

1. GENERAL

The Company was incorporated in the Cayman Islands with limited liability under the Companies Law and registered thereunder as an exempted company. Its shares are listed on The Stock Exchange of Hong Kong Limited.

The Company is an investment holding company. Its principal subsidiaries are engaged in the design, manufacture and marketing of PVC and fabric household products and PVC pipes and fittings.

2. ADOPTION OF NEW OR REVISED STATEMENTS OF STANDARD ACCOUNTING PRACTICE

In the current year, the Group has adopted for the first time a number of new or revised Statements of Standard Accounting Practice ("SSAPs") issued by the Hong Kong Society of Accountants. The adoption of these new or revised SSAPs have resulted in a change in the format of presentation of the consolidated cash flow statement and the introduction of the consolidated statement of changes in equity, but has had no material effect on the results for the current or prior accounting periods. Accordingly, no prior period adjustment has been required. Comparative amounts for the prior year have therefore been restated to achieve a consistent presentation.

Cash flow statements

In the current year, the Group has adopted SSAP 15 (Revised) "Cash flow statements". Under SSAP 15 (Revised), cash flows are classified under three headings — operating, investing and financing, rather than the previous five headings. Interest received and paid, which were previously presented under a separate heading, are classified as operating and financing cash flows respectively. Dividend received and paid, which were previously presented under a separate heading, are classified as investing and financing cash flows respectively. Cash flows arising from taxes on income are classified as operating activities, unless they can be separately identified with investing or financing activities.

Employee benefits

In the current year, the Group has adopted SSAP 34 "Employee benefits", which introduces measurement rules for employee benefits, including retirement benefit schemes. Because the Group participates only in defined contribution retirement benefit schemes, the adoption of SSAP 34 has not had any material impact on the financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention, as modified for the revaluation of investment properties and trading 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 (hereinafter collectively referred to as the "Group") made up to 31 December each year.

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

All significant intercompany transactions and balances within the Group are eliminated on consolidation.

Investment in subsidiaries

Investment in subsidiaries is included in the Company's balance sheet at cost less any identified impairment loss. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

Investment properties

Investment properties are completed properties which are held for their investment potential, any rental income derived therefrom being negotiated at arm's length.

Investment properties are stated at their open market values based on professional valuations at the balance sheet date. Any surplus or deficit arising on revaluation of investment properties is credited or charged to the investment property revaluation reserve unless the balance in the reserve is insufficient to cover a deficit, in which case the excess of the deficit over the balance in the investment property revaluation reserve is charged to the income statement. Where a deficit has previously been charged to the income statement and a revaluation surplus subsequently arises, this surplus is credited to the income statement to the extent of the deficit previously charged.

On disposal of an investment property, any balance in the investment property revaluation reserve which is attributable to the disposed property is credited to the income statement.

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

No depreciation is provided in respect of investment properties which are held on leases with unexpired terms, including the renewable period, of more than 20 years. Where the investment properties are held on leases with unexpired term of 20 years or less, depreciation is provided on the carrying amount over the remaining term of the lease.

Property, plant and equipment

Property, plant and equipment other than buildings under construction are stated at cost less accumulated depreciation and impairment losses.

The gain or loss arising from disposal or retirement of an asset is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in the income statement.

The cost of leasehold land and buildings situated in the People's Republic of China (the "PRC"), including Hong Kong, is depreciated over twenty to fifty years on a straight line basis.

Buildings under construction, comprising all direct costs incurred in construction, are stated at cost. No depreciation is provided until construction is complete and the buildings are ready for their intended use.

Depreciation is provided to write off the cost of property, plant and equipment other than buildings under construction over their estimated useful lives, using the reducing balance method, at the following rates per annum:

Plant and machinery	9 — 20%
Furniture, fixtures and equipment	18 — 20%
Leasehold improvements	20%
Motor vehicles	20%

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

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. 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 only to the extent of the carrying amount that would have been determined had no impairment loss ever been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the first-in, first-out method.

Trading securities

Investments in trading securities are carried at fair value at the balance sheet date. All unrealised holding gains or losses are dealt with in the income statement.

Taxation

The charge for taxation is based on the results for the year after adjusting for items which are non-assessable or disallowed. Certain items of income and expenses are recognised for tax purposes in a different accounting period from that in which they are recognised in the financial statements. The tax effect of the resulting timing differences, computed using the liability method, is recognised as deferred taxation in the financial statements to the extent that it is probable that a liability or an asset will crystallise in the foreseeable future.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Turnover

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

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following basis:

- (i) income from sales of goods is recognised when the goods are delivered and title has passed;
- (ii) interest income is accrued on a time basis by reference to the principal outstanding and the applicable rate of interest;
- (iii) dividends from trading securities are recognised when the Group's right to receive payment is established; and
- (iv) rental income, including rental invoiced in advance from properties under operating leases, is recognised on a straight line basis over the duration of the leases.

Capitalisation of borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are capitalised as part of the cost of these assets. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale. Capitalisation of borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from borrowing costs capitalised.

All other borrowing costs are recognised as an expense in the period in which they are incurred.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)***Retirement benefit schemes**

The Group participates in the Mandatory Provident Fund Scheme (the "MPF Scheme") in Hong Kong and retirement schemes administered by the provincial governments of the PRC pursuant to which the Group pays a fixed percentage of the salaries and wages of its qualifying staff and employees as the contribution to such schemes. The Group's contributions to the MPF Scheme in Hong Kong and retirement schemes in the PRC are charged to the income statement as they fall due.

Quota

The cost of permanent quota is charged to the income statement in the year of purchase. Temporary quota charges are charged to the income statement on shipment of goods or expiry of the quota, whichever is the earlier.

Operating leases

Rental receipts or payments under operating leases are credited or charged to the income statement on a straight line basis over the term of the relevant leases.

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 ruling on the balance sheet date. Gains and losses arising on exchange are dealt with in the income statement.

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

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.

4. TURNOVER

	2002 HK\$'000	2001 HK\$'000
Sales of household products	440,250	466,438
Sales of PVC pipes and fittings	239,405	184,145
	<u>679,655</u>	<u>650,583</u>

5. BUSINESS AND GEOGRAPHICAL SEGMENTS**Business segment**

For management purposes, the Group is organised into two divisions: household products and PVC pipes and fittings. The turnover and results of a former third division, comprising trading in building materials and supplies, other than PVC pipes and fittings, are insignificant in the current and prior year and are, therefore, included in PVC pipes and fittings for presentation purposes.

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

Segment information about these businesses is presented below:

Year ended 31 December 2002

	Household products <i>HK\$'000</i>	PVC pipes and fittings <i>HK\$'000</i>	Eliminations <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Segment revenue				
External sales	440,250	239,405	—	679,655
Inter-segment sales	73,246	4,551	(77,797)	—
Total	<u>513,496</u>	<u>243,956</u>	<u>(77,797)</u>	<u>679,655</u>
Result				
Segment result	29,688	27,867	—	57,555
Unallocated corporate expenses				<u>(6,449)</u>
Profit from operations				51,106
Finance costs				<u>(5,156)</u>
Profit before taxation				45,950
Taxation				<u>(3,922)</u>
Net profit for the year				<u>42,028</u>

Inter-segment sales are charged at cost plus certain markup.

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

	Household products HK\$'000	PVC pipes and fittings HK\$'000	Corporate HK\$'000	Consolidated HK\$'000
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Year ended 31 December 2002

Other information

Capital additions	33,211	60,084	4,536	97,831
Depreciation	27,741	18,698	965	47,404

	Household products HK\$'000	PVC pipes and fittings HK\$'000	Consolidated HK\$'000
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At 31 December 2002

Assets

Segment assets	458,033	368,511	826,544
Unallocated corporate assets			166,605
Consolidated total assets			993,149

Liabilities

Segment liabilities	73,617	39,425	113,042
Unallocated corporate liabilities			131,572
Consolidated total liabilities			244,614

5. BUSINESS AND GEOGRAPHICAL SEGMENTS *(Continued)***Business segment** *(Continued)**Year ended 31 December 2001*

	Household products <i>HK\$'000</i>	PVC pipes and fittings <i>HK\$'000</i>	Eliminations <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Segment revenue				
External sales	466,438	184,145	—	650,583
Inter-segment sales	94,667	6,423	(101,090)	—
	<u>561,105</u>	<u>190,568</u>	<u>(101,090)</u>	<u>650,583</u>
Result				
Segment result	48,290	4,693	—	52,983
Unallocated corporate expenses				<u>(6,072)</u>
Profit from operations				46,911
Finance costs				<u>(8,250)</u>
Profit before taxation				38,661
Taxation				<u>(1,793)</u>
Net profit for the year				<u>36,868</u>

Inter-segment sales are charged at cost plus certain markup.

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

	Household products <i>HK\$'000</i>	PVC pipes and fittings <i>HK\$'000</i>	Corporate <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
<i>Year ended 31 December 2001</i>				
Other information				
Capital additions	7,387	30,808	3,015	41,210
Depreciation	<u>27,755</u>	<u>17,892</u>	<u>1,368</u>	<u>47,015</u>
		Household products <i>HK\$'000</i>	PVC pipes and fittings <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
<i>At 31 December 2001</i>				
Assets				
Segment assets		440,365	332,598	772,963
Unallocated corporate assets				<u>185,243</u>
Consolidated total assets				<u>958,206</u>
Liabilities				
Segment liabilities		93,444	15,805	109,249
Unallocated corporate liabilities				<u>142,074</u>
Consolidated total liabilities				<u>251,323</u>

5. BUSINESS AND GEOGRAPHICAL SEGMENTS *(Continued)***Geographical segment**

Substantially all of the sales of the Group's PVC pipes and fittings were made to customers in the PRC, including Hong Kong. An analysis of the Group's sales of household products by geographical market is as follows:

	Turnover	
	2002	2001
	HK\$'000	HK\$'000
United States of America	311,322	316,369
Asia	64,789	87,851
Canada	30,195	17,664
Latin America	15,630	16,623
Europe	12,339	18,623
Australia	4,096	6,309
Other areas	1,879	2,999
Total sales of household products	<u>440,250</u>	<u>466,438</u>

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 has not been presented as they are substantially located in the PRC, including Hong Kong.

6. PROFIT FROM OPERATIONS

	2002 HK\$'000	2001 HK\$'000
Profit from operations has been arrived at after charging:		
Directors' remuneration (note 8)	14,533	10,062
Other staff's retirement benefit scheme contributions	2,307	1,734
Other staff costs	78,525	75,355
	<hr/> 95,365	<hr/> 87,151
Total staff costs		
Auditors' remuneration	1,624	1,676
Cost of inventories recognised as an expense	433,097	401,156
Depreciation	47,404	47,015
Loss on disposal of property, plant and equipment	3,201	1,989
Preliminary expenses written off	429	—
Temporary quota charges	1,105	2,446
Unrealised holding loss on trading securities	887	2,157
and after crediting:		
Dividend income from trading securities	175	265
Interest income	434	421
	<hr/> 175 <hr/>	<hr/> 421 <hr/>

7. FINANCE COSTS

	2002 HK\$'000	2001 HK\$'000
Interest on bank borrowings wholly repayable within five years	(4,699)	(5,860)
Interest on bank borrowings not wholly repayable within five years	(489)	(1,019)
Interest on convertible redeemable note	—	(1,761)
	<hr/> (5,188)	<hr/> (8,640)
Less: Amount capitalised in buildings under construction	32	390
	<hr/> (5,156) <hr/>	<hr/> (8,250) <hr/>

8. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

	2002 HK\$'000	2001 HK\$'000
(i) Information regarding directors' emoluments		
Directors' fees:		
Executive	—	—
Independent non-executive	345	300
	345	300
Other emoluments paid to executive directors:		
Salaries	11,818	7,764
Performance related incentive payments	2,298	1,933
Retirement benefit scheme contributions	72	65
	14,188	9,762
Total directors' emoluments	14,533	10,062

In addition to the amount disclosed above, during the year, the Group also provided one of its leasehold properties in Hong Kong as quarters for two (2001: one) executive director(s). The estimated monetary value of such accommodation, using the rateable value as an approximation, is HK\$586,000 (2001: HK\$646,000).

The emoluments of the directors fall within the following bands:

	2002 Number of directors	2001 Number of directors
Up to HK\$1,000,000	5	4
HK\$1,500,001 to HK\$2,000,000	—	1
HK\$2,000,001 to HK\$2,500,000	2	1
HK\$5,500,001 to HK\$6,000,000	—	1
HK\$8,000,001 to HK\$8,500,000	1	—
	8	7

8. DIRECTORS' AND EMPLOYEES' EMOLUMENTS *(Continued)***(ii) Information regarding employees' emoluments**

The five highest paid employees of the Group in both years included three (2001: three) executive directors whose emoluments are included in (i) above. The emoluments of the other two (2001: two) highest paid employees, not being directors, are as follows:

	2002 HK\$'000	2001 HK\$'000
Salaries	1,857	1,801
Retirement benefits scheme contributions	12	13
	<u>1,869</u>	<u>1,814</u>

The emoluments of these two employees fall within the following bands:

	2002 Number of employees	2001 Number of employees
Up to HK\$1,000,000	1	1
HK\$1,000,001 to HK\$1,500,000	<u>1</u>	<u>1</u>

9. TAXATION

	2002 HK\$'000	2001 HK\$'000
Hong Kong Profits Tax calculated at 16% on the estimated assessable profits of the year		
— charge for the year	(44)	—
— underprovision in prior years	(38)	—
	(82)	—
Non Hong Kong taxation		
— charge for the year	(1,975)	(2,116)
— overprovision in prior years	—	2,215
	(1,975)	99
Deferred taxation charge (note 22)	(1,865)	(1,892)
Net taxation charge	(3,922)	(1,793)

Non Hong Kong taxation represents income tax charge calculated on income derived from other parts of the PRC outside of Hong Kong and is calculated at the rates prevailing in the relevant jurisdiction.

10. DIVIDENDS

	2002 HK\$'000	2001 HK\$'000
Interim paid: 0.5 cent per share (2001: 0.5 cent per share)	3,382	3,382
Final proposed: 0.5 cent per share (2001: 0.5 cent per share)	3,382	3,382
	6,764	6,764

The final dividend proposed of 0.5 cent (2001: 0.5 cent) per share has been proposed by the directors and is subject to approval by the shareholders in the forthcoming annual general meeting.

10. DIVIDENDS *(Continued)*

The final dividend for 2001 was paid in June 2002.

11. EARNINGS PER SHARE

The calculations of the basic and diluted earnings per share are as follows:

	2002 HK\$'000	2001 <i>HK\$'000</i>
Earnings for the purpose of calculating basic earnings per share	<u>42,028</u>	36,868
Interest on convertible redeemable note		<u>1,761</u>
Earnings for the purpose of calculating diluted earnings per share		<u>38,629</u>
	Number of shares	
	2002	2001
Number of shares for the purpose of calculating basic earnings per share	<u>676,417,401</u>	674,436,322
Potential dilutive shares issuable under the convertible redeemable note		<u>95,835,616</u>
Weighted average number of shares for the purpose of calculating diluted earnings per share		<u>770,271,938</u>
Basic earnings per share	<u>6.2 cents</u>	<u>5.5 cents</u>
Diluted earnings per share	<u>N/A</u>	<u>5.0 cents</u>

The computation of diluted earnings per share does not take into consideration the exercise of the Company's outstanding share options as the exercise price of those options is higher than the market price of the Company's shares throughout the year.

12. INVESTMENT PROPERTIES

The investment properties are situated in Hong Kong and are held under medium-term leases. They are stated at valuation at the balance sheet date and the movements during the year are as follows:

	2002 HK\$'000	2001 HK\$'000
At 1 January, at valuation	17,530	18,750
Reclassification from leasehold land and buildings	—	1,214
Deficit arising on valuation at 31 December	(2,330)	(2,434)
	<u>15,200</u>	<u>17,530</u>
At 31 December, at valuation	<u>15,200</u>	<u>17,530</u>

The Group's investment properties were valued as at 31 December 2002 on an open market value basis by Knight Frank, an independent firm of professional property valuers. The deficit arising on valuation is charged to the income statement.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2002

13. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings <i>HK\$'000</i>	Buildings under construction <i>HK\$'000</i>	Plant and machinery <i>HK\$'000</i>	Furniture, fixtures and equipment <i>HK\$'000</i>	Leasehold improvements <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Total <i>HK\$'000</i>
THE GROUP							
COST							
At 1 January 2002	269,178	83,374	486,623	67,354	62,976	21,781	991,286
Currency realignments	2,142	151	4,549	588	536	48	8,014
Additions	11,469	38,736	43,151	1,241	967	2,267	97,831
Reclassifications	15,465	(17,217)	1,752	—	—	—	—
Disposals	(18,866)	(21)	(3,498)	—	(1,662)	(2,033)	(26,080)
At 31 December 2002	279,388	105,023	532,577	69,183	62,817	22,063	1,071,051
DEPRECIATION							
At 1 January 2002	44,133	—	218,179	45,541	40,818	14,441	363,112
Currency realignments	363	—	1,872	377	338	25	2,975
Provided for the year	8,475	—	29,744	4,232	3,350	1,603	47,404
Eliminated on disposals	—	—	(3,108)	—	—	(1,511)	(4,619)
At 31 December 2002	52,971	—	246,687	50,150	44,506	14,558	408,872
NET BOOK VALUES							
At 31 December 2002	<u>226,417</u>	<u>105,023</u>	<u>285,890</u>	<u>19,033</u>	<u>18,311</u>	<u>7,505</u>	<u>662,179</u>
At 31 December 2001	<u>225,045</u>	<u>83,374</u>	<u>268,444</u>	<u>21,813</u>	<u>22,158</u>	<u>7,340</u>	<u>628,174</u>

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

The net book values of the Group's leasehold land and buildings comprise:

	2002 HK\$'000	2001 HK\$'000
Leasehold land and buildings in Hong Kong under medium term leases	41,567	42,765
Land and buildings elsewhere in the PRC on land for which the Group has been granted land use right, the remaining term of which is less than 50 years but exceeding 20 years	<u>184,850</u>	<u>182,280</u>
	<u>226,417</u>	<u>225,045</u>

The buildings under construction at 31 December 2002 are located in Hong Kong and other parts of the PRC. The balance shown includes capitalised interest of HK\$4,897,000 (2001: HK\$4,865,000).

14. INVESTMENT IN SUBSIDIARIES

	THE COMPANY	
	2002 HK\$'000	2001 HK\$'000
Unlisted shares, at cost	<u>32,917</u>	<u>32,917</u>

14. INVESTMENT IN SUBSIDIARIES *(Continued)*

The details of the Company's principal subsidiaries at 31 December 2002 are as follows:

Name of subsidiary	Place and nature of incorporation/ registration	Nominal value of issued ordinary share/ registered capital*	Proportion of nominal value of issued shares held by the Company	Principal activities
Action Land Limited	Hong Kong — limited liability company	HK\$6,000,000	100%	Provision of transportation services
Asian Fabulous Enterprise (Shenzhen) Co., Ltd.	PRC — wholly owned foreign enterprise	**	100%	Manufacturing of household products
Fundbor Industries Limited	Hong Kong — limited liability company	HK\$7,000,000	100%	Manufacturing of polyester fibres
Greatflow Investments Limited	British Virgin Islands ("BVI") — limited liability company	US\$1	100%	Property holding
Hanchun Printing and Packing Company Limited	Hong Kong — limited liability company	HK\$500	100%	Manufacturing of printing and packing materials
Hong Kong Polythene Bags Manufacturing Limited	Hong Kong — limited liability company	HK\$100,000	100%	Trading in polythene bags
Hopemain Industries Limited	Hong Kong — limited liability company	HK\$5,000,000	100%	Trading of PVC products and investment holding

14. INVESTMENT IN SUBSIDIARIES *(Continued)*

Name of subsidiary	Place and nature of incorporation/registration	Nominal value of issued ordinary share/registered capital*	Proportion of nominal value of issued shares held by the Company	Principal activities
Hopemain Industries (Shenzhen) Limited	PRC — wholly owned foreign enterprise	HK\$5,000,000	100%	Manufacturing of PVC products
Hopemain PVC Products Limited	Hong Kong — limited liability company	HK\$5,000,000	100%	Trading of PVC products
Hopestar Industries Limited	Hong Kong — limited liability company	HK\$1,000	100%	Trading in moulds
Nam Sok Building Material & Plastic Products (Changshu) Co., Ltd.	PRC — wholly owned foreign enterprise	***	100%	Not yet commenced business
Nam Sok Building Material & Plastic Products (Shenzhen) Co., Ltd.	PRC — wholly owned foreign enterprise	HK\$230,000,000	100%	Manufacturing of PVC pipes and fittings and moulds
Nam Sok Houseware Producing (Changshu) Co., Ltd.	PRC — wholly owned foreign enterprise	****	100%	Manufacturing of household products
South China Plastic Building Material Manufacturing Limited	Hong Kong — limited liability company	HK\$2	100%	Trading in building materials and supplies
Welidy Limited	Hong Kong — limited liability company	HK\$10,000	100%	Property holding

14. INVESTMENT IN SUBSIDIARIES *(Continued)*

Name of subsidiary	Place and nature of incorporation/ registration	Nominal value of issued ordinary share/ registered capital*	Proportion of nominal value of issued shares held by the Company	Principal activities
World Chemical Industrial Company Limited	Hong Kong — limited liability company	HK\$2	100%	Trading in PVC products
World Home Linen Manufacturing Company Limited	Hong Kong — limited liability company	HK\$200 Deferred non-voting shares HK\$10,000	100% *****	Property holding
World Houseware (B.V.I.) Limited	BVI — limited liability company	HK\$50,000	100%	Investment holding
World Houseware Producing (China) Company Limited	Hong Kong — limited liability company	HK\$1,500,000 Deferred non-voting shares HK\$500,000	100% *****	Manufacturing of household products
World Houseware Producing Company Limited	Hong Kong — limited liability company	HK\$200 Deferred non-voting shares HK\$160,500	100% *****	Trading in household products
World Plastic Mat (Baoan) Company Limited	PRC — wholly owned foreign enterprise	HK\$350,000,000	100%	Manufacturing of household products
World Plastic-ware Manufacturing Limited	Hong Kong — limited liability company	HK\$32,500,000	100%	Investment holding

14. INVESTMENT IN SUBSIDIARIES *(Continued)*

- * All are ordinary share/registered capital unless otherwise stated.
- ** The registered capital of Asian Fabulous Enterprise (Shenzhen) Co., Ltd. is HK\$100,000,000. As at 31 December 2002, HK\$60,000,000 had been contributed to this company.
- *** The registered capital of Nam Sok Building Material & Plastic Products (Changshu) Co., Ltd. is US\$19,000,000. As at 31 December 2002, US\$2,419,324 had been contributed to this company.
- **** The registered capital of Nam Sok Houseware Producing (Changshu) Co., Ltd. is US\$19,000,000. As at 31 December 2002, US\$2,533,351 had been contributed to this company.
- ***** None of the deferred non-voting shares are held by the Group.

The above table lists the subsidiaries of the Group which, in the opinion of the directors, principally affected the results or assets or liabilities of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

Only World Houseware (B.V.I.) Limited is directly held by the Company.

All the subsidiaries operate in their respective places of incorporation/registration except World Houseware Producing (China) Company Limited which operates in the PRC and Greatflow Investments Limited which holds properties in Hong Kong.

None of the subsidiaries had any debt securities outstanding at the end of the year or at any time during the year.

15. INVENTORIES

	THE GROUP	
	2002	2001
	HK\$'000	HK\$'000
Raw materials	62,227	71,212
Work in progress	23,315	16,555
Finished goods	29,812	30,588
	115,354	118,355

Finished goods of approximately HK\$16,178,000 (2001: HK\$19,509,000) included above are carried at net realisable value.

16. TRADE AND OTHER RECEIVABLES

The Group allows credit periods of up to 180 days, depending on the product sold, to its trade customers.

The following is an aged analysis of the Group's trade receivables at the balance sheet date:

	THE GROUP	
	2002	2001
	HK\$'000	HK\$'000
Invoice date		
0-30 days	46,899	49,185
31-60 days	19,185	15,114
61-90 days	11,092	10,807
Over 90 days	19,054	12,862
Total trade receivables	96,230	87,968
Other receivables	39,850	21,592
Total trade and other receivables	136,080	109,560

17. TRADING SECURITIES

Trading securities comprise equity shares listed on The Stock Exchange of Hong Kong Limited and are carried at market value at the balance sheet date.

18. TRADE AND OTHER PAYABLES

The following is an aged analysis of the Group's trade payables at the balance sheet date:

	THE GROUP	
	2002	2001
	HK\$'000	HK\$'000
0-30 days	29,655	34,644
31-60 days	19,280	18,906
61-90 days	19,083	12,121
Over 90 days	14,753	4,780
Total trade payables	82,771	70,451
Other payables	33,372	37,019
Total trade and other payables	116,143	107,470

19. BANK BORROWINGS — AMOUNT DUE WITHIN ONE YEAR

	THE GROUP	
	2002	2001
	HK\$'000	HK\$'000
Bank overdrafts	12,262	26,598
Trust receipts and import loans	7,421	7,566
Short term loans	63,721	75,830
Portion of non-current loans due within one year (note 20)	16,836	7,165
	100,240	117,159
Analysed as:		
Secured	51,477	51,266
Unsecured	48,763	65,893
	100,240	117,159

20. BANK BORROWINGS — AMOUNT DUE AFTER ONE YEAR

The Group has bank loans which have repayment periods in excess of one year. These loans bear interest at market rates and are repayable as follows:

	THE GROUP	
	2002	2001
	HK\$'000	HK\$'000
Within one year	16,836	7,165
In the second year	13,832	5,170
In the third to fifth year	8,550	10,781
After five years	475	3,325
	39,693	26,441
Less: Amount due within one year and shown under current liabilities (<i>note 19</i>)	(16,836)	(7,165)
Amount due after one year shown as non-current	22,857	19,276
Analysed as:		
Secured	19,107	19,276
Unsecured	3,750	—
	22,857	19,276

21. OTHER BALANCE PAYABLE

The other balance payable in 2001 represented the balance payable in connection with the acquisition of land use right in the PRC in 2000. Under the purchase agreement, the balance was payable as follows:

	THE GROUP	
	2002	2001
	HK\$'000	HK\$'000
Within one year and included under other payables (note 18)	—	3,084
In the second year	—	3,159
	<u>—</u>	<u>3,159</u>
Total	<u>—</u>	<u>6,243</u>

The amount was fully repaid during the year.

22. DEFERRED TAXATION

	THE GROUP	
	2002	2001
	HK\$'000	HK\$'000
At 1 January	2,546	654
Charge for the year (note 9)	1,865	1,892
	<u>1,865</u>	<u>1,892</u>
At 31 December	<u>4,411</u>	<u>2,546</u>

The components of the deferred taxation liabilities at the balance sheet date are attributable to the tax effect of the following timing differences:

	2002	2001
	HK\$'000	HK\$'000
Excess of tax allowances over depreciation	4,768	4,061
Tax losses available to relieve future assessable profits	(357)	(1,515)
	<u>4,411</u>	<u>2,546</u>
Net deferred taxation liabilities	<u>4,411</u>	<u>2,546</u>

22. DEFERRED TAXATION *(Continued)*

The deferred taxation charge for the year is related to the following timing differences:

	2002 HK\$'000	2001 HK\$'000
Excess of tax allowance over depreciation	707	2,215
Tax losses utilised (arising)	1,158	(323)
Net deferred taxation charge	<u>1,865</u>	<u>1,892</u>

The Group had no significant unprovided deferred taxation at 31 December 2002 except for an unrecognised deferred taxation asset of approximately HK\$10,453,000 (2001: HK\$8,080,000) arising from tax losses which are available to relieve future assessable profits. The deferred taxation asset has not been recognised in the financial statements as it is not certain that the benefit will be realised in the foreseeable future. The amount of unrecognised deferred taxation credit for the year is approximately HK\$2,373,000 (2001: HK\$1,780,000).

The Company had no significant unprovided deferred taxation for the year or at the balance sheet date.

23. SHARE CAPITAL**2002 & 2001**
HK\$'000*Authorised:*1,500,000,000 shares of HK\$0.10 each 150,000*Issued and fully paid:*

Shares of HK\$0.10 each

	Number of shares	Nominal value HK\$'000
At 1 January 2001	672,138,739	67,214
Shares issued to shareholders in lieu of the 2001 final dividend, issued at HK\$0.1523 per share	<u>4,278,662</u>	<u>428</u>
At 31 December 2001 and 31 December 2002	<u>676,417,401</u>	<u>67,642</u>

All shares issued in the prior year rank pari passu with the then existing shares in all respects.

24. SHARE OPTIONS

The Company has a share option scheme under which options may be granted as incentives to directors and employees of the Company and its subsidiaries to subscribe for shares in the Company at any time during the ten year period following the adoption of the scheme. The scheme was adopted at an extraordinary general meeting of the Company held on 11 March 1993. Under the scheme, the subscription price will not be less than 80% of the average of the closing prices of the Company's shares on The Stock Exchange of Hong Kong Limited on the five trading days immediately preceding the offer of the option provided that in no circumstances shall the subscription price be less than the nominal value of the Company's share.

The maximum number of shares in respect of which options may be granted under this scheme may not exceed 10% of the issued share capital of the Company from time to time. An option can be exercised six months after the date of acceptance but not later than five years from the date of the offer.

24. SHARE OPTIONS *(Continued)*

Options granted must be taken up within 30 days from the date of grant, upon payment of HK\$1 as the nominal consideration. On 19 February 2000, options to subscribe for 4,460,000 shares in the Company were granted to certain directors and employees of the Group at an exercise price of HK\$0.32 per share. Consideration received by the Company for options granted during that year amounted to HK\$7.

No charge is recognised in the income statement in respect of the value of options granted.

The following options were granted to the directors of the Company and employees of the Group to subscribe for shares in the Company.

	Date of grant	Exercisable period	Exercise price HK\$	Number of share options outstanding
Directors	19.2.2000	19.8.2000 — 18.2.2005	0.32	2,960,000
Employees	19.2.2000	19.8.2000 — 18.2.2005	0.32	1,500,000
				<u>4,460,000</u>

No share options were granted to directors or employees during the two years ended 31 December 2002 and none of the above share options were exercised, cancelled or lapsed in the same period.

25. RESERVES

	Share premium <i>HK\$'000</i>	Special reserve <i>HK\$'000</i>	Dividend reserve <i>HK\$'000</i>	Accumulated profits <i>HK\$'000</i>	Total <i>HK\$'000</i>
THE COMPANY					
At 1 January 2001	312,904	8,917	3,361	(500)	324,682
Net profit for the year	—	—	—	7,669	7,669
2000 final dividend paid					
— in cash	—	—	(2,710)	—	(2,710)
— in shares	223	—	(651)	—	(428)
2001 interim					
dividend paid	—	—	—	(3,382)	(3,382)
2001 final dividend declared	—	—	3,382	(3,382)	—
At 31 December 2001	313,127	8,917	3,382	405	325,831
Net profit for the year	—	—	—	8,107	8,107
2001 final dividend paid	—	—	(3,382)	—	(3,382)
2002 interim					
dividend paid	—	—	—	(3,382)	(3,382)
2002 final dividend declared	—	—	3,382	(3,382)	—
At 31 December 2002	<u>313,127</u>	<u>8,917</u>	<u>3,382</u>	<u>1,748</u>	<u>327,174</u>

The special reserve of the Company arose as a result of the group reorganisation in 1993. It represents the excess of the consolidated net assets of World Houseware (B.V.I.) Limited at the date on which its shares were acquired by the Company over the nominal value of the Company's shares which were issued in the acquisition.

Under the Companies Law in the Cayman Islands and the provisions of the Memorandum and Articles of Association of the Company, all reserves of the Company are available for distribution to shareholders, either by way of dividend or bonus issue of shares, provided that the Company will be able to pay its debts as they fall due in the ordinary course of business immediately following the date on which any such distribution is proposed to be paid.

26. ANALYSIS OF THE BALANCE OF CASH AND CASH EQUIVALENTS

	THE GROUP	
	2002	2001
	HK\$'000	HK\$'000
Bank balances and cash	54,001	77,655
Bank overdrafts	(12,262)	(26,598)
	<u>41,739</u>	<u>51,057</u>

27. CAPITAL COMMITMENTS

	THE GROUP	
	2002	2001
	HK\$'000	HK\$'000
Capital expenditure contracted for but not provided in the financial statements in respect of		
— leasehold land and buildings	19,962	18,601
— plant and equipment	4,890	2,763
— investment in a joint venture	388	388
	<u>25,240</u>	<u>21,752</u>
Capital expenditure authorised but not contracted for in respect of the acquisition of plant and machinery	<u>19,674</u>	<u>11,215</u>

The Company did not have any significant capital commitments at the balance sheet date.

28. OPERATING LEASES**THE GROUP**

2002	2001
HK\$'000	HK\$'000

THE GROUP AS LESSEE

Lease payments for premises charged
to the income statement in the year

5,211	6,858
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Under the leases entered into by the Group, the lease payments are fixed and predetermined.

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

	2002	2001
	HK\$'000	HK\$'000
Within one year	5,058	4,351
After one year and not later than five years	5,914	2,097
	10,972	6,448

The Company did not have any significant operating lease commitment at the balance sheet date.

THE GROUP AS LESSOR**THE GROUP**

2002	2001
HK\$'000	HK\$'000

Gross rental income credited to the income statement
during the year, before deduction of outgoings of
HK\$171,000 (2001: HK\$159,000)

992	791
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28. OPERATING LEASES *(Continued)*

The Group's investment properties are held for rental purposes. The properties held have committed tenants for periods of up to four years. At the balance sheet date, the Group had contracted with tenants for the following future minimum lease payments:

	2002 HK\$'000	2001 HK\$'000
Within one year	590	1,001
After one year and not later than five years	77	640
	667	1,641

29. PLEDGE OF ASSETS

At the balance sheet date, the Group's borrowings were secured by the following assets:

	2002 HK\$'000	2001 HK\$'000
Leasehold land and buildings	98,777	105,450
Buildings under construction	—	68,880
Investment properties	15,200	17,530
	113,977	191,860

30. CONTINGENT LIABILITIES

	THE GROUP		THE COMPANY	
	2002	2001	2002	2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Bills discounted with recourse	<u>5,290</u>	<u>884</u>	<u>—</u>	<u>—</u>
Banking facilities utilised by subsidiaries which are guaranteed by the Company	<u>—</u>	<u>—</u>	<u>135,723</u>	<u>139,853</u>

31. RETIREMENT BENEFIT SCHEMES

The Group operates a MPF Scheme for all qualifying Hong Kong employees. The assets of the scheme are held separately from those of the Group, in funds under the control of trustees. Mandatory benefits are provided under the MPF Scheme. The Group contributes the lower of 5% of the relevant payroll costs and HK\$1,000 per employee to the MPF Scheme.

Employees of subsidiaries in the PRC are members of the state-sponsored pension schemes operated by the PRC government. The subsidiaries are required to contribute a certain percentage of their payroll to the pension scheme to fund the benefits. The only obligation of the Group with respect to the state-sponsored pension schemes is to make the required contributions.

The total contribution to the retirement benefit schemes charged to the income statement is HK\$2,379,000 (2001: HK\$1,799,000).

32. POST BALANCE SHEET EVENT

Subsequent to the balance sheet date, the Group acquired an investment property for an aggregate consideration of approximately HK\$7,607,000,