
Notes to the Financial Statements

For the year ended 31 December 2000

1. GROUP REORGANISATION

The Company was incorporated in the Bermuda on 2 February 2000 as an exempted company with limited liability under the Companies Act 1981 of Bermuda. Pursuant to a Group reorganisation scheme to rationalise the Group structure in preparation for the public listing of the Company's shares on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the Company became the holding company of the companies now comprising the Group. This was accomplished by acquiring the entire issued share capital of Rhys Trading Ltd. ("Rhys Trading (BVI)"), the then holding company of the principal subsidiaries listed in note 28 to the financial statements, in consideration for the allotment and issue of shares of the Company to the then shareholder of Rhys Trading (BVI) on 16 November 2000 and the Company became the holding company of the Group. Further details of the Group reorganisation are set out in note 20 and in the Company's prospectus dated 28 November 2000.

2. PRINCIPAL ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Statements of Standard Accounting Practice and Interpretations issued by the Hong Kong Society of Accountants, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. A summary of the principal accounting policies adopted by the Group is set out below.

Basis of preparation

The measurement basis used in the preparation of the financial statements is historical cost.

Basis of consolidation

The consolidated financial statements have been prepared using the merger basis of accounting as a result of the Group reorganisation. Under this basis, the Company has been treated as the holding company of its subsidiaries for the financial years presented rather than from the date of acquisition of the subsidiaries. Accordingly, the consolidated results of the Group for the years ended 31 December 1999 and 2000 include the results of the Company and its subsidiaries with effect from 1 January 1999 or since their respective dates of incorporation, where this is a shorter period. The comparative consolidated balance sheet as at 31 December 1999 has been prepared on the basis that the existing Group had been in place at that date.

In the opinion of the directors, the consolidated financial statements prepared on the above basis present more fairly the results and the state of affairs of the Group taken as a whole.

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

Notes to the Financial Statements

For the year ended 31 December 2000

2. PRINCIPAL ACCOUNTING POLICIES (continued)

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably.

Sale of goods is recognised when the goods are delivered and title has passed.

Property, plant and equipment

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

The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after the assets have been put into operation, such as repairs and maintenance and overhaul costs, is normally recognised as an expense in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the assets, the expenditure is capitalised as an additional cost of the assets.

When the recoverable amount of an asset has declined below its carrying amount, the carrying amount is reduced to reflect the decline in value. In determining the recoverable amount of assets, expected future cash flows are discounted to their present values.

When assets are sold or retired, their cost and accumulated depreciation are eliminated from the accounts and any gain or loss resulting from their disposal is included in the income statement.

Depreciation is provided to write off the cost of property, plant and equipment, over their estimated useful lives from the date on which they become fully operational and after taking into account of their estimated residual values, using the straight-line method, at the following rates per annum:

Furniture and equipment	20%
Leasehold improvement	10%
Plant and machinery	10%
Motor vehicles	20%

Notes to the Financial Statements

For the year ended 31 December 2000

2. PRINCIPAL ACCOUNTING POLICIES (continued)

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost, which comprises all costs of purchase and, where applicable, costs of conversion and other costs that have been incurred in bringing the inventories to their present location and condition, is calculated using the first-in, first-out method. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Subsidiaries

A subsidiary is an enterprise, in which the Company, directly or indirectly, controls more than half of the voting power or issued share capital or controls the composition of the board of directors or equivalent governing body. Investments in subsidiaries are stated at cost less provision, if necessary, for any permanent diminution in value.

Associates

An associate is an enterprise, in which the Group has significant influence and which is neither a subsidiary nor a joint venture of the Group.

The consolidated income statement includes the Group's share of the post-acquisition results of its associates for the period. In the consolidated balance sheet, interest in associates includes the Group's share of the net assets of the associates and non-current receivable from associates.

Unrealised profits and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in the income statement.

On disposal of an associate during the year, any attributable amount of purchased goodwill not previously amortised through the income statement is included in the calculation of the profit and loss on disposal.

Goodwill arising on the acquisition of an associate, being the excess of the cost over the fair value of the Group's share of the separable net assets acquired, is amortised on a straight-line basis to the consolidated income statement over its estimated useful economic life of 10 years.

Notes to the Financial Statements

For the year ended 31 December 2000

2. PRINCIPAL ACCOUNTING POLICIES (continued)

Foreign currencies

Transactions in foreign currencies are translated at the approximate rates of exchange ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated at the approximate rates of exchange ruling at that date. Translation differences are dealt with in the income statement.

Taxation

The charge for taxation is based on the results for the year as adjusted for items which are non-assessable or disallowed. Timing differences arise from the recognition for tax purposes of certain items of income and expense in a different accounting period from that in which they are recognised in the financial statements. The tax effect of timing differences, computed using the liability method, is recognised as deferred taxation in the financial statements to the extent that it is probable that a liability or asset will crystallise in the foreseeable future. A deferred tax asset is not recognised unless its realisation is assured beyond reasonable doubt.

Leased assets

A hire purchase contract is a contract for hire of an asset which contains a provision giving the hirer an option to acquire legal title to the asset upon the fulfilment of certain conditions stated in the contract. Assets held under hire purchase contracts are capitalised at their fair values at the date of acquisition. The corresponding liabilities to the hirer, net of interest charges, is included in the balance sheet as a hire purchase obligations. Finance costs, which represent the difference between the total leasing and hire commitments and the fair value of the assets acquired, are recognised as an expense over the term of the relevant contracts so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the leasing company are accounted for as operating leases. Rentals payable under operating leases are recognised as an expense on the straight-line basis over the lease terms.

Notes to the Financial Statements

For the year ended 31 December 2000

2. PRINCIPAL ACCOUNTING POLICIES (continued)

Cash equivalents

Cash equivalents in the cash flow statement represent short-term highly liquid investments which are readily convertible into known amounts of cash and which were within three months of maturity when acquired; less advances from banks repayable within three months from the date of the advance.

Related parties

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence.

3. TURNOVER AND REVENUE

The principal activities of the Group are the manufacture and sales of headwear products.

Turnover and revenue represent sale of goods at invoiced value to customers net of returns and discounts.

4. OTHER INCOME

	The Group	
	2000 <i>HK\$'000</i>	1999 <i>HK\$'000</i>
Discount received	301	137
Exchange gain	478	48
Interest income	539	475
Sundry income	1,176	460
	2,494	1,120

Notes to the Financial Statements

For the year ended 31 December 2000

5. PROFIT BEFORE TAXATION

	The Group	
	2000	1999
	HK\$'000	HK\$'000
This is stated after charging:		
(a) Finance costs		
Interest on bank loans, overdrafts and other borrowings wholly repayable within five years	1,255	5
Finance charges on obligations under hire purchase contracts	9	–
	<u>1,264</u>	<u>5</u>
(b) Other items		
Staff costs	14,823	12,839
Cost of inventories	166,698	110,861
Amortisation of goodwill	472	–
Auditors' remuneration	630	300
Depreciation:		
Owned assets	8,573	3,212
Assets held under hire purchase contracts	51	–
Operating lease in respect of office premises, factories and warehouses	2,289	3,572

Notes to the Financial Statements

For the year ended 31 December 2000

6. DIRECTOR'S EMOLUMENTS

	The Group	
	2000 HK\$'000	1999 HK\$'000
Fees:		
Executive directors		
Independent non-executive directors	–	–
Other emoluments of executive directors:	–	–
Basic salaries, housing benefits, other allowances and benefits in kind	5,212	2,600
	5,212	2,600

The number of directors whose emoluments fell within the following bands are as follows:

	2000 No. of directors	1999 No. of directors
Nil – HK\$1,000,000	4	–
HK\$1,000,001 – HK\$1,500,000	2	2

There was no arrangement under which a director waived or agreed to waive any remuneration during the year.

During the year, no emoluments were paid by the Group to the directors or any of the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

Notes to the Financial Statements

For the year ended 31 December 2000

7. FIVE HIGHEST PAID EMPLOYEES

The five highest paid individuals included four (1999: two) directors, details of whose remuneration are set out in note 6 above. The details of the emoluments and designated bands of the remaining highest paid, non-director individual are as follows:

	The Group	
	2000 HK\$'000	1999 HK\$'000
Basic salaries, housing benefits, other allowances and benefits in kind	359	982

The remuneration of this one (1999: three) non-director, highest paid employee fell within the Nil – HK\$1,000,000 band.

8. TAXATION

	The Group	
	2000 HK\$'000	1999 HK\$'000
The charge comprises:		
Hong Kong Profits Tax	2,233	1,235
PRC income tax	70	1,107
Deferred taxation	1,610	2,824
	3,913	5,166
Share of associates' taxation	5	–
	3,918	5,166

Hong Kong Profits Tax has been provided at the rate of 16% (1999: 16%) on the estimated assessable profits arising in Hong Kong for the year. Provisions for the taxation of profits of subsidiaries operating overseas have been calculated at the rates applicable in the respective jurisdictions and based on prevailing legislation, interpretations and practices in respect thereof.

Notes to the Financial Statements

For the year ended 31 December 2000

8. TAXATION (continued)

PRC foreign enterprise income tax has been provided at the preferential income tax of 15% in the Shenzhen Special Economic Zone on the estimated assessable profits of Mainland Sewing Mills (Shenzhen) Co., Ltd. ("Mainland Shenzhen"), the Company's subsidiary operating in the PRC. Pursuant to the relevant laws and regulations in the PRC and a letter dated 5 June 2000 from the Tax Collection Bureau of Buji, Shenzhen, Mainland Shenzhen is entitled to 50% reduction of the PRC foreign enterprise income tax for the year 2000. Therefore, the charge for the year ended 31 December 2000 represents provision for PRC foreign enterprise income tax at 7.5% on the Mainland Shenzhen's estimated assessable profits.

Deferred taxation represents the tax effect of timing differences arising from accelerated depreciation allowance which is expected to crystallise in the foreseeable future. There was no other material unprovided deferred tax at the balance sheet date.

9. NET PROFIT ATTRIBUTABLE TO SHAREHOLDERS

The net profit from ordinary activities attributable to shareholders dealt with in the financial statements of the Company for the period from 2 February 2000 (date of incorporation) to 31 December 2000 was approximately HK\$10,837,000, including dividends from subsidiaries of HK\$10,800,000.

The Group's share of losses accumulated by the associated companies for the year amounted to approximately HK\$425,000 (1999: HK\$Nil).

Notes to the Financial Statements

For the year ended 31 December 2000

10. DIVIDENDS

	2000 HK\$'000	1999 HK\$'000
Special dividend	8,000	8,000
Final dividend proposed at HK4.5 cents per share (1999: HK\$Nil)	10,800	–
	18,800	8,000

The special dividend of HK\$8,000,000 (1999: HK\$8,000,000) were paid by certain subsidiaries of the Group to their then shareholders prior to the Group reorganisation. Details of the Group reorganisation are set out in notes 1 and 20 and in the Company's prospectus dated 28 November 2000.

The directors recommend the payment of a final dividend of HK4.5 cents per share in respect of the year ended 31 December 2000 to all shareholders whose name appears on the register of members on 4 May 2001.

11. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the net profit from ordinary activities attributable to shareholders for the year of HK\$43,809,000 (1999: HK\$28,163,000) and the weighted average of 183,934,426 (1999: 180,000,000) shares in issue during the year.

The weighted average number of shares used to calculate both the current and prior year's earnings per share includes the pro forma issued share capital of the Company, comprising 1,000,000 shares issued nil paid on incorporation of the Company, 1,000,000 shares issued as part of the acquisition of the entire share capital of Rhys Trading (BVI) and the capitalisation issue of 178,000,000 shares as set out in note 20. The weighted average number of shares used in the current year's earnings per share calculation also includes the 60,000,000 shares issued on the public listing.

Diluted earnings per share for both the years ended 31 December 1999 and 2000 has not been calculated as no diluting events existed during these years.

Notes to the Financial Statements

For the year ended 31 December 2000

12. PROPERTY, PLANT AND EQUIPMENT

The Group	Furniture and equipment <i>HK\$'000</i>	Leasehold improvement <i>HK\$'000</i>	Plant and machinery <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Total <i>HK\$'000</i>
Cost					
At beginning of year	11,778	13,471	36,872	488	62,609
Additions	3,671	6,045	23,417	440	33,573
At balance sheet date	15,449	19,516	60,289	928	96,182
Accumulated depreciation					
At beginning of year	1,194	183	13,479	488	15,344
Charge for the year	2,660	1,425	4,488	51	8,624
At balance sheet date	3,854	1,608	17,967	539	23,968
Net book value					
At balance sheet date	11,595	17,908	42,322	389	72,214
At beginning of year	10,584	13,288	23,393	–	47,265

The net book value of the Company's property, plant and equipment includes an amount of HK\$389,000 (1999: HK\$Nil) in respect of assets held under hire purchase contracts.

Notes to the Financial Statements

For the year ended 31 December 2000

13. INTEREST IN SUBSIDIARIES

	The Company
	2000
	HK\$'000
Unlisted shares, at cost	99,631
Due from subsidiaries	23,867
	123,498

The amounts due from subsidiaries are unsecured, interest-free and have no fixed terms of repayments.

Particulars of the principal subsidiaries of the Company are set out in note 28.

14. INTEREST IN ASSOCIATES

	The Group	
	2000	1999
	HK\$'000	HK\$'000
Share of net assets other than goodwill	9,244	–
Goodwill	5,822	–
	15,066	–

Particulars of the principal associates of the Group are set out in note 28.

Notes to the Financial Statements

For the year ended 31 December 2000

15. INVENTORIES

	The Group	
	2000	1999
	<i>HK\$'000</i>	<i>HK\$'000</i>
Raw materials	21,710	15,899
Work-in-progress	381	1,243
Finished goods	–	6,165
	22,091	23,307

At the balance sheet date, no inventories (1999: HK\$Nil) were stated at net realisable value.

16. TRADE AND OTHER RECEIVABLES

	The Group	
	2000	1999
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade receivables		
From associates	17,573	6,535
From third parties	16,920	15,549
	34,493	22,084
Other receivables		
Deposits, prepayments and other debtors	5,055	1,816
	39,548	23,900

Notes to the Financial Statements

For the year ended 31 December 2000

16. TRADE AND OTHER RECEIVABLES (continued)

The Group maintains a defined credit policy. The ageing analysis of the trade receivables as at the balance sheet date is as follows:

	The Group	
	2000 HK\$'000	1999 HK\$'000
0 - 30 days	16,655	15,571
31 - 60 days	9,349	3,795
61 - 90 days	6,786	1,559
Over 90 days	1,703	1,159
	34,493	22,084

17. TRADE AND OTHER PAYABLES

	The Group	
	2000 HK\$'000	1999 HK\$'000
Trade payables	17,895	3,523
Other payables		
Accrued charges and other creditors	29,436	5,302
Due to a director	–	2,855
	29,436	8,157
	47,331	11,680

Notes to the Financial Statements

For the year ended 31 December 2000

17. TRADE AND OTHER PAYABLES (continued)

The ageing analysis of trade payables as the balance sheet date is as follows:

	The Group	
	2000	1999
	HK\$'000	HK\$'000
0 - 30 days	7,345	3,523
31 - 60 days	7,278	–
61 - 90 days	3,272	–
	17,895	3,523

18. INTEREST-BEARING BORROWINGS

	The Group	
	2000	1999
	HK\$'000	HK\$'000
Short-term secured bank loan	–	20,000
Obligations under hire purchase contracts	223	–
	223	20,000

	The Group	
	2000	1999
	HK\$'000	HK\$'000
The maturity of the above amounts is as follows:		
Short-term secured bank loan	–	20,000
Obligations under hire purchase contracts:		
Within one year	150	–
In the second to fifth year inclusive	73	–
	223	20,000
Portion classified as current liabilities	(150)	(20,000)
Long-term portion	73	–

Notes to the Financial Statements

For the year ended 31 December 2000

18. INTEREST-BEARING BORROWINGS (continued)

Banking facilities

As at 31 December 2000, the Group's banking facilities were secured by the following:

- (i) Joint and several guarantees by certain directors of the Company;
- (ii) Bank deposits of an aggregate amount of not less than approximately HK\$40,000,000 held by a director of the Company and a subsidiary of the Company.
- (iii) Unlimited corporate guarantee provided by certain subsidiaries of the Company.

Subsequent to the balance sheet date, the personal guarantees from certain directors of the Company and corporate guarantees from certain subsidiaries of the Company have been released and replaced by corporate guarantees of the Company.

19. DEFERRED TAXATION

	The Group	
	2000 HK\$'000	1999 HK\$'000
At beginning of year	2,824	–
Charge for the year	1,611	2,824
At balance sheet date	4,435	2,824

Notes to the Financial Statements

For the year ended 31 December 2000

20. SHARE CAPITAL

	2000
	HK\$'000
Authorised:	
<u>1,000,000,000 ordinary shares of HK\$0.10 each</u>	<u>100,000</u>
Issued and fully paid:	
<u>240,000,000 ordinary shares of HK\$0.10 each</u>	<u>24,000</u>

The following changes in the Company's authorised and issued share capital took place during the period from 2 February 2000 (date of incorporation) to 31 December 2000:

- (a) On incorporation, the authorised share capital of the Company was HK\$100,000 divided into 1,000,000 shares of HK\$0.10 each, all shares were allotted and issued nil paid on 6 March 2000.
- (b) On 16 November 2000, the authorised share capital of the Company was increased from HK\$100,000 to HK\$100,000,000 by the creation of a further 999,000,000 shares of HK\$0.10 each.
- (c) On 16 November 2000, as part of the Group reorganisation described in note 1, the Company (i) allotted and issued an aggregate of 1,000,000 shares of HK\$0.10 each credited as fully paid at par and (ii) credited as fully paid at par an aggregate of the 1,000,000 shares allotted and issued nil paid as set out in (a) above, in consideration and in exchange for the acquisition of the entire issued share capital of Rhys Trading (BVI). The excess of the fair value of the shares of Rhys Trading (BVI), determined on the basis of the consolidated net assets of Rhys Trading (BVI) at that date, over the nominal value of the Company's shares issued in exchange therefor, amounting to HK\$99,631,000, was credited to the Company's contributed surplus as detailed in note 22.
- (d) On 6 December 2000, a total of 178,000,000 shares of HK\$0.10 each were allotted as fully paid at par to the holders of the shares on the register of members of the Company in proportion to their respective shareholdings at the close of business on that date by way of capitalisation of the sum of HK\$17,800,000 standing to the credit of the share premium account of the Company, conditional on the share premium account being credited as a result of the new shares issued to the public as detailed in (e) below.
- (e) On 8 December 2000, 60,000,000 shares of HK\$0.10 each were issued to the public at HK\$1.00 per share.

Notes to the Financial Statements

For the year ended 31 December 2000

20. SHARE CAPITAL (continued)

A summary of the above movements in the issued share capital of the Company is as follows:

	Number of shares issued	Issued and fully paid share capital <i>HK\$'000</i>
Shares allotted and issued nil paid on incorporation and subsequently credited as fully paid at par for the acquisition of the entire issued share capital of Rhys Trading (BVI)	1,000,000	100
Share issued as consideration for the acquisition of the entire issued share capital of Rhys Trading (BVI)	1,000,000	100
Shares issued and credited as fully paid conditional on the share premium account of the Company being credited as a result of the public share issue	178,000,000	–
Pro forma issued share capital as at 31 December 1999	180,000,000	200
New issue on public listing	60,000,000	6,000
Capitalisation of the share premium account as set out above	–	17,800
Share capital as at 31 December 2000	240,000,000	24,000

21. SHARE OPTIONS

Pursuant to the share option scheme adopted on 16 November 2000, the Board of Directors may at its discretion invite any full-time employees, including directors, of the Company or any of its subsidiaries to take up options to subscribe for shares of the Company. The subscription price is the higher of 80% of the average of the closing prices of the shares on The Stock Exchange of Hong Kong Limited for the five trading days immediately preceding the date of the offer of the option and the nominal value of the shares. The maximum number of shares in respect of which options may be granted under the share option scheme may not exceed in nominal amount 10% of the issued share capital of the Company which has been duly allotted and issued. An option may be exercised in accordance with the terms of the share option scheme at any time during the period commencing immediately after the date on which the option is deemed to be granted and

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For the year ended 31 December 2000

21. SHARE OPTIONS (continued)

accepted and expiring on a date to be determined and notified by the Board of Directors to each grantee, but in any event not later than 10 years from the date of 16 November 2000.

During the period, no share options were granted by the Company.

22. RESERVES

The Group	Share premium HK\$'000	Contributed surplus HK\$'000	Accumulated profits HK\$'000	Total HK\$'000
At 1 January 1999	–	25,878	22,124	48,002
Net profit for the year	–	–	28,163	28,163
Dividend	–	–	(8,000)	(8,000)
At 31 December 1999	–	25,878	42,287	68,165
Issue of shares	54,000	–	–	54,000
Capitalisation issue of shares	(17,800)	–	–	(17,800)
Share issue expenses	(13,000)	–	–	(13,000)
Profits for the year	–	–	43,809	43,809
Dividend	–	–	(18,800)	(18,800)
At 31 December 2000	23,200	25,878	67,296	116,374
The Company				
Arising on acquisition of subsidiaries	–	99,631	–	99,631
Contributed surplus applied to pay up 2,000,000 nil paid shares	–	(200)	–	(200)
Issue of shares	54,000	–	–	54,000
Capitalisation issue of shares	(17,800)	–	–	(17,800)
Share issue expenses	(13,000)	–	–	(13,000)
Profits for the year	–	–	10,837	10,837
Dividend	–	–	(10,800)	(10,800)
At 31 December 2000	23,200	99,431	37	122,668

Notes to the Financial Statements

For the year ended 31 December 2000

22. RESERVES (continued)

The contributed surplus of the Group represents the difference between the nominal value of the share capital of the subsidiaries acquired pursuant to the Group reorganisation set out in note 1 to the financial statements over the nominal value of the share capital of the Company issued in exchange therefor.

The contributed surplus of the Company represents the difference between the then combined net assets value of the subsidiaries acquired pursuant to the same reorganisation over the nominal value of the share capital of the Company issued in exchange therefor.

23. RECONCILIATION OF PROFIT BEFORE TAXATION TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	The Group	
	2000 HK\$'000	1999 HK\$'000
Profit before taxation	47,727	33,329
Hire purchase contracts interest	9	–
Interest income	(539)	(475)
Interest expenses	1,255	5
Amortisation of goodwill	472	–
Depreciation	8,624	3,212
Share of losses less profits of associates	420	–
Changes in working capital:		
Inventories	1,216	(2,915)
Trade and other receivables	(15,648)	838
Trade and other payables	17,915	(11,605)
Net cash inflow from operating activities	61,451	22,389

Notes to the Financial Statements

For the year ended 31 December 2000

24. ANALYSIS OF CHANGES IN FINANCING DURING THE YEAR

	Share capital and share premium <i>HK\$'000</i>	Bank loans <i>HK\$'000</i>	Hire purchase contract obligation <i>HK\$'000</i>
At 1 January 1999	200	–	–
New bank loan raised	–	20,000	–
At 31 December 1999 and 1 January 2000	200	20,000	–
Issue of shares	47,000	–	–
New bank loan raised	–	20,000	–
Repayment of bank loans	–	(40,000)	–
Inception of hire purchase contracts	–	–	300
Repayment of obligation under hire purchase contract	–	–	(77)
At 31 December 2000	47,200	–	223

25. OPERATING LEASES COMMITMENTS

At 31 December 2000, the Group had outstanding commitment not provided for under non-cancellable operating leases in respect of land and building, the portion of this commitment which is payable in the following year is as follows:

	<i>HK\$'000</i>
Operating leases expiring in the second to fifth years inclusive	1,910

26. RETIREMENT SCHEMES

The Group has two defined contribution retirement schemes for its Hong Kong based employees maintained and operated by two independent fund managers. The assets of the schemes are held separately from those of the Group in funds under the control of the trustee. According to the rules of the schemes for employees, the Group contributes to the schemes at rates ranging from 5 per cent. to 7 per cent. of the eligible employees' basic monthly salaries. The Group's contributions to the schemes are expected as incurred. There was no forfeited contribution available to reduce the employer's contribution as at 31 December 2000. As at 31 December 2000, the Group has no significant obligations for long service payments to its employees pursuant to the requirements under the Employment Ordinance, Chapter 57 of the Laws of Hong Kong.

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For the year ended 31 December 2000

26. RETIREMENT SCHEMES (continued)

In December 2000, the Group had Joined the Mandatory Provident Fund Scheme under the rules and regulations of the Mandatory Provident Fund Authority.

The details of retirement schemes contributions for the Group's employees, net of forfeited contributions, which have been dealt with in the combined results of the Group for the Relevant Periods are as follows:

	2000 <i>HK\$'000</i>	1999 <i>HK\$'000</i>
Gross retirement schemes contributions	245	290
Less: Forfeited contributions for the year	(79)	(194)
Net retirement schemes contributions	<u>166</u>	<u>96</u>

27. RELATED PARTY TRANSACTIONS

The Group had certain transactions with related parties and were as follows:

	The Group	
	2000 <i>HK\$'000</i>	1999 <i>HK\$'000</i>
Rental paid in respect of land and building to a director	300	960
Rental paid in respect of land and building to a company controlled by a director	1,320	1,333
Sale of goods to associates	<u>83,154</u>	<u>71,553</u>

Notes to the Financial Statements

For the year ended 31 December 2000

28. PRINCIPAL SUBSIDIARIES AND ASSOCIATES

Other than Rhys Trading (BVI), which is held directly by the Company, all subsidiaries are held by the Company indirectly.

(a) Particulars of the wholly-owned subsidiaries are as follows:

Name of company	Place of incorporation/ registration	Principal place of operation	Nominal value of issued ordinary share capital/ registered capital	Principal activities
Rhys Trading Ltd.	The British Virgin Islands	Hong Kong	US\$10,000	Investment holding
Mainland Sewing Headwear Manufacturing Limited	Hong Kong	Hong Kong	HK\$10,000	Manufacture and sale of headwear
Mainland Sewing Mills (Shenzhen) Co., Ltd.	The People's Republic of China	The People's Republic of China	HK\$26,000,000	Manufacture and sale of headwear
Summerville Trading Ltd.	The British Virgin Islands	Hong Kong	US\$10,000	Trading of headwear
Big One Holdings Ltd.	The British Virgin Islands	Hong Kong	US\$10,000	Investment holding
Great Champion International Co., Ltd.	The British Virgin Islands	Hong Kong	US\$10,000	Investment holding

(b) Particulars of the Group's equity interest in its principal associates held indirectly by the Company are as follows:

Name of associate	Place of incorporation and operation	Proportion of nominal value of issued common stock held by the Group	Principal activity
Drew Pearson Marketing, Inc.	United States of America	25%	Trading of licensed headwear
Drew Pearson International, Inc.	United States of America	21.42%	Trading of licensed headwear