



EVERBEST CENTURY HOLDINGS LIMITED
(incorporated in Bermuda with limited liability)

Interim Report

for the six months ended
30 September 2001



MANAGEMENT COMMENTARY

The board of directors (the “Directors”) of Everbest Century Holdings Limited (the “Company”) are pleased to present the unaudited interim financial statements (all in condensed form) of the Company and its subsidiaries (the “Group”) for the six months ended 30 September 2001 (referred to herein as “Interim Accounts”).

FINANCIAL RESULTS

The Group’s turnover for the six months ended 30 September 2001 amounted to HK\$37.9 million, representing an increase of approximately 150% over the same period last year. The unaudited net loss attributable to shareholders for this period was approximately HK\$1.9 million.

BUSINESS REVIEW

The period under review saw a remarkable improvement of the Group’s operating results. By streamlining its existing business operation and tapping up new investment opportunities, the Group succeeded to reduce the net loss by HK\$8 million to HK\$1.9 million, as compared to the corresponding period of last year.


To leverage on its established customers network in garment industry, the Group acquired a 51% interest of a casual garment trading company in Hong Kong at a consideration of approximately HK\$1 million in April 2001. During the period under review, the newly acquired subsidiary started to contribute revenue and profits to the Group.

To strengthen its income base, the Group, in August 2001, acquired from a company controlled by Mr. Chan Chun Keung, the Chairman of the Company, an additional 27% attributable interest in a coal-fired power plant in Fujian Province, the People’s Republic of China, named Longyan Hengfa Electric Industry Co., Limited (“Longyan Hengfa”), at a cash consideration of HK\$90 million (the “Acquisition”). Prior to the Acquisition, the Group already owned a 12.6% attributable interest in Longyan Hengfa, which has contributed a dividend income of HK\$2.4 million to the current period’s result of the Group. Upon completion of the Acquisition, the Group now holds an aggregate of 39.6% attributable interest in Longyan Hengfa and commenced to equity-account for the results of Longyan Hengfa.

LIQUIDITY AND CAPITAL RESOURCES

The directors consider it to be important for the Group to enhance its financial position by raising new capital so that it can derive additional financial resources to pursue new investment opportunities, which would contribute to the future growth and development of the Group. Therefore, the Group pursued the following transactions during the period to further enlarge its capital base:

- a. In June 2001, the Company completed an open offer of 3,108,001,142 shares of HK\$0.01 each at a subscription price of HK\$0.025 per share on the basis of one offer share for



every existing share held by qualifying shareholders. The net proceeds of the offer of approximately HK\$78 million was subsequently used in funding the Acquisition as referred in the above.

- b. In June 2001, the Company's substantial shareholder, Century Enterprise Investments Inc. ("Century Enterprise") entered into a subscription agreement with the Company to subscribe for 600 million new ordinary shares of HK\$0.01 each of the Company, which rank *pari passu* with the existing ordinary shares of the Company in issue in all respects, at a price of HK\$0.025 per share. ("First Subscription"). The net proceeds of such subscription of approximately HK\$14.8 million was partially used for funding the Acquisition, as referred in the above, and partially for general working capital of the Group.
- c. Subsequent to the First Subscription, Century Enterprise entered into a second subscription agreement with the Company in June 2001 to subscribe for 600 million new ordinary shares of HK\$0.01 each of the Company, which rank *pari passu* with the existing ordinary shares of the Company in issue in all respects, at a price of HK\$0.04 per share ("Second Subscription"). The net proceeds of the Second Subscription of approximately HK\$23.8 million was reserved for funding future possible investment opportunities and for general working capital of the Group.

After the above series of capital expansion exercise, the net asset value of the Group was increased from HK\$113 million as at 31 March 2001 to HK\$226 million as at 30 September 2001.

As at 30 September 2001, the Group's gearing ratio, which was calculated as a ratio of long term liabilities to shareholders' fund, was 5%, showing a continuous improvement as compared to the 9.7% of the last financial year end.

EMPLOYEES

The Group has 57 employees. They are remunerated according to the nature of the job and market trends, with built-in merit components incorporated in annual increments to reward and motivate individual performance.

PROSPECT

With a significant improvement in its financial position, the Directors are optimistic about the future development of the Group. The Group is committed to exploring business and investment opportunities that could enhance the Group's future performance and return to shareholders.



PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the six months ended 30 September 2001, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities

DIRECTORS' INTERESTS

As at 30 September 2001, the directors of the Company had the following beneficial interests in the issued securities or share options of the Company and its associated corporations as recorded in the register required under Section 29 of the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance"):

Name of director	Class of securities	Number of securities or share options of the Company			
		Corporate interests	Personal interests	Family interests	Other interests
Mr. Chan Chun Keung	Shares (Note 1)	1,903,200,000	55,160,000	65,600,000	-
	Warrants (Note 1)	HK\$4,744,000	-	-	-
	Convertible note (Note 2)	-	HK\$27,000,000	-	-
	Share options (Note 3)	-	18,181,818	-	-
	Share options (Note 4)	-	64,238,750	-	-
Mr. Chau On Ta Yuen	Share options (Note 3)	-	8,333,333	-	-
	Share options (Note 4)	-	21,250,000	-	-
Mr. Poon Chak Keung	Convertible note (Note 2)	-	HK\$1,500,000	-	-
	Share options (Note 3)	-	18,181,818	-	-
	Share options (Note 4)	-	53,125,000	-	-
Mr. Pu Ziren	Convertible note (Note 2)	-	HK\$900,000	-	-
	Share options (Note 3)	-	18,181,818	-	-
	Share options (Note 4)	-	53,125,000	-	-
Mr. Dominic Lai	Share options (Note 4)	-	5,312,500	-	-
Mr. Chan Kam Man	Share options (Note 4)	-	5,312,500	-	-

Note 1: These shares and warrants were held through Century Enterprise Investment Inc., a company incorporated in the British Virgin Islands and beneficially owned by Mr. Chan Chun Keung, Ms Chan Hung and City Corners Limited, in the ratios of approximately 63.7%, 15.8% and 20.5%, respectively. City Corners Limited is a company incorporated in the British Virgin Islands with limited liability and is equally beneficially owned by Mr. Poon Chak Keung and Mr. Pu Ziren.

Note 2: *The convertible note ("the Note") with a principal amount of HK\$30,000,000 was issued on 23 August 2000 as part of the consideration for the acquisition of a 12.6% attributable interest in Longyan Hengfa.*

The Note was issued at par. It bears interest at 4% per annum and is redeemable in full on 22 February 2002.

The Note carries the rights for the conversion of the Note principal, in whole or in part and at the discretion of its shareholders, into 300,000,000 shares of the Company at a conversion price of HK\$0.07 per share during the period of seventeen months commencing from the date, being one month after the date of issue.

Note 3: *The share options are exercisable at a price of HK\$0.066 per share at any time during the period from 10 April 2000 to 9 April 2002. During the period, no share options were exercised.*

Note 4: *The share options are exercisable at a price of HK\$0.016 per share at any time during the period from 16 January 2001 to 15 January 2006. During the period, no share options were exercised.*

Save as disclosed herein, none of the directors or their respective associates had any interests in any securities or in share options of the Company or any of its associated corporations.

SUBSTANTIAL SHAREHOLDER

Other than the interest disclosed in the section "Directors' interests" above, an independent corporate shareholder, Blowin Limited, was registered to hold a 10.14% interest in the issued share capital of the Company that was required to be recorded under Section 16(1) of the SDI Ordinance as at 30 September 2001.

AUDIT COMMITTEE

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed auditing and financial reporting matters including the review of the unaudited Interim Accounts.

CODE OF BEST PRACTICE

The interim results for the six months ended 30 September 2001 have not been audited by the Company's Auditors, but have been reviewed by the Audit Committee.

None of the Company's directors is aware of any information that would reasonably indicate that the Company is not, or was not for any part of the six months ended 30 September 2001, in compliance with the Code of Best Practice as set out in Appendix 14 of the Listing Rules.

Chan Chun Keung
Chairman

Hong Kong, 20 December 2001



CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the six months ended 30 September 2001

	Notes	Unaudited	
		2001 HK\$'000	2000 HK\$'000
TURNOVER	2	37,912	15,187
Cost of sales		<u>(33,739)</u>	<u>(14,227)</u>
Gross profit		4,173	960
Other revenue		3,294	553
Selling and distribution costs		(1,068)	(650)
Administrative expenses		(6,582)	(5,398)
Other operating expenses		(2,265)	(1,404)
LOSS FROM OPERATING ACTIVITIES	3	(2,448)	(5,939)
Finance costs		(1,409)	(3,978)
Share of profit of an associate		180	–
LOSS BEFORE TAX		(3,677)	(9,917)
Tax	4	1,900	–
		(1,777)	(9,917)
Minority Interests		(127)	–
NET LOSS ATTRIBUTABLE TO SHAREHOLDERS		(1,904)	(9,917)
LOSS PER SHARE			
Basic, HK cents	6	(0.03)	(1.073)
Diluted, HK cents	6	N/A	N/A

Other than the net loss attributable to shareholders for the period, the Group had no recognised gains or losses. Accordingly, a consolidated statement of recognised gains and losses is not presented in the financial statements.



CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 September 2001

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	Notes	Unaudited 30 September 2001 HK\$'000	Audited 31 March 2000 HK\$'000
NON-CURRENT ASSETS			
Fixed assets	7	997	1,079
Investment property	7	7,138	7,700
Interests in an associate	8	113,291	–
Long term investment		14,980	91,404
Goodwill	9	70,679	–
		<u>207,085</u>	<u>100,183</u>
CURRENT ASSETS			
Inventories		14,878	11,951
Listed and unlisted investments		14,493	–
Trade receivables	10	26,286	24,682
Prepayments, deposits and other receivables		10,041	23,860
Dividend receivable		–	2,021
Cash and cash equivalents		21,693	10,387
		<u>87,391</u>	<u>72,901</u>
CURRENT LIABILITIES			
Interest-bearing bank loans	11	(3,996)	(5,306)
Trade and bills payables	12	(10,118)	–
Other payables and accruals		(2,287)	(2,072)
Tax payable		(9,963)	(11,809)
Finance lease payables		–	(56)
Convertible note		(30,000)	(30,000)
		<u>(56,364)</u>	<u>(49,243)</u>
NET CURRENT ASSETS		<u>31,027</u>	<u>23,658</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>238,112</u>	<u>123,841</u>
NON-CURRENT LIABILITIES			
Interest-bearing bank loans	13	(11,391)	(10,999)
MINORITY INTERESTS		<u>(1,182)</u>	<u>(5)</u>
		<u>225,539</u>	<u>112,837</u>
CAPITAL AND RESERVES			
Issued capital	14	74,160	31,080
Reserves	15	151,379	81,757
		<u>225,539</u>	<u>112,837</u>



CONDENSED CONSOLIDATED CASH FLOW STATEMENT (Unaudited)

For the six months ended 30 September 2001

	30 September	
	2001	2000
	HK\$'000	HK\$'000
NET CASH INFLOW / (OUTFLOW) FROM OPERATING ACTIVITIES	19,036	(10,030)
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		
Interest received	540	262
Interest paid	(1,409)	(3,978)
NET CASH OUTFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE	(869)	(3,716)
TAX		
Hong Kong profits tax refunded	-	283
INVESTING ACTIVITIES		
Purchase of fixed assets	(316)	-
Acquisition of a subsidiary	(492)	-
Investment in an associate	(90,000)	-
Proceeds from disposal of land and building	-	7,680
Proceeds from disposal of fixed assets	-	360
Purchase of listed and unlisted investments	(29,710)	-
NET CASH (OUTFLOW) / INFLOW FROM INVESTING ACTIVITIES	(120,518)	8,040
NET CASH OUTFLOW BEFORE FINANCING ACTIVITIES	(102,351)	(5,423)
FINANCING ACTIVITIES		
Proceeds from issue of shares, net	114,606	49,517
Repayments of bank and other loans	(918)	(41,378)
Capital element of finance lease rental payments	(31)	(967)
Repayment to related companies	-	(340)
NET CASH INFLOW FROM FINANCING ACTIVITIES	113,657	6,832
INCREASE IN CASH AND CASH EQUIVALENTS	11,306	1,409
Cash and cash equivalents at beginning of period	10,387	1,216
CASH AND CASH EQUIVALENTS AT END OF PERIOD	21,693	2,625
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	21,693	2,625



NOTES TO THE INTERIM ACCOUNTS

1. BASIS OF PREPARATION

These unaudited consolidated interim accounts are prepared in accordance with Hong Kong Statement of Standard Accounting Practice ("SSAP") 25, "Interim Financial Reporting", issued by the Hong Kong Society of Accountants and Appendix 16 to the Listing rules.

The accounting policies and methods of computation used in the preparation of these condensed interim accounts are consistent with those used in the annual accounts for the year ended 31 March 2001 except the methods of accounting for goodwill and segment reporting as described below.

(a) Goodwill

With effect from January 1, 2001, with the introduction of SSAP 30 "Business Combination", the Group adopted an accounting policy to recognize goodwill as an asset, which is amortised on a straight line basis over its estimated useful life not exceeding 20 years.

By the adoption of SSAP 30, the goodwill of HK\$71 million, which arose from the acquisition of interests in an associate during the period under review, was capitalized as an asset in the consolidated balance sheet as at 30 September 2001. It was amortised to the profit and loss account on a straight line basis over the remaining tenure of 17 years of the associate from the date of the relevant acquisition.

(b) Segment reporting

By the adoption of SSAP 26 "Segment Reporting", the Group has determined that business segment be presented as the primary reporting format and geographical as the secondary reporting format. Comparative information has been given.

2. TURNOVER

The principal activities of the Group continued to be the manufacture and sale of leather garments and the trading and distribution of leather, fur and garment accessories.

An analysis of the Group's turnover and contribution to operating loss for the period by principal activities is as follows:

	Turnover		Operating profit/(loss)	
	Unaudited		Unaudited	
	Six months ended		Six months ended	
	30 September		30 September	
	2001	2000	2001	2000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
By Principal Activities				
Manufacture and sale of garment products	19,122	2,339	260	(3,028)
Trading and distribution of leather, fur and garment accessories	18,790	12,848	(1,909)	(2,060)
Others	-	-	(799)	(851)
	<u>37,912</u>	<u>15,187</u>	<u>(2,448)</u>	<u>(5,939)</u>

The Group's turnover and contribution to loss from operating activities for the period were principally derived from operations in Hong Kong.



3. LOSS FROM OPERATING ACTIVITIES

The Group's loss from operating activities is arrived at after charging:

	2001	Unaudited
	HK\$'000	2000
		HK\$'000
Depreciation	398	1,084
Loss on disposal of fixed assets	–	40
Deficit on revaluation of investment property	562	–
Realised loss on listed securities investment	237	–
Unrealised loss on listed securities investment	1,466	–
Staff costs	2,996	2,094
	<u> </u>	<u> </u>
and after crediting:		
Rental income	366	291
Dividend income	2,386	–
Interest income	540	262
Exchange gain	2	–
	<u> </u>	<u> </u>

4. TAX

No provisions for Hong Kong and overseas profits tax have been made because the Group did not generate any assessable profits arising in Hong Kong and overseas countries in which the Group operated during the period (2000: Nil). An overprovision of HK\$1,900,000 in prior years has been written back during the period.

There were no movements in the provision for deferred tax liability during the period.

5. INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the period (2000: Nil).

6. LOSS PER SHARE

The calculation of basic loss per share is based on the net loss attributable to shareholders for the period of HK\$1,900,000 (2000: HK\$9,917,000) and on the weighted average number of approximately 6,358,942,699 ordinary shares (2000: 924,274,510 (as restated)) in issue during the period, taking into account of the Company's rights issues in November 2000 and June 2001 respectively.

Diluted loss per share for the period has not been shown as there is no dilution effect if all outstanding warrants and options granted by the Company had been exercised since the exercise prices are higher than the market price of ordinary shares of the Company. Neither is there any dilution effect from the outstanding Convertible Note if the Note had been converted into the Company's shares.

7. FIXED ASSETS

During the period, the Group did not acquire nor dispose of any material investment properties and fixed assets.



8. INTERESTS IN AN ASSOCIATE

	Unaudited 30 September 2001 HK\$'000	Audited 31 March 2001 HK\$'000
Share of net assets	110,905	–
Pre-acquisition dividend receivable	2,386	–
	<u>113,291</u>	<u>–</u>

At 31 March 2001, the Group held an indirect 12.6% attributable interest in a sino-foreign joint venture, named Longyan Hengfa Electric Industry Co., Limited ("Longyan Hengfa"), at the cost of HK\$91.4 million. The investment was accounted for as a long term investment of the Group.

On 17 August 2001, the Group acquired a further 27% attributable interest in Longyan Hengfa at a cash consideration of HK\$90 million. Since then, the Group holds an aggregate of 39.6% attributable interest in Longyan Hengfa, which then becomes an associate of the Group and its result was equity-accounted for in the financial statements of the Group.

The goodwill arising from the aforesaid acquisition is approximately HK\$71 million and is amortised over the remaining tenure of 17 years of the associate.

Longyan Hengfa is principally engaged in the operation of a coal-fired electricity plant located in Fujian Province, the People's Republic of China.

9. GOODWILL

	Unaudited 30 September 2001 HK\$'000	Audited 31 March 2001 HK\$'000
At 1 April 2001	–	–
Addition through acquisition of interests in an associate	71,192	–
Amortisation	(513)	–
	<u>70,679</u>	<u>–</u>
At 30 September 2001	<u>70,679</u>	<u>–</u>

The addition of goodwill during the period under review is related to the acquisition of Longyan Hengfa, which increased the Group's equity holding in Longyan Hengfa from 12.6% to 39.6%. The above goodwill is amortized on a straight-line basis over the remaining tenure of 17 years of the associate.



10. TRADE RECEIVABLES

Ageing analysis

	Unaudited 30 September 2001 HK\$'000	Audited 31 March 2001 HK\$'000
Current—90 days	15,795	9,137
Over 90 days	<u>13,760</u>	<u>18,814</u>
Less: Provisions	<u>29,555 (3,269)</u>	<u>27,951 (3,269)</u>
	<u><u>26,286</u></u>	<u><u>24,682</u></u>

11. INTEREST-BEARING BANK LOANS

	Unaudited 30 September 2001 HK\$'000	Audited 31 March 2001 HK\$'000
Current portion of bank loans	<u>3,996</u>	<u>5,306</u>

12. TRADE AND BILLS PAYABLES

Ageing analysis

	Unaudited 30 September 2001 HK\$'000	Audited 31 March 2001 HK\$'000
Current—60 days	7,223	—
Over 60 days	<u>2,895</u>	<u>—</u>
	<u><u>10,118</u></u>	<u><u>—</u></u>



13. INTEREST-BEARING BANK LOANS

	Unaudited 30 September 2001 HK\$'000	Audited 31 March 2001 HK\$'000
Bank loans repayable:		
Within one year	3,996	5,306
In the second year	1,549	1,301
In third to fifth years, inclusive	1,607	1,243
Beyond five years	8,235	8,455
	<u>15,387</u>	<u>16,305</u>
Portion classified as current liabilities – note 11	(3,996)	(5,306)
Non-current portion	<u>11,391</u>	<u>10,999</u>

14. SHARE CAPITAL

	Company	
	Number of shares	Amount HK\$'000
Authorised	<u>20,000,000,000</u>	<u>200,000,000</u>
Issued and fully paid		
At 1 April 2001	3,108,000,000	31,080
Share issue through open offer and placing	4,308,001,142	43,080
Share issue through exercise of warrants	1,142	–
At 30 September 2001	<u>7,416,002,284</u>	<u>74,160</u>

- (i) On 18 April 2001, the company entered into an underwriting agreement with Shenyin Wangou Capital (H.K.) Limited in relation to an open offer of 3,108,001,142 shares of HK\$0.01 each of the Company at a subscription price of HK\$0.025 per offer share. The open offer was made on the basis of one offer share for every existing share held by shareholders whose names appeared on the register on 28 May 2001.

The open offer was completed on 18 June 2001 and the net proceeds received there from of approximately HK\$78 million was used for the purpose of funding the Group's future investments and for general working capital of the Group.



- (ii) On 5 June 2001, the Company's substantial shareholder, Century Enterprise Investments Inc. ("Century Enterprise") entered into an agreement to place out 600 million ordinary shares of the Company to an independent third party at HK\$0.025 per share. On the same date, Century Enterprise entered into a subscription agreement with the Company to subscribe for 600 million new ordinary shares of HK\$0.01 each of the Company, which rank pari passu with the existing ordinary shares of the Company in issue in all respects, at a price of HK\$0.025 per share. ("First Subscription"). The subscription price of HK\$0.025 per share represented a discount of approximately 3.85% to the closing price of HK\$0.026 per share as quoted on the Stock Exchange on 4 June 2001 and no premium or discount to the average closing price of HK\$0.025 per share as quoted on the Stock Exchange for the last ten trading days up to and including 4 June 2001.

The First Subscription was completed on 18 June 2001. The net proceeds of such subscription pursuant to the subscription agreement approximating HK\$14.8 million, was used for the purpose of funding future possible investment opportunities and for general working capital of the Group.

- (iii) On 19 June 2001, Century Enterprise entered into an agreement to place out another 600 million ordinary shares of the Company to an independent third party at HK\$0.04 per share. On the same date, Century Enterprise entered into a subscription agreement with the Company to subscribe for 600 million new ordinary shares of HK\$0.01 each of the Company, to rank pari passu with the existing ordinary shares of the Company in issue in all respects, at a price of HK\$0.04 per share ("Second Subscription"). The subscription price of HK\$0.04 per share represented a premium of approximately 8.1% to the closing price of HK\$0.037 per share as quoted on the Stock Exchange on 18 June 2001 and a premium of approximately 11.11% to the average closing price of HK\$0.036 per share as quoted on the Stock Exchange for the last ten trading days up to and including 18 June 2001.

The Second Subscription was completed on 29 June 2001 and the net proceeds of such subscription of approximately HK\$23.8 million was used for the purpose of funding future possible investment opportunities and for general working capital of the Group.

15. RESERVES

	Share premium HK\$'000	Contributed surplus HK\$'000	Unaudited Exchange fluctuation reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1 April 2001	78,389	3,284	(641)	725	81,757
Issue of shares	73,620	-	-	-	73,620
Share issue expenses	(2,094)	-	-	-	(2,094)
Net loss for the period	-	-	-	(1,904)	(1,904)
At 30 September 2001	149,915	3,284	(641)	(1,179)	151,379



16. CONTINGENT LIABILITIES

As at 30 September 2001, the Company had given guarantees to banks in connection with facilities granted to subsidiaries in an aggregate amount of approximately HK\$13,661,000 (31 March 2001: HK\$16,305,000).

17. PLEDGE OF ASSETS

As at 30 September 2001, properties of the Group with an aggregate book value approximately HK\$7,700,000 (31 March 2001: HK\$7,700,000) were mortgaged to banks for credit facilities granted to the Group.

18. SUBSEQUENT EVENT

On 31 October 2001, an investment property of the Group was disposed of at a cash consideration of HK\$7,138,000.

19. RELATED PARTY TRANSACTION

On 31 July 2001, the Company entered into a conditional sale and purchase agreement (“the Agreement”) with For Good Investments Limited, a company incorporated in the British Virgin Island and beneficially owned by Mr. Chan Chun Keung, the Chairman of the Company. Pursuant to the Agreement, among other things, the Company agreed conditionally to acquire an additional 27% attributable interest in Longyan Hengfa Electric Industry Co., Limited located in Fujian Province, the People’s Republic of China for a cash consideration of HK\$90 million.

The transaction constituted a disclosable and connected transaction under the Listing Rules. It was approved by shareholders in a special general meeting on 17 August 2001 and completed thereafter.