

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31st December, 2004

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. POTENTIAL IMPACT ARISING FROM THE RECENTLY ISSUED ACCOUNTING STANDARDS

In 2004, the Hong Kong Institute of Certified Public Accountants, (the "HKICPA") issued a number of new or revised Hong Kong Accounting Standards ("HKASs") and Hong Kong Financial Reporting Standards ("HKFRSs") (herein collectively referred to as "new HKFRSs") which are effective for accounting periods beginning on or after 1st January, 2005. The Group has not early adopted these new HKFRSs in the financial statements for the year ended 31st December, 2004.

The Group has commenced considering the potential impact of these new HKFRSs but is not yet in a position to determine whether these HKFRSs would have a significant impact on how its results of operations and financial position are prepared and presented. These HKFRSs may result in changes in the future as to how the results and financial position are prepared and presented.

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.

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31st December, 2004

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

Goodwill (Continued)

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 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.

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, 2004

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 are amortised over the remaining lease term on a straight line basis by equal monthly instalments. No depreciation is provided to freehold land.

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31st December, 2004

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

Investments in securities (Continued)

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.

Leased assets

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, 2004

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 year 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. 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.

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31st December, 2004

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

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.

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 businesses is presented below.

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31st December, 2004

5. BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)

Business segments (Continued)

INCOME STATEMENT FOR THE YEAR ENDED 31ST DECEMBER, 2004

	Trading HK\$	Manufacturing – household products HK\$	Manufacturing – others HK\$	Consolidated HK\$
TURNOVER				
External sales	266,645,574	123,765,627	496,614,600	887,025,801
RESULTS				
Segment results	21,296,473	8,453,490	30,928,921	60,678,884
Unallocated income				2,691,422
Unallocated expenses				(61,803,288)
Gain on disposal of investments in securities				1,509,444
Unrealised holding loss on other investments				(602,088)
Profit from operations				2,474,374
Finance costs				(4,486,817)
Share of losses of associates				(97,538)
Loss before taxation				(2,109,981)
Taxation credit				1,703,266
Loss after taxation				(406,715)
Minority interests				3,437,770
Net profit for the year				3,031,055

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31st December, 2004

5. BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)

Business segments (Continued)

BALANCE SHEET AS AT 31ST DECEMBER, 2004

	Trading HK\$	Manufacturing – household products HK\$	Manufacturing – others HK\$	Consolidated HK\$
ASSETS				
Segment assets	126,970,068	58,702,649	236,475,665	422,148,382
Interests in associates				2,049,156
Unallocated corporate assets				12,918,019
Consolidated total assets				<u>437,115,557</u>
LIABILITIES				
Segment liabilities	24,267,833	11,264,104	45,197,676	80,729,613
Unallocated corporate liabilities				85,620,249
Consolidated total liabilities				<u>166,349,862</u>

OTHER INFORMATION FOR THE YEAR ENDED 31ST DECEMBER, 2004

	Trading HK\$	Manufacturing – household products HK\$	Manufacturing – others HK\$	Unallocated HK\$	Consolidated HK\$
Capital additions	3,774,839	1,752,121	7,030,457	–	12,557,417
Depreciation and amortisation	7,182,870	3,333,985	13,377,751	129,637	24,024,243
Gain on disposal of property, plant and equipment	–	–	7,597	–	7,597
Allowances for bad and doubtful debts	–	16,885,768	1,478,328	–	18,364,096

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31st December, 2004

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	31,468,367	85,789,109
Unallocated income				3,366,455
Unallocated expenses				(68,541,655)
Loss on disposal of investments in 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
Minority interests				1,975,388
Net profit for the year				10,572,551

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31st December, 2004

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\$	Consolidated HK\$
ASSETS				
Segment assets	63,330,228	62,663,980	303,919,578	429,913,786
Interests in associates				2,043,675
Unallocated corporate assets				22,121,662
Consolidated total assets				<u>454,079,123</u>
LIABILITIES				
Segment liabilities	14,338,963	14,188,114	68,812,191	97,339,268
Unallocated corporate liabilities				70,667,333
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\$	Unallocated 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
Allowances for bad and doubtful debts	–	–	250,200	–	250,200

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31st December, 2004

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 31.12.2004 HK\$	Year ended 31.12.2003 HK\$
North America	248,592,847	393,903,663
Holland	217,767,170	175,375,083
Germany	124,918,351	104,087,360
United Kingdom	116,009,779	126,017,330
France	46,370,243	47,749,509
Other European countries	44,736,559	53,826,034
Hong Kong	47,139,074	45,304,809
Australia	18,043,314	21,473,214
PRC	13,850,721	12,428,029
Others	9,597,743	9,777,637
	887,025,801	989,942,668

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31st December, 2004

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 31.12.2004 HK\$	At 31.12.2003 HK\$	Year ended 31.12.2004 HK\$	Year ended 31.12.2003 HK\$
Hong Kong	230,198,809	211,396,385	694,879	556,858
PRC	198,071,535	233,923,587	11,862,538	8,937,392
Canada	8,845,213	8,759,151	–	–
	437,115,557	454,079,123	12,557,417	9,494,250

6. OTHER OPERATING INCOME

	2004 HK\$	2003 HK\$
Exchange gain	–	2,394,533
Interest income on bank deposits	485,538	507,948
Interest income on trade debtors	925,127	–
Rental income	188,786	60,014
Sundry income	1,091,971	403,960
	2,691,422	3,366,455

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31st December, 2004

7. PROFIT FROM OPERATIONS

	2004 HK\$	2003 HK\$
Profit from operations has been arrived at after charging:		
Allowance on inventories	268,901	58,427
Auditors' remuneration	1,064,518	1,043,570
Depreciation and amortisation:		
Owned assets	24,024,243	23,423,787
Assets held under finance leases	–	3,056,279
Loss on disposals of property, plant and equipment	–	2,240,381
Operating lease payments in respect of rented properties	16,151,291	17,213,872
Staff costs:		
Directors' remuneration (Note)	6,650,825	7,204,600
Other staff salaries and allowances and benefits	104,537,734	120,510,817
Other staff retirement benefit scheme contributions	4,095,641	4,348,242
	115,284,200	132,063,659
and after crediting:		
Gain on disposals of property, plant and equipment	7,597	–

Included in the consolidated income statement for the year is the allowances for bad and doubtful debts of HK\$18,364,096. During the year, the directors assess the recoverability of several customers with reference to the financial abilities of the customers and the amounts of HK\$18,364,096 were considered irrecoverable, thus allowances of the same amount were made during the year.

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31st December, 2004

7. PROFIT FROM OPERATIONS (Continued)

Note:

Information regarding directors' and employees' emoluments

	2004 HK\$	2003 HK\$
Directors		
Fees to non-executive directors	540,000	450,000
Other emoluments to executive directors:		
Salaries and other benefits	4,925,000	4,820,000
Performance related incentive payments	1,037,000	1,790,000
Retirement scheme benefit contributions	148,825	144,600
	6,110,825	6,754,600
	6,650,825	7,204,600

The amounts disclosed above include directors' fees of HK\$450,000 (2003: HK\$360,000) payable to independent non-executive directors.

Emoluments of the directors were within the following bands:

	Number of directors	
	2004	2003
Nil – HK\$1,000,000	6	5
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 (2003: 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:

	2004 HK\$	2003 HK\$
Salaries and other benefits	4,852,910	4,774,000
Retirement scheme benefit contributions	84,200	89,400
	4,937,110	4,863,400

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31st December, 2004

7. PROFIT FROM OPERATIONS (Continued)

Note: (Continued)

Emoluments of these remaining three (2003: three) highest paid employees were within the following bands:

	Number of employees	
	2004	2003
HK\$1,000,001 – HK\$1,500,000	2	2
HK\$2,500,001 – HK\$3,000,000	1	1

8. FINANCE COSTS

	2004	2003
	HK\$	HK\$
Interest on:		
Bank borrowings wholly repayable within five years	4,486,817	4,981,382
Obligations under finance leases	–	159,166
	4,486,817	5,140,548

9. TAXATION CREDIT (CHARGE)

	2004	2003
	HK\$	HK\$
Current tax:		
Hong Kong Profits Tax		
Current year	–	(1,842,205)
(Under)overprovision in prior years	(106,866)	69,175
	(106,866)	(1,773,030)
Deferred tax (note 24)		
Current year	1,822,713	819,366
Attributable to a change in tax rate	–	(627,659)
	1,822,713	191,707
Share of taxation of an associate		
Overseas taxation	(12,581)	(14,541)
	1,703,266	(1,595,864)

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31st December, 2004

9. TAXATION CREDIT (CHARGE) (Continued)

No provision for Hong Kong Profits Tax is made for the year as the companies in Hong Kong has no assessable profits for the year.

Hong Kong Profits Tax was calculated at 17.5% of the estimated assessable profit for the year ended 31st December, 2003.

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

	2004 HK\$	2003 HK\$
(Loss) profit before taxation	(2,109,981)	10,193,027
Tax at the Hong Kong Profits Tax rate of 17.5%	369,247	(1,783,780)
Tax effect of share of results of associates	(29,651)	(68,087)
Tax effect of expenses not deductible for tax purpose	(5,103,120)	(5,853,721)
Tax effect of income not taxable for tax purpose	6,614,593	6,701,431
(Under)overprovision in respect of prior years	(106,866)	69,175
Tax effect of tax losses not recognised	(40,937)	(33,223)
Increase in opening deferred tax liability resulting from an increase in applicable tax rate	-	(627,659)
Taxation credit (charge) for the year	1,703,266	(1,595,864)

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For The Year Ended 31st December, 2004

10. DIVIDENDS

	2004 HK\$	2003 HK\$
Interim dividend paid – 1.5 cents (2003: nil) per share	7,168,894	–
Final dividend proposed, 0.5 cent (2003: 1 cent) per share	2,389,632	4,779,263
	9,558,526	4,779,263

11. BASIC EARNINGS PER SHARE

The calculation of the basic earnings per share is based on net profit for the year of HK\$3,031,055 (2003: HK\$10,572,551) and 477,926,292 (2003: 477,926,292) shares in issue during the year.

12. 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, 2004	91,851,543	14,501,437	106,050,543	9,255,705	274,213,667	495,872,895
Currency realignment	676,800	–	–	–	–	676,800
Additions	–	334,932	3,875,234	1,335,015	7,012,236	12,557,417
Disposals	–	–	–	(303,894)	(2,266,580)	(2,570,474)
At 31st December, 2004	92,528,343	14,836,369	109,925,777	10,286,826	278,959,323	506,536,638
DEPRECIATION, AMORTISATION AND IMPAIRMENT						
At 1st January, 2004	22,809,355	10,748,909	78,554,814	6,026,078	209,156,373	327,295,529
Currency realignment	94,282	–	–	–	–	94,282
Provided for the year	2,605,459	795,150	5,907,489	774,679	13,941,466	24,024,243
Eliminated on disposals	–	–	–	(153,487)	(2,183,292)	(2,336,779)
At 31st December, 2004	25,509,096	11,544,059	84,462,303	6,647,270	220,914,547	349,077,275
NET BOOK VALUES						
At 31st December, 2004	67,019,247	3,292,310	25,463,474	3,639,556	58,044,776	157,459,363
At 31st December, 2003	69,042,188	3,752,528	27,495,729	3,229,627	65,057,294	168,577,366

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31st December, 2004

12. PROPERTY, PLANT AND EQUIPMENT (Continued)

	Motor vehicles
	<i>HK\$</i>
THE COMPANY	
COST	
At 1st January, 2004 and 31st December, 2004	1,262,761
DEPRECIATION	
At 1st January, 2004	1,261,082
Provided for the year	502
At 31st December, 2004	1,261,584
NET BOOK VALUES	
At 31st December, 2004	1,177
At 31st December, 2003	1,679

The property interests of the Group comprise:

	2004	2003
	<i>HK\$</i>	<i>HK\$</i>
Freehold properties in Canada	7,872,305	7,424,004
Leasehold properties:		
– Held in Hong Kong, long leases	23,931,268	24,685,538
– Held outside Hong Kong, long leases	8,453,369	8,802,052
– Held outside Hong Kong, medium-term leases	26,762,305	28,130,594
	67,019,247	69,042,188

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13. INVESTMENTS IN SUBSIDIARIES

	THE COMPANY	
	2004	2003
	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, 2004 are set out in note 31.

14. INTERESTS IN ASSOCIATES

	THE GROUP		THE COMPANY	
	2004	2003	2004	2003
	HK\$	HK\$	HK\$	HK\$
Unlisted shares, at cost	–	–	11,490,000	11,490,000
Impairment loss recognised	–	–	(10,919,619)	(10,919,619)
Share of net assets	2,049,156	2,043,675	–	–
	2,049,156	2,043,675	570,381	570,381

Details of the Group's associates at 31st December, 2004 are set out in note 32.

15. DEPOSITS PAID FOR ACQUISITION OF LAND AND BUILDINGS

On 6th November, 2004, Frankie Dominion (Holdings) Limited, a wholly owned subsidiary of the Company, entered into sale and purchase agreements with an independent third party to acquire land and buildings for a total consideration of approximately HK\$11,952,000. The amount represents the deposits paid for the acquisition. Details of the capital commitment as at 31st December, 2004 are set out in note 27.

NOTES TO THE FINANCIAL STATEMENTS

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16. INVENTORIES

	THE GROUP	
	2004	2003
	HK\$	HK\$
Raw materials	55,057,665	52,752,562
Work in progress	8,613,105	7,280,431
Finished goods	13,196,248	25,878,824
	76,867,018	85,911,817

The cost of inventories recognised as expenses during the year was HK\$647,473,388 (2003: HK\$690,551,284). Included above are raw materials of HK\$491,825 (2003: HK\$646,181) which are carried at net realisable value.

17. DEBTORS AND PREPAYMENTS

	THE GROUP	
	2004	2003
	HK\$	HK\$
Trade debtors	62,152,096	84,851,871
Other debtors and prepayments	8,536,427	7,708,581
	70,688,523	92,560,452

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:

	THE GROUP	
	2004	2003
	HK\$	HK\$
0-60 days	48,796,178	66,647,537
61-90 days	5,912,927	4,509,934
> 90 days	7,442,991	13,694,400
	62,152,096	84,851,871

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31st December, 2004

18. INVESTMENTS IN SECURITIES

	THE GROUP		THE COMPANY	
	2004	2003	2004	2003
	HK\$	HK\$	HK\$	HK\$
Listed equity securities	1,731,003	2,333,091	1,731,003	2,333,091
Unlisted shares	883,056	1,062,620	–	–
Equity linked note (Note)	–	10,000,000	–	–
Total investments in securities	2,614,059	13,395,711	1,731,003	2,333,091
Market value of listed equity securities	1,731,003	2,333,091	1,731,003	2,333,091

Note: The amount was interest bearing and would 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. The amount was settled during the year at its issue price plus interest accrued.

19. CREDITORS, BILLS PAYABLE AND ACCRUED CHARGES

	THE GROUP	
	2004	2003
	HK\$	HK\$
Trade creditors	51,098,796	65,650,383
Bills payable	7,989,661	–
Other creditors and accrued charges	21,713,883	31,720,902
	80,802,340	97,371,285

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

	2004	2003
	HK\$	HK\$
0-60 days	44,975,866	55,839,084
61-90 days	8,210,734	8,739,795
> 90 days	5,901,857	1,071,504
	59,088,457	65,650,383

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31st December, 2004

20. BANK BORROWINGS

	THE GROUP	
	2004 HK\$	2003 HK\$
Bank borrowings comprised of import loans and export loans	80,866,912	63,625,344
Secured	3,018,452	21,251,807
Unsecured	77,848,460	42,373,537
	80,866,912	63,625,344

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

21. SHARE CAPITAL

	Number of ordinary shares of HK\$0.10 each 2004 & 2003	Nominal value 2004 & 2003 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

22. 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, 2004

23. RESERVES

	Share premium HK\$	Goodwill HK\$	Contributed surplus HK\$	Translation reserve HK\$	Capital redemption reserve HK\$	Dividend reserve HK\$	Retained (deficit) profits HK\$	Total HK\$
THE GROUP								
At 1st January, 2003	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
Exchange adjustment	-	-	-	800,370	-	-	-	800,370
Profit for the year	-	-	-	-	-	-	3,031,055	3,031,055
Final dividend for 2003 paid	-	-	-	-	-	(4,779,263)	-	(4,779,263)
Interim dividend for 2004 paid	-	-	-	-	-	-	(7,168,894)	(7,168,894)
Amount set aside for 2004 dividend	-	-	-	-	-	2,389,632	(2,389,632)	-
At 31st December, 2004	144,997,035	(42,196,793)	-	2,756,203	85,000	2,389,632	62,081,769	170,112,846
Attributable to:								
- 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
- The Company and subsidiaries	144,997,035	(42,196,793)	-	2,550,478	85,000	2,389,632	63,472,871	171,298,223
- Associates	-	-	-	205,725	-	-	(1,391,102)	(1,185,377)
At 31st December, 2004	144,997,035	(42,196,793)	-	2,756,203	85,000	2,389,632	62,081,769	170,112,846
THE COMPANY								
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 2004 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
Profit for the year	-	-	-	-	-	-	15,954,124	15,954,124
Final dividend for 2003 paid	-	-	-	-	-	(4,779,263)	-	(4,779,263)
Interim dividend for 2004 paid	-	-	-	-	-	-	(7,168,894)	(7,168,894)
Amount set aside for 2004 dividend	-	-	(2,389,632)	-	-	2,389,632	-	-
At 31st December, 2004	144,997,035	-	17,275,386	-	85,000	2,389,632	1,982,334	166,729,387

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31st December, 2004

23. RESERVES (Continued)

The goodwill reserve included a capital reserve of HK\$18,236,237 (2003: HK\$18,236,237) which represents the difference between the nominal value of the shares of the subsidiaries at the date when the shares were acquired by the Company and the nominal amount of the Company's shares issued for the acquisition.

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:

	2004 HK\$	2003 HK\$
Contributed surplus	17,275,386	19,665,018
Retained profits (deficit)	1,982,334	(6,802,896)
	19,257,720	12,862,122

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31st December, 2004

24. 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:

	Accelerated tax depreciation	Tax losses	Total
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
At 1st January, 2003	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 charged to the income statement	627,659	–	627,659
At 31st December, 2003	6,710,717	(207,394)	6,503,323
Credit to income statement for the year	(750,787)	(1,071,926)	(1,822,713)
At 31st December, 2004	5,959,930	(1,279,320)	4,680,610

At the balance sheet date, the Group has unused tax losses of HK\$181,733,431 (2003: HK\$175,374,219) available for offset against future profits. A deferred tax asset has been recognised in respect of HK\$7,310,400 (2003: HK\$1,185,111) of such losses. No deferred tax asset has been recognised in respect of the remaining HK\$174,423,031 (2003: HK\$174,189,108) 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, 2004 and 2003 and for the years then ended.

25. PLEDGE OF ASSETS

The Group's bank deposit of approximately HK\$2.7 million (2003: HK\$2.7 million) has been pledged to a bank to secure banking facilities granted to a subsidiary.

At 31st December, 2003, certain of the Group's property, plant and equipment with carrying value of approximately HK\$24 million had been pledged to banks to secure banking facilities granted to subsidiaries. The pledge was released during the year.

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31st December, 2004

26. CONTINGENT LIABILITIES

	THE GROUP		THE COMPANY	
	2004	2003	2004	2003
	HK\$	HK\$	HK\$	HK\$
Export bills discounted with recourse	32,605,840	32,313,870	–	–
Guarantees given to bankers in respect of banking facilities utilised by subsidiaries	–	–	80,866,912	63,625,344

27. CAPITAL COMMITMENTS

	THE GROUP	
	2004	2003
	HK\$	HK\$
Capital expenditure in respect of acquisition of property, plant and equipment contracted for but not provided in the financial statements	5,149,000	558,000

The Company did not have any capital commitments at 31st December, 2004 and 2003.

28. 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	
	2004	2003	2004	2003
	HK\$	HK\$	HK\$	HK\$
Within one year	9,186,362	16,327,601	960,000	960,000
In the second to fifth year inclusive	17,672,232	21,980,638	–	–
Over five years	760,254	960,480	–	–
	27,618,848	39,268,719	960,000	960,000

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

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31st December, 2004

29. RELATED PARTY TRANSACTIONS

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

	Rental paid to related party	
	2004	2003
	HK\$	HK\$
Related company	960,000	960,000

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

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

30. 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\$4,244,466 (2003: HK\$4,492,842) represents contributions payable to the schemes by the Group at rates specified in the rules of the schemes.

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31st December, 2004

30. 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 all qualifying employees were transferred to the MPF Scheme. The obligations of the scheme were also fixed at that date.

At 31st December, 2004 and 2003, there was no material difference between the present value of the scheme obligations and the market value of the scheme assets. The market value of the scheme assets as at 31st December, 2004 is HK\$4,058,136 (2003: HK\$3,583,710) and the scheme obligation is HK\$1,972,332 (2003: HK\$1,972,332).

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31st December, 2004

31. SUBSIDIARIES

Details of the Company's subsidiaries at 31st December, 2004 are as follows:

Name of company	Place of incorporation or registration/ operation	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% <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
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% <i>note (i)</i>	Investment holding
Michel Manufactory Limited	Hong Kong	Ordinary – HK\$10,000	100%	Provision of marketing services
Newall International Inc.	British Virgin Islands	Ordinary – US\$100	100%	Manufacture of consumer home products in the PRC
東莞五洲制罐廠有限公司 (Equity joint venture company)	PRC	HK\$30,000,000	<i>note (ii)</i>	Tin-plate printing
東莞嘉利美商家庭用品有限公司 (Equity joint venture company)	PRC	HK\$26,850,000	Registered capital	Inactive
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, 2004

31. 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.

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.

32. ASSOCIATES

Details of the Group's associates at 31st December, 2004 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.