



## 1. Corporate information

The Company was incorporated in Bermuda on 24 September 1998 as an exempted company with limited liability under the Companies Act 1981 of Bermuda.

During the year, the Group was principally engaged in the manufacture and sale of garments.

## 2. Summary of significant accounting policies

### Basis of preparation

These financial statements have been prepared in accordance with Hong Kong Statements of Standard Accounting Practice (“SSAPs”), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for the periodic measurement of certain fixed assets and investment properties, as further explained below.

### Basis of presentation and consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 30 June 2001. The results of the subsidiaries acquired or disposed of during the year are consolidated from or to their effective dates of acquisition or disposal, respectively. All significant intercompany transactions and balances within the Group are eliminated on consolidation.

### 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, on the following bases:

- (a) the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyers, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;
- (b) rental income, on a time proportion basis over the lease terms; and



## 2. Summary of significant accounting policies (continued)

### Revenue recognition (continued)

- (c) interest income, on a time proportion basis, taking into account the principal outstanding and the effective interest rate applicable.

### Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Rentals applicable to such operating leases are charged or credited to the profit and loss account on the straight-line basis over the lease terms.

### Retirement benefit scheme

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for all of its employees in Hong Kong. The MPF Scheme became effective from 1 December 2000. Contributions are made based on a percentage of the employee's basic salaries and are charged to the profit and loss account as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

### Fixed assets and depreciation

Fixed assets, other than investment properties, are stated at cost or valuation 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 fixed assets have been put into operation, such as repairs and maintenance, is normally charged to the profit and loss account 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 fixed asset, the expenditure is capitalised as an additional cost of that asset.



## 2. Summary of significant accounting policies (continued)

### Fixed assets and depreciation (continued)

Changes in the values of fixed assets, other than investment properties, are dealt with as movements in the fixed asset revaluation reserve. If the total of this reserve is insufficient to cover a deficit, on an individual asset basis, the excess of the deficit is charged to the profit and loss account. Any subsequent revaluation surplus is credited to the profit and loss account to the extent of the deficit previously charged. On disposal of a revalued asset, the relevant portion of the revaluation reserve realised in respect of previous valuations is transferred to retained profits as a movement in reserves.

Depreciation is calculated on the straight-line basis to write off the cost or valuation of each asset, less any estimated residual value, over the following estimated useful lives:

Leasehold land and buildings	The shorter of 40 years and the lease terms
Leasehold improvements	The shorter of 10 years and the lease terms
Plant and machinery	10 years
Furniture, office equipment and motor vehicles	10 years

The gain or loss on disposal or retirement of a fixed asset recognised in the profit and loss account is the difference between the net sales proceeds and the carrying amount of the relevant asset.

### Goodwill

Goodwill arising on consolidation of subsidiaries represents the excess purchase consideration paid for the subsidiaries over the fair values ascribed to the net underlying assets of the subsidiaries acquired and is capitalised and amortised to the profit and loss account on a straight-line basis over twenty years.

Negative goodwill arising on consolidation of subsidiaries represents the excess fair values ascribed to the net underlying assets of the subsidiaries acquired over the purchase consideration paid for the subsidiaries and is credited to the capital reserve in the year of acquisition.



## 2. Summary of significant accounting policies (continued)

### **Goodwill (continued)**

Upon disposal of subsidiaries, the relevant portion of attributable unamortised goodwill or capital reserve is realised and taken into account in determining the gain or loss on disposal of the subsidiaries.

### **Subsidiaries**

A subsidiary is a company in which the Company, directly or indirectly, controls more than half of its voting power or issued share capital or controls the composition of its board of directors.

Interests in subsidiaries are stated at cost unless, in the opinion of the directors of the Company, there have been diminutions in values other than those considered to be temporary in nature, when they are written down to values determined by the directors.

### **Investment properties**

Investment properties are interests in land and buildings in respect of which construction work and development have been completed and which are intended to be held on a long term basis for their investment potential, any rental income being negotiated at arm's length. Such properties are not depreciated and are stated at their open market values on the basis of annual professional valuations performed at the end of each financial year. Changes in the values of investment properties are dealt with as movements in the investment property revaluation reserve. If the total of this reserve is insufficient to cover a deficit, on a portfolio basis, the excess of the deficit is charged to the profit and loss account. Any subsequent revaluation surplus is credited to the profit and loss account to the extent of the deficit previously charged.

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



## 2. Summary of significant accounting policies (continued)

### Investments in securities

Investments are classified either as long term or short term investments.

Long term investments in listed and unlisted equity securities are intended to be held on a continuing basis and are stated at cost less provisions for diminutions in values, on an individual investment basis. Provisions are made when the fair values have declined below the carrying amounts unless there is evidence that the decline is temporary. Any reduction in carrying amounts is charged to the profit and loss account.

The profit or loss on disposal of investment securities is accounted for in the period in which the disposal occurs as the difference between the net sales proceeds and the carrying amount of the securities.

Short term investments are stated at their fair values on an individual investment basis. The unrealised gains or losses arising from changes in their respective fair values are credited or charged to the profit and loss account for the period in which they arise.

### Inventories

Inventories are stated at the lower of cost and net realisable value after allowance for obsolete or slow-moving items. Cost is determined on the first-in, first-out basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads based on a normal level of operating activities. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

### Deferred tax

Deferred tax is provided, using the liability method, on all significant timing differences in the recognition of revenue and expenses for tax and financial reporting purposes, to the extent it is probable that the liability will crystallise in the foreseeable future. A deferred tax asset is not recognised until its realisation is assured beyond reasonable doubt.



## 2. Summary of significant accounting policies (continued)

### Foreign currencies

Foreign currency transactions are recorded at the applicable rates of exchange ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the applicable rates of exchange ruling at that date. Exchange differences are dealt with in the profit and loss account.

On consolidation, the financial statements of overseas subsidiaries are translated into Hong Kong dollars at the applicable rates of exchange ruling at the balance sheet date. The resulting translation differences are included in the exchange fluctuation reserve.

### Cash equivalents

For the purpose of the consolidated cash flow statement, cash equivalents 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. For the purpose of balance sheet classification, cash equivalents represent assets similar in nature to cash, which are not restricted as to use.

## 3. Turnover

Turnover represents the net invoiced value of goods sold, after allowances for returns and trade discounts during the year.



#### 4. Profit from operating activities

The Group's profit from operating activities is arrived at after charging/(crediting):

	2001	2000
	HK\$'000	HK\$'000
Cost of inventories sold	142,703	145,437
Depreciation	6,021	5,093
Operating lease rentals on land and buildings	161	139
Staff costs (excluding directors' remuneration – note 5)		
Wages and salaries *	8,265	6,324
Retirement benefit scheme contributions	62	–
Auditors' remuneration	1,000	800
Amortisation of goodwill	1,711	–
Deficit on revaluation of leasehold land and buildings in Hong Kong – note 12	49	216
Deficit on revaluation of investment property in Hong Kong – note 13	–	128
Loss on disposal of fixed assets	–	3
Realised losses on short term investments	2,752	–
Gross and net rental income	(303)	(141)
Interest income	(3,066)	(2,961)
Dividend income from listed securities	(93)	–
Gain on disposal of subsidiaries	(20)	–
Unrealised gains on short term investments	(1,382)	–

\* In addition to the above remuneration, 10,150,000 (2000: 4,300,000) share options to subscribe for ordinary shares in the Company were granted to certain employees of the Group during the year. In the absence of a readily available market value for the share options on the ordinary shares in the Company, the directors are unable to arrive at an accurate estimated monetary value of the share options granted. Accordingly, no value was included in staff costs above in respect of the share options granted during the year. Further details of share option scheme are included in note 24 to the financial statements.



## 5. Directors' remuneration

	2001 HK\$'000	2000 HK\$'000
Fees:		
Executive directors	—	—
Non-executive directors	—	—
Basic salaries, housing benefits, other allowances and benefits in kind:		
Executive directors *	2,882	1,939
Non-executive directors	—	—
	<hr/> 2,882	<hr/> 1,939

\* During the year, no (2000: 6,300,000) share options to subscribe for ordinary shares in the Company were granted to certain directors of the Company of the Group. In the absence of a readily available market value for the share options on the ordinary shares in the Company, the directors are unable to arrive at an accurate estimated monetary value of the share options granted. Accordingly, no value was included in directors' remuneration in respect of the share options granted in prior year. Further details of share option scheme are included in note 24 to the financial statements.

The number of directors whose remuneration fell within the following band is as follows:

	Number of directors	
	2001	2000
Nil – HK\$1,000,000	7	6

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





## 6. Six highest paid employees

The six highest paid employees during the year included four (2000: three) directors, details of whose remuneration are disclosed above. The details of the remuneration of the remaining two (2000: three) non-director, highest paid employees, are as follows:

	2001 HK\$'000	2000 HK\$'000
Basic salaries, housing benefits, other allowances and benefits in kind *	<b>1,182</b>	628

\* In addition to the above remuneration, 600,000 share options to subscribe for ordinary shares in the Company were granted to an employee of the Group during the year. In the absence of a readily available market value for the share options on the ordinary shares in the Company, the directors are unable to arrive at an accurate estimated monetary value of the share options granted. Accordingly, no value was included in staff costs above in respect of the share options granted during the year. Further details of share option scheme are included in note 24 to the financial statements.

## 7. Finance costs

	2001 HK\$'000	2000 HK\$'000
Interest on bank loans and overdrafts, wholly repayable within five years	<b>239</b>	1,148
Interest on a bank loan wholly repayable beyond five years	<b>301</b>	387
Interest on trust receipt loans	<b>18</b>	149
Interest on other loans	<b>235</b>	–
<b>Total finance costs</b>	<b>793</b>	1,684



## 8. Tax

	2001 HK\$'000	2000 HK\$'000
Current year provision:		
Hong Kong	385	–
Elsewhere	8,360	6,887
	<hr/>	
Tax charge for the year	8,745	6,887

Hong Kong profits tax has been provided at the rate of 16% (2000: Nil) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

According to the Income Tax Law of the PRC, Huatong Garment Co., Ltd. Putian, a subsidiary of the Company, which operates in one of the coastal economic open zones of the PRC, was exempt from the 24% state income tax and 3% local income tax of the PRC for two years starting from the first profitable year of its operations, ie, from 1 January 1998 to 31 December 1999. The subsidiary is also entitled to a 50% relief from the state income tax and exempt from the 3% local income tax of the PRC for the following three years, ie, from 1 January 2000 to 31 December 2002. Accordingly, the subsidiary is subject to the 12% state income tax of the PRC during the year. Upon expiry of the tax relief period, the usual income tax rate of 27% is applicable to this subsidiary.

According to the Income Tax Law of the PRC, Good Fellow Garment (Fujian) Co., Ltd., a subsidiary of the Company, which operates in one of the coastal economic open zones of the PRC, is subject to the 24% state income tax and 3% local income tax of the PRC during the year.

No provision for deferred tax has been made as the Group did not have any significant unprovided deferred tax in respect of the year (2000: Nil).

The revaluation of the Group's leasehold land and buildings and investment property does not constitute a timing difference and, consequently, there is no deferred tax thereon.



## 9. Net profit from ordinary activities attributable to shareholders

The net profit from ordinary activities attributable to shareholders dealt with in the financial statements of the Company is approximately HK\$14,347,000 (2000: HK\$7,616,000).

## 10. Dividends

	2001	2000
	HK\$'000	HK\$'000
Proposed final dividend	<b>7,760</b>	7,695

The directors recommend the payment of a final dividend of HK1 cent (2000: HK1 cent) per ordinary share in respect of the year ended 30 June 2001 to shareholders on the register of members on 23 November 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 approximately HK\$50,088,000 (2000: HK\$49,398,000) and the weighted average of 762,683,666 (2000: 661,986,648) ordinary shares in issue during the year.

The calculation of diluted earnings per share is based on the net profit from ordinary activities attributable to shareholders for the year of approximately HK\$50,088,000 (2000: HK\$49,398,000) and on 776,839,512 (2000: 701,916,872) ordinary shares, being the weighted average number of ordinary shares outstanding during the year adjusted for the effects of dilutive potential ordinary shares outstanding during the year.



## 11. Earnings per share (continued)

The reconciliation of weighted average number of shares used in calculating basic and diluted earnings per share is as follows:

	2001	2000
Weighted average number of ordinary shares used in calculating basic earnings per share	<b>762,683,666</b>	661,986,648
Weighted average number of ordinary shares:		
Assumed issued at no consideration on deemed exercise of all share options outstanding during the year	<b>14,155,846</b>	32,215,068
Assumed issued at no consideration on deemed exercise of all warrants outstanding during the year *	–	7,715,156
Weighted average number of ordinary shares used in calculating diluted earnings per share	<b>776,839,512</b>	701,916,872

\* The warrants outstanding during the year did not have any dilutive effect on the basic earnings per share for the year.



## 12. Fixed assets

### Group

	Leasehold land and buildings HK\$'000	Leasehold improvements HK\$'000	Plant and machinery HK\$'000	Furniture, office equipment and motor vehicles HK\$'000	Total HK\$'000
Cost or valuation:					
At beginning of year	39,800	464	44,029	3,882	88,175
Additions	14,142	–	927	1,783	16,852
Revaluation	(162)	–	–	–	(162)
	53,780	464	44,956	5,665	104,865
Analysis of cost or valuation:					
At cost	–	464	44,956	5,665	51,085
At valuation	53,780	–	–	–	53,780
	53,780	464	44,956	5,665	104,865
Accumulated depreciation:					
At beginning of year	–	64	10,754	1,197	12,015
Provided during the year	1,109	47	4,454	411	6,021
Written back on revaluation	(1,109)	–	–	–	(1,109)
At end of year	–	111	15,208	1,608	16,927
Net book value:					
<b>At 30 June 2001</b>	<b>53,780</b>	<b>353</b>	<b>29,748</b>	<b>4,057</b>	<b>87,938</b>
At 30 June 2000	39,800	400	33,275	2,685	76,160



## 12. Fixed assets (continued)

The Group's leasehold land and buildings included above are held under the following lease terms:

	<b>Group</b>	
	<b>2001</b>	2000
	<b>HK\$'000</b>	HK\$'000
At valuation:		
Medium term leases in Hong Kong	<b>8,400</b>	5,600
Medium term leases outside Hong Kong	<b>45,380</b>	34,200
	<hr/> <b>53,780</b>	<hr/> 39,800

At 30 June 2001, the leasehold land and buildings in Hong Kong were revalued on an open market, existing use basis and those outside Hong Kong on a depreciated replacement cost basis, by LCH (Asia-Pacific) Surveyors Limited, an independent firm of professional valuers, at HK\$8,400,000 and HK\$45,380,000, respectively. A deficit on revaluation of approximately HK\$49,000 (2000: HK\$216,000) and a surplus on revaluation of approximately HK\$996,000 (2000: HK\$373,000) arising from the above valuations have been charged to the profit and loss account (note 4) and credited to the fixed asset revaluation reserve (note 25), respectively.

Had the Group's leasehold land and buildings held in Hong Kong been carried at historical cost less accumulated depreciation, their carrying value would have been approximately HK\$8,665,000 (2000: HK\$5,816,000).

Had the Group's leasehold land and buildings held outside Hong Kong been carried at historical cost less accumulated depreciation, their carrying value would have been approximately HK\$43,908,000 (2000: HK\$25,016,000).

At 30 June 2001, certain of the Group's leasehold land and buildings with a carrying value of HK\$5,400,000 (2000: HK\$5,600,000) held in Hong Kong was pledged to secure certain banking facilities granted to the Group (note 22).



### 13. Investment property

	Group	
	2001	2000
	HK\$'000	HK\$'000
Valuation:		
At beginning of year	1,350	1,500
Deficit on revaluation	—	(150)
	<hr/>	<hr/>
At end of year	1,350	1,350

The Group's investment property is held under a medium term lease in Hong Kong.

At 30 June 2001, the investment property was revalued on an income capitalisation basis by LCH (Asia-Pacific) Surveyors Limited, an independent firm of professional valuers, at HK\$1,350,000.

### 14. Interests in subsidiaries

	2001	2000
	HK\$'000	HK\$'000
Unlisted shares, at cost	64,522	64,522
Due from a subsidiary	152,378	65,560
	<hr/>	<hr/>
	216,900	130,082

The amounts due from a subsidiary is unsecured and interest-free. Except for the amount of approximately HK\$152,378,000 which is not repayable before 30 June 2002, an amount of HK\$15,000,000 is repayable on demand.



## 14. Interests in subsidiaries (continued)

Particulars of the principal subsidiaries are as follows:

Name	Place of incorporation/ establishment/ and operations*	Paid-up share/ registered capital	Percentage of equity attributable to the Company	Principal activities
<b>Directly held</b>				
Holt Hire Holdings Limited	British Virgin Islands ("BVI")	Ordinary share/ registered capital US\$3	100%	Investment holding
<b>Indirectly held</b>				
Cannon Ape Company Limited	Hong Kong	Ordinary share/ registered capital HK\$10,000	100%	Property and intellectual property holding
Clothes Galore Limited	BVI	Ordinary share/ registered capital US\$1	100%	Intellectual property holding
Crown Hero Assets Limited	BVI	Ordinary share/ registered capital US\$1	100%	Investment holding
Digital 910 Limited	Hong Kong	Ordinary share/ registered capital HK\$10,000	100%	Investment holding
Fancy Spirit Limited	Hong Kong	Ordinary share/ registered capital HK\$2	100%	Property holding
Fujian Yingfu Industry Co., Ltd.	PRC	HK\$15,000,000	60%	Development and sale of computer software





## 14. Interests in subsidiaries (continued)

Name	Place of incorporation/ establishment/ and operations*	Paid-up share/ registered capital	Percentage of equity attributable to the Company	Principal activities
<b>Indirectly held (continued)</b>				
Good Country Investment Limited	Hong Kong	Ordinary HK\$2 Non-voting deferred HK\$10,000	100%	Property holding and trading of securities
Good Fellow Fashion Limited	BVI/ PRC	Ordinary US\$1	100%	Trading of garments
Good Fellow Fashion (Group) Limited	Hong Kong	Ordinary HK\$10,000	100%	Distribution of garments and provision of marketing services
Good Fellow Garment (Fujian) Co., Ltd	PRC	US\$5,000,000	100%	Manufacture and sale of garments
Hi-Tech Market Limited	BVI	Ordinary US\$100	60%	Investment holding
Huatong Garment Co., Ltd. Putian	PRC	US\$600,000	100%	Manufacture and sale of garments
Strike Again Group Limited	BVI/ PRC	Ordinary US\$1	100%	Trading of garments
Zeugfang Garments Limited	BVI/ PRC	Ordinary US\$1	100%	Provision of design and product development services

\* Where different



## 15. Goodwill

	Group	
	2001	2000
	HK\$'000	HK\$'000
Cost:		
Additions and at 30 June 2001	34,223	–
Accumulated amortisation:		
Provided for the year and at 30 June 2001	(1,711)	–
Net book value:		
At 30 June 2001	32,512	–

## 16. Long term investments

	Group		Company	
	2001	2000	2001	2000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Equity securities				
Listed in Hong Kong	11,000	–	11,000	–
Unlisted outside Hong Kong	6,667	–	–	–
	17,667	–	11,000	–
Market value of listed equity				
investments	17,463	–	17,463	–



## 17. Inventories

	Group	
	2001	2000
	HK\$'000	HK\$'000
Raw materials	27,822	24,841
Work in progress	2,925	4,093
Finished goods	13,655	10,997
	<b>44,402</b>	39,931

## 18. Trade receivables

The ageing of trade receivables based from the date of recognition of the sales is analysed as follows:

	Group	
	2001	2000
	HK\$'000	HK\$'000
0 – 30 days	24,514	23,751
31 – 60 days	10,343	7,649
61 – 90 days	3,971	4,518
over 90 days	1,324	3,640
	<b>40,152</b>	39,558

The Group normally allows credit terms to established customers ranging from 30 to 120 days.



## 19. Short term investments

	Group	
	2001 HK\$'000	2000 HK\$'000
Equities listed in Hong Kong, at market value	23,576	–

## 20. Cash and cash equivalents

	Group		Company	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Cash and bank balances	35,363	48,321	21	1,058
Time deposits	55,843	45,804	–	42,357
	91,206	94,125	21	43,415

## 21. Interest-bearing bank borrowings

	Note	Group	
		2001 HK\$'000	2000 HK\$'000
Bank overdrafts, secured	22	423	342
Bank loans, secured and repayable:	22		
Within one year		234	6,445
In the second year		249	475
In the third to fifth years, inclusive		840	699
Beyond five years		1,564	2,016
		3,310	9,977
Portion classified as current liabilities		(657)	(6,787)
Long term portion		2,653	3,190



## 22. Banking facilities

At 30 June 2001, the Group's banking facilities were secured by the following:

- (a) certain of the Group's leasehold land and buildings in Hong Kong with carrying values of HK\$5,400,000 (note 12);
- (b) the Group's bank deposits of HK\$9,500,000; and
- (c) corporate guarantees given by the Company and a subsidiary of the Company.

## 23. Trade payables

The ageing of trade payables based from the date of receipt of the goods purchased is analysed as follows:

	Group	
	2001	2000
	HK\$'000	HK\$'000
0 – 30 days	1,006	613
31 – 60 days	977	497
61 – 90 days	457	918
over 90 days	802	1,080
	3,242	3,108



## 24. Share capital

	2001	2000
	HK\$'000	HK\$'000
<i>Authorised:</i>		
1,000,000,000 ordinary shares of HK\$0.10 each	<b>100,000</b>	100,000
<i>Issued and fully paid:</i>		
776,030,200 ordinary shares of HK\$0.10 each		
(2000: 696,550,200 ordinary shares of HK\$0.10 each)	<b>77,603</b>	69,655

During the year, the following movements in share capital were recorded:

- (a) On 3 August 2000, arrangements were made by Golden Prince, a substantial shareholder of the Company, for the placement of 70,000,000 ordinary shares in the Company of HK\$0.10 each at a price of HK\$0.95 per share to an independent third party investor. On the same day, the Company entered into a subscription agreement for the subscription by Golden Prince of 70,000,000 new ordinary shares of HK\$0.10 each in the Company at the same price of HK\$0.95 per share. On 16 August 2000, the above subscription agreement was cancelled and the Company entered into a new subscription agreement for the subscription by Golden Prince of 60,000,000 new ordinary shares of HK\$0.10 each in the Company at a price of HK\$0.95 per share.

The placement and subscription were completed on 7 August 2000 and 17 August 2000, respectively and the proceeds of approximately HK\$57,000,000, before expenses, were raised by the Company.

The excess of the share issue proceeds over the nominal value of the shares issued amounting to approximately HK\$51,000,000 was credited to the share premium account (note 25).

- (b) During the year, 26,890,000 share options were exercised at the subscription price of HK\$0.72 and HK\$0.257 per share, respectively, resulting in the issue of 26,890,000 shares of HK\$0.10 each for a total cash consideration, before expenses, of approximately HK\$10,387,000.



## 24. Share capital (continued)

- (c) During the year, the Company repurchased 7,410,000 ordinary shares on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") as follows:

Month of Repurchase	Number of shares	Price per share		Aggregate price HK\$
		Highest HK\$	Lowest HK\$	
April 2001	7,410,000	0.60	0.57	4,383,309

The repurchased shares were cancelled after the repurchase and the issued share capital of the Company was reduced by the par value thereof. The premium paid on the repurchase of the shares of HK\$3,642,000 was deducted from the share premium account of the Company (note 25).

The repurchases of the Company's shares during the year was effected by the directors, pursuant to the mandate from shareholders, with a view to benefiting shareholders as a whole by enhancing the net asset value per share of the Group.



## 24. Share capital (continued)

A summary of the movements in the issued share capital of the Company during 2000 and 2001 is as follows:

	<b>Number of shares issued</b>	<b>Par value</b>
	'000	HK\$'000
Share capital as at 1 July 1999	200,000	20,000
Issue of new shares	22,670	2,267
Share options exercised	17,845	1,785
Bonus issue of shares	456,010	45,601
Warrants exercised	25	2
<hr/>		
Share capital as at 30 June 2000 and 1 July 2000	696,550	69,655
Issue of new shares	60,000	6,000
Share options exercised	26,890	2,689
Repurchase of shares	(7,410)	(741)
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	776,030	77,603
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## 24. Share capital (continued)

### Share options

Under the terms of the Company's share option scheme adopted on 25 October 1998, the directors of the Company may, at their discretion, grant options to directors and employees of the Company and its subsidiaries to subscribe for shares. A nominal consideration of HK\$1 is payable on acceptance of the grant of an option and will entitle the holders to subscribe for shares during such periods as may be determined by the directors at a price not less than the higher of the nominal value of the shares and 80% of the average of the closing price of the shares on the Stock Exchange on the five trading days immediately preceding the date of the grant of the option. The maximum number of shares in respect of which options may be granted under the share option scheme shall not exceed in nominal amount 10% of the share capital of the Company in issue from time to time, and the maximum number of shares in respect of which options may be granted to any employee may not exceed 25% of the maximum number of shares in respect of which options may be granted under the share option scheme. Any shares allotted and issued on the exercise of options will rank pari passu with the other shares in issue at the date of exercise of the relevant option.



## 24. Share capital (continued)

### Share options (continued)

#### *Share options expiring on 31 January 2009*

On 1 February 1999, the Company granted a total of 20,000,000 share options to certain executive directors and certain full time employees of the Group, which entitle them to subscribe for a total of 20,000,000 ordinary shares in the Company. The share options are exercisable at a price of HK\$0.77 per share in the following manner:

<b>Exercise period</b>	<b>Percentage of the aggregated number of shares in respect of which options may be exercised for each director/employee over the total exercisable options for each director/employee</b>
1 May 1999 – 31 July 1999	not more than 10%
1 August 1999 – 31 October 1999	not more than 20%
1 November 1999 – 31 January 2000	not more than 30%
1 February 2000 – 30 April 2000	not more than 40%
1 May 2000 – 31 July 2000	not more than 50%
1 August 2000 – 31 October 2000	not more than 60%
1 November 2000 – 31 January 2001	not more than 70%
1 February 2001 – 30 April 2001	not more than 80%
1 May 2001 – 31 July 2001	not more than 90%
1 August 2001 – 31 January 2009	not more than 100%

At the beginning of the year, the outstanding number of shares under option was 27,885,000 and the exercise price of the share options was HK\$0.257 per share.

During the year, 19,320,000 share options to subscribe for the ordinary shares of HK\$0.10 each in the Company were exercised at a subscription price of HK\$0.257 per share, resulting in the issue of 19,320,000 new shares in the Company at a total consideration of approximately HK\$4,965,000.



## 24. Share capital (continued)

### Share options (continued)

#### *Share options expiring on 31 January 2009 (continued)*

During the year, no options were granted and 1,560,000 share options lapsed following the resignation of share option holders.

At the balance sheet date, the Company had 7,005,000 share options outstanding, the exercise in full of which would, under the present capital structure of the Company, result in the issue of 7,005,000 additional shares of HK\$0.10 each.

#### *Share options expiring on 27 April 2010*

On 28 April 2000, the Company granted a total of 10,600,000 share options to three directors and three employees of the Group, which entitle them to subscribe for the Company's ordinary shares of HK\$0.10 each at an exercise price of HK\$0.72 per share. 7,000,000 share options are exercisable at any time after the acceptance of the offer within ten years and the remaining balance of 3,600,000 share options can only be exercised in the following manner:

<b>Exercise period</b>	<b>Percentage of the aggregated number of shares in respect of which options may be exercised for each director/employee over the total exercisable options for each director/employee</b>
28 July 2000 – 27 October 2000	not more than 12.5%
28 October 2000 – 27 January 2001	not more than 25.0%
28 January 2001 – 27 April 2001	not more than 37.5%
28 April 2001 – 27 July 2001	not more than 50.0%
28 July 2001 – 27 October 2001	not more than 62.5%
28 October 2001 – 27 January 2002	not more than 75.0%
28 January 2002 – 27 April 2002	not more than 87.5%
28 April 2002 – 27 April 2010	not more than 100%

At the beginning of the year, the outstanding number of shares under option was 10,600,000 and the exercise price of the share options was HK\$0.72 per share.



## 24. Share capital (continued)

### Share options (continued)

#### *Share options expiring on 27 April 2010 (continued)*

During the year, 7,450,000 share options to subscribe for the ordinary shares of HK\$0.10 each in the Company were exercised at a subscription price of HK\$0.72 per share, resulting in the issue of 7,450,000 new shares in the Company at a total consideration of approximately HK\$5,364,000.

During the year, no options were granted and 3,150,000 share options lapsed following the resignation of a share option holder.

At 30 June 2001, no options remained outstanding.

#### *Share options expiring on 31 October 2010*

During the year, on 1 November 2000, the Company granted a total of 7,000,000 share options to fourteen employees of the Group, which entitle them to subscribe for the Company's ordinary shares of HK\$0.10 at any time after the acceptance of the offer within ten years at a subscription price of HK\$0.41 per share.

At 30 June 2001, all options remained outstanding.



## 24. Share capital (continued)

### Share options (continued)

#### *Share options expiring on 20 May 2011*

During the year, on 21 May 2001, the Company granted a total of 3,150,000 share options to four employees of the Group, which entitle them to subscribe for a total of 3,150,000 ordinary shares in the Company. The share options are exercisable at a price of HK\$0.48 per share in the following manner:

<b>Exercise period</b>	<b>Percentage of the aggregated number of shares in respect of which options may be exercised for each director/employee over the total exercisable options for each director/employee</b>
21 May 2001 – 20 August 2001	not more than 20%
21 August 2001 – 20 November 2001	not more than 40%
21 November 2001 – 20 February 2002	not more than 60%
21 February 2002 – 20 May 2002	not more than 80%
21 May 2002 – 20 May 2011	not more than 100%

During the year, 120,000 share options to subscribe for the ordinary shares of HK\$0.10 each in the Company were exercised at a subscription price of HK\$0.48 per share, resulting in the issue of 120,000 new shares in the Company at a total consideration of approximately HK\$58,000.

At the balance sheet date, the Company had 3,030,000 share options outstanding, the exercise in full of which would, under the present capital structure of the Company, result in the issue of 3,030,000 additional shares of HK\$0.01 each.



## 24. Share capital (continued)

### Warrants

Pursuant to an ordinary resolution passed in the annual general meeting held on 23 December 1999, the Company granted bonus warrants to its shareholders on the basis of one warrant for every five ordinary shares of HK\$0.10 each in the issued share capital of the Company held by the shareholders whose names appear on the register of members of the Company on 23 December 1999. Based on the issued share capital of the Company at that date after the bonus issue, 136,803,000 bonus warrants were issued.

Each of the bonus warrants entitles the holder thereof to subscribe for one ordinary share at an initial subscription price of HK\$1.30 per share, subject to adjustment, from the date of issue to 31 December 2001 (both dates inclusive). Any shares falling to be issued upon the exercise of the subscription rights attaching to the warrants rank *pari passu* in all respects with the existing fully-paid shares in issue on the relevant subscription date.

At the beginning of the year, the outstanding number of warrants was 136,777,800 and the subscription price of the warrants was HK\$1.30 per share.

During the year, no warrants were exercised by the warrant holders.

The exercise in full of the outstanding warrants at the subscription price of HK\$1.30 per share at the balance sheet date would, based on the present capital structure of the Company, result in the issue of 136,777,800 new shares and the receipt by the Company of approximately HK\$177,811,000 before any related issue expenses.



## 25. Reserves

Group	Share premium HK\$'000	Contributed surplus HK\$'000	Fixed Asset revaluation reserve HK\$'000	Investment property revaluation reserve HK\$'000	Statutory reserve fund HK\$'000	Exchange fluctuation reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1 July 1999	20,526	5,415	9,065	22	379	(1,613)	58,716	92,510
Arising on exercise of share options	5,538	-	-	-	-	-	-	5,538
Arising on issue of new shares	49,874	-	-	-	-	-	-	49,874
Share issue expenses	(425)	-	-	-	-	-	-	(425)
Bonus issue of new shares	(45,601)	-	-	-	-	-	-	(45,601)
Bonus share issue expenses	(180)	-	-	-	-	-	-	(180)
Arising on exercise of warrants	30	-	-	-	-	-	-	30
Surplus on revaluation – note 12	-	-	373	-	-	-	-	373
Deficit on revaluation	-	-	-	(22)	-	-	-	(22)
Net profit for the year	-	-	-	-	-	-	49,398	49,398
Dividends for the year – note 10	-	-	-	-	-	-	(7,695)	(7,695)
Transfer from retained profits	-	-	-	-	183	-	(183)	-
At 30 June 2000 and 1 July 2000	29,762	5,415	9,438	-	562	(1,613)	100,236	143,800
Arising on exercise of share options	7,698	-	-	-	-	-	-	7,698
Arising on issue of new shares	51,000	-	-	-	-	-	-	51,000
Share issue expenses	(338)	-	-	-	-	-	-	(338)
Premium on repurchase of own shares	(3,642)	-	-	-	-	-	-	(3,642)
Surplus on revaluation – note 12	-	-	996	-	-	-	-	996
Net profit for the year	-	-	-	-	-	-	50,088	50,088
Dividends for the year – note 10	-	-	-	-	-	-	(7,760)	(7,760)
Transfer from retained profits	-	-	-	-	692	-	(692)	-
<b>At 30 June 2001</b>	<b>84,480</b>	<b>5,415</b>	<b>10,434</b>	<b>-</b>	<b>1,254</b>	<b>(1,613)</b>	<b>141,872</b>	<b>241,842</b>



## 25. Reserves (continued)

Company	Share	Contributed	Fixed	Investment	Statutory	Exchange	Retained	Total
	premium	surplus	Asset	property	reserve	fluctuation	profits	
	HK\$'000	HK\$'000	revaluation	revaluation	fund	reserve	HK\$'000	HK\$'000
			reserve	reserve				
			HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 July 1999	20,526	64,322	-	-	-	-	2,163	87,011
Arising on exercise of share options	5,538	-	-	-	-	-	-	5,538
Arising on issue of new shares	49,874	-	-	-	-	-	-	49,874
Share issue expenses	(425)	-	-	-	-	-	-	(425)
Issue of bonus shares	(45,601)	-	-	-	-	-	-	(45,601)
Bonus shares issue expenses	(180)	-	-	-	-	-	-	(180)
Arising on exercise of warrants	30	-	-	-	-	-	-	30
Net profit for the year - note 9	-	-	-	-	-	-	7,616	7,616
Dividends for the year - note 10	-	-	-	-	-	-	(7,695)	(7,695)
At 30 June 2000 and 1 July 2000	29,762	64,322	-	-	-	-	2,084	96,168
Arising on exercise of share options	7,698	-	-	-	-	-	-	7,698
Arising on issue of new shares	51,000	-	-	-	-	-	-	51,000
Share issue expenses	(338)	-	-	-	-	-	-	(338)
Premium on repurchase of own shares	(3,642)	-	-	-	-	-	-	(3,642)
Net profit for the year - note 9	-	-	-	-	-	-	14,347	14,347
Dividends for the year - note 10	-	-	-	-	-	-	(7,760)	(7,760)
<b>At 30 June 2001</b>	<b>84,480</b>	<b>64,322</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>8,671</b>	<b>157,473</b>





## 25. Reserves (continued)

The contributed surplus of the Group represents the difference between the nominal value of shares of the subsidiaries acquired pursuant to the Group reorganisation, over the nominal value of the Company's shares issued in exchange therefor.

The contributed surplus of the Company represents the excess of the fair value of the shares in the subsidiaries acquired pursuant to the same reorganisation, over the nominal value of the Company's shares issued in exchange therefor. Under the Companies Act 1981 of Bermuda, a Company may make distributions to its members out of contributed surplus in certain circumstances.



## 26. Notes to the consolidated cash flow statement

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

	2001	2000
	HK\$'000	HK\$'000
Profit from operating activities	59,626	57,969
Interest income	(3,066)	(2,961)
Dividend income from listed securities	(93)	–
Unrealised holding gain on investments in securities	(1,382)	–
Depreciation	6,021	5,093
Amortisation of goodwill	1,711	–
Loss on disposal of fixed assets	–	3
Gain on disposal of subsidiaries	(20)	–
Deficit on revaluation of leasehold land and buildings	49	216
Deficit on revaluation of investment property	–	128
(Increase)/decrease in prepayments, deposits and other receivables	(7,424)	6,085
Increase in inventories	(14,671)	(11,340)
Increase in trade receivables	(11,091)	(9,045)
Increase in short term investments	(22,194)	–
Increase/(decrease) in trade payables	134	(3,356)
Increase in other payables and accruals	2,076	3,084
<b>Net cash inflow from operating activities</b>	<b>9,676</b>	<b>45,876</b>



## 26. Notes to the consolidated cash flow statement (continued)

### (b) Acquisition of subsidiaries

	2001 HK\$'000	2000 HK\$'000
Net assets acquired:		
Long term investment	6,667	–
Other receivables	1	–
Cash and bank balances	8,293	–
Minority interests	(5,984)	–
	<hr/> 8,977	–
Goodwill	34,223	–
	<hr/> 43,200	–
Satisfied by:		
Cash	43,200	–

Analysis of the net outflow of cash and cash equivalents in respect of the acquisition of subsidiaries:

	2001 HK\$'000	2000 HK\$'000
Cash consideration	(43,200)	–
Cash and bank balances acquired	8,293	–
Net outflow of cash and cash equivalents in respect of the acquisition of subsidiaries	<hr/> (34,907)	–

The subsidiaries acquired during the year did not contribute significant cash flows to the Group.



## 26. Notes to the consolidated cash flow statement (continued)

### (c) Disposal of subsidiaries

	2001	2000
	HK\$'000	HK\$'000
Net assets disposed of:		
Prepayments, deposits and other receivables	6,213	—
Inventories	10,200	—
Trade receivables	10,497	—
Other payables and accruals	(9,030)	—
Tax payables	(17,880)	—
	—	—
Gain on disposal of subsidiaries	20	—
	20	—
Satisfied by:		
Cash	20	—

Analysis of the net inflow of cash and cash equivalents in respect of the disposal of subsidiaries:

	2001	2000
	HK\$'000	HK\$'000
Cash consideration and inflow of cash and cash equivalents in respect of the disposal of subsidiaries	20	—

The subsidiaries disposed of during the year did not contribute significant cash flows to the Group.



## 26. Notes to the consolidated cash flow statement (continued)

### (d) Analysis of changes in financing activities during the year

	<b>Pledged bank deposits HK\$'000</b>	<b>Bank loans HK\$'000</b>	<b>Share capital and share premium HK\$'000</b>
At 1 July 2000	(9,500)	19,747	40,526
Cash (outflow)/inflow from financing activities, net	–	(10,112)	58,891
At 30 June 2000 and 1 July 2000	(9,500)	9,635	99,417
Cash (outflow)/inflow from financing activities, net	–	(6,748)	62,666
<b>At 30 June 2001</b>	<b>(9,500)</b>	<b>2,887</b>	<b>162,083</b>

## 27. Commitments

The Group and the Company did not have any significant commitments at the balance sheet date.

## 28. Contingent liabilities

The Group did not have any significant contingent liabilities at the balance sheet date.

The Company has given guarantees in favour of certain banks to the extent of HK\$23,500,000 (2000: HK\$23,500,000) in respect of banking facilities granted to certain subsidiaries of the Company. At 30 June 2001, the banking facilities utilised by these subsidiaries amounted to approximately HK\$3,310,000 (2000: HK\$3,958,000).

## 29. Approval of the financial statements

The financial statements were approved by the board of directors on 23 October 2001.