

Notes to the Financial Statements

For the year ended 31 December 2000

16. TRADE AND OTHER RECEIVABLES

The Group allows an average credit period of 45 days to its trade customers.

The following is an aged analysis of trade receivables at the balance sheet date:

	THE GROUP		THE COMPANY	
	2000 HK\$'000	1999 HK\$'000	2000 HK\$'000	1999 HK\$'000
Trade receivables				
0 to 30 days	2,076	2,207	-	-
31 to 60 days	3,133	13,013	-	-
Over 60 days	1,443	16,840	-	-
	6,652	32,060	-	-
Other receivables	2,002	1,863	147	-
	8,654	33,923	147	-

17. TRADE AND OTHER PAYABLES

The following is an aged analysis of trade payables at the balance sheet date:

	THE GROUP		THE COMPANY	
	2000 HK\$'000	1999 HK\$'000	2000 HK\$'000	1999 HK\$'000
Trade payables				
0 to 30 days	691	7	-	-
31 to 60 days	622	9	-	-
Over 60 days	211	800	-	-
	1,524	816	-	-
Other payables	9,952	5,288	687	158
	11,476	6,104	687	158

18. AMOUNT DUE TO A DIRECTOR

The amount is unsecured, non-interest bearing and repayable on demand.

19. LOAN FROM MINORITY SHAREHOLDER OF A SUBSIDIARY

The loan from the minority shareholder of a subsidiary is unsecured, non-interest bearing and repayable on demand.

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20. BANK BORROWINGS

	THE GROUP	
	2000 HK\$'000	1999 HK\$'000
Trust receipt loans	2,957	10,023
Bank loan	8,000	–
	<u>10,957</u>	<u>10,023</u>

The borrowings are repayable as follows:

	THE GROUP	
	2000 HK\$'000	1999 HK\$'000
Within one year or on demand	8,957	10,023
Between one to two years	2,000	–
	<u>10,957</u>	<u>10,023</u>
Less: Amounts due within one year shown under current liabilities	<u>(8,957)</u>	<u>(10,023)</u>
Amounts due after one year	<u>2,000</u>	<u>–</u>

21. SHARE CAPITAL

	Number of ordinary shares	Value HK\$'000
Authorised:		
At 1 January 1999, 31 December 1999 and 31 December 2000	<u>1,000,000,000</u>	<u>100,000</u>
Issued and fully paid:		
At 1 January 1999, 31 December 1999 and 31 December 2000	<u>200,000,000</u>	<u>20,000</u>

22. SHARE OPTION SCHEME

Pursuant to the share option scheme of the Company adopted on 10 December 1998 (the "Scheme"), the directors of the Company may grant options to any executive director or full time employee of the Company or any of its subsidiaries to subscribe for shares in the Company at a price not less than the higher of the nominal value of the Company's shares and 80% of the average of the closing prices of the Company's shares on the Stock Exchange for the five trading days immediately preceding the date of grant of the options, subject to a maximum of 10% of the issued share capital of the Company from time to time.

No option has been granted or agreed to be granted under the Scheme since its adoption.

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23. RESERVES

	Share premium account	Contributed surplus	Special reserve	Accumulated profits	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
THE GROUP					
At 1 January 1999	37,164	–	(14,980)	70,976	93,160
Profit attributable to shareholders	–	–	–	27,514	27,514
Dividends (<i>note 9</i>)	–	–	–	(16,000)	(16,000)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 1999	37,164	–	(14,980)	82,490	104,674
Loss attributable to shareholders	–	–	–	(13,601)	(13,601)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2000	<u>37,164</u>	<u>–</u>	<u>(14,980)</u>	<u>68,889</u>	<u>91,073</u>
THE COMPANY					
At 1 January 1999	37,164	60,274	–	319	97,757
Profit for the year (<i>note 8</i>)	–	–	–	17,900	17,900
Dividends (<i>note 9</i>)	–	–	–	(16,000)	(16,000)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 1999	37,164	60,274	–	2,219	99,657
Loss for the year (<i>note 8</i>)	–	–	–	(1,100)	(1,100)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2000	<u>37,164</u>	<u>60,274</u>	<u>–</u>	<u>1,119</u>	<u>98,557</u>

The special reserve represents the difference between the nominal value of the shares of the subsidiaries acquired and the nominal value of the Company's shares issued for the acquisition at the time of a group reorganisation in 1998.

The contributed surplus represents the difference between the consolidated shareholders' funds of the subsidiaries and the nominal value of the Company's shares issued for the acquisition at the time of a group reorganisation in 1998.

In addition to accumulated profits, under the Companies Act 1981 of Bermuda (as amended), contributed surplus is also available for distribution to shareholders. 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, the Company's reserves available for distribution to shareholders at 31 December 2000 consisted of contributed surplus and accumulated profits totalling HK\$61,393,000 (1999: HK\$62,493,000).

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For the year ended 31 December 2000

24. RECONCILIATION OF (LOSS) PROFIT BEFORE TAXATION TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2000	1999
	HK\$'000	HK\$'000
(Loss) profit before taxation	(14,531)	31,982
Interest expense	1,406	609
Interest income	(3,188)	(2,354)
Depreciation and amortisation	9,565	8,412
Amortisation of intangible assets	395	–
Loss on disposal of property, plant and equipment	3,393	794
Provision for doubtful debts	2,997	–
Decrease in inventories	1,496	16,637
Decrease (increase) in trade and other receivables	22,272	(19,099)
Increase (decrease) in trade and other payables	5,372	(9,440)
	<hr/>	<hr/>
Net cash inflow from operating activities	29,177	27,541

25. ANALYSIS OF CHANGES IN FINANCING DURING THE YEAR

	Bank loan	Loan from minority shareholder of a subsidiary	Minority interests	Amount due to a director
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 1999	–	–	–	16,260
Repayments during the year	–	–	–	(3,840)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 1999	–	–	–	12,420
Borrowings raised	8,000	3,595	–	–
Repayments during the year	–	–	–	(6,958)
Capital contributed by minority shareholders	–	–	7,865	–
Share of losses by minority shareholders	–	–	(930)	–
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2000	8,000	3,595	6,935	5,462

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For the year ended 31 December 2000

26. BANKING FACILITIES

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

- (i) corporate guarantee of the Company to the extent of HK\$31,100,000 (1999:HK\$15,000,000); and
- (ii) personal guarantee given by certain directors of the Company.

At 31 December 1999, the Group pledged bank deposits of HK\$5,167,000 to a bank to secure general banking facilities granted by the bank to the Group. This security was released by the bank during the year.

27. OPERATING LEASE COMMITMENTS

At the balance sheet date, the Group had outstanding commitments payable within the next year under non-cancellable operating leases for land and buildings as follows:

	THE GROUP	
	2000	1999
	HK\$'000	HK\$'000
Operating leases which expire:		
Within one year	292	–
In the second to fifth year inclusive	1,171	1,202
	1,463	1,202

The Company had no operating lease commitment at the balance sheet date.

28. CAPITAL COMMITMENTS

At the balance sheet date, the Group and the Company had the following capital commitments:

	THE GROUP	
	2000	1999
	HK\$'000	HK\$'000
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the financial statements	–	19,535

	THE COMPANY	
	2000	1999
	HK\$'000	HK\$'000
Capital investment in respect of capital contribution in a subsidiary	3,920	–

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29. PENSION SCHEME

The Company's PRC subsidiary is required under the relevant regulations in Guangdong Province to set up a retirement benefits scheme for its employees. The relevant regulations were put into effect commencing on 1 July 1998. The retirement benefits scheme was set up by the Company's PRC subsidiary in accordance with the relevant regulations in December 1998. Under the scheme, the Company's PRC subsidiary has to contribute 13% of the basic salaries of its employees to the retirement benefits scheme. During the year, the Group contributed approximately HK\$133,000 (1999: HK\$522,000) to the scheme.

Other than the above, the Company and its subsidiaries in Hong Kong and the PRC do not provide any other retirement benefits to their local permanent employees.

30. RELATED PARTY TRANSACTION

During the year, the Group paid an agency fee of approximately HK\$30,000 (1999: HK\$134,000) to Sunico (H.K.) Limited ("Sunico") in return for agency and letter of credit handling services. The fees were calculated at 1% of the value of transactions handled by Sunico. Mr. Tsoi Hon Chung, a director of the Company, has beneficial interest in Sunico.

Details of balances with related parties are set out in notes 18 and 19.

Details of guarantees given by related parties to the Company are set out in note 26.

31. PARTICULARS OF SUBSIDIARIES

Particulars of the subsidiaries of the Company as at 31 December 2000 are as follows:

Name of subsidiary	Place of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Proportion of nominal value of issued capital/ registered capital held by the Company	Principal activities
Cai Yi Feng Trading Limited	Hong Kong	HK\$10,000 ordinary shares	100%	Sourcing of raw materials
Chaoyang Hua Long Textiles and Dyeing Limited	PRC	US\$6,000,000 registered capital	100%	Fabric processing and manufacturing
Hanover Garments Limited	British Virgin Islands	US\$1 ordinary share	100%	Selling of finished fabric in the PRC
Hua Loong Textiles Limited	Hong Kong	HK\$10,000 ordinary shares	100%	Investment holding
Hua Loong Textiles Trading (Korea) Company Limited	Korea	50,000,000 Korean Won ordinary shares	100%	Inactive

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For the year ended 31 December 2000

31. PARTICULARS OF SUBSIDIARIES (CONTINUED)

Name of subsidiary	Place of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Proportion of nominal value of issued capital/ registered capital held by the Company	Principal activities
Park Well International Group Ltd. ("Park Well")	British Virgin Islands	US\$6 ordinary shares	100%	Investment holding
Transfit Garments Limited	British Virgin Islands	US\$1 ordinary share	100%	Trading of fabric in Hong Kong and the PRC
VCL Business Development (USA) Inc.	USA	US\$1,000 common stocks	100%	Holding of trademarks
Vastco (H.K.) Limited	Hong Kong	HK\$10 ordinary shares	100%	Investment holding
Vastco (Shantou F.T.Z.) Industrial Ltd.	PRC	RMB42,000,000 registered capital	80%	Manufacture and sale of snack foods in the PRC
Ying Wing (HK) Limited	Hong Kong	HK\$10 ordinary shares	100%	Trading of fabric

Notes:

1. The Company directly holds the interest in Park Well. All other interests shown above are indirectly held by the Company.
2. The principal activities are carried out in place of incorporation/establishment except as otherwise stated under principal activities above.

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

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32. SEGMENT INFORMATION

The Group's turnover and segmental result for the year ended 31 December 2000, analysed by principal activity, were as follows:

	Turnover		Contribution to (loss) profit	
	2000 HK\$'000	1999 HK\$'000	2000 HK\$'000	1999 HK\$'000
By principal activity:				
Processing of raw fabric and the sale of finished fabric	99,911	179,664	(7,099)	28,881
Trading of fabric	23,825	33,243	(1,126)	1,356
Manufacture and sale of snack food	1,006	–	(8,088)	–
	124,742	212,907	(16,313)	30,237
Add: Interest income — net			1,782	1,745
(Loss) profit before taxation			(14,531)	31,982

All of the activities of the Group are based in the PRC and more than 90% of the Group's turnover and operating results are derived from the PRC.