

NOTES TO THE ACCOUNTS

1. GROUP REORGANISATION AND BASIS OF PREPARATION

- (a) The Company was incorporated on 18th September 1997 in Bermuda as an exempted company with limited liability under the Companies Act 1981 of Bermuda (as amended) in the name of Topwell Holdings Limited. By a special resolution passed on 7th January 2000, the name of the Company was changed to Carry Wealth Holdings Limited.
- (b) On 26th February 2000, pursuant to a group reorganisation (the “Group Reorganisation”) to rationalise the structure of the Company and its subsidiaries (the “Group”) in preparation for the listing of the shares of the Company on the main board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”), the Company acquired the entire issued share capital of Topwell Group Development Ltd. (“TGDL”) through a share swap and became the holding company of TGDL and its subsidiaries listed under note 26 to the accounts. Details of the Group Reorganisation are set out in the prospectus of the Company dated 29th February 2000.
- (c) The Company’s shares were listed on the Stock Exchange on 13th March 2000.
- (d) The Group Reorganisation is accounted for using merger accounting as permitted by the Hong Kong Statement of Standard Accounting Practice (“SSAP”) 2.127 “Accounting for group reconstructions”. The consolidated accounts of the Group for the year ended 31st December 2000, including the comparative figures, are prepared as if the Company had been the holding company of the Group from the beginning of the earliest period presented.

The accounts have been prepared under the historical cost convention as modified by the revaluation of certain property, plant and equipment and investment properties, in accordance with accounting principles generally accepted in Hong Kong and comply with accounting standards issued by the Hong Kong Society of Accountants.

No balance sheet of the Company as at 31st December 1999 is presented in the accounts as the Company did not carry on any business and the Company’s shares were allotted and issued at nil paid until 26th February 2000.

2. PRINCIPAL ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these accounts are set out below:

(a) Consolidation

The Group Reorganisation referred to in note 1(b) above has been accounted for using merger accounting by regarding the Company as being the holding company of the Group from the beginning of the earliest period presented.

The consolidated accounts include the accounts of the Company and its subsidiaries made up to 31st December. Apart from the Group Reorganisation referred to in note 1(b) above, the results of subsidiaries acquired or disposed of during the year are included in the consolidated profit and loss account from the effective date of acquisition or up to the effective date of disposal, as appropriate.

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

The gain or loss on the disposal of a subsidiary represents the difference between the proceeds of the sale and the Group's share of its net assets together with any goodwill or capital reserve which was not previously charged or recognised in the consolidated profit and loss account.

Minority interests represent the interests of outside shareholders in the operating results and net assets of subsidiaries.

In the Company's balance sheet, the investments in subsidiaries are stated at cost less provision, if necessary, for any diminution in value other than temporary in nature. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

(b) Goodwill

Goodwill represents the excess of the purchase consideration over the fair values ascribed to the net assets of subsidiaries acquired and is taken to reserves in the year of acquisition.

2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

(c) Investment properties

Investment properties are interests in land and buildings in respect of which construction work and development have been completed and which are held for their investment potential, any rental income being negotiated at arm's length.

Investment properties held on leases with unexpired periods of greater than 20 years are valued annually by independent valuers. The valuations are on an open market value basis related to individual properties and separate values are not attributed to land and buildings. The valuations are incorporated in the annual accounts. Increases in valuation are credited to the investment properties revaluation reserve. Decreases in valuation are first set off against increases on earlier valuations on a portfolio basis and thereafter are debited to operating profit. Any subsequent increases are credited to operating profit up to the amount previously debited.

Investment properties held on leases with unexpired periods of 20 years or less are depreciated over the remaining portion of the leases.

Upon the disposal of an investment property, the relevant portion of the revaluation reserve realised in respect of previous valuations is released from the investment properties revaluation reserve to the profit and loss account.

(d) Property, plant and equipment

Leasehold land and buildings in Indonesia represent mainly factory premises used for manufacturing purposes. Leasehold land and buildings other than investment properties (note 2(c) above) and plant and machinery are stated at valuation. Fair value is determined by the directors based on independent valuations which are performed on an annual basis. If the fair value is in excess of the carrying amount of the relevant asset, the surplus is credited to the fixed assets revaluation reserve to the extent that it is not covered by deficits arising on prior valuations of that asset which have been previously charged to the profit and loss account. If the fair value is less than the carrying amount of the relevant asset the deficit is charged to the profit and loss account to the extent that it is not covered by surpluses arising on prior valuations of that asset which has been previously credited to the fixed assets revaluation reserve.

2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

(d) Property, plant and equipment *(continued)*

Other fixed assets are stated at cost less accumulated depreciation.

Depreciation of fixed assets is calculated to write off their cost or valuation on a straight-line basis over their expected useful lives to the Group. The principal annual rates are as follows:

Leasehold land	2%
Buildings	2% to 5%
Leasehold improvements	5% to 20%
Plant and machinery	10% to 20%
Furniture, office equipment and motor vehicle	10% to 20%

Major costs incurred in restoring fixed assets to their normal working condition are charged to the profit and loss account. Improvements are capitalised and depreciated over their expected useful lives to the Group.

The carrying amounts of fixed assets are reviewed regularly to assess whether their recoverable amounts have declined below their carrying amounts. Expected future cash flows have not been discounted in determining the recoverable amount.

The gain or loss on disposal of a fixed asset other than investment properties is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in the profit and loss account. Any revaluation reserve balance remaining attributable to the relevant asset is transferred to retained earnings and is shown as a movement in reserves.

(e) Operating leases

Leases where substantially all the risks and rewards of ownership of assets remain with the lessors are accounted for as operating leases. Payments made under operating leases net of any incentives received from the lessors are charged to the profit and loss account on a straight-line basis over the lease periods.

2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

(f) Inventories

Inventories are stated at the lower of cost and net realisable value.

Cost, calculated on the first-in first-out basis, comprises materials, direct labour and an appropriate proportion of all production overheads.

Net realisable value is determined on the basis of anticipated sale proceeds less estimated selling expenses.

(g) Textile quota entitlements

Permanent textile quota entitlements are stated at cost less accumulated amortisation and are amortised over a period of five years on a straight-line basis. The costs of temporary textile quota entitlements are charged to the profit and loss account in the year of acquisition.

(h) Deferred taxation

Deferred taxation is accounted for at the current taxation rate in respect of timing differences between profit as computed for taxation purposes and profit as stated in the accounts to the extent that a liability or an asset is expected to be payable or recoverable in the foreseeable future.

(i) Translation of foreign currencies

Transactions in foreign currencies are translated at exchange rates ruling at the transaction dates. Monetary assets and liabilities expressed in foreign currencies at the balance sheet date are translated at rates of exchange ruling at the balance sheet date. Exchange differences arising in these cases are dealt with in the profit and loss account.

In prior years, the profit and loss account of overseas subsidiaries expressed in foreign currencies was translated into Hong Kong dollars at average exchange rates for the year whereas balance sheet items were translated at the rates of exchange ruling at the balance sheet date. The resulting exchange differences were dealt with as a movement in the exchange fluctuation reserve. Commencing from 1st January 2000, the cumulative exchange differences relating to the retained earnings are reclassified into the retained earnings account. Accordingly, the comparative figures had been adjusted to conform with the current year's presentation. The cumulative exchange losses as at 1st January 1999 and 2000 have been reclassified from the exchange fluctuation reserve to retained earnings amounting to HK\$36,440,000 and HK\$27,450,000 respectively. This reclassification does not have any impact on the total amount of the Group's reserves. In the opinion of the directors, this provides a better presentation of the financial position of the Group.

2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

(j) Revenue recognition

Revenue from the sale of goods is recognised on the transfer of risks and rewards of ownership, which generally coincides with the time when shipment is made.

Interest income is recognised on a time proportion basis, taking into account the principal amounts outstanding and the interest rates applicable.

Rental income is recognised on a straight-line basis.

(k) Retirement benefit costs

The Group's contributions to the mandatory provident fund scheme are expensed as incurred.

(l) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset.

All other borrowing costs are charged to the profit and loss account in the year in which they are incurred.

3. TURNOVER, REVENUE AND SEGMENT INFORMATION

The Group is principally engaged in garment manufacturing. Revenues recognised during the year are as follows:

	2000 HK\$'000	1999 HK\$'000
Turnover		
Sale of apparel products	1,166,804	987,635
Other revenues		
Gross rental income from investment properties	967	861
Interest income	2,733	1,615
	<u>3,700</u>	<u>2,476</u>
Total revenues	<u>1,170,504</u>	<u>990,111</u>

3. TURNOVER, REVENUE AND SEGMENT INFORMATION

(continued)

An analysis of the Group's turnover and contribution to operating profit for the year by principal activity and market is as follows:

	Turnover		Contribution	
	2000 HK\$'000	1999 HK\$'000	2000 HK\$'000	1999 HK\$'000
Principal activity:				
Garment manufacturing	<u>1,166,804</u>	<u>987,635</u>	<u>204,288</u>	<u>176,298</u>
Other revenues			3,700	2,476
Unallocated costs			(57,294)	(52,565)
Operating profit			<u>150,694</u>	<u>126,209</u>

	Turnover		Contribution	
	2000 HK\$'000	1999 HK\$'000	2000 HK\$'000	1999 HK\$'000
Principal markets:				
United States of America	1,029,100	810,817	177,369	143,713
Europe	67,508	94,463	13,858	17,756
Canada	35,832	49,222	6,607	8,835
Southeast Asia	26,283	26,451	5,146	4,834
Other countries	8,081	6,682	1,308	1,160
	<u>1,166,804</u>	<u>987,635</u>	<u>204,288</u>	<u>176,298</u>
Other revenues			3,700	2,476
Unallocated costs			(57,294)	(52,565)
Operating profit			<u>150,694</u>	<u>126,209</u>

4. OPERATING PROFIT

(a) Operating profit is stated after charging/(crediting) the following:

	2000	1999
	HK\$'000	HK\$'000
Cost of inventories sold	866,103	742,823
Depreciation of fixed assets	14,924	12,127
Staff costs (excluding directors' emoluments)	99,348	87,684
Operating lease – land and buildings	7,200	7,016
Outgoings in respect of investment properties	5	27
Retirement benefit costs (note 10)	183	–
Loss on disposal of fixed assets	364	3,630
Loss on disposal of investment properties	179	–
Amortisation of permanent textile quota entitlements	3,095	3,460
Auditors' remuneration	1,425	1,384
Net exchange losses/(gains)	<u>1,682</u>	<u>(3,984)</u>

(b) The Group's offshore income claims for the six years ended 31st December 1998 had been subject to review by the Hong Kong Inland Revenue Department ("IRD") which was completed in October 1999. As a result, the Group reached an agreement with the IRD to settle the case by making an additional tax payment which included a compound penalty of approximately HK\$14.6 million.

(c) This represented deficit on revaluation of land and buildings in Hong Kong and investment properties amounted to HK\$1,473,000 and HK\$5,707,000 respectively.

5. FINANCE COSTS

	2000	1999
	HK\$'000	HK\$'000
Interest on bank loans and overdrafts wholly repayable within five years	<u>11,202</u>	<u>12,217</u>

6. TAXATION

Hong Kong profits tax has been provided at the rate of 16% (1999: 16%) on the estimated assessable profit for the year. Taxation on overseas profits has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries which the Group operates.

The amount of taxation charged to the consolidated profit and loss account represents:

	2000	1999
	HK\$'000	HK\$'000
Hong Kong profits tax		
– current	17,232	12,034
– overprovision in prior years	(39)	(1,571)
Overseas taxation	2,092	2,454
	<u>19,285</u>	<u>12,917</u>

No provision for deferred taxation has been made in the accounts as the effect of timing differences is not material. The surpluses arising from the revaluation of the Group's land and buildings in Indonesia, buildings in bonded zones of Indonesia and plant and machinery do not constitute a timing difference.

7. PROFIT ATTRIBUTABLE TO SHAREHOLDERS

The profit attributable to shareholders is dealt with in the accounts of the Company to the extent of HK\$61,318,000 (1999: Nil).

8. DIVIDENDS

	2000	1999
	HK\$'000	HK\$'000
Interim, paid, of HK\$0.056 per ordinary share	20,160	–
Final, proposed, of HK\$0.112 per ordinary share	40,320	–
Dividends paid by a subsidiary of the Company to its then shareholders prior to the Group Reorganisation	–	65,000
	<u>60,480</u>	<u>65,000</u>

9. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the Group's profit attributable to shareholders of HK\$120,074,000 (1999: HK\$100,676,000) and the weighted average of 342,295,082 shares (1999: 270,000,000 shares) deemed to be in issue during the year. In determining the weighted average number of shares deemed to be in issue in the current year, the 1,000,000 shares issued upon incorporation of the Company, the 1,000,000 shares issued as consideration of the acquisition by the Company of the issued share capital of TGDL (note 19(a)(ii)) and the capitalisation issue of 268,000,000 (note 19(b)) were deemed to have been in issue from the beginning of the earliest period presented.

There is no diluted earnings per share since the Company has no dilutive potential ordinary shares.

10. RETIREMENT BENEFIT COSTS

Pursuant to the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong) (the "MPF Ordinance"), companies within the Group in Hong Kong have enrolled all employees in Hong Kong aged between 18 and 65 into a mandatory provident fund scheme (the "MPF Scheme") from 1st December 2000.

The MPF Scheme is a master trust scheme established under trust arrangement and governed by laws in Hong Kong. The assets of the MPF Scheme are held separately from the assets of the employer, the trustees and other service providers. Contributions are made to the MPF Scheme by the employers at 5% of the employees' relevant income as defined in the MPF Ordinance up to a maximum of HK\$1,000 per employee per month (the "MPF Contribution"). The employees also contribute a corresponding amount to the MPF Scheme from 31st December 2000 if their relevant income is more than HK\$4,000 per month. The MPF Contributions are fully and immediately vested in the employees as accrued benefits once they are paid to the approved trustees of the MPF Scheme. Investment income or profit derived from the investment of accrued benefits (after taking into account any losses arising from such investment) is also immediately vested in the employees.

Except for the MPF Scheme, the Group did not have any other provident fund scheme available for its employees during the year.

The MPF Scheme cost charged to the consolidated profit and loss account represents contributions payable by the Group to the MPF Scheme (note 4(a)).

10. RETIREMENT BENEFIT COSTS *(continued)*

For employees whose basic salaries are in excess of HK\$20,000 per month, the employees may choose to make voluntary contributions at either 2.5% or 5% of their basic salaries on a monthly basis. The Group shall then make the same amount of voluntary contributions for such employees. The employees are entitled to 100% of the Group's contributions after ten completed years of service, or at an increasing scale of between 30% to 90% after completion of three to nine years of service. Where an employee leaves the Group before the Group's contribution has fully vested, such forfeited contributions may be used by the Group to reduce its existing level of contributions. There was no forfeited contribution utilised by the Group during the year.

11. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) Directors

The aggregate amounts of emoluments payable to the directors of the Company during the year are as follows:

	2000 HK\$'000	1999 HK\$'000
Fees		
– Independent non-executive directors	367	–
– Non-executive directors	183	–
– Executive directors	369	–
	<u>919</u>	<u>–</u>
Other emoluments		
Basic salaries, housing allowances, other allowances and benefits in kind	9,002	6,877
Discretionary bonuses	9,000	154
Contributions to mandatory provident fund scheme	28	–
	<u>18,030</u>	<u>7,031</u>
	<u>18,949</u>	<u>7,031</u>

The emoluments for 1999 represented remunerations paid to the then directors of a subsidiary of the Company prior to the Group Reorganisation.

11. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS *(continued)*

(a) Directors *(continued)*

The emoluments of the directors fell within the following bands:

Emolument bands	Number of directors	
	2000	1999
HK\$Nil – HK\$1,000,000	4	1
HK\$1,500,001 – HK\$2,000,000	1	–
HK\$2,000,001 – HK\$2,500,000	1	1
HK\$3,500,001 – HK\$4,000,000	–	1
HK\$5,500,001 – HK\$6,000,000	1	–
HK\$7,500,001 – HK\$8,000,000	1	–
	8	3

None of the directors has waived emoluments in respect of the years ended 31st December 2000 and 1999.

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group include four (1999: two) directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining one (1999: three) individual during the year are as follows:

	2000	1999
	HK\$'000	HK\$'000
Basic salaries, housing allowances, other allowances and benefits in kind	1,040	2,185
Discretionary bonuses	650	520
Contributions to mandatory provident fund scheme	1	–
	1,691	2,705
	1,691	2,705

**11. DIRECTORS' AND SENIOR MANAGEMENT'S
EMOLUMENTS** *(continued)*

(b) Five highest paid individuals *(continued)*

The emoluments fell within the following bands:

Emolument bands	Number of individuals	
	2000	1999
HK\$Nil – HK\$1,000,000	–	2
HK\$1,000,001 – HK\$1,500,000	–	1
HK\$1,500,001 – HK\$2,000,000	1	–
	1	3
	1	3

12. PERMANENT TEXTILE QUOTA ENTITLEMENTS

	Group	
	2000 HK\$'000	1999 HK\$'000
Cost		
At 1st January	19,216	17,001
Exchange adjustment	(4,960)	2,215
	14,256	19,216
At 31st December	14,256	19,216
Accumulated amortisation		
At 1st January	9,274	4,804
Exchange adjustment	(2,804)	1,010
Amortisation for the year	3,095	3,460
	9,565	9,274
At 31st December	9,565	9,274
Net book value at 31st December	4,691	9,942

13. FIXED ASSETS

Group

	Leasehold land and buildings		Buildings in bonded zones of Indonesia	Investment properties held in Hong Kong	Leasehold improvements	Plant and machinery	Furniture, office equipment and motor vehicles	Total
	Held in Hong Kong HK\$'000	Held in Indonesia HK\$'000	Indonesia HK\$'000	Hong Kong HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Cost or valuation								
At 1st January	9,038	7,596	45,644	17,942	6,647	40,846	11,393	139,106
Exchange adjustment	-	(677)	(4,451)	-	-	(6,772)	-	(11,900)
Additions	-	2,467	3,605	-	829	21,769	3,144	31,814
Disposals	-	-	(126)	(5,179)	-	(1,454)	(1,426)	(8,185)
Revaluation	(650)	(168)	200	-	-	6,205	-	5,587
	<u>8,388</u>	<u>9,218</u>	<u>44,872</u>	<u>12,763</u>	<u>7,476</u>	<u>60,594</u>	<u>13,111</u>	<u>156,422</u>
At 31st December 2000								
At cost	-	-	-	-	7,476	-	13,111	20,587
At professional valuation	<u>8,388</u>	<u>9,218</u>	<u>44,872</u>	<u>12,763</u>	-	<u>60,594</u>	-	<u>135,835</u>
	<u>8,388</u>	<u>9,218</u>	<u>44,872</u>	<u>12,763</u>	<u>7,476</u>	<u>60,594</u>	<u>13,111</u>	<u>156,422</u>
Accumulated depreciation								
At 1st January 2000	-	-	-	-	5,356	-	4,910	10,266
Charge for the year	650	260	2,479	-	1,253	6,898	3,384	14,924
Disposals	-	-	(27)	-	-	(1,060)	(883)	(1,970)
Revaluation	(650)	(260)	(2,452)	-	-	(5,838)	-	(9,200)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,609</u>	<u>-</u>	<u>7,411</u>	<u>14,020</u>
At 31st December 2000								
Net book value								
At 31st December 2000	<u>8,388</u>	<u>9,218</u>	<u>44,872</u>	<u>12,763</u>	<u>867</u>	<u>60,594</u>	<u>5,700</u>	<u>142,402</u>
At 31st December 1999	<u>9,038</u>	<u>7,596</u>	<u>45,644</u>	<u>17,942</u>	<u>1,291</u>	<u>40,846</u>	<u>6,483</u>	<u>128,840</u>

13. FIXED ASSETS (continued)

Notes:

- (a) The Group's interests in investment properties and land and buildings at their net book values are analysed as follows:

	2000	Group 1999
	2000	1999
	HK\$'000	HK\$'000
In Hong Kong, held on:		
Leases over 50 years	–	5,179
Leases between 10 to 50 years	21,151	21,801
In Indonesia, held on:		
Leases between 10 to 50 years	54,090	53,240
	75,241	80,220

- (b) Leasehold land and buildings and investment properties in Hong Kong were revalued as at 31st December 2000 by Vigers Hong Kong Limited, an independent property valuer, on an open market basis.
- (c) The fixed assets in Indonesia comprising leasehold land and buildings, buildings in bonded zones, plant and machinery were revalued by PT Vigers Hagai Surabaya, an independent qualified surveyor in Indonesia and a member of the Vigers International, as at 31st December 2000. The land and buildings were revalued on an open market value basis. The plant and machinery were revalued at their depreciated replacement costs which were appraised in accordance with current market prices for similar assets, with allowance for accrued depreciation arising from condition, utility, age, wear and tear, or obsolescence present, taking into consideration past and present maintenance policy and rebuilding history.
- (d) The carrying amount of leasehold land and buildings in Hong Kong and Indonesia, buildings in bonded zones of Indonesia and plant and machinery that would be included in the accounts if they were carried at cost less depreciation are HK\$9,861,000, HK\$1,462,000, HK\$16,083,000 and HK\$27,798,000 (1999: HK\$10,511,000, HK\$5,257,000, HK\$12,490,000, and HK\$16,674,000) respectively for the Group.

14. INVESTMENTS IN SUBSIDIARIES

	Company 2000 HK\$'000
Unlisted shares, at cost	165,939

Details of principal subsidiaries are set out in note 26 to the accounts.

15. INVENTORIES, AT COST

	Group	
	2000 HK\$'000	1999 HK\$'000
Raw materials	62,819	54,764
Work in progress	36,680	30,256
Finished goods	17,565	9,431
Goods in transit	16,569	16,355
	<u>133,633</u>	<u>110,806</u>

16. TRADE AND OTHER RECEIVABLES

	Group		Company
	2000 HK\$'000	1999 HK\$'000	2000 HK\$'000
Trade receivables (note a)	130,448	85,219	–
Amount due from a related company (note b)	8,656	5,144	–
Prepayments, deposits and other receivables (note c)	30,288	33,334	145
	<u>169,392</u>	<u>123,697</u>	<u>145</u>

16. TRADE AND OTHER RECEIVABLES *(continued)*

Notes:

- (a) The majority of the Group's turnover is on letter of credit at sight to 90 days. The remaining balances of turnover are without specific credit terms. The ageing analysis of trade receivable was as follows:

	Group	
	2000 HK\$'000	1999 HK\$'000
Current	100,226	69,632
31-60 days	20,563	5,608
61-90 days	6,001	2,440
Over 90 days	3,658	7,539
	<u>130,448</u>	<u>85,219</u>

- (b) This represents amount due from Charter, S.A. de C.V. ("Charter") (note 25) which is unsecured, interest-free and repayable on demand.
- (c) Included in the balance of prepayments, deposits and other receivables of the Group are prepayments for the purchase consideration in respect of acquisition of a subsidiary amounted to HK\$6,937,000 (1999: Nil). The acquisition was completed on 1st January 2001.

17. TRADE AND OTHER PAYABLES

	Group		Company
	2000 HK\$'000	1999 HK\$'000	2000 HK\$'000
Trade payables	90,955	82,575	–
Other payables and accruals	32,938	7,915	9,115
	<u>123,893</u>	<u>90,490</u>	<u>9,115</u>

17. TRADE AND OTHER PAYABLES *(continued)*

At 31st December 2000, the ageing analysis of the trade payables was as follows:

	Group	
	2000	1999
	HK\$'000	HK\$'000
Current	35,948	44,341
31-60 days	37,968	24,062
61-90 days	9,197	6,348
Over 90 days	7,842	7,824
	<u>90,955</u>	<u>82,575</u>

18. BANK LOANS AND OVERDRAFTS

	Group	
	2000	1999
	HK\$'000	HK\$'000
Bank loans, wholly repayable within one year		
– secured (note)	12,320	87,058
– unsecured	35,331	13,804
Bank overdrafts, unsecured	1,301	1,041
	<u>48,952</u>	<u>101,903</u>

Note:

Certain properties of the Group with an aggregate carrying value of approximately HK\$21 million (1999: HK\$27 million) and none of the Group's fixed deposits (1999: HK\$3.1 million) have been pledged as securities for the above secured bank loans.

19. SHARE CAPITAL

Authorised

	Ordinary shares of HK\$0.10 each	
	Number of shares	HK\$'000
At 1st January and 31st December 1999	<u>1,000,000</u>	<u>100</u>
At 1st January 2000	1,000,000	100
Increase in authorised ordinary share capital (note (a)(i))	<u>1,999,000,000</u>	<u>199,900</u>
At 31st December 2000	<u>2,000,000,000</u>	<u>200,000</u>

Issued and fully paid

	Ordinary shares of HK\$0.10 each	
	Number of shares	HK\$'000
At 1st January and 31st December 1999	<u>1,000,000</u>	<u>–</u>
At 1st January 2000	1,000,000	–
Issue of shares as consideration for acquisition of TGDL (note (a)(ii))	1,000,000	100
Credited as fully paid the shares previously issued nil paid	–	100
Capitalisation issue (note (b))	268,000,000	26,800
Issue of shares under initial public offer (note (c))	<u>90,000,000</u>	<u>9,000</u>
At 31st December 2000	<u>360,000,000</u>	<u>36,000</u>

19. SHARE CAPITAL *(continued)*

- (a) In preparation for the listing of the Company's shares on the Stock Exchange, the following changes in authorised and issued share capital of the Company took place:
- (i) On 23rd February 2000, the authorised share capital of the Company was increased from HK\$100,000 to HK\$200,000,000 by the creation of an additional 1,999,000,000 shares of HK\$0.10 each; and
 - (ii) As consideration for the acquisition by the Company of the entire 1,000 shares of TGDL, now an intermediate holding company of the Group, the directors were authorised to issue 1,000,000 shares on 26th February 2000, credited as fully paid at par to the then shareholders of TDGL and credited as fully paid the 1,000,000 shares previously allotted and issued nil paid on 16th October 1997.
- (b) On 28th February 2000, 268,000,000 shares of HK\$0.10 each were issued and allotted by capitalisation of the share premium account of the Company conditional upon the listing of the shares on the Stock Exchange;
- (c) On 13th March 2000, 90,000,000 shares of HK\$0.10 each were issued pursuant to the initial public offer at HK\$1.00 each. The excess over the par value of the shares issued was credited to share premium account; and
- (d) The share capital presented in the consolidated balance sheet as at 31st December 1999 represents the share capital of the Company, arising from the share swap transaction described in note (a)(ii) above, which is deemed to have been in issue throughout the accounting periods presented in these accounts in accordance with the basis of preparation referred to in note 1(d). The difference between the nominal value of these shares and the nominal value of shares of the subsidiary acquired pursuant to the Group Reorganisation is accounted for as merger reserve as at 31st December 1999 (note 20).

19. SHARE CAPITAL *(continued)*

Share option

The sole shareholder of the Company approved a share option scheme (the “Scheme”) on 23rd February 2000, under which the directors of the Company are authorized to grant options to directors or full-time employees of the Company or its subsidiaries to subscribe for shares in the Company at prices to be determined in accordance with the terms of the Scheme. The maximum number of shares in respect of which options may be granted under the Scheme may not exceed, in nominal amount, 10 per cent of the issued share capital of the Company from time to time, excluding for this purpose shares issued upon the exercise of any options granted under the Scheme. No options were granted to any of the directors or employees of the Company or its subsidiaries under the Scheme since its adoption.

20. RESERVES

Group

	Exchange fluctuation reserve (note 2 (i)) HK\$'000	Fixed assets revaluation reserve (note 21) HK\$'000	Merger reserve (note (a)) HK\$'000	Share premium HK\$'000	Retained earnings (note 2(i)) HK\$'000	Total HK\$'000
At 1st January 1999	(130,990)	56,999	(200)	-	189,201	115,010
Exchange differences arising on the translation of the accounts of overseas subsidiaries	2,699	-	-	-	8,990	11,689
Surplus on revaluation	-	8,252	-	-	-	8,252
Goodwill eliminated on acquisition of a subsidiary (note 22(d))	-	-	-	-	(873)	(873)
Profit for the year retained	-	-	-	-	35,676	35,676
Others	(4,015)	-	-	-	-	(4,015)
At 31st December 1999	<u>(132,306)</u>	<u>65,251</u>	<u>(200)</u>	<u>-</u>	<u>232,994</u>	<u>165,739</u>

20. RESERVES (continued)

Group (continued)

	Exchange fluctuation reserve (note 2 (i)) HK\$'000	Fixed assets revaluation reserve (note 21) HK\$'000	Merger reserve (note (a)) HK\$'000	Share premium HK\$'000	Retained earnings (note 2(i)) HK\$'000	Total HK\$'000
At 1st January 2000	(132,306)	65,251	(200)	-	232,994	165,739
Premium on new issue of shares (note 19(c))	-	-	-	81,000	-	81,000
Share issue expenses	-	-	-	(17,339)	-	(17,339)
Capitalisation issue (note 19(b))	-	-	-	(26,800)	-	(26,800)
Exchange differences arising on the translation of the accounts of overseas subsidiaries	(14,655)	-	-	-	(24,690)	(39,345)
Surplus on revaluation	-	14,910	-	-	-	14,910
Surplus realised upon disposals of fixed assets	-	(862)	-	-	862	-
Profit for the year retained	-	-	-	-	59,594	59,594
Others	2,957	-	-	-	-	2,957
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
At 31st December 2000	<u>(144,004)</u>	<u>79,299</u>	<u>(200)</u>	<u>36,861</u>	<u>268,760</u>	<u>240,716</u>

20. RESERVES (continued)

Company

	Contributed surplus (note (b)) HK\$'000	Share premium HK\$'000	Retained earnings HK\$'000	Total HK\$'000
At 1st January 2000	–	–	–	–
Surplus arising on issue of shares in exchange for shares in a subsidiary	165,739	–	–	165,739
Premium on new issue of shares (note 19(c))	–	81,000	–	81,000
Share issue expenses	–	(17,339)	–	(17,339)
Capitalisation issue (note 19(b))	–	(26,800)	–	(26,800)
Profit for the year retained	–	–	838	838
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
At 31st December 2000	<u>165,739</u>	<u>36,861</u>	<u>838</u>	<u>203,438</u>

Notes:

- (a) The merger reserve of the Group represents the difference between the nominal value of the shares of a subsidiary acquired pursuant to the Group Reorganisation and the nominal value of the Company's shares issued in exchange thereof. For 1999 comparatives, please see note 19(d).
- (b) The contributed surplus of the Company represents the difference between the consolidated shareholders' funds of the subsidiary acquired pursuant to the same reorganisation and the nominal value of the Company's shares issued in exchange thereof.

21. FIXED ASSETS REVALUATION RESERVE

Group

	Leasehold buildings in land and buildings in Indonesia HK\$'000	Bonded zones of Indonesia HK\$'000	Plant and machinery HK\$'000	Total HK\$'000
At 1st January 1999	1,663	24,596	30,740	56,999
Surplus/(deficit) on revaluation	725	9,241	(1,714)	8,252
At 31st December 1999	<u>2,388</u>	<u>33,837</u>	<u>29,026</u>	<u>65,251</u>
At 1st January 2000	2,388	33,837	29,026	65,251
Surplus on revaluation	200	2,520	12,190	14,910
Surplus released upon disposals	–	–	(862)	(862)
At 31st December 2000	<u>2,588</u>	<u>36,357</u>	<u>40,354</u>	<u>79,299</u>

22. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

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

	2000 HK\$'000	1999 HK\$'000
Profit before taxation	139,492	113,992
Deficit on revaluation of properties	–	7,180
Depreciation of fixed assets	14,924	12,127
Amortisation of permanent textile quota entitlements	3,095	3,460
Loss on disposal of fixed assets including investment properties	543	3,630
Gain on disposal of a subsidiary	(24)	–
Increase in inventories	(43,209)	(11,806)
Increase in trade and other receivables (including amount due from a related company)	(48,352)	(14,000)
Increase/(decrease) in trade and other payables	28,924	(8,273)
Interest income	(2,733)	(1,615)
Interest expenses	11,202	12,217
Net cash inflow from operating activities	<u>103,862</u>	<u>116,912</u>

22. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(continued)

(b) Analysis of changes in financing during the year

	Share capital		Bank loans		Minority interests		Shareholders' loans	
	(including premium)							
	2000	1999	2000	1999	2000	1999	2000	1999
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1st January	-	-	100,862	105,634	5,109	4,392	-	15,000
Issue of ordinary shares (note 19(c))	90,000	-	-	-	-	-	-	-
Share issue expenses paid in current year	(8,424)	-	-	-	-	-	-	-
Share issue expenses paid in prior years	(8,715)	-	-	-	-	-	-	-
Bank loans raised	-	-	217,574	467,708	-	-	-	-
Repayments	-	-	(270,785)	(472,480)	-	-	-	(15,000)
Minority interests' in share of profits and reserves	-	-	-	-	974	1,029	-	-
Acquisition of a subsidiary	-	-	-	-	-	96	-	-
Exchange differences	-	-	-	-	(253)	(408)	-	-
	_____	_____	_____	_____	_____	_____	_____	_____
At 31st December	<u>72,861</u>	<u>-</u>	<u>47,651</u>	<u>100,862</u>	<u>5,830</u>	<u>5,109</u>	<u>-</u>	<u>-</u>

22. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(continued)

(c) Sale of a subsidiary

	2000 HK\$'000	1999 HK\$'000
Net assets disposed of:		
Other receivables	234	9
Other payables and accruals	(8)	—
	<u>226</u>	<u>9</u>
Gain on disposal	24	—
	<u>250</u>	<u>9</u>
Satisfied by:		
Cash	<u>250</u>	<u>9</u>

(d) Acquisition of a subsidiary

	2000 HK\$'000	1999 HK\$'000
Net liabilities acquired		
Fixed assets	—	118
Current assets	—	8,198
Bank balances and cash	—	2,061
Current liabilities	—	(11,154)
Minority interests	—	(96)
	—	<u>(873)</u>
Goodwill on acquisition (note 20)	—	<u>873</u>
Satisfied by consideration	<u>—</u>	<u>—</u>

22. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(continued)

(e) Analysis of the net inflow of cash and cash equivalents in respect of acquisition of a subsidiary

	2000 HK\$'000	1999 HK\$'000
Bank balances and cash acquired	<u>–</u>	<u>2,061</u>

23. CONTINGENT LIABILITIES

	Group		Company
	2000 HK\$'000	1999 HK\$'000	2000 HK\$'000
Guarantees for bank loans and overdrafts of subsidiaries	–	–	45,663
Bills of exchange discounted with recourse	<u>19,281</u>	<u>26,898</u>	<u>–</u>
	<u><u>19,281</u></u>	<u><u>26,898</u></u>	<u><u>45,663</u></u>

24. COMMITMENTS

(a) Capital commitments relating to the Group's interest in a subsidiary and acquisition of fixed assets are as follow:

	Group	
	2000 HK\$'000	1999 HK\$'000
Contracted but not provided for	<u><u>17,581</u></u>	<u><u>–</u></u>

24. COMMITMENTS *(continued)*

(b) Commitments under operating leases

As at 31st December 2000, the Group had commitments to make payments in the next twelve months for land and buildings under operating leases which expire as follows:

	Group	
	2000	1999
	HK\$'000	HK\$'000
Within one year	67	1,577
In the second to fifth year inclusive	6,180	791
After the fifth year	3,137	2,106
	<hr/>	<hr/>
	9,384	4,474
	<hr/> <hr/>	<hr/> <hr/>

25. RELATED PARTY TRANSACTIONS

Significant related party transactions, which were carried out in the normal course of the Group's business are as follows:

	Group	
	2000	1999
	HK\$'000	HK\$'000
Company controlled by a sister and brother-in-law of Mr Lee Sheng Kuang, James: Charter		
Subcontracting fees paid for garment manufacturing (note (a))	58,967	32,471
Company controlled by Mr Rusli Hendrawan and Mr Susanto: P.T. Asia Prima Sejahtera		
Purchases of fixed assets (note (b))	–	3,847
Company controlled by Mr Susanto: P.T. Karwell Kreasi Indonesia		
Sales of garments (note (c))	–	2,594
Company with 25% share interest held by a brother-in-law of Mr Lee Sheng Kuang, James: United Manutex Corporation Sales of fabrics and accessories (note (d))	–	3,566
	<u>58,967</u>	<u>42,478</u>

Note:

- (a) Subcontracting fees charged by Charter are calculated based on a standard rate per dozen as set out on the price lists provided by and agreed with Charter and adjustments to those standard rates are made when there are special requirements. The subcontracting fees paid are net of claims by the Group. Mr Lee Sheng Kuang, James is interested in these transactions to the extent that he is a director and also a beneficial shareholder of the Company. The Group acquired 100% interest in Charter which became a wholly-owned subsidiary of the Company on 9th January 2001 (note 27(a)).

25. RELATED PARTY TRANSACTIONS *(continued)*

- (b) The directors considered that the purchase of fixed assets was based on prices which would otherwise have been obtained from third party supplier. Both Mr Rusli Hendrawan and Mr Susanto are interested in these transactions to the extent that they are beneficial shareholders of the Company and Mr Rusli Hendrawan is also the chairman of the Company.
- (c) Sales to P.T. Karwell Kreasi Indonesia were conducted in the normal course of business at prices and terms no less than those charged to and contracted with other third party customers of the Group.
- (d) The pricing of the transactions were determined with reference to actual cost of purchases of fabrics and accessories by the Group. The Group acquired 75% share interest in United Manutex Corporation on 1st March 1999 which has become a subsidiary of the Company since then.

26. SUBSIDIARIES

The following is a list of the principal subsidiaries at 31st December 2000:

Company name	Place of incorporation/ Place of operation	Principal activities	Particulars of issued share capital	Percentage of interest held
Shares held directly:				
Topwell Group Development Ltd.	British Virgin Islands	Investment holding	1,000 Ordinary shares of US\$1 each	100
Shares held indirectly:				
Carry Wealth Limited	Hong Kong	Garment trading, marketing and provision of management services	4,000,000 Ordinary shares of HK\$1 each	100
Carry Wealth (South Africa) Investment Limited	British Virgin Islands	Investment holding	1 Ordinary share of US\$1	100

26. SUBSIDIARIES *(continued)*

Company name	Place of incorporation/ Place of operation	Principal activities	Particulars of issued share capital	Percentage of interest held
Porras Company Limited	Hong Kong	Garment trading agent	2 Ordinary shares of HK\$1 each	100
Promaster Company Limited	Hong Kong	Property holding	2 Ordinary shares of HK\$1 each	100
Topwell Investments Ltd.	British Virgin Islands	Investment holding	1 Ordinary share of US\$1	100
Topwell Overseas Ltd.	British Virgin Islands	Garment trading	1 Ordinary share of US\$1	100
PT Aneka Garmentama Indah *	Indonesia	Manufacture of woven bottoms	6,000 Ordinary shares of Rp1 million each	95
PT Caterindo Garment Industri *	Indonesia	Manufacture of knit tops	15,000 Ordinary shares of Rp1 million each	95
PT Kater Busanacemerlang *	Indonesia	Manufacture of sweater tops	3 million Ordinary shares of US\$1 each	95

* Subsidiaries not audited by PricewaterhouseCoopers. The aggregate net assets of subsidiaries not audited by PricewaterhouseCoopers amounted to approximately 41% of the Group's total assets.

27. SUBSEQUENT EVENTS

- (a) On 29th November 2000, the Group entered into an agreement with the owners of Charter to acquire all the issued share capital in Charter for a consideration of US\$2 million (HK\$15,600,000). The acquisition was approved by the shareholders of the Company on 5th January 2001 and completed on 9th January 2001.

- (b) On 18th December 2000, the Group entered into an agreement to acquire a subsidiary which is engaged in garment manufacturing at a consideration of HK\$6,937,000 (note 16(c)). The acquisition was completed on 1st January 2001.

28. APPROVAL OF ACCOUNTS

The accounts were approved by the board of directors on 3rd April 2001.