

Note to the Financial Statements

For the year ended 31st December, 2004

1. GENERAL

The Company is an exempted company incorporated in Bermuda under The Companies Act 1981 of Bermuda (as amended) with limited liability. The shares of the Company are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The principal activities of the Group are the design, manufacture and trading of infant products.

2. POTENTIAL IMPACT ARISING FROM THE RECENTLY ISSUED ACCOUNTING STANDARDS

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

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

3. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention as modified for the revaluation of properties and investments in securities.

The financial statements have been prepared in accordance with accounting principles generally accepted in Hong Kong. The principal accounting policies are as follows:

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31st December each year.

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

All significant inter-company transactions and balances within the Group are eliminated on consolidation.

Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary at the date of acquisition.

Goodwill arising on acquisition prior to 1st January, 2001 continues to be held in reserves, and will be charged to the income statement at the time of disposal of the relevant subsidiary or at such time as the goodwill is determined to be impaired.

Note to the Financial Statements

For the year ended 31st December, 2004

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Goodwill *(continued)*

Goodwill arising on acquisition after 1st January, 2001 is capitalised and amortised on a straight-line basis over its useful economic life. Goodwill arising on the acquisition of subsidiaries is presented separately in the balance sheet.

Negative goodwill

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

Negative goodwill arising on acquisition after 1st January, 2001 is presented as deduction from assets and will be released to income based on an analysis of the circumstances from which the balance resulted.

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

Investments in subsidiaries

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

Interest in associates

The consolidated income statement includes the Group's share of the post-acquisition results of its associates for the year. In the consolidated balance sheet, interest in associates is stated at the Group's share of the net assets of the associates less any identified impairment loss.

Interest in joint ventures

Joint venture arrangements which involve the establishment of a separate entity in which each venturer has an interest are referred to as jointly controlled entities.

The Group's interest in its jointly controlled entity is included in the consolidated balance sheet at the Group's share of the net assets of the jointly controlled entity less any identified impairment loss. The Group's share of the post-acquisition results of its jointly controlled entity is included in the consolidated income statement.

Turnover

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

Note to the Financial Statements

For the year ended 31st December, 2004

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Revenue recognition

Sales of goods are recognised when goods are delivered and title has passed.

Rental income, including rental invoiced in advance, from properties under operating leases, is recognised on a straight-line basis over the term of the relevant lease.

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

Investment properties

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

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

On the disposal of an investment property, the balance on the investment property revaluation reserve attributable to that property is transferred to the income statement.

No amortisation is provided on investment properties except where the unexpired term of the relevant lease is twenty years or less.

Property, plant and equipment

Property, plant and equipment other than land and buildings and construction in progress are stated at cost less accumulated depreciation and amortisation and accumulated impairment losses.

Land and buildings are stated in the balance sheet at their revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and amortisation and impairment losses. Revaluations are performed with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair values at the balance sheet date.

Note to the Financial Statements

For the year ended 31st December, 2004

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Property, plant and equipment *(continued)*

Any surplus arising on the revaluation of land and buildings is credited to the property revaluation reserve, except to the extent that it reverses a deficit of the same asset previously recognised as an expense, in which case the surplus is credited to the income statement to the extent of the deficit previously charged. A deficit in net carrying amount arising on revaluation of an asset is dealt with as an expense to the extent that it exceeds the balance, if any, on the property revaluation reserve relating to a previous revaluation of that asset. On the subsequent sale or retirement of a revalued asset, the attributable revaluation surplus is transferred to accumulated profits.

Construction in progress is stated at cost less any identified impairment loss. Cost which includes all development expenditure and other direct costs, including borrowing cost capitalised, attributable to such projects. Construction in progress is not depreciated or amortised until the completion of construction. Cost of completed construction work is transferred to the appropriate category of property, plant and equipment.

Depreciation and amortisation are provided to write off the cost or valuation of property, plant and equipment other than construction in progress over their estimated useful lives and after taking into account their estimated residual value, using the straight-line method, at the following rates per annum:

Freehold land	Nil
Leasehold land and buildings	2% or the remaining period of the leases or land use rights, if shorter
Leasehold improvements	10 – 20%
Plant and machinery	10 – 20%
Furniture, fixtures and equipment	20 – 33 ¹ / ₃ %
Motor vehicles	20 – 50%

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

Impairment

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

Note to the Financial Statements

For the year ended 31st December, 2004

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Capitalisation of borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, are capitalised as part of the cost of those assets. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale.

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

Intellectual property rights

Intellectual property rights are stated at cost less accumulated amortisation and accumulated impairment losses. Amortisation is calculated to write off the cost of the intellectual property rights over their estimated useful lives, using the straight-line method.

Investments

Investments in securities are recognised on a trade-date basis and are initially measured at cost.

Investments other than held-to-maturity debt securities are classified as investment securities and other investments.

Investment securities, which are securities held for an identified long-term strategic purpose, are measured at subsequent reporting dates at cost, as reduced by any impairment loss that is other than temporary.

Other investments are measured at fair value, with unrealised gains and losses included in net profit or loss for the year.

Inventories

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

Research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development expenditure is recognised only if it is anticipated that the development costs incurred on a clearly-defined project will be recovered through future commercial activity. The resultant asset is amortised on a straight-line basis over its useful life.

Where no internally-generated intangible asset can be recognised, development expenditure is recognised as an expense in the period in which it is incurred.

Operating leases

Rentals payable under operating leases are charged to the income statement on a straight-line basis over the term of the relevant lease.

Note to the Financial Statements

For the year ended 31st December, 2004

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Foreign currencies

Transactions in foreign currencies are initially recorded at the rates ruling on the dates of the transactions. Monetary assets and liabilities denominated in such currencies are re-translated at the rates ruling on the balance sheet date. Profits and losses arising on exchange are dealt with in the income statement.

On consolidation, the assets and liabilities of the Group's operations outside Hong Kong are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising, if any, are classified as equity and transferred to the Group's translation reserve. Such translation differences are recognised as income or as expenses in the period in which the operation is disposed of.

Taxation

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

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

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

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

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

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

Note to the Financial Statements

For the year ended 31st December, 2004

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Retirement benefit scheme

The contributions payable in the current year to the Group's Mandatory Provident Fund Scheme ("MPF Scheme"), operated for its employees in Hong Kong, are charged in the income statement as retirement benefit scheme contribution.

The operations in the PRC and Taiwan are members of state-managed retirement benefit schemes operated by the PRC and Taiwan government and the retirement benefit scheme contributions charged to the income statement represent the amount of contributions payable by the subsidiaries in the PRC and Taiwan to their retirement benefit schemes.

4. INVESTMENT INCOME

	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Bank interest income	529	356
Other interest income	7	—
Property rental income	297	—
	833	356

The Group had no significant outgoings in respect of the property rental income generated for the year ended 31st December, 2004.

Note to the Financial Statements

For the year ended 31st December, 2004

5. PROFIT FROM OPERATIONS

	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Profit from operations has been arrived at after charging:		
Staff costs, including directors' remuneration		
Basic salaries and allowances	144,660	146,591
Bonus	13,199	14,227
Retirement benefit scheme contributions	4,715	3,965
	162,574	164,783
Auditors' remuneration	1,632	1,570
Allowance for bad and doubtful debts	2,618	5,694
Amortisation of intellectual property rights (included in other operating expenses)	5,309	5,308
Deficit arising on revaluation of land and buildings	—	2,213
Deficit arising on revaluation of investment properties	—	3,000
Depreciation and amortisation of property, plant and equipment	33,010	30,574
Loss on disposal of property, plant and equipment	—	1,747
Unrealised holding loss on other investments	9,700	8,334
Loss on dissolution of subsidiaries	198	—
and after crediting:		
Gain on disposal of property, plant and equipment	169	—
Gain on disposal of subsidiaries	—	660
Release of negative goodwill to other operating income	420	420
Surplus arising on revaluation of investment properties	4,500	—
Surplus arising on revaluation of land and buildings	6,674	—

For the year ended 31st December, 2004

6. DIRECTORS' EMOLUMENTS AND HIGHEST PAID INDIVIDUALS

(a) Directors' emoluments

	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Directors' fees		
Non-executive director	—	98
Independent non-executive directors	355	260
	355	358
Other emoluments		
Executive directors		
Basic salaries and allowances	7,358	8,792
Bonus	5,868	7,349
Retirement benefit scheme contributions	86	163
	13,312	16,304
	13,667	16,662

The emoluments of the directors were within the following emolument bands:

	2004 Number of directors	2003 Number of directors
Nil to HK\$1,000,000	6	3
HK\$1,000,001 to HK\$1,500,000	—	2
HK\$2,500,001 to HK\$3,000,000	2	—
HK\$3,000,001 to HK\$3,500,000	1	2
HK\$3,500,001 to HK\$4,000,000	1	2
	10	9

No emoluments were 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 emoluments.

Note to the Financial Statements

For the year ended 31st December, 2004

6. DIRECTORS' EMOLUMENTS AND HIGHEST PAID INDIVIDUALS *(continued)*

(b) Highest paid individuals

The five highest paid individuals of the Group were all directors for both years.

7. FINANCE COSTS

	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Interest on:		
Bank borrowings wholly repayable within five years	740	119
Other borrowings	2	2
	742	121

8. INCOME TAX EXPENSE

	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Current tax:		
Hong Kong	4,783	4,316
The PRC	2,537	8,045
Other jurisdictions	391	735
	7,711	13,096
Under(over) provision in prior years:		
Hong Kong	389	(20)
The PRC	476	581
Other jurisdictions	93	141
	958	702
Deferred tax (credit) charge <i>(Note 26)</i> :		
Current year	(463)	(386)
Attributable to change in tax rates	(2,189)	3,009
	(2,652)	2,623
	6,017	16,421

Note to the Financial Statements

For the year ended 31st December, 2004

8. INCOME TAX EXPENSE (continued)

Hong Kong Profits Tax is calculated at 17.5% (2003: 17.5%) of the estimated assessable profit for the year.

The statutory tax rate for the PRC subsidiaries is 24% and those subsidiaries regarded as export enterprise by local tax authority are subject to preferential income tax rate of 12%. During the year, a PRC subsidiary was qualified as export enterprise and the change in applicable tax rate has been reflected in the calculation of current and deferred taxation.

Taxation in other jurisdictions is calculated at the rates prevailing in the relevant jurisdiction.

A portion of the Group's profit neither arises in, nor is derived from Hong Kong. Accordingly, that portion of the Group's profit is not subject to Hong Kong Profits Tax.

The tax expense for the year can be reconciled to the profit per the income statement as follows:

	THE GROUP	
	2004 HK\$'000	2003 HK\$'000
Profit before taxation	79,852	97,017
Tax at Hong Kong Profits Tax rate of 17.5% (2003: 17.5%)	13,974	16,978
Tax effect of expenses not deductible for tax purpose	623	2,202
Tax effect of income not taxable for tax purpose	(1,075)	(189)
Under provision in prior year	958	702
Tax effect of deferred tax assets not recognised	177	33
Tax effect of tax losses not recognised	—	3,793
(Decrease) increase in opening deferred tax liability resulting from change in applicable tax rate	(2,189)	3,009
Effect of different tax rates of subsidiaries	(2,821)	(6,620)
Income tax on concessionary rate	(3,697)	(3,868)
Others	67	381
Tax expense for the year	6,017	16,421

Details of deferred taxation are set out in note 26.

Note to the Financial Statements

For the year ended 31st December, 2004

9. DIVIDENDS

	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
2003 final dividend of HK5 cents (2002 final dividend: HK6 cents) per share	36,142	43,042
2004 interim dividend of HK2 cents (2003 interim dividend: HK2 cents) per share	14,457	14,327
	50,599	57,369

The 2004 final dividend of HK3.5 cents per share has been proposed by the directors and is subject to approval by the shareholders in the forthcoming annual general meeting.

10. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share is based on the following data:

	2004	2003
Net profit for the year and earnings for the purposes of the basic and diluted earnings per share	HK\$69,135,000	HK\$81,170,000
	Number of shares	Number of shares
Weighted average number of ordinary shares for the purposes of basic earnings per share	722,722,938	719,669,442
Effect of dilutive potential ordinary shares in respect of share options	1,215,827	952,982
Weighted average number of ordinary shares for the purposes of diluted earnings per share	723,938,765	720,622,424

11. INVESTMENT PROPERTIES

	THE GROUP <i>HK\$'000</i>
VALUATION	
At 1st January, 2004	7,500
Surplus on valuation credited to the income statement	4,500
At 31st December, 2004	12,000

The investment properties are held under long leases and are situated in Hong Kong.

Investment properties were revalued at 31st December, 2004 by Grant Sherman Appraisal Limited, an independent property valuer, on an open market value basis.

Note to the Financial Statements

For the year ended 31st December, 2004

12. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings <i>HK\$'000</i>	Leasehold improvements <i>HK\$'000</i>	Plant and machinery <i>HK\$'000</i>	Furniture, fixtures and equipment <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Construction in progress <i>HK\$'000</i>	Total <i>HK\$'000</i>
THE GROUP							
COST OR VALUATION							
At 1st January, 2004	227,066	6,369	138,803	58,340	12,248	27,524	470,350
Exchange realignment	3,536	15	219	309	(22)	81	4,138
Additions	536	38	7,745	9,672	1,053	5,828	24,872
Disposals	—	(19)	(485)	(4,846)	(3,251)	—	(8,601)
Attributable to dissolution of subsidiaries	—	—	—	(291)	—	—	(291)
Transfer	27,271	—	—	4,719	—	(31,990)	—
Adjustment on valuation	16,845	—	—	—	—	—	16,845
At 31st December, 2004	275,254	6,403	146,282	67,903	10,028	1,443	507,313
Comprising:							
At cost	—	6,403	146,282	67,903	10,028	1,443	232,059
At valuation — 2004	275,254	—	—	—	—	—	275,254
	275,254	6,403	146,282	67,903	10,028	1,443	507,313
DEPRECIATION AND AMORTISATION							
At 1st January, 2004	—	4,253	55,733	32,959	8,377	—	101,322
Exchange realignment	183	25	68	152	16	—	444
Provided for the year	11,064	555	11,758	8,461	1,172	—	33,010
Eliminated on disposals	—	(11)	(374)	(4,070)	(2,669)	—	(7,124)
Attributable to dissolution of subsidiaries	—	—	—	(195)	—	—	(195)
Adjustment on valuation	(11,247)	—	—	—	—	—	(11,247)
At 31st December, 2004	—	4,822	67,185	37,307	6,896	—	116,210
NET BOOK VALUES							
At 31st December, 2004	275,254	1,581	79,097	30,596	3,132	1,443	391,103
At 31st December, 2003	227,066	2,116	83,070	25,381	3,871	27,524	369,028

Note to the Financial Statements

For the year ended 31st December, 2004

12. PROPERTY, PLANT AND EQUIPMENT *(continued)*

The net book value of land and buildings held by the Group at the balance sheet date comprises:

	2004 HK\$'000	2003 HK\$'000
Held in Hong Kong under long leases	42,000	28,000
Held in the PRC under medium term land use rights	192,654	160,066
Held in Taiwan, freehold	40,600	39,000
	275,254	227,066

A leasehold building of the Group with net book value of HK\$354,000 (2003: HK\$398,000) as at 31st December, 2004 was valued by the directors, who estimated that its fair value was not materially different from its carrying amount.

The remaining land and buildings of the group were revalued at 31st December, 2004 by Grant Sherman Appraisal Limited, an independent property valuer not connected to the Group. All the land and buildings in Hong Kong and land and buildings in the PRC of HK\$13,200,000 were valued on an open market value basis. The remaining land and buildings in the PRC amounting to HK\$179,100,000 and the land and buildings in Taiwan amounting to HK\$40,600,000 were valued on depreciated replacement cost basis.

A surplus on revaluation of HK\$6,674,000 (2003: deficit of HK\$2,213,000 was charged) was credited to the income statement and a surplus of HK\$21,418,000 (2003: deficit HK\$414,000 was charged) was credited to property revaluation reserve.

If the land and buildings had not been revalued, they would have been included in these financial statements at historical cost less accumulated amortisation at HK\$192,338,000 (2003: HK\$202,735,000).

Note to the Financial Statements

For the year ended 31st December, 2004

13. NEGATIVE GOODWILL

	THE GROUP <i>HK\$'000</i>
GROSS AMOUNT	
At 1st January, 2004 and 31st December, 2004	4,196
RELEASED TO INCOME	
At 1st January, 2004	958
Released during the year	420
At 31st December, 2004	1,378
CARRYING AMOUNTS	
At 31st December, 2004	2,818
At 31st December, 2003	3,238

The negative goodwill is released to other operating income on a straight-line basis over 10 years based on the remaining weighted average useful lives of the identifiable acquired depreciable assets.

14. INTEREST IN SUBSIDIARIES

	THE COMPANY	
	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Unlisted shares, at cost	244,660	244,660
Amounts due from subsidiaries	165,877	166,522
	410,537	411,182

Details of the Company's principal subsidiaries at 31st December, 2004 are set out in note 36.

The amounts due from subsidiaries are unsecured, non-interest bearing and have no fixed terms of repayment. In the opinion of the directors, the Company will not demand repayment within twelve months from the balance sheet date and the amounts are therefore shown as non-current.

Note to the Financial Statements

For the year ended 31st December, 2004

15. INTELLECTUAL PROPERTY RIGHTS

	THE GROUP <i>HK\$'000</i>
COST	
At 1st January, 2004 and at 31st December, 2004	88,982
AMORTISATION AND IMPAIRMENT	
At 1st January, 2004	42,898
Provided for the year	5,309
At 31st December, 2004	48,207
NET BOOK VALUES	
At 31st December, 2004	40,775
At 31st December, 2003	46,084

The Group's intellectual property rights are amortised over a period ranging from 4 to 18 years.

16. INTEREST IN ASSOCIATES

	THE GROUP	
	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Share of net assets of associates	—	—
Loan to an associate	11,700	11,700
	11,700	11,700

Note to the Financial Statements

For the year ended 31st December, 2004

16. INTEREST IN ASSOCIATES (continued)

Details of the Group's associates at 31st December, 2004 are as follows:

Name of associate	Form of business structure	Place of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Proportion of nominal value of issued share capital/ registered capital held by the Group	Principal activity
FLT Hong Kong Technology Limited	Incorporated	British Virgin Islands ("BVI")	US\$1	30%	Trading of optical fibre products
Weblink Technology Limited ("Weblink")	Incorporated	BVI	US\$100	30%	Investment holding
珠海保稅區隆宇光電科技有限公司	Incorporated	PRC	US\$1,548,000	30%	Manufacturing and distribution of optical fibre products

The loan to an associate is unsecured, non-interest bearing and has no fixed terms of repayment. In the opinion of the directors, the amount will not be repayable within twelve months from the balance sheet date and is therefore shown as non-current.

17. INTEREST IN A JOINTLY CONTROLLED ENTITY

	THE GROUP	
	2004 HK\$'000	2003 HK\$'000
Share of net assets of a jointly controlled entity	—	49,117

The jointly controlled entity was dissolved during the year ended 31st December, 2004.

18. OTHER INVESTMENTS

The carrying amount of other investments of the Group represents the fair value of unlisted securities at the balance sheet date.

Note to the Financial Statements

For the year ended 31st December, 2004

19. INVENTORIES

	THE GROUP	
	2004 HK\$'000	2003 HK\$'000
Raw materials	77,674	58,326
Work in progress	16,671	18,470
Finished goods	49,777	47,882
	<u>144,122</u>	<u>124,678</u>

Included above are finished goods of HK\$3,282,000 (2003: HK\$1,243,000) carried at net realisable values.

20. TRADE AND OTHER RECEIVABLES

The Group has defined credit terms which are agreed with its trade customers. Included in trade and other receivables are trade receivables of HK\$167,147,000 (2003: HK\$214,900,000) and their aged analysis is as follows:

	THE GROUP	
	2004 HK\$'000	2003 HK\$'000
Within 30 days	84,313	99,270
31 to 90 days	65,388	103,842
Over 90 days	17,446	11,788
	<u>167,147</u>	<u>214,900</u>

21. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade payables of HK\$153,109,000 (2003: HK\$154,030,000) and their aged analysis is as follows:

	THE GROUP	
	2004 HK\$'000	2003 HK\$'000
Within 30 days	63,230	72,942
31 to 90 days	79,325	72,686
Over 90 days	10,554	8,402
	<u>153,109</u>	<u>154,030</u>

Note to the Financial Statements

For the year ended 31st December, 2004

22. AMOUNT DUE TO A JOINTLY CONTROLLED ENTITY

The amount due to a jointly controlled entity of the group was unsecured, non-interest bearing and was fully settled upon dissolution of the jointly controlled entity during the year ended 31st December, 2004.

23. SHARE CAPITAL

	Number of ordinary shares	Amount <i>HK\$'000</i>
<hr/>		
Ordinary shares of HK\$0.10 each		
<i>Authorised:</i>		
At 1st January, 2003, 31st December, 2003 and 31st December, 2004	1,000,000,000	100,000
<i>Issued and fully paid:</i>		
At 1st January, 2003	722,448,724	72,245
Shares repurchased and cancelled	(6,110,000)	(611)
Exercise of share options	6,500,000	650
	<hr/>	<hr/>
At 31st December, 2003	722,838,724	72,284
Shares repurchased and cancelled (<i>Note</i>)	(742,000)	(74)
	<hr/>	<hr/>
At 31st December, 2004	722,096,724	72,210
	<hr/>	<hr/>

Note: During the year, the Company repurchased its own shares through the Stock Exchange as follows:

Month of repurchase	Number of ordinary shares of HK\$0.10 each	Price per share		Aggregate consideration paid <i>HK\$'000</i>
		Highest <i>HK\$</i>	Lowest <i>HK\$</i>	
October 2004	232,000	1.27	1.26	293
November 2004	510,000	1.27	1.24	641
	<hr/>			<hr/>
	742,000			934
	<hr/>			<hr/>

Note to the Financial Statements

For the year ended 31st December, 2004

23. SHARE CAPITAL *(continued)*

Note: (continued)

The repurchased shares were subsequently cancelled upon repurchase and accordingly, the issued capital of the Company was diminished by the nominal value thereof. The premium payable on repurchase was charged against the share premium account of the Company as set out in the consolidated statement of changes in equity and note 25.

24. SHARE OPTIONS

The Company adopted a share option scheme on 2nd December, 1998 (the "1998 Scheme") for the primary purpose of providing incentives to directors and eligible employees and will expire on 1st December, 2008. Under the 1998 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 for a consideration of HK\$1 for each lot of share options granted. Options granted should be accepted within 30 days from the date of grant.

Under the 1998 Scheme, the exercise price is determined by the directors of the Company, and will not be less than the higher of the nominal value of the Company's shares, and 80% of the average closing price of the shares for the five business days immediately preceding the date of grant.

At 31st December, 2004, the number of shares in respect of which options had been granted and remained outstanding under the 1998 Scheme was 13,000,000 (2003: 13,000,000), representing 1.8% (2003: 1.8%) of the shares of the Company in issue at that date. The total number of shares in respect of which options may be granted under the 1998 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.

No option may be granted to any one person which if exercised in full would result in the total number of shares already issued and issuable to him under all the options previously granted to him and the said option exceeding 25% of the number of shares issued and issuable under all the options which may be granted under the 1998 Scheme at the time it is proposed to grant the said option to that person.

An option may be exercised in accordance with the terms of the 1998 Scheme at any time after the date upon which the option is deemed to be granted and accepted and prior to the expiry of ten years from that date. The period during which an option may be exercised will be determined by the Board of Directors of the Company in its absolute discretion, save that no option may be exercised more than 10 years after it has been granted. No option may be granted more than 10 years after the date of approval of the 1998 Scheme. Subject to earlier termination by the Company in general meeting or by the Board, the 1998 Scheme shall be valid and effective for a period of 10 years after the date of adoption of the 1998 Scheme by shareholders of the Company by resolution at a general meeting.

Note to the Financial Statements

For the year ended 31st December, 2004

24. SHARE OPTIONS (continued)

The following options to subscribe for shares were outstanding under the 1998 Scheme:

	Date of grant	Vesting period	Exercisable period	Exercise price per share HK\$	Number of shares to be issued upon exercise of the share options		
					Outstanding at 1st January, 2003	Exercised during 2003 (Note)	Outstanding at 31st December, 2003 and 31st December, 2004
Total directors	18.8.1999	4.5 months	1.1.2000 – 17.8.2009	1.26	19,500,000	(6,500,000)	13,000,000

Note: The market value per share ranged from HK\$1.39 to HK\$1.41 at the time the share options were exercised.

As a result of the amendments of Chapter 17 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") on 1st September, 2001, certain terms of the 1998 Scheme are no longer in compliance with the Listing Rules and the Company can no longer grant any further options under the 1998 Scheme without being in breach of the Listing Rules. Accordingly, the Company terminated the 1998 Scheme and adopted a new share option scheme (the "2002 Scheme"), which was approved in the Company's annual general meeting on 30th May, 2002, for the primary purpose of providing incentives to directors and eligible participants.

Except that no further options may be granted under the 1998 Scheme subsequent to its termination, all the other provisions of the 1998 Scheme will remain in force so as to give effect to the exercise of all outstanding options granted under the 1998 Scheme prior to 1st September, 2001 and all such options will remain valid and exercisable in accordance with the provisions of the 1998 Scheme.

According to the 2002 Scheme, the board of directors of the Company may grant options to eligible employees, including directors of the Company or any of its subsidiaries and any suppliers, consultants, agents and advisers who have contributed to the Group, to subscribe for shares in the Company for a consideration of HK\$1 for each lot of share options granted.

Options granted should be accepted within 30 days from the date of grant. The total number of shares in respect of which options may be granted under the 2002 Scheme and any other share option scheme of the Company at any time shall not exceed 10% of the shares of the Company in issue at any point in time. 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 or any of its 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.

Note to the Financial Statements

For the year ended 31st December, 2004

24. SHARE OPTIONS *(continued)*

The directors may at its absolute discretion determine the period during which an option may be exercised, such period to expire not later than 10 years from the date of grant of the option. No option may be granted more than 10 years after the date of approval of the 2002 Scheme. Subject to earlier termination by the Company in general meeting or by the board of directors' meeting, the 2002 Scheme shall be valid and effective for a period of 10 years after the date of adoption of the 2002 Scheme. The exercise price is determined by the directors and shall not be less than the highest of (i) the closing price of the Company's shares on the date of grant, (ii) the average closing price of the Company's shares for the five business days immediately preceding the date of grant, and (iii) the nominal value of the share.

No options were granted under the 2002 Scheme since its adoption.

The financial impact of share options granted is not recorded in the Company's or the Group's balance sheet until such time as the options are exercised, and no charge is recognised in the income statement in respect of the value of options granted in the year. Upon the exercise of the share options, the resulting shares issued are recorded by the Company as additional share capital at the nominal value of the shares, and the excess of the exercise price per share over the nominal value of the shares is recorded by the Company in the share premium account. Options which lapse or are cancelled prior to their exercise date are deleted from the register of outstanding options.

25. RESERVES

	Share premium <i>HK\$'000</i>	Contributed surplus <i>HK\$'000</i>	Capital redemption reserve <i>HK\$'000</i>	Accumulated profits (losses) <i>HK\$'000</i>	Total <i>HK\$'000</i>
THE COMPANY					
At 1st January, 2003	90,110	244,461	446	1,676	336,693
Premium on repurchase of shares	(6,734)	—	—	—	(6,734)
Exercised of share options	7,540	—	—	—	7,540
Transfer of reserves for cancellation of shares	—	—	611	(611)	—
Net profit for the year	—	—	—	57,519	57,519
Dividends (<i>Note 9</i>)	—	—	—	(57,369)	(57,369)
At 31st December, 2003	90,916	244,461	1,057	1,215	337,649
Premium on repurchase of shares	(860)	—	—	—	(860)
Transfer of reserves for cancellation of shares	—	—	74	(74)	—
Net profit for the year	—	—	—	48,732	48,732
Dividends (<i>Note 9</i>)	—	—	—	(50,599)	(50,599)
At 31st December, 2004	90,056	244,461	1,131	(726)	334,922

Note to the Financial Statements

For the year ended 31st December, 2004

25. RESERVES (continued)

The contributed surplus represents the difference between the consolidated shareholders' funds of the subsidiaries at the date on which they were acquired by the Company, and the nominal value of the Company's shares issued for the acquisition at the time of the group reorganisation.

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.

In the opinion of the directors, at the balance sheet date, the Company's reserves available for distribution to shareholders comprise:

	2004 HK\$'000	2003 HK\$'000
Contributed surplus	244,461	244,461
Accumulated (losses) profits	(726)	1,215
	243,735	245,676

Note to the Financial Statements

For the year ended 31st December, 2004

26. DEFERRED TAX

The following are the major deferred tax liabilities (assets) provided (recognised) by the Group and movements thereon during the current and prior years:

	Accelerated tax depreciation <i>HK\$'000</i>	Revaluation of properties <i>HK\$'000</i>	Others <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1st January, 2003	633	5,500	588	6,721
Charge (credit) to the income statement for the year	(86)	105	(405)	(386)
Charge to equity for the year	—	30	—	30
Effect of change in tax rates (credit) charge to the income statement for the year	59	(124)	3,074	3,009
At 31st December, 2003	606	5,511	3,257	9,374
Charge (credit) to the income statement for the year	(424)	1,345	(1,384)	(463)
Charge to equity for the year	—	2,021	—	2,021
Effect of change in tax rates				
— credit to the income statement for the year	—	—	(2,189)	(2,189)
— credit to equity for the year	—	(75)	—	(75)
At 31st December, 2004	182	8,802	(316)	8,668

For the purpose of balance sheet presentation, certain deferred tax assets and liabilities have been set off in accordance with the conditions set out in the standard. The following is the analysis of the deferred tax balances for financial reporting purposes:

	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Deferred tax liabilities	9,509	11,074
Deferred tax assets	(841)	(1,700)
	8,668	9,374

Note to the Financial Statements

For the year ended 31st December, 2004

26. DEFERRED TAX *(continued)*

At 31st December, 2004, the Group had unused tax losses and deductible temporary differences in respect of revaluation of properties of HK\$73,202,000 (2003: HK\$73,202,000) and HK\$7,543,000 (2003: HK\$6,532,000), respectively. No deferred tax assets have not been recognised because of the unpredictability of future profit streams. The unrecognised tax losses are losses that will expire in five year's time since its initial recognition.

27. LOANS FROM MINORITY SHAREHOLDERS

The loans from minority shareholders of the group are unsecured, non-interest bearing and have no fixed terms of repayment. The minority shareholders have agreed not to demand repayment within twelve months from the balance sheet date and the amounts are therefore shown as non-current.

28. DISSOLUTION/DISPOSAL OF SUBSIDIARIES

	2004 HK\$'000	2003 HK\$'000
Net assets (liabilities) disposed of:		
Property, plant and equipment	96	122
Trade and other receivables	31	1,908
Inventories	—	5,053
Bank balances and cash	931	540
Trade and other payables	(2,747)	(8,403)
Minority interests	2,286	120
	597	(660)
(Loss) gain on dissolution/disposal of subsidiaries	(198)	660
Cash return upon dissolution of subsidiaries	399	—
Cash outflow arising on dissolution/disposal		
Bank balances and cash disposed of	(931)	(540)
Cash return	399	—
	(532)	(540)

The subsidiaries dissolved/disposed of during the year did not contribute significantly to the turnover, operating results or cash flows of the Group.

Note to the Financial Statements

For the year ended 31st December, 2004

29. MAJOR NON-CASH TRANSACTIONS

During the year ended 31st December, 2004, the return on investment in a jointly controlled entity of HK\$49,117,000 was satisfied by the settlement of amount due to the jointly controlled entity of the same amount.

Upon the acquisition of additional interest in subsidiaries during the year ended 31st December, 2003, the loan from minority shareholder of HK\$5,679,000 was assigned to the Group.

30. OPERATING LEASE ARRANGEMENTS

The Group as lessee

	THE GROUP	
	2004 HK\$'000	2003 HK\$'000
Minimum lease payments paid under operating leases in respect of rented premises during the year	3,414	5,148

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

	THE GROUP	
	2004 HK\$'000	2003 HK\$'000
Within one year	2,105	2,117
In the second to fifth year inclusive	2,111	3,776
	4,216	5,893

Included above are operating lease commitments for premises of HK\$1,513,000 (2003: HK\$2,266,000) entered into by the group with two directors of the Company, Messrs. Huang Ying Yuan, Chen Hsing Shin, and a former director, Mr. Chen Jo Wan.

Operating lease payments represent rentals payable by the Group for certain of its office premises and staff quarters. Leases are negotiated for an average term ranging from one to five years and rentals are fixed for an average of five years.

Note to the Financial Statements

For the year ended 31st December, 2004

30. OPERATING LEASE ARRANGEMENTS *(continued)*

The Group as lessor

Property rental income earned during the year was HK\$297,000 (2003: Nil). The investment properties held have committed tenants for the next two years.

At the balance sheet date, the Group had contracted with tenants for the following future minimum lease payments:

	THE GROUP	
	2004 HK\$'000	2003 HK\$'000
Within one year	396	297
In the second to fifth year inclusive	363	759
	759	1,056

31. COMMITMENTS

	THE GROUP	
	2004 HK\$'000	2003 HK\$'000
Capital expenditure contracted for but not provided in the financial statements in respect of acquisition of property, plant and equipment	729	11,022

The Company had no significant capital commitments at the balance sheet date.

32. PLEDGE OF ASSETS

At 31st December, 2003, other receivables of HK\$34,871,000 were pledged to banks to secure bank borrowings of HK\$15,256,000. The pledge was released upon full repayment of such bank borrowings during the year ended 31st December, 2004.

33. CONTINGENT LIABILITIES

At 31st December, 2004, the Company had guarantees of approximately HK\$375 million (2003: HK\$284 million) given to banks in respect of banking facilities granted to certain subsidiaries of the Company.

Note to the Financial Statements

For the year ended 31st December, 2004

34. RETIREMENT BENEFIT SCHEME

The Group operates an MPF Scheme for all qualifying employees in Hong Kong. The MPF Scheme is registered with the Mandatory Provident Fund Scheme Authority under the Mandatory Provident Fund Schemes Ordinance. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee. Under the rules of the MPF Scheme, the employer and its employees are each required to make contributions to the scheme at rates specified in the rules. The only obligation of the Group with respect to MPF Scheme is to make the required contributions under the scheme. No forfeited contribution is available to reduce the contribution payable in the future years.

The retirement benefit scheme contributions arising from the MPF Scheme charged to the income statement represent contributions payable to the funds by the Group at rates specified in the rules of the scheme.

The employees employed by the subsidiaries in the PRC and Taiwan are members of the stated-managed retirement benefit schemes operated by the PRC and Taiwan government. The PRC and Taiwan subsidiaries are required to contribute a certain percentage of their payroll to the retirement benefit schemes to fund the benefit. The only obligation of the Group with respect to the retirement benefit schemes operated by the PRC and Taiwan government is to make the required contributions under the schemes.

For the year ended 31st December, 2004

35. CONNECTED AND RELATED PARTY TRANSACTIONS

During the year, the group had transactions and/or balances with the directors and/or related parties, some of which are also deemed to be connected persons pursuant to the Listing Rules. The transactions during the year and balances with them at the balance sheet date, are as follows:

(a) Transactions with connected or related parties:

Name of party	Interested directors	Nature of transactions	2004 HK\$'000	2003 HK\$'000
好萊兒嬰兒用品 有限公司	(Note i)	Sales made by the Group (Note ii)	4,328	—
Yojin Industrial Corporation	Huang Ying Yuan and Huang Chen Li Chu (Note iii)	Rental expenses paid by the Group (Note iv)	848	821
		Purchase of fabrics and sponge and plastic parts by the Group (Note ii)	—	197
		Sales made by the Group (Note ii)	—	71
		Purchase of property, plant and equipment (Note ii)	—	16
Chen Chin Yuan	(Note v)	Rental expenses paid by the Group (Note iv)	164	164
Chen Hung Jung	(Note vi)	Rental expenses paid by the Group (Note iv)	151	151

(b) Transactions with directors/former directors:

Name of director/ former director	Nature of transactions	2004 HK\$'000	2003 HK\$'000
Huang Ying Yuan	Rental expenses paid by the Group (Note iv)	379	379
Chen Hsing Shin	Rental expenses paid by the Group (Note iv)	379	379
Huang Chen Li Chu	Rental expenses paid by the Group (Note iv)	28	27
Tsang Yat Kiang	Rental expenses paid by the Group (Note iv)	—	190
Chen Jo Wan	Rental expenses paid by the Group (Note iv)	—	228

Note to the Financial Statements

For the year ended 31st December, 2004

35. CONNECTED AND RELATED PARTY TRANSACTIONS *(continued)*

Other than the above, at 31st December, 2004, the Group also had loans from minority shareholders of HK\$780,000 (2003: HK\$3,555,000), details are disclosed in note 27. These loans are made by the minority shareholders to the related subsidiaries in the proportion of their interests in the respective subsidiaries, as appropriate.

Notes:

- i. 好萊兒嬰兒用品有限公司 is controlled by Huang Tien Cheng, who is a brother of Huang Ying Yuan.
- ii. These transactions were carried out with reference to market price or, where no market price was available, at terms determined and agreed by both parties.
- iii. Huang Ying Yuan and Huang Chen Li Chu have beneficial interests in Yojin Industrial Corporation.
- iv. The rentals were charged in accordance with the relevant tenancy agreements agreed by both parties.
- v. Chen Chin Yuan is a brother of Chen Hsing Shin.
- vi. Chen Hung Jung is a brother of Huang Chen Li Chu.

36. PARTICULARS OF PRINCIPAL SUBSIDIARIES

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

Name of subsidiary	Place of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Proportion of nominal value of issued share capital/ registered capital held by the Company <i>(Note i)</i>	Principal activities <i>(Note ii)</i>
Angel Juvenile Products (Zhongshan) Co., Ltd.	PRC <i>(Note iii)</i>	US\$2,400,000 registered capital	100%	Manufacture and trading of infant products
Glory Time Investments Limited	BVI	US\$1,540,000 ordinary shares	52%	Investment holding
Kintop Limited	Hong Kong	HK\$2 ordinary shares	100%	Trading of infant products
Lerado China Limited	BVI	HK\$5,000 ordinary shares	100%	Investment holding and trading of infant products in Taiwan

Note to the Financial Statements

For the year ended 31st December, 2004

36. PARTICULARS OF PRINCIPAL SUBSIDIARIES (continued)

Name of subsidiary	Place of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Proportion of nominal value of issued share capital/ registered capital held by the Company (Note i)	Principal activities (Note ii)
Lerado Group Limited	BVI	HK\$10,702 ordinary shares	100%	Investment holding
Lerado H.K. Limited	Hong Kong	HK\$5,000 ordinary shares	100%	Trading of infant products in Hong Kong and Taiwan
Lerado Overseas Limited	BVI	HK\$5,000 ordinary shares	100%	Provision of purchasing and marketing services in Taiwan
Link Treasure Limited	BVI	US\$5,000 ordinary shares	100%	Provision of research and development services in Taiwan
Shanghai Lerado Daily Article Co., Ltd.	PRC (Note iii)	US\$5,260,000 registered capital	100%	Manufacture and trading of nursery products
中山市隆成日用制品 有限公司	PRC (Note iii)	US\$16,167,992 registered capital	100%	Manufacture and trading of infant products
中山市國宏塑膠製品 有限公司	PRC (Note iii)	US\$2,413,300 registered capital	52%	Manufacture and trading of stroller wheels
金和信股份有限公司	Taiwan	NT\$205,000,000 ordinary shares	100%	Provision of purchasing services and trading of infant products

Note to the Financial Statements

For the year ended 31st December, 2004

36. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(continued)*

Notes:

- i. The Company directly holds the interest in Lerado Group Limited, all other interests shown above are indirectly held by the Company.
- ii. The principal activities are carried out in place of incorporation/establishment except as otherwise stated under principal activities above.
- iii. These PRC subsidiaries are foreign investment enterprises.

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

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

37. SEGMENT INFORMATION

Business segments

For management purposes, the Group is currently organised into three major operating divisions — strollers, beds and playards and miscellaneous infant products. These divisions are the basis on which the Group reports its primary segment information.

Principal activities are as follows:

- | | | |
|-------------------------------|---|--|
| Strollers | — | manufacture and distribution of strollers. |
| Beds and playards | — | manufacture and distribution of beds and playards. |
| Miscellaneous infant products | — | manufacture and distribution of miscellaneous infant products such as soft goods, car seats, high chairs, bouncers and walkers, etc. |
| Others | — | manufacture and distribution of battery-operated ride-on cars and other products. |

Note to the Financial Statements

For the year ended 31st December, 2004

37. SEGMENT INFORMATION *(continued)*

Business segments *(continued)*

Segment information about these businesses is presented below:

2004

	Strollers	Beds and playards	Miscellaneous infant products	Others	Consolidated
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Income statement for the year ended 31st December, 2004:					
External sales	636,005	113,155	317,706	204,169	1,271,035
Segment results	50,757	5,456	19,190	8,193	83,596
Investment income					833
Surplus arising on revaluation of investment properties					4,500
Surplus arising on revaluation of property, plant and equipment					6,674
Other operating expenses					(15,009)
Profit from operations					80,594
Finance costs					(742)
Profit from ordinary activities before taxation					79,852
Income tax expense					(6,017)
Profit before minority interests					73,835

Note to the Financial Statements

For the year ended 31st December, 2004

37. SEGMENT INFORMATION (continued)

Business segments (continued)

2004 (continued)

	Strollers	Beds and playards	Miscellaneous infant products	Others	Consolidated
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Balance sheet at					
31st December, 2004:					
ASSETS					
Segment assets	466,306	75,216	247,960	148,082	937,564
Interest in associates					11,700
Unallocated corporate assets					16,804
Consolidated total assets					<u>966,068</u>
LIABILITIES					
Segment liabilities	107,406	17,881	49,503	32,167	206,957
Unallocated corporate liabilities					13,506
Consolidated total liabilities					<u>220,463</u>

Other Information:

	Strollers	Beds and playards	Miscellaneous infant products	Others	Consolidated
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Capital additions	13,964	2,025	5,537	3,346	24,872
Depreciation and amortisation of property, plant and equipment and intellectual property rights	18,424	3,195	9,060	7,640	38,319
Allowance for bad and doubtful debts	1,180	205	866	367	2,618

Note to the Financial Statements

For the year ended 31st December, 2004

37. SEGMENT INFORMATION *(continued)*

Business segments *(continued)*

2003

	Strollers <i>HK\$'000</i>	Beds and playards <i>HK\$'000</i>	Miscellaneous infant products <i>HK\$'000</i>	Others <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Income statement for the year ended 31st December, 2003:					
External sales	647,368	132,639	236,916	132,970	1,149,893
Segment results	75,997	11,633	18,042	9,965	115,637
Investment income					356
Other operating expenses					(18,855)
Profit from operations					97,138
Finance costs					(121)
Profit from ordinary activities before taxation					97,017
Income tax expense					(16,421)
Profit before minority interests					80,596

Note to the Financial Statements

For the year ended 31st December, 2004

37. SEGMENT INFORMATION (continued)

Business segments (continued)

2003 (continued)

	Strollers	Beds and playards	Miscellaneous infant products	Others	Consolidated
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Balance sheet at					
31st December, 2003:					
ASSETS					
Segment assets	498,729	86,488	218,030	119,236	922,483
Interest in associates					11,700
Interest in a jointly controlled entity					49,117
Unallocated corporate assets					22,919
Consolidated total assets					<u>1,006,219</u>
LIABILITIES					
Segment liabilities	124,587	24,113	44,077	27,872	220,649
Unallocated corporate liabilities					79,170
Consolidated total liabilities					<u>299,819</u>
Other Information:					
	Strollers	Beds and playards	Miscellaneous infant products	Others	Consolidated
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Capital additions	41,698	7,970	14,861	7,441	71,970
Depreciation and amortisation of property, plant and equipment and intellectual property rights	18,513	3,614	7,603	6,152	35,882
Loss on disposal of property, plant and equipment	250	—	—	1,497	1,747
Allowance for bad and doubtful debts	1,744	353	1,678	1,919	5,694

Note to the Financial Statements

For the year ended 31st December, 2004

37. SEGMENT INFORMATION *(continued)*

Geographical segments

The Group's operations are principally located in Hong Kong, the PRC and Taiwan. Group administration is carried out in Hong Kong and Taiwan and the manufacturing function is carried out in the PRC.

The following table provides an analysis of the Group's sales by geographical market, irrespective of the origin of the goods:

	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
United States of America	658,058	603,398
Europe	282,118	286,748
Australia	68,112	53,430
South America	96,615	54,319
Others	166,132	151,998
	1,271,035	1,149,893

The following is an analysis of the carrying amount of segment assets, and additions to property, plant and equipment and intangible assets, analysed by the geographical area in which the assets are located:

	Carrying amount of segment assets		Additions to property, plant and equipment and intangible assets	
	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
United States of America	—	245	—	4
Hong Kong	127,159	137,672	79	347
Taiwan	316,068	316,492	7,815	2,107
PRC	510,300	489,237	16,978	69,512
	953,527	943,646	24,872	71,970