>	HK\$
Trade debtors	<b>84,851,871</b>	80,404,126
Bills receivable	–	1,762,269
Other debtors and prepayments	<b>7,708,581</b>	17,916,303
	<b>92,560,452</b>	100,082,698

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:

	<b>THE GROUP</b>	
	<b>2003</b>	2002
	<b>HK\$</b>	HK\$
0-60 days	<b>66,647,537</b>	65,215,315
61-90 days	<b>4,509,934</b>	8,993,850
> 90 days	<b>13,694,400</b>	6,194,961
	<b>84,851,871</b>	80,404,126

**NOTES TO THE FINANCIAL STATEMENTS**

For The Year Ended 31st December, 2003

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

	<b>THE GROUP</b>	
	<b>2003</b>	2002
	<b>HK\$</b>	HK\$
Trade creditors	<b>65,650,383</b>	90,288,298
Bills payable	–	9,463,721
Other creditors and accrued charges	<b>31,720,902</b>	46,750,653
	<b>97,371,285</b>	146,502,672

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

	<b>2003</b>		2002	
	<b>HK\$</b>		HK\$	
0-60 days	<b>55,839,084</b>	58,357,958		
61-90 days	<b>8,739,795</b>	23,467,095		
> 90 days	<b>1,071,504</b>	8,463,245		
	<b>65,650,383</b>	90,288,298		



## NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31st December, 2003

## 20. OBLIGATIONS UNDER FINANCE LEASES

	THE GROUP			
	Minimum		Present value	
	lease payments		of minimum	
	2003	2002	2003	2002
HK\$	HK\$	HK\$	HK\$	
Amounts payable under finance leases:				
Within one year	–	5,582,460	–	5,418,342
In the second to fifth year inclusive	–	1,273,501	–	1,259,555
	–	6,855,961	–	6,677,897
Less: Future finance charges	–	(178,064)	N/A	N/A
Present value of lease obligations	–	<u>6,677,897</u>	–	6,677,897
Less: Amount due for settlement within 12 months (shown under current liabilities)			–	<u>(5,418,342)</u>
Amount due for settlement after 12 months			–	<u>1,259,555</u>

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

The Group's obligations under finance leases were secured by the lessor's charge over the leased assets.

During the year, the Group has settled all obligations under finance leases.

**NOTES TO THE FINANCIAL STATEMENTS**

For The Year Ended 31st December, 2003

**21. BANK BORROWINGS**

	<b>THE GROUP</b>	
	<b>2003</b>	2002
	<b>HK\$</b>	HK\$
Bank borrowings comprise import loans and export loans	<b>63,625,344</b>	56,985,888
Secured	<b>21,251,807</b>	14,656,918
Unsecured	<b>42,373,537</b>	42,328,970
	<b>63,625,344</b>	56,985,888

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

**22. SHARE CAPITAL**

	<b>Number of ordinary shares of HK\$0.10 each 2003 &amp; 2002</b>	<b>Nominal value 2003 &amp; 2002 HK\$</b>
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

**23. 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.

## NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31st December, 2003

## 24. RESERVES

	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 GROUP</b>								
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
Exchange adjustment	–	–	–	829,630	–	–	–	829,630
Profit for the year	–	–	–	–	–	–	10,572,551	10,572,551
Amount set aside for 2003 dividend	–	–	–	–	–	4,779,263	(4,779,263)	–
Final dividend for 2002 paid	–	–	–	–	–	(4,779,263)	–	(4,779,263)
At 31st December, 2003	144,997,035	(42,196,793)	–	1,955,833	85,000	4,779,263	68,609,240	178,229,578
Attributable to:								
– 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
– The Company and subsidiaries	144,997,035	(42,196,793)	–	1,865,708	85,000	4,779,263	69,890,223	179,420,436
– Associates	–	–	–	90,125	–	–	(1,280,983)	(1,190,858)
At 31st December, 2003	144,997,035	(42,196,793)	–	1,955,833	85,000	4,779,263	68,609,240	178,229,578
	Share premium HK\$	Goodwill HK\$	Contributed surplus HK\$	Translation reserve HK\$	Capital redemption reserve HK\$	Dividend reserve HK\$	Deficit HK\$	Total HK\$
<b>THE COMPANY</b>								
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 1st January, 2003	144,997,035	–	24,444,281	–	85,000	4,779,263	(6,898,958)	167,406,621
Profit for the year	–	–	–	–	–	–	96,062	96,062
Amount set aside for 2003 dividend	–	–	(4,779,263)	–	–	4,779,263	–	–
Final dividend for 2002 paid	–	–	–	–	–	(4,779,263)	–	(4,779,263)
At 31st December, 2003	144,997,035	–	19,665,018	–	85,000	4,779,263	(6,802,896)	162,723,420

**NOTES TO THE FINANCIAL STATEMENTS**

For The Year Ended 31st December, 2003

**24. RESERVES** (Continued)

The goodwill reserve included a negative goodwill of HK\$18,236,237 (2002: 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.

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

	<b>2003</b>	2002
	<b>HK\$</b>	HK\$
Contributed surplus	<b>19,665,018</b>	24,444,281
Deficit	<b>(6,802,896)</b>	(6,898,958)
	<b>12,862,122</b>	17,545,323

**NOTES TO THE FINANCIAL STATEMENTS**

For The Year Ended 31st December, 2003

**25. DEFERRED TAXATION****THE GROUP**

The following are the major deferred tax liabilities and assets recognised and movements thereon during the current and prior reporting periods:

	<b>Accelerated tax depreciation</b>	<b>Tax losses</b>	<b>Total</b>
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
At 1st January, 2002	6,872,929	–	6,872,929
Credit to income statement for the year	(177,899)	–	(177,899)
At 31st December, 2002	6,695,030	–	6,695,030
Credit to income statement for the year	(611,972)	(207,394)	(819,366)
Effect of change in tax rate charge to the income statement	627,659	–	627,659
<b>At 31st December, 2003</b>	<b>6,710,717</b>	<b>(207,394)</b>	<b>6,503,323</b>

At the balance sheet date, the Group has unused tax losses of HK\$175,374,219 (2002: HK\$173,999,263) available for offset against future profits. A deferred tax asset has been recognised in respect of HK\$1,185,111 (2002: nil) of such losses. No deferred tax asset has been recognised in respect of the remaining HK\$174,189,108 (2002: HK\$173,999,263) due to the uncertainty of future profit streams. The losses may be carried forward indefinitely.

**THE COMPANY**

The Company had no significant deferred taxation at 31st December, 2003 and 2002 and for the years then ended.

**26. PLEDGE OF ASSETS**

Certain of the Group's property, plant and equipment with carrying value of approximately HK\$24 million (2002: 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 (2002: HK\$2.7 million) has been pledged to a bank to secure banking facilities granted to a subsidiary.

**NOTES TO THE FINANCIAL STATEMENTS**

For The Year Ended 31st December, 2003

**27. CONTINGENT LIABILITIES**

	THE GROUP		THE COMPANY	
	2003	2002	2003	2002
	HK\$	HK\$	HK\$	HK\$
Export bills discounted with recourse	<b>32,313,870</b>	40,634,703	–	–
Guarantees given to bankers in respect of banking facilities utilised by subsidiaries	–	–	<b>63,625,344</b>	56,985,888

**28. CAPITAL COMMITMENTS**

	THE GROUP	
	2003	2002
	HK\$	HK\$
Capital expenditure in respect of acquisition of property, plant and equipment contracted for but not provided in the financial statements	<b>558,000</b>	138,000

In addition, two subsidiaries of the Company are committed to contribute approximately HK\$17,569,000 (2002: HK\$17,869,000) in respect of unpaid investments in their subsidiaries.

The Company did not have any capital commitments at 31st December, 2003 or 2002.

**NOTES TO THE FINANCIAL STATEMENTS**

For The Year Ended 31st December, 2003

**29. 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	
	2003	2002	2003	2002
	HK\$	HK\$	HK\$	HK\$
Within one year	<b>16,327,601</b>	17,305,192	<b>960,000</b>	960,000
In the second to fifth year inclusive	<b>21,980,638</b>	37,633,019	-	-
Over five years	<b>960,480</b>	1,440,720	-	-
	<b>39,268,719</b>	56,378,931	<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.

**30. RELATED PARTY TRANSACTIONS**

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

	Rental paid to related party	
	2003	2002
	HK\$	HK\$
Related company	<b>960,000</b>	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 quarters to certain directors of the Company and has been included in directors' remuneration.

**NOTES TO THE FINANCIAL STATEMENTS**

For The Year Ended 31st December, 2003

**31. 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 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\$4,492,842 represents contributions payable to the schemes by the Group at rates specified in the rules of the schemes.

**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, 2003 and 2002, there was no material difference between the present value of the scheme obligations and the market value of the scheme assets.



## NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31st December, 2003

## 32. SUBSIDIARIES

Details of the Company's subsidiaries at 31st December, 2003 are as follows:

Name of company	Place of incorporation/ registration	Nominal value of issued/registered capital	Proportion of nominal value of issued/registered capital held by the Company	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% 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
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 design, manufacture and sale of a diversified range of consumer home products
Frankie Trading Company Limited	Hong Kong	Ordinary – HK\$5,000,000	100%	Leasing of property, plant and equipment
Hero Fame Corporation Limited	Hong Kong	Ordinary – HK\$1,000,000	62.5%	Sale agent
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 TO THE FINANCIAL STATEMENTS**

For The Year Ended 31st December, 2003

**32. SUBSIDIARIES** (Continued)

Notes:

- (i) The deferred shares, which are not held by the Group except for Bigfield Goldenford Holdings Limited, carry minimal rights to dividends or to receive notice of or attend or vote at any general meeting of these companies. On a winding-up, the holders of the deferred shares are entitled to share out of the surplus assets of these companies only after a 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, 2003, approximately HK\$17,469,000 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.

**33. ASSOCIATES**

Details of the Group's associates at 31st December, 2003 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.