ANNUAL REPORT **2007**

嘉 利 美 商 國 際 有 限 公 司

FRANKIE DOMINION INTERNATIONAL LIMITED

(Incorporated in Bermuda with limited liability)

Stock code: 704

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CORPORATE INFORMATION

Board of Directors
Mr. Lam Po Kwai, Frankie *(Chairman)*
Ms. Wong Yau Ching, Maria *(Vice Chairman)*
Mr. Chim Kim Lun, Ricky
(appointed on 28th September, 2007)
Mr. Cheng Kwok Hing, Andy
(appointed on 28th September, 2007)
Ms. So Man Yee, Katherine
Ms. Lee Yuen Bing, Nina
(re-designated from an Executive Director to a Non-Executive Director on 28th September, 2007)
Mr. Au Son Yiu
(Independent Non-Executive Director)
(resigned on 16th April, 2008)
Mr. Lee Johnson
(Independent Non-Executive Director)
Dr. Tang Tin Sek
(Independent Non-Executive Director)
(resigned on 16th April, 2008)
Mr. Wan Hon Keung
(Independent Non-Executive Director)
(appointed on 16th April, 2008)
Mr. Sun Tak Keung
(Independent Non-Executive Director)
(appointed on 16th April, 2008)

Audit Committee
Dr. Tang Tin Sek *(Chairman)*
(resigned on 16th April, 2008)
Mr. Wan Hon Keung *(Chairman)*
(appointed on 16th April, 2008)
Mr. Au Son Yiu
(resigned on 16th April, 2008)
Mr. Lee Johnson
Mr. Sun Tak Keung
(appointed on 16th April, 2008)

Remuneration Committee
Mr. Au Son Yiu *(Chairman)*
(resigned on 16th April, 2008)
Mr. Sun Tak Keung *(Chairman)*
(appointed on 16th April, 2008)
Dr. Tang Tin Sek
(resigned on 16th April, 2008)
Mr. Lee Johnson
Mr. Lam Po Kwai, Frankie
Mr. Wan Hon Keung
(appointed on 16th April, 2008)

Nomination Committee
Mr. Lee Johnson *(Chairman)*
Mr. Au Son Yiu
(resigned on 16th April, 2008)
Dr. Tang Tin Sek
(resigned on 16th April, 2008)
Mr. Lam Po Kwai, Frankie
Mr. Wan Hon Keung
(appointed on 16th April, 2008)
Mr. Sun Tak Keung
(appointed on 16th April, 2008)

Company Secretary
Mr. Cheung Chiu Fan

Company Solicitors
In Hong Kong
Sit, Fung, Kwong & Shum
Deacons

In Bermuda
Appleby

Auditor
Deloitte Touche Tohmatsu
Certified Public Accountants

Principal Bankers
The Hongkong and Shanghai Banking Corporation Limited
Hang Seng Bank Limited

Share Registrar and Transfer Office
In Hong Kong
Tricor Secretaries Limited

In Bermuda
Butterfield Corporate Services Limited

Principal Office in Hong Kong
1st Floor, Yally Industrial Building
6 Yip Fat Street, Wong Chuk Hang
Hong Kong
Tel: 2518 8383
Fax: 2518 3038

Website
http:// www.frankiedominion.com

E-mail Address
hk1@fdhl.com.hk

Registered Office
Canon's Court
22 Victoria Street
Hamilton HM12
Bermuda

CHAIRMAN'S STATEMENT

I present on behalf of the Board of Directors the Annual Report of the Company for the year ended 31st December, 2007.

RESULTS

Turnover of the Group for the year ended 31st December, 2007 was approximately HK$640,635,000, representing a decline of 10.37% from approximately HK$714,731,000 in last year. The Group recorded a significant loss of approximately HK$42,169,000 attributable to shareholders compared with a profit of approximately HK$18,912,000,000 in 2006. Loss per share for the year amounted HK8.82 cents, compared with the earning per share of HK3.96 cents in last year. The loss was mainly due to impairment loss on property, plant and equipment and the erosion in gross profit margin, which reflects the challenging operating environment of the Group of rising production cost and keen competition in traditional manufacturing industry. During the year under review, the business environment remained adverse with the constant appreciation of renminbi and a rise in raw materials and labour costs which in turn cut into the profit margin of the existing products of the Group. In addition, to keep the competitiveness of the Group's products in the market, the Group has to maintain the price at competitive level. As a result, the inflated cost is not easily marked up to customers.

FINAL DIVIDEND

The Board has resolved not to pay any final dividend for the year ended 31st December, 2007 (2006: Nil).

BUSINESS REVIEW

The performance of each business division for the year ended 31st December, 2007 is described below:

Trading

The trading division mainly engaged in trading of variety range of household products. Turnover of this segment for the year ended 31st December, 2007 decreased by 13.06% to approximately HK$165,769,000, representing 25.88% of the Group's turnover. This division recorded a segment profit of approximately HK$11,356,000, 15.62% more than last year.

Manufacturing of household products

The manufacturing of household products division mainly engaged in manufacturing and sale of PVC bag, cushion, shower and window curtain, oven mitten and pot holder, placemat and table cloth. This division recorded a turnover of approximately HK$96,618,000 for the year, which was 13.87% lower than last year, representing 15.08% of the Group's turnover. Segment profit of this division for the year decreased by 18.84% to approximately HK$12,095,000, compared to that of last year.

CHAIRMAN'S STATEMENT

BUSINESS REVIEW (Continued)

Manufacturing of others

The manufacturing of others division mainly engaged in manufacturing and sales of wooden products and paper products. This division recorded a turnover of approximately HK$378,248,000, 8.17% less than last year, accounting for 59.04% of the Group's turnover and it remained the largest division of the Group. This division recorded a segment loss of approximately HK$16,995,000, compared with a segment profit of approximately HK$17,602,000 in 2006. The decline in turnover was mainly due to the decrease of orders received from various overseas markets.

POST BALANCE SHEET EVENT

On 11th January, 2008, Rich Key Enterprises Limited, a wholly-owned subsidiary of the Company as purchaser and the Company as the purchasers warrantor, entered into an acquisition agreement with Mr. Wu Jixian as vendor, in relation to (i) the sale and purchase of all of the issued shares in Pride Eagle Investments Limited and the face value of the loans outstanding as at the completion of such transaction made by or on behalf of the vendor to Pride Eagle Investments Limited; and (ii) the sale and purchase of all of the issued shares in Joy Wisdom International Limited and the face value of the loans outstanding as at the completion of such transaction made by or on behalf of the vendor to Joy Wisdom International Limited, each at a consideration (subject to adjustments pursuant to the terms of the acquisition agreement) of HK$1,200 million. The agreement constitutes a very substantial acquisition of the Company, details of which were disclosed in the Company's announcement dated 12th January, 2008 and the circular dated 20th March, 2008. Resolution in relation to the very substantial acquisition was duly passed by the shareholders at the special general meeting on 7th April, 2008.

The Directors consider that the very substantial acquisition represents an opportunity for the Group to diversify into the prosperous coal and coal-related ancillary business and broaden its revenue base in view of slacking demand for household products while competition was fierce that results in intense pressure on profit margins.

PROSPECT

The Group will focus on the development of the coal-related ancillary business while the Group will continue to operate its business of design, manufacture and sale of household and other consumer products and China trade to maintain stable income stream to the Group. The directors believe that the Group will be able to widen its source of income by diversifying its business into energy related business and improving the Group's profitability by broadening its business scope.

The Group will also consider further asset disposal, asset acquisition, fixed assets redeployment, business rationalization, business divestment and or business diversification that will be appropriated to enhance the long term growth potential of the Group.

CHAIRMAN'S STATEMENT

AUDIT COMMITTEE

The Audit Committee is composed of three independent non-executive directors. It has reviewed with management the accounting policies and practice adopted by the Group and discussed auditing, internal control and financial reporting matters including a review of the consolidated financial statements of the Group and the auditor's report for the year ended 31st December, 2007.

APPRECIATION

On behalf of the Board, I would like to express my sincere gratitude to our customers, business associates and shareholders for their loyal patronage and support through the years and, in particular, to our team of dedicated staff for their invaluable service and contribution in this period of transition.

Lam Po Kwai, Frankie
Chairman

Hong Kong, 15th April, 2008

DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Lam Po Kwai, Frankie, aged 61, has been the Chairman of the Company since February, 1991. He is the founder of the Group and has over 40 years experience in, variously, trading, marketing, product design and manufacturing. He is primarily responsible for the Group's overall strategic planning, corporate development, sales and marketing and formulation of the corporate policies.

Ms. Wong Yau Ching, Maria, aged 53, has been an executive Director and Vice Chairman of the Company since February, 1991. She was one of the first employees in the Frankie Trading business and has over 30 years' marketing experience. She is the Chief Executive Officer of the Group and oversees the day-to-day business management of the Group.

Mr. Chim Kim Lun, Ricky, aged 38, has been an executive Director of the Company since 28th September, 2007. He holds a Bachelor degree in Arts from the University of British Columbia in Canada and has over 10 years of commercial and industrial experiences and of experience in investment. Mr. Chim is an executive director of Peking Apparel International Group Limited, an executive director of Karce International Holdings Company Limited, an executive director of Yueshou Environmental Holdings Limited (formerly known as China Rich Holdings Limited), an executive director of China Fair Land Holdings Limited and an executive director of Bestway International Holdings Limited, which are listed on the main board of The Stock Exchange of Hong Kong Limited. Mr. Chim is the son of Mr. Chim Pui Chung who is the sole owner of Golden Mount Limited which was interested in about 27.01% of the Company's issued share capital.

Mr. Cheng Kwok Hing, Andy, aged 36, has been an executive Director of the Company since 28th September, 2007. He has over 15 years of experience in accounting and administrative fields. Mr. Cheng is an independent non-executive director of Yueshou Environmental Holdings Limited (formerly known as China Rich Holdings Limited), an executive director of Peking Apparel International Group Limited and an executive director of Karce International Holdings Company Limited, which are listed on the main board of The Stock Exchange of Hong Kong Limited. Mr. Cheng is also currently a director of a Hong Kong private limited company which is principally engaged in the manufacturing and sale of Chinese medical herbs in Hong Kong and the Peoples Republic of China and a director of another Hong Kong private limited company which is principally engaged in the manufacturing and sale of paper products.

Ms. So Man Yee, Katherine, aged 45, has been an executive Director of the Company since February, 1991. She is in charge of the accounts department of the Group's head office. She joined the Group in 1983.

NON-EXECUTIVE DIRECTOR

Ms. Lee Yuen Bing, Nina, aged, 51, is the wife of Mr. Lam Po Kwai. She had been an executive Director of the Company since February, 1991 and has been re-designated as non-executive Director of the Company since 28th September, 2007. She has over 28 years' experience in public relations and administration. She joined the Group in 1979.

DIRECTORS AND SENIOR MANAGEMENT

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Lee Johnson, aged 68, has been an independent non-executive Director of the Company since January, 1997 and is a member of the Audit Committee and the Remuneration Committee and the chairman of Nomination Committee of the Company. He is a registered insurance broker and has extensive experience in the insurance industry. He is the founder of Manchester Holdings Limited and Manchester Insurance Consultants Limited. He is also a director of World Trade Investment Limited, Hong Kong Chamber of Insurance Intermediaries, Kowloon Chamber of Commerce and Peninsula Lions Club of Hong Kong Foundation.

Mr. Wan Hon Keung, aged 46, has been an independent non-executive Director of the Company since 16th April, 2008 and is a member of the Nomination Committee and the Remuneration Committee and the chairman of Audit Committee of the Company. He has over 20 years of experience in accounting and administration fields. Mr. Wan is a fellow member of the Association of Chartered Certified Accountants and associate member of Hong Kong Institute of Certified Public Accountants. Mr. Wan is an independent non-executive director of Xian Yuen Titanium Resources Holdings Limited, which is listed on the main board of The Stock Exchange of Hong Kong Limited. Mr. Wan is also an independent non-executive director of Polyard Petroleum International Group Limited for the period from 12th April, 2006 to 30th November, 2007, which is listed on the GEM board of The Stock Exchange of Hong Kong Limited.

Mr. Sun Tak Keung, aged 44, has been an independent non-executive Director of the Company since 16th April, 2008 and is a member of the Audit Committee and the Nomination Committee and the chairman of Remuneration Committee of the Company. Mr. Sun is currently a director of a Hong Kong private limited company which is principally engaged in marketing and trading of daily consumable goods in Hong Kong and overseas. Mr. Sun is also an independent non executive director of Xian Yuen Titanium Resources Holdings Limited and Yueshou Environmental Holdings Limited, which are listed on the main board of The Stock Exchange of Hong Kong Limited. Mr. Sun is also an executive director of Polyard Petroleum International Group Limited for the period from 12th April, 2006 to 28th November, 2007, which is listed on the GEM board of The Stock Exchange of Hong Kong Limited.

SENIOR MANAGEMENT

Mr. Cheung Chiu Fan, aged 54, has been the Company Secretary of the Company since January, 1997. Mr. Cheung is responsible for the overall management of the financial function of the Group including oversight of the financial reporting procedures and internal control. He is a professional accountant with more than 30 years' experience in public accounting and professional management. He is a fellow of the Association of Chartered Certified Accountants, an associate of the Institute of Chartered Secretaries and Administrators, a member of British Institute of Management in the United Kingdom and has a Masters degree in Business Administration from the Chinese University of Hong Kong. He joined the Group in February, 1991.

MANAGEMENT DISCUSSION AND ANALYSIS

GEOGRAPHICAL MARKET

The Group's turnover in the year ended 31st December, 2007 decreased by 10.37% to approximately HK$640,635,000 compared to the corresponding period in 2006 of approximately HK$714,731,000. The dominant markets in Europe constituted 56.68% of the turnover amounting to approximately HK$363,141,000 (2006: 56.53% amounting to HK$404,057,000). North American sales, as a percentage of turnover increased by 1.77% to 34.38% amounting to approximately HK$220,249,000 (2006: 32.61% amounting to HK$233,107,000). South American sales slightly increased to 0.64% amounting to approximately HK$4,143,000 (2006: 0.53% amounting to HK$3,811,000). Sales in other markets decreased to the amount of approximately HK$31,389,000 (2006: HK$36,819,000). Product sales in the Hong Kong market constituted 3.39% of the turnover amounting to approximately HK$21,713,000 (2006: 5.17% amounting to HK$36,937,000).

GROSS PROFIT

The Group's gross profit margin was 3.86% (2006: 9.69%), a decrease of 583 basis points from 2006. Management continues to work on margin improvement, mainly by offering meaningfully differentiated and high value-added products and reducing cost of goods through better sources and cost control.

PRODUCT CATEGORIES

Sales of the major products out of the Group's turnover in 2007 were 25.60% for paper products (2006: 25.65%), 32.66% for wooden products (2006: 31.93%) and 41.74% for household items, home textiles products and tablemats (2006: 42.42%).

FINANCE COSTS

Interest expenses decreased by 24.58% to approximately HK$4,369,000 in 2007 (2006: HK$5,793,000) as a result of decreasing bank borrowings during the year.

CHARGES OVER ASSETS

Save for a bank deposit of approximately HK$2.9 million (2006: HK$2.8 million), no other property, plant and equipment with any carrying value is pledged to banks to secure banking facilities granted to subsidiaries.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES AND RELATED HEDGES

All transactions of the Group are denominated in Hong Kong dollars, United States dollars and Renminbi. Transactions in foreign currency are translated at the rates prevailing on the dates of the transactions or at the contracted settlement rate. The exchange rates between these currencies were stable during the year under review, save in respect of the gradual appreciation of Renminbi against US dollars and Hong Kong dollars. No hedging for foreign exchange was used given the Group's exposure to currency fluctuation was still relatively limited.

MANAGEMENT DISCUSSION AND ANALYSIS

LIQUIDITY AND FINANCIAL RESOURCES

Net current assets and current ratio were approximately HK$88,770,000 and 1.53: 1 as at 31st December, 2006 and approximately HK$101,220,000 and 1.99:1 as at 31st December, 2007. The increase in net current assets is largely due to a decrease in bank borrowings and proceeds from disposal of properties. Raw material, work-in-progress and finished goods decreased by 34.16% to approximately HK$44,482,000 (2006: HK$67,563,000).

As at 31st December, 2007, the Group's bank balances and cash amounted to approximately HK$85,090,000 (2006: HK$81,424,000) and bank borrowings amounted to approximately HK$36,322,000 (2006: HK$70,029,000). Therefore, the calculation of net debt to equity ratio was not applicable because the Group had surplus cash of approximately HK$48,768,000 over bank borrowings (2006: HK$11,395,000).

The gearing ratio (defined as total liabilities over the total assets) of the Group as at 31st December, 2007 was approximately 37.09% (2006: 43.59%)

The Group generally finances its business with internally generated cash flows and revolving credit facilities provided by the Group's principal bankers. With net current assets of approximately HK$101,220,000, the management believes that the Group has sufficient financial resources to discharge its debts and to finance its daily operations and capital expenditure.

EMPLOYEES AND REMUNERATION

The approximate number of employees of the Group as at 31st December, 2007 and 31st December, 2006 were 2,700 and 4,500 respectively with a seasonal high figure of more than 3,600 during the third quarter of 2007. Fewer than 100 staff are stationed in Hong Kong and the rest are PRC workers.

Employees are remunerated according to the nature of the job and market trends, with a built-in merit component incorporated in the annual increment and a year-end performance bonus to reward and motivate individual performance. There was no share option granted to any employee during the year.

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

The Company is committed to upholding good corporate governance. The Board considers effective corporate governance essential to protect shareholders' interests and enhance stakeholder value. During the year of 2007, the Board has continued to spend considerable efforts to identify and formalize the appropriate corporate governance practices to ensure transparency, accountability and effective internal control.

The Company has complied throughout the year ended 31st December, 2007 with the Code on Corporate Governance Practices (the "CG Code") set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") except for the following deviations.

Under CG Code provision A.4.1, non-executive directors should be appointed for a specific term. The non-executive Directors of the Company are not appointed for a specific term. The Board considers that non-compliance with Code A.4.1 is acceptable since they are subject to retirement by rotation under the requirements of the Bye-laws of the Company and the CG Code.

Under CG Code provision A.4.2, every Director should be subject to retirement by rotation at least once every three years. Bye-law 99 (as amended by Bye-law 182(vi)) of the Company's Bye-laws provides that one-third of the Directors (other than Chairman or Managing Director) for the time being shall retire from office and shall be eligible for re-election at each annual general meeting. The Board considers that with nine directors and one-third of them being subject to retirement at every annual general meeting, all of them (apart from the Chairman or Managing Director) should be retired by rotation at least once every three years. In relation to the provision in the Bye-law that the Chairman or Managing Director shall not be subject to retirement by rotation, the Board considers that deviation from Code A.4.2 of the CG Code is acceptable due to the fact that Mr. Lam Po Kwai, Frankie, the Chairman of the Board is the founder of the Group and is eligible to remain in such offices during his lifetime and does not need to be subject to retirement by rotation.

THE BOARD OF DIRECTORS

The Board's role is clearly defined as directing and supervising the affairs of the Group, establishing its strategic direction and setting objectives and business development plans to ensure appropriate business conduct and effective management of the highest quality. The management of the Company is responsible for the implementation of the strategies, objectives and plans determined by the Board. The Chairman of the Company is Mr. Lam Po Kwai, Frankie. The Chief Executive Officer is Ms. Wong Yau Ching, Maria. The role of the Chairman is clearly segregated from that of the Chief Executive Officer. The Chairman is responsible for managing and providing leadership to the Board. He ensures that the Group establishes sound corporate governance practices and procedures and encourages the Directors to make a full and active contribution to the affairs of the Board. The Chief Executive Officer is responsible for the day-to-day management of the business of the Group and maintaining the operational performance of the Group.

CORPORATE GOVERNANCE REPORT

THE BOARD OF DIRECTORS (Continued)

The Board is led by the Chairman and comprises five executive Directors (one of whom is the Chairman), one non-executive Director and three independent non-executive Directors. All Directors come from diverse business and professional background, providing valuable expertise and experience for promoting the best interests of the Group and its shareholders. The independent non-executive Directors represent one-third of the Board. The Company has received confirmation from each independent non-executive Director about his independence under Rule 3.13 of the Listing Rules and continues to consider each of them to be independent.

To oversee particular aspects of the Group's affairs and to assist in the execution of its responsibilities, the Board has established three Board Committees, namely Audit Committee, Remuneration Committee and Nomination Committee. Independent non-executive Directors play an important role in these committees to ensure independent and objective views are expressed and to promote critical review and control.

All Board committees of the Company are established with defined written terms of reference. The terms of reference of the Board committees are available at the Company's website.

The majority of the members of the Remuneration Committee and the Nomination Committee are independent non-executive directors. All members of the Audit Committee are independent non-executive directors. The list of the chairman and members of the Remuneration Committee, the Nomination Committee and the Audit Committee is set out under "Corporate information" on page 2.

The Directors' biographical information is set out on page 6 to 7.

The Board meets regularly at least four times a year. For all such meetings, adequate and appropriate information, in the form of agenda, board papers and related materials, are prepared and provided to the Directors prior to the scheduled dates for the Board meeting in a timely manner.

The Company held four full Board meetings in 2007. Individual attendance of each Director is set out below.

	Notes	**Number of meetings attended**
Chairman		
Mr. Lam Po Kwai, Frankie		4/4
Executive Directors		
Ms. Wong Yau Ching, Maria		2/4
Ms. So Man Yee, Katherine		4/4
Mr. Chim Kim Lun, Ricky	*1*	1/4
Mr. Cheng Kwok Hing, Andy	*2*	1/4
Non-Executive Director		
Ms. Lee Yuen Bing, Nina	*3*	4/4
Independent Non-executive Directors		
Mr. Au Son Yiu		4/4
Mr. Lee Johnson		4/4
Dr. Tang Tin Sek		4/4

CORPORATE GOVERNANCE REPORT

THE BOARD OF DIRECTORS (Continued)

Notes:

1. Mr. Chim Kim Lun, Ricky was appointed as executive Director with effect from 28th September, 2007

2. Mr. Cheng Kwok Hing, Andy was appointed as executive Director with effect from 28th September, 2007

3. Ms. Lee Yuen Bing, Nina was re-designated from an executive Director to a non-executive Director with effect from 28th September, 2007

AUDIT COMMITTEE

The Audit Committee currently comprises all three independent non-executive directors. The Committee assists the Board in fulfilling its responsibility for reviewing the accounting principles and practices, auditing, internal control and regulatory compliance of the Group. It also reviewed the interim and final results of the Group prior to recommending them to the Board for approval. The terms of reference of the Audit Committee follow the guidelines set out by the Hong Kong Institute of Certified Public Accountants and comply with the Corporate Governance Code.

In 2007, the Audit Committee held two meetings and had a 100 percent attendance rate.

The work of the Audit Committee during 2007 included:

– reviewing the Directors' Report and full year accounts for the year ended 31st December, 2006 and the annual results announcement;

– reviewing the interim accounts for the six months ended 30th June, 2007 and the interim results announcement; and

– reviewing the internal audit plan for 2007.

REMUNERATION COMMITTEE

The Remuneration Committee currently comprises four members. The Committee assists the Board in achieving its objective of attracting, retaining and motivating people of the highest calibre and experience needed to develop and implement the Group's strategy taking into consideration its operations. The Committee is also responsible for the development and administration of a fair and transparent procedure for setting policies on the remuneration of Directors and senior management of the Group and for determining their remuneration packages.

One committee meeting was held during 2007 year with an attendance rate of 100 percent.

The work of the Remuneration Committee during 2007 included:

– reviewing the Group's incentive schemes; and

– reviewing the remuneration packages of Directors.

Information relating to the remuneration of each director for 2007 is set out in Note 12 on the accounts.

NOMINATION COMMITTEE

The Nomination currently comprises four members. The Committee assists the Board to fulfill its supervisory role over the Group in nominating new directors to the Board and assessing performance and skills of the Directors.

One committee meeting was held during the year of 2007 with an attendance rate of 100%. It reviewed the composition of the Board.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of listed companies contained in Appendix 10 of the Listing Rules as its own code of conduct regarding securities transaction by the directors of the Company (the "Code"). Specific enquiry of the Directors of the Company has been made, and all Directors confirmed that they had complied with the required standard as set out in the Code and the Model Code throughout the year ended 31st December, 2007.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Group.

The statement of the Auditors of the Company about their reporting responsibilities on the financial statements of the Group is set out in the Auditors' Report on page 22.

CORPORATE GOVERNANCE REPORT

AUDITOR'S REMUNERATION

For the year ended 31st December, 2007, the Auditor's of the Company received approximately HK$1.18 million for audit services (2006: HK$1.21 million).

INTERNAL CONTROL

The Board endeavours to establish a sound and effective internal control system to safeguard the Company's assets and shareholders' investment. An organizational structure with operating policies and procedures, lines of responsibility and delegated authority has been established. The management is delegated with respective levels of authority with regard to key corporate strategy and policy and contractual commitments. The Group's internal audit is currently carried out by a qualified accountant who reports directly to the Chairman and plays a major role in monitoring the internal governance of the Group. The qualified accountant has unrestricted access to review all aspects of the Group's activities and internal controls. It also conducts special audits of areas of concern identified by the Management or the Audit Committee. The Audit Committee has direct access to the qualified accountant freely without reference to the Chairman or the Management.

The Directors have conducted a review of the effectiveness of the system of internal control of the Group during the year of 2007. The review covered all materials controls, including financial, operational and compliance controls and risk management functions.

COMMUNICATION WITH SHAREHOLDERS

The Board recognizes the importance of maintaining clear, timely and effective communication with shareholders and investors. Information on the Company's business activities and financial performance is disseminated through the distribution of press releases, announcements, interim and annual reports. As a further step to offer easily accessible corporate information to the public, the Company also maintains a website that provides information on the Group's establishment, financial performance and latest business developments. The annual general meeting of the Company also offers a valuable forum for the Board to communicate directly with shareholders who are encouraged to actively participate at such meeting.

SOCIAL RESPONSIBILITY

The Group is committed to develop a common standard of business conduct for the manufacturing community to ensure a safe and healthy workplace, fair and ethical employment practices, and proper environmental protection measures.

The Group makes regular contributions in terms of financial and other supports to various charitable organizations. Employees are encouraged to have direct and active involvement in fund raising activities of the Caritas Fund Raising Bazaar, for the needs of society. Ms. Lee Yuen Bing, Nina, the non-executive Director of the Company, also serves the community by taking up different roles and positions in charitable organizations and in the public sector.

DIRECTORS' REPORT

The directors present their annual report and the audited consolidated financial statements for the year ended 31st December, 2007.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The activities of its subsidiaries are set out in note 33 to the consolidated financial statements.

RESULTS AND APPROPRIATION

The results of the Group for the year ended 31st December, 2007 are set out in the consolidated income statement on page 24.

The directors do not recommend the payment of a final dividend.

MAJOR CUSTOMERS AND SUPPLIERS

The five largest customers of the Group accounted for approximately 46% of the Group's total turnover and the largest customer accounted for approximately 26% of the Group's total turnover.

The five largest suppliers of the Group accounted for less than 30% of the Group's total purchases for the year.

At no time during the year did a director, an associate of a director or a shareholder of the Company (which to the knowledge of the directors owns more than 5% of the Company's share capital) have an interest in any of the Group's five largest customers.

SHARE CAPITAL

Details of the share capital of the Company are set out in note 25 to the consolidated financial statements. There was no movement in the Company's share capital during the year.

SHARE OPTION SCHEME

The Company adopted an executive share option scheme (the "Scheme") which became effective on 31st May, 2002 for the primary purpose of providing incentives to directors and eligible employees, and will expire on 30th May, 2012. 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. Additionally, the Company may, from time to time, grant share options to outside third parties.

Particulars of the Company's share option scheme are set out in note 26 to the consolidated financial statements.

SHARE OPTION SCHEME (Continued)

No share options were granted under the Scheme. The total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 10% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. The number of shares in respect of which options may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. Options granted to substantial shareholders, independent non-executive directors or any of their respective associates in excess of 0.1% of the Company's share capital or with a value in excess of HK$5 million must be approved in advance by the Company's shareholders.

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. The exercise price is determined by the directors of the Company, and will not be less than the higher of the closing price of the Company's shares on the date of grant, the average closing price of the shares for the five business days immediately preceding the date of grant, and the nominal value of a share of the Company.

There is no outstanding share option and no share options were granted or exercised during the year.

PROPERTY, PLANT AND EQUIPMENT AND PREPAID LEASE PAYMENTS

During the year, the Group acquired and disposed property, plant and machinery and prepaid lease payments of approximately HK$9,104,000 and HK$20,840,000 respectively. Details of these and other movements in property, plant and equipment of the Group are set out in notes 15 and 16 to the consolidated financial statements.

PROPERTIES

Details of the properties of the Group at 31st December, 2007 are set out on page 72 of the annual report.

DISTRIBUTABLE RESERVES OF THE COMPANY

At 31st December, 2007, no reserves are available for distribution to shareholders (2006: distributable reserves of approximately HK$14,816,000).

Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus account of the Company is available for distribution. However, the Company cannot declare or pay a dividend, or make a distribution out of contributed surplus if:

(a) it is, or would after the payment be, unable to pay its liabilities as they become due; or

(b) the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

DIRECTORS' REPORT

DIRECTORS AND DIRECTORS' SERVICE CONTRACTS

The directors of the Company during the year and up to the date of this report were:

Executive directors:

Mr. Lam Po Kwai, Frankie	
Ms. Wong Yau Ching, Maria	
Ms. So Man Yee, Katherine	
Mr. Chim Kim Lum, Ricky	(appointed on 28th September, 2007)
Mr. Cheng Kwok Hing, Andy	(appointed on 28th September, 2007)
Ms. Lee Yuen Bing, Nina	(resigned as an executive director and re-designated as an non-executive director on 28th September, 2007)

Non-executive director

Ms. Lee Yuen Bing, Nina	(resigned as an executive director and re-designated as an non-executive director on 28th September, 2007)

Independent non-executive directors:

Mr. Au Son Yiu
Mr. Lee Johnson
Dr. Tang Tin Sek

In accordance with Bye-law 99 (as amended by Bye-law 182(vi)) of the Company's Bye-laws, Ms. Lee Yuen Bing, Nina retires and being eligible, offers herself for re-election.

The directors being proposed for re-election at the forthcoming annual general meeting do not have a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of a compensation (other than statutory compensation).

The non-executive directors have been appointed for a term subject to retirement by rotation as required by the Company's Bye-laws.

DIRECTORS' REPORT

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

No contracts of significance to which the Company or any of its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES

As at 31st December, 2007, the interests of the directors and the chief executives and their associates in the shares of the Company as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance ("SFO") or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, were as follows:

Long position – ordinary shares of HK$0.1 each of the Company

Name of director	Number of issued ordinary shares held and nature of interest: Personal interests	Family interests	Total	Percentage of the issued share capital of the Company
Mr. Lam Po Kwai, Frankie	43,545,785	867,059 *(note a)*	44,412,844	9.290%
Ms. Lee Yuen Bing, Nina	867,059	43,545,785 *(note b)*	44,412,844	9.290%
Ms. Wong Yau Ching, Maria	73,433	–	73,433	0.015%

Notes:

(a) Ms. Lee Yuen Bing, Nina is the wife of Mr. Lam Po Kwai, Frankie and is deemed to be interested in these shares.

(b) Mr. Lam Po Kwai, Frankie is the husband of Ms. Lee Yuen Bing, Nina and is deemed to be interested in these shares.

Save as disclosed above, except for certain nominee shares in subsidiaries held by Mr. Lam Po Kwai, Frankie in trust for the Group, none of the directors or their associates had any interests or short positions in any shares of the Company or any of its associated corporations as at 31st December, 2007.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Other than the share option scheme of the Company, at no time during the year was the Company or any of its subsidiaries a party to any arrangement to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate and none of their spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right during the year.

SUBSTANTIAL SHAREHOLDERS

As at 31st December, 2007, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that, other than interest disclosed above in respect of certain directors and chief executives, the following shareholders had notified the Company of their relevant interests in the issued share capital of the Company.

Long positions – ordinary shares of HK$0.1 each of the Company

Name of shareholder	Number of issued ordinary shares held	Percentage of the issued share capital of the Company
Golden Mount Limited	129,097,209 *(note a)*	27.01%
Chim Pui Chung	129,097,209 *(note a)*	27.01%
Solidpole Limited	34,855,428 *(note b)*	7.29%
China Everbright Holdings Company Limited ("China Everbright")	34,855,428 *(note b)*	7.29%
Datten Investments Limited ("Datten")	34,855,428 *(note b)*	7.29%

Notes:

(a) Golden Mount Limited is a company incorporated in the British Virgin Islands and is beneficially owned by Mr. Chim Pui Chung, who is the father of Mr. Chim Kim Lim, Ricky, a director of the Company. Mr. Chim Pui Chung is deemed to be interested in the shares held by Golden Mount Limited.

(b) Solidpole Limited is a wholly owned subsidiary of China Everbright, in which China Everbright is a wholly owned subsidiary of Datten. China Everbright and Datten are deemed to be interested in the shares held by Solidpole Limited.

Other than the interests disclosed above, the register of substantial shareholders maintained by the Company pursuant to section 336 of the SFO discloses no person as having a notifiable interest or short position in the issued share capital of the Company as at 31st December, 2007.

DIRECTORS' REPORT

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the year, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

DONATIONS

During the year, the Group made charitable and other donations amounting to approximately HK$51,250.

CORPORATE GOVERNANCE

The Company has complied throughout the year ended 31st December, 2007 with the Code on Corporate Governance Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

EMOLUMENT POLICY

The emolument policy of the employees of the Group is set up by the Remuneration Committee on the basis of their merit, qualifications and competence.

The emoluments of the directors of the Company are decided by the Remuneration Committee, having regard to the Company's operating results, individual performance and comparable market statistics.

The Company has adopted a share option scheme as an incentive to directors and eligible employees. Details of the scheme is set out in note 26 to the consolidated financial statements.

APPOINTMENT OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received, from each of the independent non-executive directors, an annual confirmation of his independence pursuant to Rule 3.13 of the Rules Governing the Listing Securities on The Stock Exchange of Hong Kong Limited. The Company considers all of the independent non-executive directors are independent.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Bye-laws, or the laws of Bermuda, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained a sufficient public float throughout the year ended 31st December, 2007.

DIRECTORS' REPORT

AUDIT COMMITTEE

The Company has an audit committee which was established in accordance with Rule 3.21 of the Listing Rules for the purposes of reviewing and providing supervision over the Group's financial reporting process and internal controls.

The audit committee comprises three members. All of them are independent non-executive directors of the Company.

POST BALANCE SHEET EVENTS

Details of the significant events after the balance sheet date are set out in note 34 to the consolidated financial statements.

AUDITOR

A resolution will be submitted to the annual general meeting to re-appoint Messrs. Deloitte Touche Tohmatsu as auditor of the Company.

On behalf of the Board
Lam Po Kwai, Frankie
CHAIRMAN

15th April, 2008

INDEPENDENT AUDITOR'S REPORT

Deloitte.
德勤

TO THE MEMBERS OF FRANKIE DOMINION INTERNATIONAL LIMITED
(incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Frankie Dominion International Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 24 to 70, which comprise the consolidated balance sheet as at 31st December, 2007, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the consolidated financial statements

The directors of the Company are responsible for the preparation and the true and fair presentation of these consolidated financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the consolidated financial statements are free from material misstatement.

INDEPENDENT AUDITOR'S REPORT

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors of the Company, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31st December, 2007 and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
15th April, 2008

CONSOLIDATED INCOME STATEMENT

For the Year Ended 31st December, 2007

	NOTES	2007 HK$	2006 HK$
Revenue		**640,635,174**	714,731,279
Cost of sales		**(615,908,834)**	(645,465,503)
Gross profit		**24,726,340**	69,265,776
Other income	7	**31,020,193**	9,432,183
Selling and distribution costs		**(18,269,969)**	(24,636,777)
Administrative expenses		**(52,475,768)**	(60,641,282)
Change in fair value of investments held for trading		**2,454,111**	(117,148)
Impairment loss on property, plant and equipment		**(22,000,000)**	–
(Loss) gain on disposal/liquidation of an associate		**(135)**	66,135
Loss on disposal/liquidation of subsidiaries	28	**(3,572,603)**	–
Discount on acquisition of additional interests in a subsidiary	8	**–**	28,222,523
Finance costs	9	**(4,368,807)**	(5,792,712)
Share of profits of associates		**–**	260,696
(Loss) profit before taxation		**(42,486,638)**	16,059,394
Taxation credit	10	**317,413**	913,536
(Loss) profit for the year	11	**(42,169,225)**	16,972,930
Attributable to:			
Equity holders of the Company		**(42,169,225)**	18,911,884
Minority interests		**–**	(1,938,954)
		(42,169,225)	16,972,930
Basic (loss) earning per share	14	**(8.82 cents)**	3.96 cents

CONSOLIDATED BALANCE SHEET

At 31st December, 2007

	NOTES	2007 HK$	2006 HK$
Non-current assets			
Property, plant and equipment	15	**64,967,741**	114,944,655
Prepaid lease payments	16	**7,918,562**	22,019,155
Interest in an associate	17	**–**	314,591
Available-for-sale investment	18	**880,000**	880,000
Retirement benefit scheme's assets	32	**4,076,754**	–
		77,843,057	138,158,401
Current assets			
Inventories	19	**44,481,716**	67,563,136
Debtors, bills receivable and prepayments	20	**70,448,675**	92,810,269
Prepaid lease payments	16	**222,294**	626,880
Investments held for trading	21	**–**	8,630,365
Taxation recoverable		**–**	1,949,071
Short term bank deposits	22	**63,688,160**	39,504,927
Short term pledged bank deposit	22	**2,910,064**	2,840,002
Bank balances and cash	22	**21,402,159**	41,918,748
		203,153,068	255,843,398
Current liabilities			
Creditors, bills payable and accrued charges	23	**65,492,725**	96,751,084
Amount due to an associate	17	**–**	294,000
Tax payable		**117,811**	–
Bank borrowings	24	**36,322,198**	70,028,856
		101,932,734	167,073,940
Net current assets		**101,220,334**	88,769,458
		179,063,391	226,927,859

CONSOLIDATED BALANCE SHEET

At 31st December, 2007

	NOTES	**2007** HK$	2006 HK$
Capital and reserves			
Share capital	25	**47,792,629**	47,792,629
Reserves		**128,969,167**	174,449,340
Total equity		**176,761,796**	222,241,969
Non-current liability			
Deferred taxation	27	**2,301,595**	4,685,890
		179,063,391	226,927,859

The consolidated financial statements on pages 24 to 70 were approved and authorised for issue by the Board of Directors on 15th April, 2008 and are signed on its behalf by:

Lam Po Kwai, Frankie
DIRECTOR

So Man Yee, Katherine
DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the Year Ended 31st December, 2007

	Attributable to equity holders of the Company								
	Share capital	Share premium	Special reserve	Translation reserve	Capital redemption reserve	(Accumulated losses) retained profits	Total	Minority interests	Total
	HK$	HK$	HK$	HK$	HK$	HK$	HK$	HK$	HK$
At 1st January, 2006	47,792,629	144,997,035	18,236,237	3,429,851	85,000	(11,382,170)	203,158,582	41,411,477	244,570,059
Exchange differences arising on translation of foreign operation and net income recognised directly in equity	–	–	–	426,137	–	–	426,137	–	426,137
Release of translation reserve upon disposal of an associate	–	–	–	(254,634)	–	–	(254,634)	–	(254,634)
Profit (loss) for the year	–	–	–	–	–	18,911,884	18,911,884	(1,938,954)	16,972,930
Total recognised income (expense) for the year	–	–	–	171,503	–	18,911,884	19,083,387	(1,938,954)	17,144,433
Acquisition of additional interest in a subsidiary	–	–	–	–	–	–	–	(39,472,523)	(39,472,523)
At 31st December, 2006	47,792,629	144,997,035	18,236,237	3,601,354	85,000	7,529,714	222,241,969	–	222,241,969
Exchange differences arising on translation of foreign operation and net income recognised directly in equity	–	–	–	1,795,620	–	–	1,795,620	–	1,795,620
Release of translation reserve upon disposal/liquidation of subsidiaries	–	–	–	(5,106,568)	–	–	(5,106,568)	–	(5,106,568)
Loss for the year	–	–	–	–	–	(42,169,225)	(42,169,225)	–	(42,169,225)
Total recognised expense for the year	–	–	–	(3,310,948)	–	(42,169,225)	(45,480,173)	–	(45,480,173)
At 31st December, 2007	47,792,629	144,997,035	18,236,237	290,406	85,000	(34,639,511)	176,761,796	–	176,761,796

The special reserve represents the difference between the nominal value of the shares of the subsidiaries at the date when the shares were acquired by the Company and the nominal amount of the Company's shares issued for the acquisition.

CONSOLIDATED CASH FLOW STATEMENT

For The Year Ended 31st December, 2007

	2007	2006
	HK$	HK$
OPERATING ACTIVITIES		
(Loss) profit before taxation	(42,486,638)	16,059,394
Adjustments for:		
Allowances for bad and doubtful debts	–	2,303,865
Change in fair value of investments held for trading	(2,435,492)	117,148
Change in fair value of retirement benefits scheme's assets	(4,076,754)	–
Interest expense	4,368,807	5,792,712
Interest income	(2,702,280)	(2,386,806)
Share of losses of associates	–	(260,696)
Depreciation of property, plant and equipment	15,813,432	17,897,189
Release of prepaid lease payments	222,294	622,308
Gain on disposal of property, plant and equipment	(18,748,846)	(318,406)
Impairment loss on property, plant and equipment	22,000,000	–
Discount on acquisition of additional interests in a subsidiary	–	(28,222,523)
Loss on disposal/liquidation of subsidiaries	3,572,603	–
Loss (gain) on disposal/liquidation of an associate	135	(66,135)
Operating cash flows before movements in working capital	(24,472,739)	11,538,050
Decrease (increase) in inventories	22,664,575	(586,592)
Decrease (increase) in debtors, bills receivable and prepayments	20,618,329	(5,904,791)
(Decrease) increase in creditors, bills payable and accrued charges	(28,567,920)	4,675,506
Decrease (increase) in investments held for trading	11,860,552	(5,608,778)
Cash generated from operations	2,102,797	4,113,395
Hong Kong Profits Tax refund	–	1,128
NET CASH FROM OPERATING ACTIVITIES	2,102,797	4,114,523

CONSOLIDATED CASH FLOW STATEMENT

For The Year Ended 31st December, 2007

	NOTE	2007 HK$	2006 HK$
INVESTING ACTIVITIES			
Purchase of property, plant and equipment		**(9,103,526)**	(9,346,111)
Acquisition of additional interest in a subsidiary		**–**	(11,250,000)
Increase in pledged bank deposits		**(70,062)**	(99,140)
Decrease in bank deposits		**–**	15,600,000
Distribution from an associate		**20,456**	–
Proceeds from disposal of an associate		**–**	532,800
Proceeds from disposal of property, plant and equipment		**39,588,806**	6,159,612
Disposal/liquidation of subsidiaries	*28*	**6,148,745**	1,923,078
Interest received		**2,702,280**	2,386,806
NET CASH FROM INVESTING ACTIVITIES		**39,286,699**	5,907,045
FINANCING ACTIVITIES			
New bank borrowings raised		**289,983,692**	432,926,196
Repayment of bank borrowings		**(323,690,350)**	(445,213,243)
Interest paid		**(4,368,807)**	(5,792,712)
NET CASH USED IN FINANCING ACTIVITIES		**(38,075,465)**	(18,079,759)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**3,314,031**	(8,058,191)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		**81,423,675**	89,461,809
EFFECT OF FOREIGN CURRENCY RATE CHANGES		**352,613**	20,057
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		**85,090,319**	81,423,675
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS			
BEING:			
Short term bank deposits		**63,688,160**	39,504,927
Bank balances and cash		**21,402,159**	41,918,748
		85,090,319	81,423,675

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31st December, 2007

1. GENERAL

The Company was 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 NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRS(s)")

In the current year, the Group has applied, for the first time, the following new standard, amendment and interpretations ("New HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which are effective for the Group's financial year beginning 1st January, 2007.

HKAS 1 (Amendment)	Capital disclosures
HKFRS 7	Financial instruments: Disclosures
HK(IFRIC)-INT 7	Applying the restatement approach under HKAS 29 Financial Reporting in Hyperinflationary Economies
HK(IFRIC)-INT 8	Scope of HKFRS 2
HK(IFRIC)-INT 9	Reassessment of embedded derivatives
HK(IFRIC)-INT 10	Interim financial reporting and impairment

The adoption of these New HKFRSs had no material effect on how the results and financial position of the Group for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

The Group has applied the disclosure requirements under HKAS 1 (Amendment) and HKFRS 7 retrospectively. Certain information presented in prior year under the requirements of HKAS 32 has been removed and the relevant comparative information based on the requirements of HKAS 1 (Amendment) and HKFRS 7 has been presented for the first time in the current year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31st December, 2007

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRS(s)") *(Continued)*

The Group has not early applied the following new and revised standards, amendment and interpretations that have been issued but are not yet effective.

HKAS 1 (Revised)	Presentation of financial statements [1]
HKAS 23 (Revised)	Borrowing costs [1]
HKAS 27 (Revised)	Consolidated and separate financial statements [2]
HKFRS 2 (Amendment)	Vesting conditions and cancellations [1]
HKFRS 3 (Revised)	Business combinations [2]
HKFRS 8	Operating segments [1]
HK(IFRIC)-INT 11	HKFRS 2: Group and treasury share transactions [3]
HK(IFRIC)-INT 12	Service concession arrangements [4]
HK(IFRIC)-INT 13	Customer loyalty programmes [5]
HK(IFRIC)-INT 14	HKAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction [4]

[1] Effective for annual periods beginning on or after 1st January, 2009.
[2] Effective for annual periods beginning on or after 1st July, 2009.
[3] Effective for annual periods beginning on or after 1st March, 2007.
[4] Effective for annual periods beginning on or after 1st January, 2008.
[5] Effective for annual periods beginning on or after 1st July, 2008.

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

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 HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

3. *SIGNIFICANT ACCOUNTING POLICIES (Continued)*

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company. Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

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 consolidated 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.

On acquisition of additional interest in subsidiaries, goodwill was calculated as the difference between the consideration paid for the additional interest and the carrying amount of the net assets of the subsidiaries attributable to the additional interest acquired. If the Group's additional interest in the net assets of the subsidiaries exceeds the consideration paid for the additional interest, the excess is recognised in the consolidated income statement.

Business Combination

The acquisition of business is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under HKFRS 3 Business Combinations are recognised at their fair values at the acquisition date.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31st December, 2007

3. *SIGNIFICANT ACCOUNTING POLICIES (Continued)*

Business combinations *(Continued)*

The interest of minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

Investment in an associate

An associate is an entity over which the investor has significant influence and that is neither a subsidiary nor an interest in a joint venture.

The results and assets and liabilities of associate are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, investment in an associate is carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of the net assets 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.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold 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.

Service 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 including land and buildings held for use on the production or supply of goods and services, or for administrative purposes are stated at cost less subsequent accumulated depreciation and accumulated impairment losses.

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.

3. *SIGNIFICANT ACCOUNTING POLICIES (Continued)*

Property, plant and equipment *(Continued)*

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.

Leasehold land and building

The land and building elements of a lease of land and building are considered separately for the purpose of lease classification, leasehold land which title is not expected to pass to the lessee by the end of the lease term is classified as an operating lease unless the lease payments cannot be allocated reliably between the land and building elements, in which case, the entire lease is classified as a finance lease.

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 the respective 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 carried at fair value that are denominated in foreign currencies are translated at the rates prevailing on the date when fair value was determined. 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. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity, in which cases, the exchange differences are also recognised directly in equity.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's operations outside Hong Kong 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.

3. *SIGNIFICANT ACCOUNTING POLICIES (Continued)*

Retirement benefit costs

Payments to defined contribution retirement benefit plans, the Mandatory Provident Fund Scheme and the state-managed retirement benefit schemes, are charged as an expense when employees have rendered service entitling them to the contributions.

For defined benefit retirement benefit plan, the cost of providing benefits is determined using the projected unit credit method. Past service cost is recognised immediately to the extent that the benefits are already vested.

The amount recognised in the consolidated balance sheet represents the fair value of plan assets, reduced by the present value of the defined benefit obligation. Any asset resulting from this calculation is limited to the present value of available refunds.

Borrowing costs

All borrowing costs are recognised as and included in finance costs in the consolidated income statement in the period in which they are incurred.

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 consolidated 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.

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.

3. *SIGNIFICANT ACCOUNTING POLICIES (Continued)*

Taxation *(Continued)*

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 is 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 is calculated using the weighted average method.

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.

Financial assets

The Group's financial assets are classified into one of the three categories, including investments held for trading, 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.

Investments held for trading

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near future; or
- it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

3. *SIGNIFICANT ACCOUNTING POLICIES (Continued)*

Financial instruments *(Continued)*

Financial assets (Continued)

Investments held for trading *(Continued)*

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. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial assets.

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 balances and bank deposits) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period.

Income is recognised on an effective interest basis for debt instruments.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investments. 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 (see accounting policy on impairment loss on financial assets below).

3. *SIGNIFICANT ACCOUNTING POLICIES (Continued)*

Financial instruments *(Continued)*

Impairment of financial assets

Financial assets, other than investments held for trading, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been impacted.

For all loans and receivables and available-for-sale debt investment, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial asset, such as debtors, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the credit period of 90 days, observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, 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.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of debtors, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a debtor is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent 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.

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 instruments *(Continued)*

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, amount due to an associate and bank borrowings are subsequently measured at amortised cost, using the effective interest method.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Interest expense is recognised on an effective interest basis.

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. If the Group retains substantially all the risks and rewards of ownership of a transferred asset, the Group continues to recognise the financial assets and recognise a collateralised borrowing for proceeds received.

Financial liabilities are derecognised 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.

3. *SIGNIFICANT ACCOUNTING POLICIES (Continued)*

Impairment losses

At each balance sheet date, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount under another standard, in which case the impairment loss is treated as a revaluation decrease under that standard.

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, unless the relevant asset is carried at a revalued amount under another standard, in which case the reversal of the impairment loss is treated as a revaluation increase under that standard.

4. *CAPITAL RISK MANAGEMENT*

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of net debt, which includes the borrowings disclosed in note 24, net of cash and cash equivalents and equity attributable to equity holders of the Company, comprising issued share capital and reserves. The directors of the Company review the capital structure on a continuous basis. As part of this review, the directors consider the cost of capital and the risks associates with capital. Based on recommendations of the directors, the Group will balance its overall capital structure through the payment of dividends and issuance of new shares as well as the addition of new borrowings and the repayment of existing borrowings.

5. *FINANCIAL INSTRUMENTS*

Categories of financial instruments

	2007	2006
	HK$	*HK$*
Financial assets		
Fair value through profit or loss – held for trading	–	8,630,365
Loans and receivables (including cash and cash equivalents)	**157,015,099**	176,622,128
Available-for-sale financial assets	**880,000**	880,000
	157,895,099	186,132,493
Financial liabilities		
Amortised cost	**88,161,156**	148,183,819

Financial risk management objectives and policies

The Group's major financial instruments include debtors, bills receivable, bank balances and deposits, investments held-for-trading, creditors, bills payable, 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 has foreign currency sales and purchases, denominated in currencies other than the Group's functional currency which exposed itself to foreign currency risk. Approximately 84%, 91% and 20% (2006: 80%, 62% and 17%) of the Group's sales, purchases and other cost of sales are denominated in currencies other than the functional currency of the respective group entities. In addition, certain debtors, bills receivable, bank deposits, bank balances, creditors, bills payable and bank borrowings are denominated in currencies other than the functional currency of the respective group entities. 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 arise.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31st December, 2007

5. *FINANCIAL INSTRUMENTS (Continued)*

Financial risk management objectives and policies *(Continued)*

Currency risk (Continued)

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

	Assets		Liabilities	
	2007	2006	**2007**	2006
	HK$	*HK$*	***HK$***	*HK$*
United States dollars ("US$")	**26,489,000**	119,577,000	**42,216,000**	92,614,000
Australian dollars ("AUD")	**25,615,000**	–	**–**	–
New Zealand dollars ("NZD")	**14,074,000**	–	**–**	–
Renminbi ("RMB")	**4,293,000**	7,496,000	**2,159,000**	–
	70,471,000	127,073,000	**44,375,000**	92,614,000

The directors of the Company expect the foreign exchange exposure on US$ against Hong Kong dollars to be minimal because Hong Kong dollars are pegged with US$.

Sensitivity analysis

The Group is mainly exposed to AUD, NZD and RMB against Hong Kong dollars.

The following table details the Group's sensitivity to a 5% increase and decrease in Hong Kong dollars against foreign currencies. 5% is the sensitivity rate used which represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding denominated monetary items and adjusts their translation at the year end for a 5% change in foreign currency rates. A positive number below indicates a decrease in loss for the year (2006: an increase in profit for the year) where Hong Kong dollars weaken 5% against the relevant currencies. For a 5% strengthening of Hong Kong dollars against the relevant currencies, there would be an equal and opposite impact on the loss for the year (2006: profit for the year).

	AUD impact	NZD impact	RMB impact	
	2007	**2007**	**2007**	2006
	HK$	***HK$***	***HK$***	*HK$*
Decrease in loss/increase in profit for the year – if Hong Kong dollars weakens against relevant foreign currencies	**1,280,750**	**703,700**	**106,700**	374,780
Increase in loss/decrease in profit for the year – if Hong Kong dollars strengthens against relevant foreign currencies	**(1,280,750)**	**(703,700)**	**(106,700)**	(374,780)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31st December, 2007

5. *FINANCIAL INSTRUMENTS (Continued)*

Financial risk management objectives and policies *(Continued)*

Currency risk (Continued)

The Group's fair value interest rate risk relates primarily to short term pledged bank deposit. The Group is also exposed to cash flow interest rate risk through the impact of rate changes on interest bearing financial assets and financial liabilities at variable rate. Interest bearing financial assets are mainly deposits with banks. Interest bearing financial liabilities are mainly bank borrowings. It is the Group's policy to keep its borrowings at floating rate of interests so as to minimise the fair value interest rate risk. The Group has not used any interest rate swaps to mitigate its exposure associated with fluctuations relating to interest cash flows.

The Group currently 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 arise.

Sensitivity analysis

The sensitivity analyses below were determined based on the exposure to interest rates for the non-derivative instruments at the balance sheet date. For variable-rate bank deposits and borrowings, the analysis is prepared assuming the amount of asset and liability outstanding at the balance sheet date was outstanding for the whole year. A 50 basis point increase or decrease represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's loss for the year would decrease/increase by HK$136,830 (2006: the Group's profit for the year would decrease/increase by HK$152,620). This is mainly attributable to the Group's exposure to interest rates on its variable-rate bank deposits and bank borrowings.

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, 2007 and 2006 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. The management closely monitors the subsequent settlement of the debts and does not grant long credit period to customers. 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. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The Group has no significant concentration of credit risk on trade debtors, with exposure spread over a number of counterparties and customers.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31st December, 2007

5. *FINANCIAL INSTRUMENTS (Continued)*

Financial risk management objectives and policies *(Continued)*

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of bank borrowings and ensures compliance with loan covenants.

The Group relies on bank borrowings as a significant source of liquidity. As at 31st December, 2007, the Group has available unutilised short-term bank loan facilities of approximately HK$203,000,000 (2006: HK$253,000,000). Details of the Group's borrowings at 31st December, 2007 are set out in note 24.

The following table details the Group's remaining contractual maturity for its financial liabilities. For non-derivative financial liabilities, the table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

Liquidity tables

	Weighted average effective interest rate	Less than 1 month	1–3 months	3–6 months	Total undiscounted cash flows	Total carrying amounts at 31.12.2007
	% per annum	HK$	HK$	HK$	HK$	HK$
2007						
Non-derivative financial liabilities						
Trade and other creditors	–	28,920,061	19,293,335	534,100	48,747,496	48,747,496
Bills payable	–	1,374,111	1,717,351	–	3,091,462	3,091,462
Bank borrowings	6.82	17,210,252	19,407,799	117,009	36,735,060	36,322,198
		47,504,424	40,418,485	651,109	88,574,018	88,161,156

5. *FINANCIAL INSTRUMENTS (Continued)*

Financial risk management objectives and policies *(Continued)*

Liquidity risk (Continued)

Liquidity tables *(Continued)*

2006	Weighted average effective interest rate % per annum	Less than 1 month *HK$*	1–3 months *HK$*	3–6 months *HK$*	Total undiscounted cash flows *HK$*	Total carrying amounts at 31.12.2006 *HK$*
Non-derivative financial liabilities						
Trade and other creditors	–	31,314,756	28,155,265	2,018,292	61,488,313	61,488,313
Bills payable	–	7,242,302	9,130,448	–	16,372,750	16,372,750
Amount due to an associate	–	294,000	–	–	294,000	294,000
Bank borrowings	7.05	35,642,181	35,054,976	425,799	71,122,956	70,028,756
		74,493,239	72,340,689	2,444,091	149,278,019	148,183,819

Fair value

The fair value of financial assets and financial liabilities are determined as follows:

- the fair value of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions; and

- the fair value of available-for-sale investments is determined by reference to the bid price quoted in a second hand market. The fair value of investments held for trading is determined based on the quoted market bid prices available on the relevant exchange or based on the relevant price quoted from the brokers.

The directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31st December, 2007

6. *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.

INCOME STATEMENT FOR THE YEAR ENDED 31ST DECEMBER, 2007

	Trading *HK$*	Manufacturing – household products *HK$*	Manufacturing – others *HK$*	Consolidated *HK$*
REVENUE				
External sales	165,769,404	96,618,130	378,247,640	640,635,174
RESULTS				
Segment results	11,356,311	12,094,884	(16,994,824)	6,456,371
Unallocated income				31,020,193
Unallocated expenses				(52,475,768)
Change in fair value of investments held for trading				2,454,111
Impairment loss on property, plant and equipment				(22,000,000)
Loss on liquidation of an associate				(135)
Gain (loss) on disposal/ liquidation of subsidiaries	–	43,605	(3,616,208)	(3,572,603)
Finance costs				(4,368,807)
Loss before taxation				(42,486,638)
Taxation credit				317,413
Loss for the year				(42,169,225)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31st December, 2007

6. *BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)*

Business segments *(Continued)*

ASSETS AND LIABILITIES AS AT 31ST DECEMBER, 2007

	Trading	Manufacturing – household products	Manufacturing – others	Consolidated
	HK$	*HK$*	*HK$*	*HK$*
ASSETS				
Segment assets	45,431,953	41,385,492	99,311,351	186,128,796
Unallocated corporate assets				94,867,329
Consolidated total assets				280,996,125
LIABILITIES				
Segment liabilities	9,638,396	9,183,270	42,348,969	61,170,635
Unallocated corporate liabilities				43,063,694
Consolidated total liabilities				104,234,329

OTHER INFORMATION FOR THE YEAR ENDED 31ST DECEMBER, 2007

	Trading	Manufacturing – household products	Manufacturing – others	Unallocated	Consolidated
	HK$	*HK$*	*HK$*	*HK$*	*HK$*
Capital additions	1,372,667	112,127	7,618,732	–	9,103,526
Depreciation of property, plant and equipment	1,730,935	1,638,118	12,444,379	–	15,813,432
Release of prepaid lease payments	108,221	110,227	3,846	–	222,294
Gain (loss) on disposal of property, plant and equipment	–	10,993,691	7,815,129	(59,974)	18,748,846
Impairment loss on property, plant and equipment	–	–	22,000,000	–	22,000,000

6. *BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)*

Business segments *(Continued)*

INCOME STATEMENT FOR THE YEAR ENDED 31ST DECEMBER, 2006

	Trading	Manufacturing – household products	Manufacturing – others	Consolidated
	HK$	*HK$*	*HK$*	*HK$*
REVENUE				
External sales	190,662,788	112,175,957	411,892,534	714,731,279
RESULTS				
Segment results	9,821,966	14,901,580	17,601,588	42,325,134
Unallocated income				9,432,183
Unallocated expenses				(58,337,417)
Change in fair value of investments held for trading				(117,148)
Gain on disposal of an associate				66,135
Discount on acquisition of additional interests in a subsidiary	–	–	28,222,523	28,222,523
Finance costs				(5,792,712)
Share of profits of associates				260,696
Profit before taxation				16,059,394
Taxation credit				913,536
Profit for the year				16,972,930

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31st December, 2007

6. *BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)*

Business segments *(Continued)*

ASSETS AND LIABILITIES AS AT 31ST DECEMBER, 2006

	Trading	Manufacturing – household products	Manufacturing – others	Consolidated
	HK$	*HK$*	*HK$*	*HK$*
ASSETS				
Segment assets	50,867,206	64,045,138	182,104,673	297,017,017
Interests in associates				314,591
Unallocated corporate assets				96,670,191
Consolidated total assets				394,001,799
LIABILITIES				
Segment liabilities	12,806,473	13,971,712	67,703,542	94,481,727
Unallocated corporate liabilities				77,278,103
Consolidated total liabilities				171,759,830

OTHER INFORMATION FOR THE YEAR ENDED 31ST DECEMBER, 2006

	Trading	Manufacturing – household products	Manufacturing – others	Unallocated	Consolidated
	HK$	*HK$*	*HK$*	*HK$*	*HK$*
Capital additions	2,515,280	1,340,544	5,474,398	15,889	9,346,111
Depreciation of property, plant and equipment	1,791,951	1,894,105	14,194,303	16,830	17,897,189
Release of prepaid lease payments	160,763	162,366	299,179	–	622,308
(Loss) gain on disposal of property, plant and equipment	(150,548)	(80,236)	(130,128)	679,318	318,406
Allowances for bad and doubtful debts	2,213,157	–	90,708	–	2,303,865

6. *BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)*

Geographical segments

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 31.12.2007	Year ended 31.12.2006
	HK$	*HK$*
Geographical market		
North America	**220,249,452**	233,107,426
Holland	**186,111,461**	181,377,092
United Kingdom	**93,505,977**	115,548,808
Germany	**43,402,367**	59,375,977
Hong Kong	**21,712,985**	36,937,309
Other European countries	**35,095,688**	35,680,632
Australia	**17,220,220**	20,819,752
France	**5,025,484**	12,074,452
The People's Republic of China (excluding Hong Kong) (the "PRC")	**10,354,931**	11,466,964
Others	**7,956,609**	8,342,867
	640,635,174	714,731,279

6. 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 31.12.2007	At 31.12.2006	**Year ended 31.12.2007**	Year ended 31.12.2006
	HK$	*HK$*	***HK$***	*HK$*
Hong Kong	**140,349,542**	152,864,465	**1,573,139**	2,569,409
PRC	**45,779,254**	144,152,552	**7,530,387**	6,760,813
Unallocated	**–**	–	**–**	15,889
	186,128,796	297,017,017	**9,103,526**	9,346,111

7. OTHER INCOME

	2007	2006
	HK$	*HK$*
Commission income	**4,364,064**	2,512,644
Interest income on bank deposits	**2,702,280**	2,386,806
Interest income on overdue trade debtors	**896,216**	644,203
Amount recovered from insurance claim on damaged inventories	**–**	3,283,947
Gain on disposal of property, plant and equipment	**18,748,846**	318,406
Excess of scheme assets over defined benefit scheme obligations	**4,076,754**	–
Sundry income	**232,033**	286,177
	31,020,193	9,432,183

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8. DISCOUNT ON ACQUISITION OF ADDITIONAL INTERESTS IN A SUBSIDIARY

During the year ended 31st December, 2006, an indirect wholly owned subsidiary of the Company entered into agreement with a minority shareholder of Bigfield Goldenford Holdings Limited ("Bigfield") to purchase his 37.5% shareholding in Bigfield at a consideration of HK$11,250,000. A discount on acquisition of additional interest in Bigfield of HK$28,222,523 has been recognised in the consolidated income statement.

9. FINANCE COSTS

Finance costs represent interest expense on bank borrowings wholly repayable within five years.

10. TAXATION CREDIT

	2007	2006
	HK$	*HK$*
Current taxation		
Hong Kong Profits Tax	**(2,066,882)**	–
Underprovision of Hong Kong Profits Tax in prior years	**–**	(67,247)
Deferred taxation *(note 27)*	**2,384,295**	980,783
	317,413	913,536

Hong Kong Profits Tax is calculated at 17.5% of the estimated assessable profit for the year. No provision for Hong Kong Profits Tax was made for the year ended 31st December, 2006 as the companies in Hong Kong had no assessable profits.

No provision for profits tax is made in other jurisdictions as the subsidiaries in other jurisdictions have no assessable profits for the year.

10. TAXATION CREDIT *(Continued)*

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

	2007	2006
	HK$	*HK$*
(Loss) profit before taxation	**(42,486,638)**	16,059,394
Taxation at the Hong Kong Profits Tax rate of 17.5%	**7,435,162**	(2,810,394)
Tax effect of share of results of associates	**–**	45,622
Tax effect of expenses not deductible for tax purpose	**(6,295,709)**	(5,355,038)
Tax effect of income not taxable for tax purpose	**3,438,026**	8,833,111
Underprovision in respect of prior years	**–**	(67,247)
Tax effect of utilisation of tax losses previously not recognised	**141,529**	267,482
Tax effect of tax losses not recognised	**(4,401,595)**	–
Taxation credit for the year	**317,413**	913,536

11. (LOSS) PROFIT FOR THE YEAR

	2007	2006
	HK$	*HK$*
(Loss) profit for the year has been arrived at after charging:		
Allowance for bad and doubtful debts	**–**	2,303,865
Auditor's remuneration	**1,180,710**	1,213,763
Cost of inventories recognised as an expense	**615,908,834**	645,465,503
Depreciation of property, plant and equipment	**15,813,432**	17,897,189
Release of prepaid lease payments	**222,294**	622,308
Net foreign exchange loss	**3,490,749**	2,458,423
Operating lease payments in respect of rented properties	**13,360,697**	16,528,654
Staff costs:		
Directors' remuneration	**7,159,150**	6,835,000
Other staff salaries and allowances and benefits	**100,246,022**	91,734,843
Other staff retirement benefits scheme contributions	**3,492,949**	3,301,679
	110,898,121	101,871,522

12. DIRECTORS' EMOLUMENTS

For the year ended 31st December, 2007

	Directors' fees HK$	Salaries and other benefits HK$	Performance related incentive benefits HK$ (Note)	Pension scheme contribution HK$	Total 2007 HK$
Name of directors					
Lam Po Kwai, Frankie	–	2,400,000	–	48,000	2,448,000
Wong Yau Ching, Maria	–	2,000,000	656,000	48,000	2,704,000
So Man Yee, Katherine	–	764,000	164,000	24,800	952,800
Chim Kim Lum, Ricky	–	–	–	–	–
Cheng Kwok Hing, Andy	–	–	–	–	–
Lee Yuen Bing, Nina	30,000	387,000	–	19,350	436,350
Au Son Yiu	198,000	–	–	–	198,000
Johnson Lee	198,000	–	–	–	198,000
Tang Tin Sek	222,000	–	–	–	222,000
Total emoluments	**648,000**	**5,551,000**	**820,000**	**140,150**	**7,159,150**

For the year ended 31st December, 2006

	Directors' fees HK$	Salaries and other benefits HK$	Performance related incentive benefits HK$ (Note)	Pension scheme contribution HK$	Total 2006 HK$
Name of directors					
Lam Po Kwai, Frankie	–	2,400,000	–	48,000	2,448,000
Wong Yau Ching, Maria	–	1,840,000	258,800	48,000	2,146,800
So Man Yee, Katherine	–	748,000	64,700	24,800	837,500
Lee Yuen Bing, Nina	–	650,000	64,700	25,000	739,700
Au Son Yiu	198,000	–	–	–	198,000
Johnson Lee	198,000	–	–	–	198,000
Tang Tin Sek	222,000	–	–	–	222,000
He Ling	45,000	–	–	–	45,000
Total emoluments	663,000	5,638,000	388,200	145,800	6,835,000

Note: The performance related incentive payment is determined as a percentage of each profitable subsidiary of the Group for the two years ended 31st December, 2007.

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.

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For The Year Ended 31st December, 2007

13. *EMPLOYEES' EMOLUMENTS*

The five highest paid individuals of the Group included three (2006: two) directors, details of whose emoluments are set out above. The emoluments of the remaining two (2006: three) highest paid employees, other than directors of the Company, were as follows:

	2007	2006
	HK$	*HK$*
Salaries and other benefits	**2,182,583**	3,368,848
Retirement benefits scheme contributions	**39,000**	45,200
	2,221,583	3,414,048

Emoluments of these remaining two (2006: three) highest paid employees were within the following bands:

	Number of employees	
	2007	2006
Nil – HK$1,000,000	**1**	1
HK$1,000,001 – HK$1,500,000	**1**	2

14. *BASIC (LOSS) EARNING PER SHARE*

The calculation of the basic (loss) earning per share is based on the loss attributable to the equity holders of the Company of HK$42,169,225 (2006: profit of HK$18,911,884) and 477,926,292 (2006: 477,926,292) shares in issue during the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31st December, 2007

15. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings	Computer equipment	Furniture and fixtures	Motor vehicles	Plant and machinery	Total
	HK$	HK$	HK$	HK$	HK$	HK$
COST						
At 1st January, 2006	76,109,301	15,270,928	111,898,344	8,479,136	275,961,798	487,719,507
Exchange realignment	325,930	–	50,393	28,212	752,166	1,156,701
Additions	207,950	272,519	2,678,470	4,687,576	1,499,596	9,346,111
Disposals	(7,732,260)	(3,180,268)	(3,915,180)	(2,989,624)	(11,962,709)	(29,780,041)
At 31st December, 2006	68,910,921	12,363,179	110,712,027	10,205,300	266,250,851	468,442,278
Exchange realignment	446,010	–	77,802	38,606	1,235,289	1,797,707
Additions	–	618,286	1,435,773	538,001	6,511,466	9,103,526
Disposals	(13,099,990)	(54,339)	(181,486)	(1,725,761)	(3,198,657)	(18,260,233)
Disposal upon disposal of subsidiaries	(8,920,191)	(75,644)	(3,395,750)	(1,269,534)	(24,130,115)	(37,791,234)
At 31st December, 2007	47,336,750	12,851,482	108,648,366	7,786,612	246,668,834	423,292,044
DEPRECIATION AND IMPAIRMENT						
At 1st January, 2006	22,955,561	12,270,504	89,680,649	7,290,635	226,457,440	358,654,789
Exchange realignment	114,271	–	45,614	16,062	708,533	884,480
Provided for the year	2,136,917	633,300	4,703,756	715,598	9,707,618	17,897,189
Eliminated on disposals	(2,510,828)	(3,178,518)	(3,909,985)	(2,380,729)	(11,958,775)	(23,938,835)
At 31st December, 2006	22,695,921	9,725,286	90,520,034	5,641,566	224,914,816	353,497,623
Exchange realignment	156,366	–	62,418	21,980	969,572	1,210,336
Provided for the year	1,579,156	591,274	4,132,537	925,600	8,584,865	15,813,432
Impairment loss recognised in consolidated income statement	1,980,000	660,000	5,280,000	440,000	13,640,000	22,000,000
Eliminated on disposals	(4,565,298)	(15,916)	(128,164)	(1,538,700)	(2,210,377)	(8,458,455)
Eliminated on disposal of subsidiaries	(3,237,322)	(4,721)	(1,822,163)	(544,719)	(20,129,708)	(25,738,633)
At 31st December, 2007	18,608,823	10,955,923	98,044,662	4,945,727	225,769,168	358,324,303
CARRYING VALUES						
At 31st December, 2007	28,727,927	1,895,559	10,603,704	2,840,885	20,899,666	64,967,741
At 31st December, 2006	46,215,000	2,637,893	20,191,993	4,563,734	41,336,035	114,944,655

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31st December, 2007

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

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

Buildings	Over the term of the lease
Others	Reducing balance method at 20%

The carrying value of properties shown above comprises:

	2007	2006
	HK$	*HK$*
Properties:		
– In Hong Kong, long leases	**3,117,916**	10,884,508
– Outside Hong Kong, long leases	**–**	428,077
– Outside Hong Kong, medium-term leases	**25,610,011**	34,902,415
	28,727,927	46,215,000

At 31st December, 2007, due to the continuous losses incurred by a subsidiary, the directors conducted a review of the property, plant and equipment held by that subsidiary and determined an impairment loss of HK$22,000,000 in the consolidated income statement. The recoverable amounts of the relevant property, plant and equipment has determined on the basis of their value in use. The discount rate in measuring the amounts of value in use was 8%.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31st December, 2007

16. PREPAID LEASE PAYMENTS

	2007	2006
	HK$	*HK$*
The Group's prepaid lease payments comprise:		
Leasehold land:		
Held in Hong Kong under long lease	**1,515,802**	11,485,422
Held outside Hong Kong under long lease	**–**	494,218
Held outside Hong Kong under medium-term lease	**6,625,054**	10,666,395
	8,140,856	22,646,035
Analysed for reporting purposes as:		
Current asset	**222,294**	626,880
Non-current asset	**7,918,562**	22,019,155
	8,140,856	22,646,035

17. INTEREST IN AN ASSOCIATE

	2007	2006
	HK$	*HK$*
Cost of investment in an unlisted associate	**–**	51,098
Share of post-acquisition profits	**–**	263,493
	–	314,591

During the year ended 31st December, 2007, the associate, Webradio Ltd., was deregistered. The distribution was settled by cash of HK$20,456 and waiver of amount due to an associate of HK$294,000 respectively.

At 31st December, 2006, amount due to an associate was unsecured, non-interest bearing and repayable on demand.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31st December, 2007

18. AVAILABLE-FOR-SALE INVESTMENT

	2007	2006
	HK$	*HK$*
Club debenture, at fair value	**880,000**	880,000

19. INVENTORIES

	2007	2006
	HK$	*HK$*
Raw materials	**27,754,216**	50,315,582
Work in progress	**4,502,946**	5,592,163
Finished goods	**12,224,554**	11,655,391
	44,481,716	67,563,136

20. DEBTORS, BILLS RECEIVABLE AND PREPAYMENTS

	2007	2006
	HK$	*HK$*
Trade debtors and bills receivable	**66,498,894**	87,173,510
Less: Allowances for bad and doubtful debts	**–**	(2,598,560)
	66,498,894	84,574,950
Other debtors and prepayments	**3,949,781**	8,235,319
	70,448,675	92,810,269

The following is an aged analysis of trade debtors and bills receivable net of allowance for doubtful debts at the reporting date:

	2007	2006
	HK$	*HK$*
0-60 days	**51,634,710**	71,184,437
61-90 days	**7,098,674**	6,360,126
> 90 days	**7,765,510**	7,030,387
	66,498,894	84,574,950

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31st December, 2007

20. DEBTORS, BILLS RECEIVABLE AND PREPAYMENTS *(Continued)*

Trade debtors and bills receivable of approximately HK$22,398,000 (2006: HK$70,700,000) were denominated in US$, the currency other than the functional currency of the respective group entities.

During the year, the Group transferred HK$9,441,007 (2006: HK$22,654,110) of bills receivable to banks. As part of the transfer, the Group provided the transferee with a credit guarantee over the expected losses of those receivables. Accordingly, the Group continues to recognise the full carrying amount of the receivables and has recognised the cash received on the transfer as a secured other bank loans (see note 24).

The Group allows an average credit period of 90 days to its customers. As at 31st December, 2007, trade debtors of approximately HK$7,765,510 (2006: HK$7,030,387), were past due but not provided for as there has not been a significant change in credit quality and the amounts are subsequently settled. The Group does not hold any collateral over the aforesaid trade debtors. The average age of these debtors is 155 (2006: 168) days.

In the opinion of the directors, the Group has maintained long term relationship with existing customers who have a strong financial position. The directors consider that such relationship enables the Group to limit its credit risk exposure. Before accepting any new customers, the Group will assess the potential customers' credit quality by reference to the experience of the management and defines credit limit by customers. Such credit limit is reviewed by the management periodically.

Movement in the allowance for bad doubtful debts

	2007	2006
	HK$	*HK$*
Balance at beginning of the year	**2,598,560**	942,132
Impairment losses recognised on trade debtors	**–**	2,303,865
Written off as against trade debtors	**(2,598,560)**	(647,437)
Balance at end of the year	**–**	2,598,560

At 31st December, 2006, allowance for bad and doubtful debts are individually impaired trade debtors with an aggregate balance of HK$2,598,560 which had been in severe financial difficulties. The Group does not hold any collateral over these balances.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31st December, 2007

21. INVESTMENTS HELD FOR TRADING

	2007 HK$	2006 HK$
Equity securities listed in Hong Kong	–	1,279,437
Mutual funds	–	7,350,928
	–	8,630,365

22. BANK DEPOSITS AND BANK BALANCES

The Group's bank deposits of approximately HK$2.9 million (2006: HK$2.8 million) have been pledged to secure banking facilities granted to a subsidiary. The pledged bank deposit carry fixed interest rate of 3.76% (2006: 3.5%) per annum.

Short term bank deposits and bank balances included short-term deposits with an original maturity of three months or less. Bank deposits received interest at floating rate ranged from 2.75% to 8.25% (2006: 2.25% to 4.25%) per annum.

Bank balances and cash and short-term bank deposits of approximately HK$4,091,000 (2006: HK$48,877,000), HK$25,615,000 (2006: nil), HK$14,074,000 (2006: nil) and HK$4,293,000 (2006: HK$7,496,000) were denominated in US$, AUD, NZD and RMB respectively, the currencies other than the functional currency of the respective group entities.

23. CREDITORS, BILLS PAYABLE AND ACCRUED CHARGES

	2007 HK$	2006 HK$
Trade creditors	**47,852,196**	58,723,200
Bills payable	**3,091,462**	16,372,750
Other creditors and accrued charges	**14,549,067**	21,655,134
	65,492,725	96,751,084

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

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

	2007	2006
	HK$	*HK$*
0–60 days	**39,163,251**	59,472,604
61–90 days	**8,888,987**	11,067,447
> 90 days	**2,891,420**	4,555,899
	50,943,658	75,095,950

Trade creditors and bills payable of approximately HK$7,822,000 (2006: HK$28,648,000) and HK$2,159,000 (2006: nil) were denominated in US$ and RMB respectively, the currencies other than the functional currency of the respective group entities.

24. BANK BORROWINGS

	2007	2006
	HK$	*HK$*
Bank borrowings comprise the following:		
Trust receipt and import loans	**26,881,191**	47,374,746
Other bank loans	**9,441,007**	22,654,110
	36,322,198	70,028,856
Secured	**–**	3,597,966
Unsecured	**36,322,198**	66,430,890
	36,322,198	70,028,856

Other bank loans represent the loans from discounted bills with recourse.

Bank borrowings of approximately HK$34,394,000 (2006: HK$63,966,000) were denominated in US$, the currency other than the functional currency of the respective group entities.

The above borrowings bear interests at floating rates, and thus expose to cash flow interest rate risk. The average effective interest rate is approximately 6.82% (2006: 7.05%) per annum.

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25. SHARE CAPITAL

	Number of ordinary shares of HK$0.10 each 2007 & 2006	Nominal value 2007 &2006 *HK$*
Authorised:		
At beginning of the year and at end of the year	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

26. 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.

There is no outstanding share option and no share options were granted or exercised during the year.

27. *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, 2006	5,961,399	(294,726)	5,666,673
(Credit) charge to consolidated income statement for the year	(1,107,913)	127,130	(980,783)
At 31st December, 2006	4,853,486	(167,596)	4,685,890
(Credit) charge to consolidated income statement for the year	(2,551,891)	167,596	(2,384,295)
At 31st December, 2007	2,301,595	–	2,301,595

At the balance sheet date, the Group has estimated unused tax losses of approximately HK$211,788,000 (2006: HK$187,594,000) available for offset against future profits. At 31st December, 2007, no deferred tax asset has been recognised in respect of such losses due to the uncertainty of future profit stream. At 31st December, 2006, a deferred tax asset had been recognised in respect of approximately HK$958,000, no deferred tax asset has been recognised in respect of the remaining HK$186,636,000 due to the uncertainty of future profit streams. The losses may be carried forward indefinitely.

28. DISPOSAL/LIQUIDATION OF SUBSIDIARIES

The net assets of the subsidiaries at the date of disposal/liquidation were as follows:

	HK$
Property, plant and equipment	12,052,601
Prepaid lease payments	3,331,731
Inventories	463,026
Debtors, bills receivable and prepayments	1,886,451
Bank balances and cash	2,131,255
Creditors, bills payable and accrued charges	(2,905,893)
	16,959,171
Exchange gain realised	(5,106,568)
	11,852,603
Loss on disposal/liquidation of subsidiaries	(3,572,603)
Total consideration settled by cash	8,280,000
Cash outflow arising on disposal/liquidation of subsidiaries:	
Bank balances and cash disposed of	(2,131,255)
Cash consideration	8,280,000
	6,148,745

The subsidiaries disposed/liquidated during the year had no significant contribution to the Group's operating results and cash flows for the current year.

29. CAPITAL COMMITMENTS

	2007	2006
	HK$	*HK$*
Capital expenditure in respect of acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	**184,340**	314,563

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31st December, 2007

30. 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:

	2007	2006
	HK$	HK$
Within one year	8,245,854	16,690,557
In the second to fifth year inclusive	7,401,308	17,111,874
	15,647,162	33,802,431

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

31. RELATED PARTY TRANSACTIONS

(a) During the year, the Group entered into the following transaction with a related party:

	2007	2006
	HK$	HK$
Rental expense to a related company	1,200,000	960,000

The related company is a company in which certain directors of the Company have beneficial interests. Rental expense was for the provision of quarters to certain directors of the Company and has been included in directors' remuneration.

(b) During the year ended 31st December, 2006, the Group acquired additional interests of 37.5% in a subsidiary from Mr. Lee at a consideration of HK$11,250,000.

(c) **Compensation of key management personnel**

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

	2007	2006
	HK$	HK$
Salaries and other short term employee benefits	9,201,583	10,058,048
Retirement benefit costs	179,150	191,000
	9,380,733	10,249,048

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

32. *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 Scheme") 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$3,633,099 (2006: HK$3,447,479) 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 on 30th November, 2000 and all qualifying employees were transferred to the MPF Scheme. The defined benefit obligations of the scheme were fixed and the past service costs are fully vested. No further contribution was made by the Group since that date.

At 31st December, 2007, the fair value of the scheme assets is HK$5,696,748 (2006: HK$5,144,153) and the scheme obligations is HK$1,619,994 (2006: HK$1,923,177). During the year, the Company recognised the excess of scheme assets over defined benefit scheme obligations of HK$4,076,754 (2006: nil) in the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31st December, 2007

33. SUBSIDIARIES

Details of the Company's subsidiaries at 31st December, 2007 are as follows:

Name of company	Country/ place of incorporation or registration	Principal place of operation	Nominal value of issued/registered capital	Proportion of nominal value of issued/registered capital held by the Company 2006	2007	Principal activities
Big Field (B.V.I.) Limited	British Virgin Islands	Hong Kong	Ordinary – US$600	100%	**100%**	Investment holding
Bigfield Goldenford Holding Limited	Hong Kong	Hong Kong	Ordinary – HK$153,000 Deferred – HK$147,000 *(note i)*	100% –	**100%** **–**	Manufacture of wooden and paper products
Dominion Trading Ltd.	British Virgin Islands	Hong Kong	Ordinary – US$100	100%	**100%**	Investment holding, property and share investment
Frankie Dominion (B.V.I.) Company Limited	British Virgin Islands	Hong Kong	Ordinary – US$35,000	100%	**100%**	Investment holding
Frankie Dominion (Holdings) Limited	Hong Kong	Hong Kong	Ordinary – HK$1,000 Deferred – HK$35,000,000 *(note i)*	100% –	**100%** **–**	Investment holding, property investment and design, manufacture and sale of a diversified range of consumer home products
Frankie Trading Company Limited	Hong Kong	Hong Kong	Ordinary – HK$5,000,000	100%	**100%**	Inactive
Home Mart Store Limited	Hong Kong	Hong Kong	Ordinary – HK$5,000,000	100%	**100%**	Inactive
Michel Manufactory Limited	Hong Kong	Hong Kong	Ordinary – HK$10,000	100%	**100%**	Inactive

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31st December, 2007

33. SUBSIDIARIES *(Continued)*

Name of company	Country/ place of incorporation or registration	Principal place of operation	Nominal value of issued/registered capital	Proportion of nominal value of issued/registered capital held by the Company 2006	2007	Principal activities
Blandas Concord Inc. *(note ii)*	Liberia	Canada	Ordinary – CAD$1,400,000	100%	–	Investment holding
Diamond Link Enterprises (Canada) Ltd. *(note ii)*	Canada	Canada	Ordinary – CAD$2	100%	–	Property investment
Home Connection Incorporated *(note ii)*	United States	United States	Nil	100%	–	Sale agent
Islandcan Limited *(note ii)*	Hong Kong	PRC	Ordinary – HK$4,400,000 Deferred – HK$3,600,000 *(note i)*	100% –	– –	Investment holding
Newall International Inc. *(note ii)*	British Virgin Islands	PRC	Ordinary – US$100	100%	–	Manufacture of consumer home products in the PRC
東莞五洲制罐廠有限公司 *(note ii)*	PRC	PRC	HK$33,835,800	100%	–	Tin-plate printing
東莞嘉利美商家庭用品有限公司*(note ii)*	PRC	PRC	HK$26,850,000	100%	–	Inactive
嘉利興（廣州）貿易有限公司	PRC	PRC	HK$3,000,000	100%	**100%**	Not yet commence business

Notes:

(i) The deferred shares, which are not held by the Group except for Bigfield Goldenford Holdings Limited, carrying 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 total of HK$100,000,000,000,000,000 has been distributed to the holders of the ordinary shares.

(ii) The Companies were disposal of/liquidated during the year ended 31st December, 2007.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31st December, 2007

34. POST BALANCE SHEET EVENTS

The following events took place subsequent to the balance sheet date:

(a) The Group entered into an agreement with an independent third party for the acquisition of the entire issued share capital of Pride Eagle Investments Limited and Joy Wisdom International Limited for an aggregate consideration of HK$2,400 million (subject to adjustment). The consideration shall be satisfied by the Company on completion of the acquisitions in the following manner:

(i) as to HK$2,200 million by the issue of convertible bonds to the vendor; and

(ii) as to HK$200 million by the issue of promissory notes or, in cash to the vendor or in such other manner as agreed between the Group and the vendor.

The acquisition was approved by the Company's shareholders in 7th April, 2008. Up to the date of this report, the acquisition has not yet been completed.

(b) On 7th April, 2008, the increase in the Company's authorised share capital from HK$100,000,000 to HK$1,000,000,000 by the creation of an additional 9,000,000,000 ordinary shares of HK$0.1 each was approved by the Company's shareholders.

FINANCIAL SUMMARY

	Year ended 31st December,				
	2003	2004	2005	2006	**2007**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	***HK$'000***
RESULTS					
Revenue	989,942	887,025	747,483	714,731	**640,635**
Profit (loss) before taxation	10,193	(2,122)	(17,570)	16,059	**(42,487)**
Taxation (charge) credit	(1,596)	1,716	(987)	914	**318**
Profit (loss) for the year	8,597	(406)	(18,557)	16,973	**(42,169)**
Attributable to:					
Equity holders of the Company	10,572	3,031	(13,031)	18,912	**(42,169)**
Minority interests	(1,975)	(3,437)	(5,526)	(1,939)	**–**
	8,597	(406)	(18,557)	16,973	**(42,169)**
Dividends	4,779	9,558	–	–	**–**

ASSETS AND LIABILITIES

	At 31st December,				
	2003	2004	2005	2006	**2007**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	***HK$'000***
Total assets	454,079	437,115	424,882	394,002	**280,996**
Total liabilities	(168,007)	(166,350)	(180,312)	(171,760)	**(104,234)**
	286,072	270,765	244,570	222,242	**176,762**
Equity attributable to equity holders of the Company	226,022	217,905	203,159	222,242	**176,762**
Minority interests	60,050	52,860	41,411	–	**–**
	286,072	270,765	244,570	222,242	**176,762**

Note: The results and financial position of the Group for the year ended 31st December, 2003 have not been considered for adjustment for the application of Hong Kong Financial Reporting Standards effective on 1st January, 2005.

PARTICULARS OF PROPERTIES

PROPERTIES HELD FOR THE GROUP'S OWN USE

Name/location	Lease term	Type*	Gross floor area *(sq.m.)*	Attributable interest
HONG KONG				
1. Units A, B, C and D 1st Floor and Flat Roofs Yally Industrial Building 6 Yip Fat Street Wong Chuk Hang	Long lease	C & I	1,623.7	100%
2. Unit D 3rd Floor Yally Industrial Building 6 Yip Fat Street Wong Chuk Hang	Long lease	G	360.3	100%
OVERSEAS				
The People's Republic of China				
廣州市天河區黃埔大道西468號 勤建商業大廈1201室至1206室 和1306室	Medium term lease	C	1,437.4	100%

* C Commercial
I Industrial
G Godown