NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31st December, 2005

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 consolidated financial statements are presented in Hong Kong dollars, which is the same as the functional currency of the Company.

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. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has applied, for the first time, a number of new Hong Kong Financial Reporting Standards ("HKFRSs"), Hong Kong Accounting Standards ("HKASs") and Interpretations (hereinafter collectively referred to as "new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants that are effective for accounting periods beginning on or after 1st January, 2005. The application of the new HKFRSs has resulted in changes in the presentation of the consolidated income statement, consolidated balance sheet and consolidated statement of changes in equity. In particular, the presentation of minority interests and share of tax of associates have changed. The changes in presentation have been applied retrospectively. The adoption of the new HKFRSs has resulted in changes to the Group's accounting policies in the following areas that have an effect on how the results for the current and prior accounting years are prepared and presented:

Business combinations

In the current year, the Group has applied HKFRS 3 "Business combinations" which is effective for business combinations for which the agreement date is on or after 1st January, 2005. The principal effects of the application of HKFRS 3 to the Group are summarised below:

Goodwill

In previous years, goodwill arising on acquisitions prior to 1st January, 2001 was held in reserves. The Group has applied the relevant transitional provisions in HKFRS 3. Goodwill previously recognised in reserves of HK$60,433,030 has been transferred to the Group's retained earnings on 1st January, 2005.

2. *APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS* *(Continued)*

Share-based payments

In the current year, the Group has applied HKFRS 2 "Share-based payment" ("HKFRS 2") which requires an expense to be recognised where the Group buys goods or obtains services in exchange for shares or rights over shares ("equity-settled transactions"), or in exchange for other assets equivalent in value to a given number of shares or rights over shares ("cash-settled transaction"). The principal impact of HKFRS 2 on the Group is in relation to the expensing of the fair value of directors' and employees' share options of the Company determined at the date of grant of the share options over the vesting period. The Group has not granted any options for both years and the Group had applied the transitional provision of HKFRS 2. Hence, no prior period adjustment has been required and there is no effect on the financial statements in both years.

Financial instruments

In the current year, the Group has applied HKAS 32 "Financial instruments: Disclosure and Presentation" and HKAS 39 "Financial instruments: Recognition and Measurement". HKAS 32 requires retrospective application. HKAS 39, which is effective for annual periods beginning on or after 1st January, 2005, generally does not permit the recognition, derecognition or measurement of financial assets and liabilities on a retrospective basis. The adoption of HKAS 32 has had no material impact on how financial instruments of the Group are presented for current and prior accounting periods. The principal effects resulting from the implementation of HKAS 39 are summarised below:

Classification and measurement of financial assets and financial liabilities

The Group has applied the relevant transitional provisions in HKAS 39 with respect to the classification and measurement of financial assets and financial liabilities that are within the scope of HKAS 39.

By 31st December, 2004, the Group classified and measured its debt and equity securities in accordance with the benchmark treatment of Statement of Standard Accounting Practice 24 ("SSAP 24"). Under SSAP 24, investments in debt or equity securities are classified as "investment securities", "other investments" or "held-to-maturity investments" as appropriate. "Investment securities" are carried at cost less impairment losses (if any) while "other investments" are measured at fair value, with unrealised gains or losses included in profit or loss. Held-to-maturity investments are carried at amortised cost less impairment losses (if any). From 1st January, 2005 onwards, the Group has classified and measured its debt and equity securities in accordance with HKAS 39. Under HKAS 39, financial assets are classified as "financial assets at fair value through profit or loss", "available-for-sale financial assets", "loans and receivables", or "held-to-maturity financial assets". "Financial assets at fair value through profit or loss" and "available-for-sale financial assets" are carried at fair value, with changes in fair values recognised in profit or loss and equity respectively. Available-for-sale equity investments that do not have quoted market prices in an active market and whose fair value cannot be reliably measured are measured at cost less impairment after initial recognition. "Loans and receivables" and "held-to-maturity financial assets" are measured at amortised cost using the effective interest method after initial recognition.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31st December, 2005

2. *APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS* *(Continued)*

Financial instruments *(Continued)*

Classification and measurement of financial assets and financial liabilities (Continued)

On 1st January, 2005, club debenture and investments in securities reported under SSAP 24 were classified as available-for-sale investment and investments held for trading respectively upon the adoption of HKAS 39.

Derecognition

HKAS 39 provides more rigorous criteria for the derecognition of financial assets than the criteria applied in previous years. Under HKAS 39, a financial asset is derecognised, when and only when, either the contractual rights to the asset's cash flows expire, or the asset is transferred and the transfer qualifies for derecognition in accordance with HKAS 39. The decision as to whether a transfer qualifies for derecognition is made by applying a combination of risks and rewards and control tests. The Group has applied the relevant transitional provisions and applied the revised accounting policy prospectively to transfers of financial assets from 1st January, 2005 onwards. As a result, the Group's bill receivables discounted with full recourse which were derecognised prior to 1st January, 2005 have not been restated. As at 31st December, 2005, the Group's bills receivables discounted with full recourse have not been derecognised. Instead, the related borrowings of HK$27,751,310 have been recognised on the balance sheet date. This change in accounting policy has had no material effect on results for the current year.

Owner-occupied leasehold interest in land

In previous years, owner-occupied leasehold land and buildings were included in property, plant and equipment and measured using the cost model. In the current year, the Group has applied HKAS 17 "Leases". Under HKAS 17, the land and buildings elements of a lease of land and buildings are considered separately for the purposes of lease classification, unless the lease payments cannot be allocated reliably between the land and buildings elements, in which case, the entire lease is generally treated as a finance lease. To the extent that the allocation of the lease payments between the land and buildings elements can be made reliably, the leasehold interests in land are reclassified to prepaid lease payments under operating leases, which are carried at cost and amortised over the lease term on a straight-line basis. This change in accounting policy has been applied retrospectively (see Note 2A for the financial impact).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31st December, 2005

2A. SUMMARY OF THE EFFECTS OF THE CHANGES IN ACCOUNTING POLICIES

The cumulative effects of the application of the new HKFRSs on 31st December, 2004 and 1st January, 2005 are summarised below:

	As at 31.12.2004 (originally stated)	Retrospective adjustments	As at 31.12.2004 (restated)	Prospective adjustments	**As at 1.1.2005 (restated)**
	HK$	*HK$*	*HK$*	*HK$*	***HK$***
Balance sheet items					
Impact of HKAS 17:					
Property, plant and equipment	157,459,363	(15,166,140)	142,293,223	–	**142,293,223**
Prepaid lease payments	–	15,166,140	15,166,140	–	**15,166,140**
	157,459,363	–	157,459,363	–	**157,459,363**
Impact of HKAS 39:					
Available-for-sale investment	–	–	–	880,000	**880,000**
Club debenture	880,000	–	880,000	(880,000)	**–**
Investment in securities	2,614,059	–	2,614,059	(2,614,059)	**–**
Investments held for trading	–	–	–	2,614,059	**2,614,059**
Total effect on assets and liabilities	3,494,059	–	3,494,059	–	**3,494,059**
Goodwill reserve	(60,433,030)	–	(60,433,030)	60,433,030	**–**
Retained earnings	62,081,769	–	62,081,769	(60,433,030)	**1,648,739**
Total effects on equity	1,648,739	–	1,648,739	–	**1,648,739**

Except for the cumulative effects as stated above, the adoption of new HKFRSs has had no other material effect on results for the current and prior years and on 1st January, 2004.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31st December, 2005

2A. SUMMARY OF THE EFFECTS OF THE CHANGES IN ACCOUNTING POLICIES *(Continued)*

The Group has not early applied the following new standards and interpretations that have been issued but are not yet effective. The directors of the Company anticipate that the application of these Standards or Interpretations will have no material impact on the financial statements of the Group.

HKAS 1 (Amendment)	Capital disclosure [1]
HKAS 19 (Amendment)	Actuarial gains and losses, group plans and disclosures [2]
HKAS 21 (Amendment)	Net investment in a foreign operation [2]
HKAS 39 (Amendment)	Cash flow hedge accounting of forecast intragroup transactions [2]
HKAS 39 (Amendment)	The fair value option [2]
HKAS 39 and HKFRS 4 (Amendments)	Financial guarantee contracts [2]
HKFRS 6	Exploration for and evaluation of mineral resources [2]
HKFRS 7	Financial instruments: Disclosures [1]
HK(IFRIC) – INT 4	Determining whether an arrangement contains a lease [2]
HK(IFRIC) – INT 5	Rights to interests arising from decommissioning, restoration and environmental rehabilitation funds [2]
HK(IFRIC) – INT 6	Liabilities arising from participating in a specific market – waste electrical and electronic equipment [3]
HK(IFRIC) – INT 7	Applying the restatement approach under HKAS 29 Financial Reporting in Hyperinflationary Economies [4]

[1] Effective for annual periods beginning on or after 1st January, 2007.
[2] Effective for annual periods beginning on or after 1st January, 2006.
[3] Effective for annual periods beginning on or after 1st December, 2005.
[4] Effective for annual periods beginning on or after 1st March, 2006.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values, as explained in the accounting policies set out below.

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the Companies Ordinance.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31st December, 2005

3. *SIGNIFICANT ACCOUNTING POLICIES (Continued)*

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Minority interests in the net assets of consolidated subsidiaries are presented separately from the Group's equity therein. Minority interests in the net assets consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

Goodwill

Goodwill arising on acquisitions prior to 1st January, 2001 was held in reserves, and has been transferred to the Group's retained earnings on 1st January, 2005

Investments in associates

The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting. Under the equity method, investments in associates are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of the profit or loss and of changes in equity of the associate, less any identified impairment loss. When the Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. An additional share of losses is provided for and a liability is recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

Where a group entity transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate.

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

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts.

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.

Subcontracting income are recognised when services are provided.

Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Property, plant and equipment

Property, plant and equipment are stated at cost less subsequent accumulated depreciation and accumulated impairment loss.

Depreciation is provided to write off the cost of items of property, plant and equipment over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the income statement in the year in which the item is derecognised.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight-line basis.

3. *SIGNIFICANT ACCOUNTING POLICIES (Continued)*

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in its functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the year in which they arise, except for exchange differences arising on a monetary item that forms part of the Company's net investment in a foreign operation, in which case, such exchange differences are recognised in equity in the consolidated financials statements.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) at the rate of exchange prevailing at the balance sheet date, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the year, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised as a separate component of equity (the translation reserve). Such exchange differences are recognised in profit or loss in the year in which the foreign operation is disposed of.

Retirement benefit costs

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

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 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 items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

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

Taxation *(Continued)*

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base 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 the initial recognition 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, 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 profits 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 realised. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price less all estimated costs to completion and costs to be incurred in marketing, selling and distribution.

Financial instruments

Financial assets and financial liabilities are recognised on the balance sheet when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial assets

The Group's financial assets are classified into one of the three categories, including financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial assets. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace. The accounting policies adopted in respect of each category of financial assets are set out below.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss has two subcategories, including financial assets held for trading and those designated at fair value through profit or loss on initial recognition. The Group classified certain financial assets as investments held for trading. At each balance sheet date subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value, with changes in fair value recognised directly in profit or loss in the year in which they arise.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each balance sheet date subsequent to initial recognition, loans and receivables (including debtors, bill receivables, bank balance and bank deposits) are carried at amortised cost using the effective interest method, less any identified impairment losses. An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as any of the other categories (set out above). At each balance sheet date subsequent to initial recognition, available-for-sale financial assets are measured at fair value. Changes in fair value are recognised in equity, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously recognised in equity is removed from equity and recognised in profit or loss. Any impairment losses on available-for-sale financial assets are recognised in profit or loss. For available-for-sale debt investments, impairment losses are subsequently reversed if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial assets *(Continued)*

Available-for-sale financial assets (Continued)

For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, they are measured at cost less any identified impairment losses at each balance sheet date subsequent to initial recognition. An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired. The amount of the impairment loss is measured as the difference between the carrying amount of the asset and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses will not reverse in subsequent periods.

Financial liabilities and equity

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities. The accounting policies adopted in respect of financial liabilities and equity instruments are set out below.

Financial liabilities

Financial liabilities including creditors, bills payable and accrued charges, amount due to an associate and bank borrowings are subsequently measured at amortised cost, using the effective interest rate method.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and the cumulative gain or loss that had been recognised directly in equity is recognised in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31st December, 2005

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Derecognition *(Continued)*

For financial liabilities, they are removed from the Group's balance sheet (i.e. when the obligation specified in the relevant contract is discharged, cancelled or expires). The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in profit or loss.

Impairment losses

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An 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, but so 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.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the process of applying the entity's accounting policies which are described in note 3, management has made the following estimation that have significant effect on the amounts recognised in the consolidated financial statements. They key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are also discussed below.

Allowances for bad and doubtful debts

The policy for allowances for bad and doubtful debts of the Group is based on the evaluation of collectability and aging analysis of accounts and on management's estimation. A considerable amount of judgment is required in assessing the ultimate realisation of these receivables, including the current creditworthiness, the past collection history of each customer and the estimation of the future cash flow discounted at the original effective rate to calculate the present value. If the financial conditions of customers of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31st December, 2005

4. KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

Allowance for inventories

The management of the Group reviews aging analysis at each balance sheet date, and makes allowance for obsolete and slow-moving inventory items identified that are no longer suitable for use in production. The Group carries out an inventory review on a product-by-product basis at each balance sheet date and makes allowances for slow moving or obsolete items.

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's major financial instruments include debtors, bills receivable, bank balance and bank deposits, investments held-for-trading, creditors, bills payable and accrued charges, amount due to an associate and bank borrowings. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Currency risk

The Group's transactions are mainly denominated in United States dollars and Hong Kong dollars and is therefore exposed to foreign currency risk of United States dollars.

The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arises.

Interest rate risk

The Group is exposed to interest rate risk through the impact of rate changes on interest bearing financial assets and liabilities. Interest bearing financial assets are mainly deposits with banks. Interest bearing financial liabilities are mainly bank borrowings. The Group does not have interest rate hedging policy. However, the management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arises.

Credit risk

The Group's maximum exposure to credit risk in the event of the counterparties failure to perform their obligations as at 31st December, 2005 in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated balance sheet. In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debtors at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. The Group's trade receivables as at 31st December, 2005 are concentrated on certain customers. The management closely monitors the subsequent settlement of the customers and does not grant long credit period to them. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31st December, 2005

5. *FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)*

Credit risk *(Continued)*

The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

Price risk

The Group's held-for-trading investments are measured at fair value at each balance sheet date. Therefore, the Group is exposed to equity and debt security price risk. The management manages this exposure by maintaining a portfolio of investments with different risk profiles.

6. *REVENUE*

Revenue represents the net amounts received and receivables for goods sold by the Group to outside customers, less returns and allowances for the year.

7. *BUSINESS AND GEOGRAPHICAL SEGMENTS*

Business segments

For management purposes, the Group is currently organised into three operating divisions – trading, manufacturing and sale of household and other consumer products. 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 CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31st December, 2005

7. BUSINESS AND GEOGRAPHICAL SEGMENTS *(Continued)*

Business segments *(Continued)*

INCOME STATEMENT FOR THE YEAR ENDED 31ST DECEMBER, 2005

	Trading	Manufacturing – household products	Manufacturing – others	Consolidated
	HK$	*HK$*	*HK$*	*HK$*
REVENUE				
External sales	226,330,659	102,362,194	418,790,171	747,483,024
RESULTS				
Segment results	21,734,779	14,741,002	8,112,732	44,588,513
Unallocated income				5,237,514
Unallocated expenses				(59,229,166)
Gain on disposal of investments held for trading				64,182
Impairment losses on property, plant and equipment				(1,378,241)
Loss on disposal of a subsidiary	–	–	(1,332,358)	(1,332,358)
Loss on change in fair value of investments held for trading				(53,859)
Finance costs				(5,275,635)
Share of results of associates				(190,674)
Loss before taxation				(17,569,724)
Taxation				(987,313)
Loss for the year				(18,557,037)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31st December, 2005

7. *BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)*

Business segments *(Continued)*

BALANCE SHEET AS AT 31ST DECEMBER, 2005

	Trading	Manufacturing – household products	Manufacturing – others	Consolidated
	HK$	*HK$*	*HK$*	*HK$*
ASSETS				
Segment assets	52,316,942	51,975,213	197,229,533	301,521,688
Interests in associates				1,907,394
Unallocated corporate assets				121,453,014
Consolidated total assets				424,882,096
LIABILITIES				
Segment liabilities	10,220,076	11,446,886	68,813,187	90,480,149
Unallocated corporate liabilities				89,831,888
Consolidated total liabilities				180,312,037

OTHER INFORMATION FOR THE YEAR ENDED 31ST DECEMBER, 2005

	Trading	Manufacturing – household products	Manufacturing – others	Unallocated	Consolidated
	HK$	*HK$*	*HK$*	*HK$*	*HK$*
Capital additions	6,887,088	3,114,812	4,149,496	80,480	14,231,876
Depreciation of property, plant and equipment	1,558,295	1,644,234	17,449,042	160,662	20,812,233
Loss on disposal of property, plant and equipment	–	–	–	62,074	62,074
Allowances for bad and doubtful debts	–	–	26,122	–	26,122

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31st December, 2005

7. BUSINESS AND GEOGRAPHICAL SEGMENTS *(Continued)*

Business segments *(Continued)*

INCOME STATEMENT FOR THE YEAR ENDED 31ST DECEMBER, 2004

	Trading	Manufacturing – household products	Manufacturing – others	Consolidated
	HK$	*HK$*	*HK$*	*HK$*
REVENUE				
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 losses on other investments				(602,088)
Finance costs				(4,486,817)
Share of losses of associates				(110,119)
Loss before taxation				(2,122,562)
Taxation				1,715,847
Loss for the year				(406,715)

7. *BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)*

Business segments *(Continued)*

BALANCE SHEET AS AT 31ST DECEMBER, 2004

	Trading	Manufacturing – household products	Manufacturing – others	Consolidated
	HK$	*HK$*	*HK$*	*HK$*
ASSETS				
Segment assets	38,654,573	52,478,138	212,995,366	304,128,077
Interests in associates				2,049,156
Unallocated corporate assets				130,938,324
Consolidated total assets				437,115,557
LIABILITIES				
Segment liabilities	6,982,464	9,604,458	62,741,338	79,328,260
Unallocated corporate liabilities				87,021,602
Consolidated total liabilities				166,349,862

OTHER INFORMATION FOR THE YEAR ENDED 31ST DECEMBER, 2004

	Trading	Manufacturing – household products	Manufacturing – others	Unallocated	Consolidated
	HK$	*HK$*	*HK$*	*HK$*	*HK$*
Capital additions	1,068,020	495,730	10,993,667	–	12,557,417
Depreciation of property, plant and equipment	1,692,599	1,725,607	20,017,684	189,469	23,625,359
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

7. 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 revenue by geographical market, irrespective of the origin of the goods.

	Sales revenue by geographical market	
	Year ended 31.12.2005 HK$	Year ended 31.12.2004 HK$
Geographical market		
North America	**188,270,609**	248,592,847
Holland	**197,707,624**	217,767,170
Germany	**106,385,968**	124,918,351
United Kingdom	**106,291,051**	116,009,779
France	**29,331,760**	46,370,243
Other European countries	**39,035,040**	44,736,559
Hong Kong	**43,153,973**	47,139,074
Australia	**16,559,585**	18,043,314
PRC	**12,136,744**	13,850,721
Others	**8,610,670**	9,597,743
	747,483,024	887,025,801

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31st December, 2005

7. 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 31.12.2005	At 31.12.2004	**Year ended 31.12.2005**	Year ended 31.12.2004
	HK$	*HK$*	***HK$***	*HK$*
Hong Kong	**233,430,912**	230,198,809	**1,102,376**	694,879
PRC	**184,209,827**	198,071,535	**13,049,020**	11,862,538
Canada	**6,878,814**	8,845,213	**–**	–
United States	**362,543**	–	**80,480**	–
	424,882,096	437,115,557	**14,231,876**	12,557,417

8. OTHER INCOME

	2005	2004
	HK$	*HK$*
Commission income	**786,313**	–
Interest income on bank deposits	**1,661,700**	485,538
Interest income on trade debtors	**593,493**	925,127
Rental income	**36,000**	188,786
Subcontracting fee income	**720,808**	–
Sundry income	**1,439,200**	1,091,971
	5,237,514	2,691,422

9. FINANCE COSTS

Finance costs represent interests paid to bank borrowings wholly repayable within one year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31st December, 2005

10. TAXATION (CHARGE) CREDIT

	2005	2004
	HK$	HK$
Current tax		
Underprovision of Hong Kong Profits Tax in prior years	(1,250)	(106,866)
Deferred tax *(note 29)*		
Current year	(986,063)	1,822,713
	(987,313)	1,715,847

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

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

	2005	2004
	HK$	HK$
Loss before taxation	(17,569,724)	(2,122,562)
Tax at the Hong Kong Profits Tax rate of 17.5%	3,074,702	371,448
Tax effect of share of results of associates	(33,368)	(19,271)
Tax effect of expenses not deductible for tax purpose	(4,829,468)	(5,103,120)
Tax effect of income not taxable for tax purpose	2,504,772	6,614,593
Underprovision in respect of prior years	(1,250)	(106,866)
Tax effect of tax losses not recognised	(1,702,701)	(40,937)
Taxation (charge) credit for the year	(987,313)	1,715,847

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31st December, 2005

11. LOSS FOR THE YEAR

	2005	2004
	HK$	*HK$*
Loss for the year has been arrived at after charging:		
Allowance on inventories	**–**	268,901
Release of prepaid lease payments	**539,594**	398,884
Auditors' remuneration	**1,200,901**	1,064,518
Depreciation of property, plant and equipment	**20,812,233**	23,625,359
Loss on disposal of property, plant and equipment	**62,074**	–
Net foreign exchange loss	**1,216,377**	–
Operating lease payments in respect of rented properties	**15,775,069**	16,151,291
Staff costs:		
Directors' remuneration	**6,493,825**	6,650,825
Other staff salaries and allowances and benefits	**89,279,434**	104,537,734
Other staff retirement benefit scheme contributions	**3,711,888**	4,095,641
	99,485,147	115,284,200
Share of tax of associates (included in share of loss of associates)	**–**	12,581
and after crediting:		
Gain on disposals of property, plant and equipment	**–**	7,597
Net foreign exchange gain	**–**	451,359
Write-back of allowance on inventories *(Note)*	**556,232**	–

Note: Write back of allowance on inventories was made when the net realisable value of those inventories on which allowance had previously been made is greater than cost.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31st December, 2005

12. DIRECTORS' EMOLUMENTS

	Directors' fees HK$	Salaries and other benefits HK$	Performance related incentive benefits HK$	Pension scheme contribution HK$	Total 2005 HK$
Name of directors					
Lam Po Kwai, Frankie	–	1,920,000	–	48,000	1,968,000
Wong Yau Ching, Maria	–	1,760,000	460,000	48,000	2,268,000
Lee Yuen Bing, Nina	–	627,000	115,000	26,550	768,550
So Man Yee, Katherine	–	718,000	115,000	26,275	859,275
Au Son Yiu	180,000	–	–	–	180,000
Johnson Lee	180,000	–	–	–	180,000
He Ling	90,000	–	–	–	90,000
Tang Tin Sek	180,000	–	–	–	180,000
Total emoluments 2005	**630,000**	**5,025,000**	**690,000**	**148,825**	**6,493,825**

	Directors' fees HK$	Salaries and other benefits HK$	Performance related incentive benefits HK$	Pension scheme contribution HK$	Total 2004 HK$
Name of directors					
Lam Po Kwai, Frankie	–	1,920,000	89,000	48,000	2,057,000
Wong Yau Ching, Maria	–	1,660,000	632,000	48,000	2,340,000
Lee Yuen Bing, Nina	–	627,000	158,000	26,550	811,550
So Man Yee, Katherine	–	718,000	158,000	26,275	902,275
Au Son Yiu	180,000	–	–	–	180,000
Johnson Lee	180,000	–	–	–	180,000
He Ling	90,000	–	–	–	90,000
Tang Tin Sek	90,000	–	–	–	90,000
Total emoluments 2004	540,000	4,925,000	1,037,000	148,825	6,650,825

During both years, no remuneration was paid by the Group to the Directors as an inducement to join or upon joining the Group or as compensation for loss of office. None of the Directors has waived any remuneration during the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31st December, 2005

13. EMPLOYEES' EMOLUMENTS

The five highest paid individuals of the Group included three (2004: two) directors, details of whose emoluments are set out above. The emoluments of the remaining two (2004: three) highest paid employees, other than directors of the Company, were as follows:

	2005	2004
	HK$	*HK$*
Salaries and other benefits	**2,043,560**	4,852,910
Retirement scheme benefit contributions	**55,800**	84,200
	2,099,360	4,937,110

Emoluments of these remaining two (2004: three) highest paid employees were within the following bands:

	Number of employees	
	2005	2004
HK$1,000,001 – HK$1,500,000	**2**	2
HK$2,500,001 – HK$3,000,000	**–**	1

14. DIVIDENDS

	2005	2004
	HK$	*HK$*
Interim dividend paid – Nil (2004: 1.5 cents) per share	**–**	7,168,894
Final dividend proposed, Nil (2004: 0.5 cent) per share	**–**	2,389,632
	–	9,558,526

No dividend was proposed during 2005, nor has any dividend been proposed since the balance sheet date (2004: HK$9,558,526).

15. BASIC (LOSS) EARNINGS PER SHARE

The calculation of the basic (loss) earnings per share is based on the loss attributable to the equity holders of the Company of HK$13,030,909 (2004: profit of HK$3,031,055) and 477,926,292 (2004: 477,926,292) shares in issue during the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31st December, 2005

16. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings HK$	Computer equipment HK$	Furniture and fixtures HK$	Motor vehicles HK$	Plant and machinery HK$	Total HK$
COST						
At 1st January, 2004						
– As originally stated	91,851,543	14,501,437	106,050,543	9,255,705	274,213,667	495,872,895
– Effect of changes in accounting policies	(20,060,419)	–	–	–	–	(20,060,419)
– As restated	71,791,124	14,501,437	106,050,543	9,255,705	274,213,667	475,812,476
Exchange realignment	676,800	–	–	–	–	676,800
Additions	–	334,932	3,875,234	1,335,015	7,012,236	12,557,417
Disposal	–	–	–	(303,894)	(2,266,580)	(2,570,474)
At 31st December, 2004	72,467,924	14,836,369	109,925,777	10,286,826	278,959,323	486,476,219
Exchange realignment	571,421	–	35,663	19,775	526,877	1,153,736
Additions	7,731,834	434,559	2,117,657	425,922	3,521,904	14,231,876
Disposals	(1,858,140)	–	(104,814)	(2,253,387)	(155,350)	(4,371,691)
Written off on disposal of a subsidiary	(2,803,738)	–	(75,939)	–	(6,890,956)	(9,770,633)
At 31st December, 2005	**76,109,301**	**15,270,928**	**111,898,344**	**8,479,136**	**275,961,798**	**487,719,507**
DEPRECIATION AND IMPAIRMENT						
At 1st January, 2004						
– As originally stated	22,809,355	10,748,909	78,554,814	6,026,078	209,156,373	327,295,529
– Effect of changes in accounting policies	(4,495,395)	–	–	–	–	(4,495,395)
– As restated	18,313,960	10,748,909	78,554,814	6,026,078	209,156,373	322,800,134
Exchange realignment	94,282	–	–	–	–	94,282
Provided for the year	2,206,575	795,150	5,907,489	774,679	13,941,466	23,625,359
Eliminated on disposals	–	–	–	(153,487)	(2,183,292)	(2,336,779)
At 31st December, 2004	20,614,817	11,544,059	84,462,303	6,647,270	220,914,547	344,182,996
Exchange realignment	131,993	–	30,997	9,130	488,749	660,869
Provided for the year	2,192,749	703,034	5,195,319	776,463	11,944,668	20,812,233
Impairment losses recognised in the income statement	1,215,017	23,411	125,034	–	14,779	1,378,241
Eliminated on disposals	(285,661)	–	(76,347)	(142,228)	(2,046,341)	(2,550,577)
Written off on disposal of a subsidiary	(913,354)	–	(56,657)	–	(4,858,962)	(5,828,973)
At 31st December, 2005	**22,955,561**	**12,270,504**	**89,680,649**	**7,290,635**	**226,457,440**	**358,654,789**
NET BOOK VALUES						
At 31st December, 2005	**53,153,740**	**3,000,424**	**22,217,695**	**1,188,501**	**49,504,358**	**129,064,718**
At 31st December, 2004	51,853,107	3,292,310	25,463,474	3,639,556	58,044,776	142,293,223

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31st December, 2005

16. PROPERTY, PLANT AND EQUIPMENT

The above items of property, plant and equipment are depreciated at the following rates per annum:

Buildings located in Hong Kong	Over thirty years by equal annual instalments
Buildings held overseas	Reducing balance method at 4%
Others	Reducing balance method at 20%

The carrying value of properties shown above comprises:

	2005	2004
	HK$	*HK$*
Freehold properties in Canada	**5,221,432**	7,872,305
Properties:		
– Held in Hong Kong	**11,411,439**	11,885,587
– Held outside Hong Kong	**36,520,869**	32,095,215
	53,153,740	51,853,107

During the year, the directors conducted a regular review of the property, plant and equipment held by two subsidiaries and determined that those assets were impaired. Accordingly, impairment losses of HK$1,215,017 and HK$163,224 have been recognised on land and buildings and other plant and equipment respectively. The directors reviewed the operation of a subsidiary which incurred continuous losses and decided to recognise impairment loss on the land and building held by this subsidiary with reference to the prevailing market price. The directors also decided to recognise impairment losses on all the plant and equipment held by an inactive subsidiary because in the opinion of the directors, these assets cannot be used by the group any more, and their saleable value is negligible.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31st December, 2005

17. PREPAID LEASE PAYMENTS

	2005	2004
	HK$	HK$
The Group's prepaid lease payments comprise:		
Leasehold land:		
Held in Hong Kong, long leases	11,765,553	12,045,687
Held outside Hong Kong, long leases	506,573	518,929
Held outside Hong Kong, medium-term leases	10,822,241	2,601,524
	23,094,367	15,166,140
Analysed for reporting purposes as:		
Current asset	620,674	398,884
Non-current asset	22,473,693	14,767,256
	23,094,367	15,166,140

18. INTERESTS IN ASSOCIATES

	2005	2004
	HK$	HK$
Cost of investment in unlisted associates	51,233	51,233
Share of post-acquisition profits	1,856,161	1,997,923
	1,907,394	2,049,156

As at 31st December, 2005, the Group had interests in the following associates:

Name of entity	Form of business structure	Place of incorporation	Principal place of operation	Class of share held	Proportion of nominal value of issued capital held by the Group	Proportion of voting power held	Principal activity
					%	%	
Port-style Enterprises Inc.	Incorporated	Canada	Canada	Ordinary	25%	25%	General trading
Webradio Ltd.	Incorporated	Hong Kong	Hong Kong	Ordinary	33%	33%	Operation of a website

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31st December, 2005

19. AVAILABLE-FOR-SALE INVESTMENT/CLUB DEBENTURE

	2005	2004
	HK$	HK$
Club debenture, at fair value	880,000	880,000

Upon the application of HKAS 39 on 1st January, 2005, the Group's club debenture was reclassified to available-for-sale investment (see note 2A). The club debenture are measured at fair value. Fair value of the investment has been determined by reference to the bid price quoted in an active market.

20. 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 represented the deposits paid for the acquisition. The transaction was completed during the year and the amount was capitalised as land and building and prepaid lease payments as set out in notes 16 and 17 respectively.

21. INVENTORIES

	2005	2004
	HK$	HK$
At cost less provision:		
Raw materials	49,777,246	55,057,665
Work in progress	7,382,282	8,613,105
Finished goods	9,817,016	13,196,248
	66,976,544	76,867,018

The cost of inventories recognised as expense during the year was HK$534,680,372 (2004: HK$647,473,388).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31st December, 2005

22. OTHER FINANCIAL ASSETS

	2005	2004
	HK$	*HK$*
Trade debtors and bills receivable	**86,313,807**	79,809,004
Less: Allowances for bad and doubtful debts	**(942,132)**	(17,656,908)
	85,371,675	62,152,096
Other debtors and prepayments	**4,628,546**	8,536,427
	90,000,221	70,688,523

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

The following is an aged analysis of trade debtors and bills receivable net of impairment losses at the reporting date:

	2005	2004
	HK$	*HK$*
0-60 days	**67,840,745**	48,796,178
61-90 days	**7,924,763**	5,912,927
> 90 days	**9,606,167**	7,442,991
	85,371,675	62,152,096

The long term bank deposits, denominated in United States dollars, carry fixed interest rate of 3.65% and will mature on 31st August, 2009. The fair value of bank deposits approximates to the corresponding carrying amount.

Amount due from an associate was unsecured, non-interest-bearing and repayable on demand.

The directors consider that the fair value of the Group's trade and other debtors and bills receivable at 31st December, 2005 approximates the corresponding carrying amount.

Bank balances and cash, short term bank deposits and short term pledged bank deposit comprise cash held by the Group and short-term deposits and short term pledged bank deposits with an original maturity of three months or less. These balances receive interest at an average rate of 3.5%. The carrying amount of these assets approximates their fair value. Bank balances and cash of approximately HK$51,007,000 (2004: HK$69,819,000) were denominated in United States dollars.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31st December, 2005

23. INVESTMENTS HELD FOR TRADING/INVESTMENTS IN SECURITIES

	2005	2004
	HK$	HK$
		(Note)
Investments held for trading/other investments as at 31st December, 2005 include:		
Equity securities listed in Hong Kong	1,580,481	1,731,003
Unlisted quoted debt securities	1,558,254	883,056
	3,138,735	2,614,059

The fair values of the above investments held for trading are determined based on the quoted market bid prices available on the relevant exchanges or based on the relevant price quoted from the brokers.

Note: Upon the application of HKAS 39 on 1st January, 2005, other investments were reclassified to investments held for trading.

24. SHORT TERM PLEDGED BANK DEPOSITS

The Group's bank deposits of approximately HK$2.7 million (2004: HK$2.7 million) have been pledged to a bank to secure banking facilities granted to a subsidiary.

25. CREDITORS, BILLS PAYABLE AND ACCRUED CHARGES

	2005	2004
	HK$	HK$
Trade creditors	56,854,881	51,098,796
Bills payable	13,937,169	7,989,661
Other creditors and accrued charges	21,243,411	21,713,883
	92,035,461	80,802,340

25. CREDITORS, BILLS PAYABLE AND ACCRUED CHARGES *(Continued)*

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

	2005	2004
	HK$	*HK$*
0-60 days	**55,882,806**	44,975,866
61-90 days	**10,082,953**	8,210,734
> 90 days	**4,826,291**	5,901,857
	70,792,050	59,088,457

Amount due to an associate is unsecured, non-interest-bearing and repayable on demand.

The directors consider that the fair value of the Group's creditors, bills payable, other creditors and accrued charges and amount due to an associate at 31st December, 2005 approximates the corresponding carrying amount.

26. BANK BORROWINGS

	THE GROUP	
	2005	2004
	HK$	*HK$*
Bank borrowings comprise the following:		
Trust receipt and import loans	**54,782,189**	80,866,912
Other bank loans *(Note)*	**27,533,714**	–
	82,315,903	80,866,912
Secured	**9,878,603**	3,018,452
Unsecured	**72,437,300**	77,848,460
	82,315,903	80,866,912

Note: Since the export bills are discounted with recourse, the associated financial liabilities were recognised as bank borrowings in accordance with HKAS 39.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31st December, 2005

26. BANK BORROWINGS *(Continued)*

Included in the bank borrowings of HK$73,861,156 (2004: HK$72,215,747) were denominated in United States dollars, and the remaining were denominated in Hong Kong dollars.

The above borrowings bear interests at floating rates, and thus expose to cash flow interest rate risk. The average effective interest rate is approximately 5.29% (2004: 3.0%) per annum. The balances are repayable within one year.

The directors consider that the fair value of the Group's bank borrowings at 31st December, 2005 approximates the corresponding carrying amount.

27. SHARE CAPITAL

	Number of ordinary shares of HK$0.10 each 2005 & 2004	**Nominal value 2005 &2004**
		HK$
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

28. SHARE OPTIONS SCHEME

The Company's share option scheme (the Scheme), was adopted pursuant to a resolution passed on 31st May, 2002 for the primary purpose of providing incentives to director and eligible employees, and is effective for a period of 10 years commencing on the adoption date. Under the Scheme, the Board of Directors of the Company may grant options to eligible employees, including directors of the Company and its subsidiaries, to subscribe for shares in the Company.

Options granted must be taken up within 28 days of the date of grant, upon payment of HK$1 per option. Options may be exercised at any time from the date of grant of the share option to the expiration of the Scheme. The exercise price is determined by the directors of the Company, and will not be less than the higher of (i) the closing price of the Company's shares on the date of grant, (ii) the average closing price of the shares for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Company's share.

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

29. DEFERRED TAXATION

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
	HK$	*HK$*	*HK$*
At 1st January, 2004	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
Charge to income statement for the year	1,469	984,594	986,063
At 31st December, 2005	**5,961,399**	**(294,726)**	**5,666,673**

At the balance sheet date, the Group has unused tax losses of HK$185,836,898 (2004: HK$181,733,431) available for offset against future profits. A deferred tax asset has been recognised in respect of HK$1,684,148 (2004: HK$7,310,400) of such losses. No deferred tax asset has been recognised in respect of the remaining HK$184,152,750 (2004: HK$174,423,031) due to the uncertainty of future profit streams. The losses may be carried forward indefinitely.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31st December, 2005

30. *DISPOSAL OF A SUBSIDIARY*

On 22nd December, 2005, the Group disposed its 60% equity interest in Tianjin Jiatian Tin-plate Painting Company Limited ("Tianjin Jiatian") at a consideration of HK$1,923,078 to the other shareholder of Tianjin Jiatian. The net assets of Tianjin Jiatian at the date of disposal were as follows:

	22.12.2005
	HK$
NET ASSETS DISPOSED OF	
Property, plant and equipment	**3,941,660**
Inventories	**1,074,215**
Trade and other receivables	**1,425,315**
Bank balances and cash	**847,923**
Creditors and accrued charges	**(1,863,387)**
	5,425,726
Minority interests	**(2,170,290)**
	3,255,436
Loss on disposal	**(1,332,358)**
Total consideration	**1,923,078**
Satisfied by:	
Deferred consideration (included in debtors, bills receivable and prepayments)	**1,923,078**
Cash outflow arising on disposal:	
Bank balances and cash disposed of	**847,923**

The deferred consideration will be settled in cash by the purchaser on or before 31st December, 2006.

The subsidiary disposed of during the year contributed loss of HK$226,172 for the year ended 31st December, 2005 (2004: HK$236,262) to the Group's loss before taxation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31st December, 2005

31. CONTINGENT LIABILITIES

	2005	2004
	HK$	HK$
Export bills discounted with recourse (Note)	–	32,605,840

Note: The Group applied HKAS 39 from 1st January, 2005 onwards. The associated financial liabilities were recognised as bank borrowings as set out in note 26.

32. CAPITAL COMMITMENTS

	2005	2004
	HK$	HK$
Capital expenditure in respect of acquisition of property, plant and equipment contracted for but not provided in the financial statements	241,698	5,149,000

33. OPERATING LEASE COMMITMENTS

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

	2005	2004
	HK$	HK$
Within one year	16,503,582	9,186,362
In the second to fifth year inclusive	32,009,559	17,672,232
Over five years	–	760,254
	48,513,141	27,618,848

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

34. *RELATED PARTY TRANSACTIONS*

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

	2005	2004
	HK$	HK$
Rental paid to a 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 agreed by both parties. This expense was paid to provide quarters to certain directors of the Company and has been included in directors' remuneration.

Compensation of key management personnel

The remuneration of directors and other members of key management during the year was as follows:

	2005	2004
	HK$	*HK$*
Salaries and other short term employee benefits	**8,388,560**	11,354,910
Retirement benefit costs	**204,625**	233,025
	8,593,185	11,587,935

The remuneration of directors and key executives is determined by the remuneration committee having regard to the performance of individuals and market treads.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31st December, 2005

35. 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$3,860,713 (2004: HK$4,244,466) 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 all qualifying employees were transferred to the MPF Scheme. The obligations of the scheme were also fixed at that date.

At 31st December, 2005, the market value of the scheme assets is HK$4,342,352 (2004: HK$4,058,136) and the scheme obligation is HK$1,972,332 (2004: HK$1,972,332).

36. MAJOR NON CASH TRANSACTION

During the year, an increase in prepaid lease payments of HK$7,723,254 was offset through the deposit paid in prior year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31st December, 2005

37. *SUBSIDIARIES*

Details of the Company's subsidiaries at 31st December, 2005 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 ("Bigfield")	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. ("Dominion Trading")	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%	Inactive
Hero Fame Corporation Limited	Hong Kong	Ordinary – HK$1,000,000	62.5%	Inactive

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31st December, 2005

37. SUBSIDIARIES *(Continued)*

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
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	100%	Inactive
Home Connection Inc.	United States	Nil	100%	Sale agent

37. 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 and Home Connection Inc. which are 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.

38. POST BALANCE SHEET EVENT

On 31st March, 2006, Dominion Trading, being an indirect wholly owned subsidiary of the Company, entered into an agreement with Mr. Lee Kun ("Mr. Lee"), being a substantial shareholder of Bigfield, whereby Dominion Trading agreed to purchase and Mr. Lee agreed to sell his shares representing 16.67% of the issued share capital in Bigfield at the consideration of HK$5 million. Mr. Lee also agreed to grant an option to Dominion Trading to purchase his remaining 20.83% shareholding in Bigfield at the total exercise price of HK$6.25 million. The option can be exercised by the Company on or before 30th September, 2006.