

# NOTES\_TO THE ACCOUNTS

## 24 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

### (a) Reconciliation of operating profit to net cash inflow from operating activities

	<b>2000</b>	<b>1999</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Operating profit	232,012	327,953
Depreciation charge	54,768	45,177
Loss on disposal/write-off of fixed assets	10,087	287
Increase in inventories	(111,197)	(24,240)
Decrease/(increase) in trade receivables, other receivables, prepayments and deposits, including amount due from a related company	143,692	(102,673)
Increase/(decrease) in trade payables, other payables and accrued charges, including amount due to a related company	26,012	(4,841)
Interest income	(24,963)	(33,538)
Finance costs	(880)	(1,865)
<b>Net cash inflow from operating activities</b>	<b>329,531</b>	<b>206,260</b>

24 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (Continued)

(b) Analysis of changes in financing during the year

	Share capital, share premium and capital reserve		Short-term bank loans		Minority interests	
	2000	1999	2000	1999	2000	1999
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1st January	1,257,477	1,281,838	70,416	95,524	12,577	6,686
Cash items:						
Repurchase of shares	(14,933)	(24,361)	—	—	—	—
New loans raised	—	—	—	70,416	—	—
Repayment of bank loans	—	—	(70,416)	(95,524)	—	—
Capital contribution by a minority shareholder of a subsidiary	—	—	—	—	—	6,712
Dividends paid to minority shareholders of subsidiaries	—	—	—	—	(1,406)	(2,075)
Non-cash item:						
Minority's share of profit for the year	—	—	—	—	1,463	1,254
At 31st December	1,242,544	1,257,477	—	70,416	12,634	12,577

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## 25 COMMITMENTS

At 31st December 2000, the Group had the following commitments:

### (a) Capital commitments

	Group	
	2000 HK\$'000	1999 HK\$'000
Contracted but not provided for in respect of		
Plant, machinery and equipment	23,738	61,851
Land and buildings	3,428	2,656
	27,166	64,507
Authorised but not contracted for in respect of		
Plant, machinery and equipment	—	14,083
Capital contribution to a new investment	—	15,022
	—	29,105
<b>Total</b>	<b>27,166</b>	<b>93,612</b>

At 31st December 2000, the Company had no capital commitment (1999: Nil).

## 25 COMMITMENTS *(Continued)*

### (b) Commitments under operating leases

At 31st December 2000, the Group had commitments to make payments in the next twelve months under operating leases in respect of land and buildings and factory premises which expire as follows:

	Group	
	2000 HK\$'000	1999 HK\$'000
Within one year	2,201	532
In the second to fifth year inclusive	2,072	3,855
After the fifth year	2,233	1,718
	6,506	6,105

At 31st December 2000, the Company had no commitment under operating lease (1999: Nil).

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## 26 RELATED PARTY TRANSACTIONS

In addition to note 16 to the accounts, during the year, the Group entered into the following transactions with companies controlled by the executive directors of the Company, except for Mr. Poon Fuk Chuen and Mr. Yue Wai Leung, Stan.

	<b>2000</b>	<b>1999</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Changde Paper		
—Purchase of raw materials (Note (a))	19,647	16,379
—Income from advances to Changde Paper	—	6,583
Jinjiang Hengan Hearttex Paper Co., Ltd (“Hearttex Paper”)		
—Commission income received (Note (b))	3,024	617
—Rental income received (Note (c))	57	137

- (a) Pursuant to a supply agreement entered into by the Company and Changde Paper on 26th November 1998, the Group was granted a non-exclusive right to purchase tissue paper raw materials from Changde Paper at purchase price not less favourable than that offered to other independent parties in the PRC.
- (b) Pursuant to an agency agreement entered into by the Company and United Wealth International (Holdings) Limited, the holding company of Hearttex Paper, on 26th November 1998, the Group was granted a non-exclusive right to distribute the packaged tissue paper products manufactured by Hearttex Paper through the Group’s sales network and earns a commission income calculated at a rate of 7.5% (1999: 7.5%) on the total value of net sales.
- (c) Pursuant to a lease agreement entered into by the Group and Hearttex Paper on 10th November 1998, the Group leases production plant to Hearttex Paper for a term of two years at a monthly rental of HK\$11,406 which represented market rent of similar properties at the date of signing of the lease agreement. This lease agreement was terminated during the year.

## 27 SUBSIDIARIES

The following is a list of the principal subsidiaries of the Company at 31st December 2000 which, in the opinion of the Directors, were significant to the results of the year or form a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the Directors, result in particulars of excessive length.

Company	Place of incorporation/ establishment	Principal activities and place of operation	Particulars of issued share capital/ registered capital	Interest held %
<b>Direct subsidiaries :</b>				
Hengan International Holdings Limited	British Virgin Islands	Investment holding in Hong Kong	1 ordinary shares of US\$1 each	100
<b>Indirect subsidiaries :</b>				
Hengan Industrial (Hong Kong) Limited	Hong Kong	Trading and procurement in Hong Kong	2 ordinary shares of HK\$1 each	100
Hengan (Anxiang) Hygiene Products Co., Ltd.	PRC	Manufacturing, distribution and sale of personal hygiene products in PRC	RMB22,000,000	100
Hengan (Binyang) Hygiene Products Co., Ltd.	PRC	Manufacturing, distribution and sale of personal hygiene products in PRC	RMB5,680,000	100

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## 27 SUBSIDIARIES (Continued)

Company	Place of incorporation/ establishment	Principal activities and place of operation	Particulars of issued share capital/ registered capital	Interest held %
Hengan (Chongqing) Hygiene Supplies Co., Ltd.	PRC	Manufacturing, distribution and sale of personal hygiene products in PRC	US\$620,000	100
Fujian Hengan Holding Co., Ltd.	PRC	Manufacturing, distribution and sale of personal hygiene products in PRC	RMB147,360,000	98.32
Hengan (Fushun) Sanitary Products Co., Ltd.	PRC	Manufacturing, distribution and sale of personal hygiene products in PRC	RMB28,700,000	75
Hefei Hengan Hygiene Products Factory	PRC	Manufacturing, distribution and sale of personal hygiene products in PRC	RMB3,680,000	99.98
Hengan (Jiangxi) Hygiene Products Co., Ltd.	PRC	Manufacturing, distribution and sale of personal hygiene products in PRC	RMB7,420,000	100
Hengan (Fujian) Articles for Women and Children Use Co., Ltd.	PRC	Manufacturing, distribution and sale of personal hygiene products in PRC	RMB240,000,000	98.96

## 27 SUBSIDIARIES (Continued)

Company	Place of incorporation/ establishment	Principal activities and place of operation	Particulars of issued share capital/ registered capital	Interest held %
Hengan (Jinjiang) Hygiene Products Co., Ltd.	PRC	Manufacturing, distribution and sale of personal hygiene products in PRC	HK\$50,000,000	100
Hengan (Luohe Linying) Hygiene Products Co., Ltd.	PRC	Manufacturing, distribution and sale of personal hygiene products in PRC	US\$1,200,000	100
Hengan (Shaanxi) Hygiene Products Co., Ltd.	PRC	Manufacturing, distribution and sale of personal hygiene products in PRC	RMB3,980,000	100
Shangyu City Hengan Hygiene Products Co.	PRC	Manufacturing, distribution and sale of personal hygiene products in PRC	RMB7,290,000	99.99
Hengan (Sichuan) Hygienic Products Co. Ltd.	PRC	Manufacturing, distribution and sale of personal hygiene products in PRC	US\$1,380,000	100
Hengan (Tianjin) Hygiene Supplies Co., Ltd.	PRC	Manufacturing, distribution and sale of personal hygiene products in PRC	US\$3,000,000	100



# NOTES\_TO THE ACCOUNTS

## 27 SUBSIDIARIES (Continued)

Company	Place of incorporation/ establishment	Principal activities and place of operation	Particulars of issued share capital/ registered capital	Interest held %
Hengan (Weifang) Hygienic Products Co., Ltd.	PRC	Manufacturing, distribution and sale of personal hygiene products in PRC	US\$3,410,000	100
Hengan (Xiaogan) Hygiene Products Co., Ltd.	PRC	Manufacturing, distribution and sale of personal hygiene products in PRC	US\$1,460,000	100
Jinjiang Hengan Hygiene Material Co., Ltd.	PRC	Manufacturing of personal hygiene materials in PRC	US\$10,000,000	100
Hengan (Jinjiang) Household Products Co., Ltd.	PRC	Manufacturing, distribution and sale of personal hygiene products in PRC	US\$6,009,973	100
Hengan (Jinjiang) Feminine Products Co., Ltd.	PRC	Manufacturing, distribution and sale of personal hygiene products in PRC	US\$4,507,905	100

## 28 APPROVAL OF ACCOUNTS

The accounts were approved by the board of Directors on 12th March 2001.