

# EVERBEST CENTURY



恒發世紀控股有限公司  
Everbest Century Holdings Limited

Interim Report 2002

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 2002 (referred to herein as “Interim Accounts”).

## **FINANCIAL RESULTS**

The Group’s turnover for the six months ended 30 September 2002 amounted to HK\$22.5 million, representing a decrease of 41% over the same period of last year. The unaudited loss attributable to shareholders for this period was approximately HK\$9.3 million.

## **BUSINESS REVIEW**

The period under review imposed a great challenge to the Group. During the period, the global economy remained as a sluggish economy. The economic plight caused the market for the fur and leather products to become stagnant. In response to these difficulties, the Group maintained a very cautious strategy to survive itself from the decline market. In addition, it continued to implement cost cutting measures to minimize administrative costs, with a view to increase its long term competitiveness.

During the period, the turnover of the Group represented the sales of garment products. The performance of the garment business was in line with the Directors’ expectation. It increased the gross profit margin of the Group from 11% of last year to 15.1% this year and made a profit contribution of HK\$322,000 to the net loss for the current period.

For the period under review, the Group also shared on an equity accounting basis a net profit before tax of HK\$1.7 million from its associate, Longyan Hengfa Electric Industry Co., Limited (“Longyan Hengfa”). Meanwhile, the Group made a goodwill amortisation of HK\$2.1 million for the investment in the associate. The Directors believe that the associate will continue to make a significant contribution to the Group’s result in the rest of the financial year.

## **LIQUIDITY AND CAPITAL RESOURCES**

On 5 June 2002, the former director, Mr. Pu Ziren, who resigned on 27 June 2002, exercised the share options of 53,125,000 ordinary shares at an exercise price of HK\$0.016 per share.

On 24 June 2002, the executive director, Mr. Poon Chak Keung, exercised the share options of 53,125,000 ordinary shares at an exercise price of HK\$0.016 per share.

After the above share option exercise, the issued share capital of the Group increased from HK\$74.2 million to HK\$75.2 million. As at 30 September 2002, the net asset value of the Group was HK\$228 million. The Group’s total bank and other borrowings were further reduced from HK\$14.8 million to HK\$13.5 million.

As at 30 September 2002, the Group’s gearing ratio, which was calculated as a ratio of long term liabilities to shareholders’ fund, was 4.7%, being a slight increase by 0.2% as compared to the 4.5% of the last financial year.

## EMPLOYEES

The Group has approximately 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

The Directors are optimistic about the future development of the Group and will continue to diversify the Group's investments in the Mainland China, which, the directors believe, will enhance the Group's future performance and return to shareholders.

For instance, the recent reform in the power industry of the Mainland China has caused significant changes in the management and business practices within the industry. Such changes have, in turn, unveiled tremendous business opportunities in the application of information technology in the industry. The Directors are confident that the Group is well positioned to capitalize on these opportunities by virtual of its established knowledge and resources in the power industry.

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

During the six months ended 30 September 2002, 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 2002, 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
Mr. Chan Chun Keung	Shares (Note 1)	1,903,200,000	55,160,000	65,600,000
Mr. Chan Chun Keung	Share options (Note 2)	–	64,238,750	–
Mr. Chau On Ta Yuen	Share options (Note 2)	–	21,250,000	–
Mr. Poon Chak Keung	Shares	–	93,125,000	–
Mr. Dominic Lai	Share options (Note 2)	–	5,312,500	–
Mr. Chan Kam Man	Share options (Note 2)	–	5,312,500	–

Note 1: These shares were held through Century Enterprises Investment Inc., a company incorporated in the British Virgin Islands and beneficially owned by Mr. Chan Chun Keung, City Corners Limited and a former director, Ms Chan Hung, 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 a former director, Mr. Pu Ziren.

Note 2: 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, Mr. Poon Chak Keung and a former director, Mr. Pu Ziren, exercised the share options of 53,125,000 shares respectively. Other than these, 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, no person had registered an interest in the share capital of the Company that was required to be recorded under Section 16(1) of the SDI Ordinance at 30 September 2002.

## **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 2002 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 2002, in compliance with the Code of Best Practice as set out in Appendix 14 of the Listing Rules.

**Chan Chun Keung**  
*Chairman*

Hong Kong, 27 December 2002

## CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the six months ended 30 September 2002

	Notes	Unaudited	
		2002	2001
		HK\$'000	HK\$'000
<b>TURNOVER</b>	2	<b>22,521</b>	37,912
Cost of sales		<b>(19,111)</b>	(33,739)
Gross profit		<b>3,410</b>	4,173
Other revenue		<b>519</b>	3,294
Selling and distribution costs		<b>(325)</b>	(1,068)
Administrative expenses		<b>(8,429)</b>	(6,582)
Other operating expenses		<b>(6,862)</b>	(2,265)
<b>LOSS FROM OPERATING ACTIVITIES</b>	3	<b>(11,687)</b>	(2,448)
Finance costs		<b>(638)</b>	(1,409)
Share of profits of associates		<b>1,697</b>	693
Amortisation of goodwill		<b>(2,052)</b>	(513)
<b>LOSS BEFORE TAX</b>		<b>(12,680)</b>	(3,677)
Tax	4	<b>3,544</b>	1,900
		<b>(9,136)</b>	(1,777)
Minority Interests		<b>(158)</b>	(127)
<b>NET LOSS FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS</b>		<b>(9,294)</b>	(1,904)
<b>DIVIDEND</b>	5	–	–
<b>NET LOSS FOR THE PERIOD</b>		<b>(9,294)</b>	(1,904)
<b>LOSS PER SHARE</b>			
Basic, HK cents	6	<b>(0.12)</b>	(0.03)
Diluted, HK cents	6	<b>N/A</b>	N/A

**CONDENSED CONSOLIDATED BALANCE SHEET**

As at 30 September 2002

		<b>Unaudited 30 September 2002</b>	Audited 31 March 2002
	Notes	<b>HK\$'000</b>	HK\$'000
<b>NON-CURRENT ASSETS</b>			
Fixed assets	7	<b>4,306</b>	805
Interests in associates	8	<b>180,275</b>	173,733
		<b>184,581</b>	174,538
<b>CURRENT ASSETS</b>			
Inventories		<b>2,929</b>	2,947
Listed and unlisted investments		<b>24,969</b>	22,370
Trade and bills receivables	9	<b>9,326</b>	37,989
Prepayments, deposits and other receivables		<b>18,270</b>	13,408
Tax recoverable		77	77
Pledged time deposits		–	1,215
Cash and cash equivalents		<b>20,138</b>	24,015
		<b>75,709</b>	102,021
<b>CURRENT LIABILITIES</b>			
Interest-bearing bank loans	11	<b>(2,873)</b>	(3,910)
Trade and bills payables	10	<b>(9,683)</b>	(9,976)
Other payables and accruals		<b>(984)</b>	(1,032)
Tax payable		<b>(6,445)</b>	(9,989)
		<b>(19,985)</b>	(24,907)
<b>NET CURRENT ASSETS</b>		<b>55,724</b>	77,114
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>240,305</b>	251,652
<b>NON-CURRENT LIABILITIES</b>			
Interest-bearing bank loans	11	<b>(10,665)</b>	(10,853)
<b>MINORITY INTERESTS</b>		<b>(1,297)</b>	(1,148)
		<b>228,343</b>	239,651
<b>CAPITAL AND RESERVES</b>			
Issued capital	12	<b>75,223</b>	74,160
Reserves		<b>153,120</b>	161,783
Proposed final dividend		–	3,708
		<b>228,343</b>	239,651

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the six months ended 30 September 2002

	Share Capital HK\$'000 <i>(Note 14)</i>	Share Premium HK\$'000	Contributed Surplus HK\$'000	Exchange Fluctuation Reserve HK\$'000	Retained Profits HK\$'000	Total HK\$'000
At 1 April 2002	74,160	149,740	3,284	(641)	9,400	235,943
Issue of shares upon exercise of share options	1,063	638	–	–	–	1,701
Share issue expenses	–	(7)	–	–	–	(7)
Loss for the period	–	–	–	–	(9,294)	(9,294)
<b>At 30 September 2002</b>	<b>75,223</b>	<b>150,371</b>	<b>3,284</b>	<b>(641)</b>	<b>106</b>	<b>228,343</b>
	Share Capital HK\$'000	Share Premium HK\$'000	Contributed Surplus HK\$'000	Exchange Fluctuation Reserve HK\$'000	Accumulated Losses HK\$'000	Total HK\$'000
At 1 April 2001	31,080	78,389	3,284	(641)	(1,296)	110,816
Issue of shares through placement and subscription	43,080	73,620	–	–	–	116,700
Share issue expenses	–	(2,094)	–	–	–	(2,904)
Loss for the period	–	–	–	–	(1,904)	(1,904)
<b>At 30 September 2001</b>	<b>74,160</b>	<b>149,915</b>	<b>3,284</b>	<b>(641)</b>	<b>(3,200)</b>	<b>222,708</b>

**CONDENSED CONSOLIDATED CASH FLOW STATEMENT**

For the six months ended 30 September 2002

	Unaudited	
	2002	2001
	HK\$'000	HK\$'000
Net cash from operating activities	<b>18,644</b>	19,036
Net cash used in investment activities	<b>(22,996)</b>	(121,387)
Net cash from financing activities	<b>475</b>	113,657
	<hr/>	<hr/>
Net increase/(decrease) in cash equivalents	<b>(3,877)</b>	11,306
Cash and cash equivalents at beginning of period	<b>24,015</b>	10,387
	<hr/>	<hr/>
Cash and cash equivalents at end of the period	<b>20,138</b>	21,693
	<hr/>	<hr/>
Analysis of the balance of cash and cash equivalents		
Bank balances and cash	<b>20,138</b>	21,693
	<hr/>	<hr/>



## 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 2002 except that the Group has adopted the following new and revised SSAPs issued by the HKSA which became effective for accounting periods commencing on or after 1 January 2002:

SSAP 1 (Revised)	Presentation of financial statements
SSAP 11 (Revised)	Foreign currency translation
SSAP 15 (Revised)	Cash flow statements
SSAP 34	Employee benefits

The adoption of the above new and revised SSAPs has no material effect on the Group’s results for the current or prior accounting periods.

## 2. SEGMENT INFORMATION

## (a) Business segments

	Unaudited			
	Turnover		Segment results	
	2002	2001	2002	2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Garments	22,521	19,122	322	261
Leather, fur and garment accessories	—	18,790	—	728
	<b>22,521</b>	37,912	<b>322</b>	989
Unallocated other revenue and gains			367	3,257
Unallocated expenses			(12,680)	(7,120)
Loss from operating activities			(11,991)	(2,874)
Finance costs			(334)	(983)
			(12,325)	(3,857)
Share of profits of associates			1,697	693
Amortisation of goodwill			(2,052)	(513)
Loss before tax			(12,680)	(3,677)
Tax			3,544	1,900
Loss before minority interests			(9,136)	(1,777)
Minority interests			(158)	(127)
Net loss from ordinary activities attributable to shareholders			<b>(9,294)</b>	(1,904)

**(b) Geographical segments**

	Unaudited			
	Turnover		Segment results	
	2002	2001	2002	2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Mainland China	1,126	190	16	5
Hong Kong	3,378	34,121	48	890
Other Regions	18,017	3,601	258	94
	<u>22,521</u>	<u>37,912</u>	<u>322</u>	<u>989</u>
Unallocated expenses			<u>(12,009)</u>	<u>(3,437)</u>
Operating loss			<u>(11,687)</u>	<u>(2,448)</u>

**3. LOSS FROM OPERATING ACTIVITIES**

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

	Unaudited	
	2002	2001
	HK\$'000	HK\$'000
Depreciation	433	398
Realised loss on listed securities investment	1,776	237
Unrealised loss on listed securities investment	5,086	1,466
Staff costs	<u>4,048</u>	<u>2,996</u>
and after crediting:		
Interest income	472	540
Exchange gain	<u>47</u>	<u>2</u>

**4. TAX**

	Unaudited	
	2002	2001
	HK\$'000	HK\$'000
Hong Kong profits tax		
– Overprovision in the prior years	(3,544)	(1,900)
Deferred taxation	–	–
	(3,544)	(1,900)
Share of tax attributable to associates	–	–
	(3,544)	(1,900)

No provision for Hong Kong and overseas profits taxes have been made as the Group did not generate any assessable profits arising in Hong Kong or in the overseas countries in which the Group operates during the period (2001: Nil).

**5. INTERIM DIVIDEND**

The Directors do not recommend the payment of an interim dividend for the period (2001: 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\$9,294,000 (2001: HK\$1,900,000 ) and on the weighted average number of approximately 7,478,997,000 ordinary shares (2001: 5,826,152,000 (as restated) ) in issue during the period, taking into account of the Company's Open Offer and Subscriptions in June 2001 respectively.

Diluted loss per share for the period has not been shown as there is no dilution effect if all outstanding options granted by the Company had been exercised.

**7. FIXED ASSETS**

During the period, the Group acquired motor vehicles of approximately HK\$1,284,000 and plant and machinery of approximately HK\$2,650,000.

**8. INTERESTS IN ASSOCIATES**

	<b>Unaudited 30 September 2002</b>	Audited 31 March 2002
	<b>HK\$'000</b>	HK\$'000
Share of net assets	<b>108,468</b>	106,721
Unamortised goodwill on acquisition	<b>64,960</b>	67,012
Loan to associates	<b>6,847</b>	–
	<b>180,275</b>	173,733

For the details of the loan to associates, please refer to note 16(iii).

**9. TRADE RECEIVABLES**

Ageing analysis

	<b>Unaudited 30 September 2002</b>	Audited 31 March 2002
	<b>HK\$'000</b>	HK\$'000
Current – 90 days	<b>8,828</b>	15,817
Over 90 days	<b>1,712</b>	23,484
	<b>10,540</b>	39,301
Less: Provisions	<b>(1,214)</b>	(1,312)
	<b>9,326</b>	37,989

**10. TRADE AND BILLS PAYABLES**

Ageing analysis

	<b>Unaudited 30 September 2002</b>	Audited 31 March 2002
	<b>HK\$'000</b>	HK\$'000
Current – 60 days	<b>9,537</b>	9,707
Over 90 days	<b>146</b>	269
	<b>9,683</b>	9,976

**11. INTEREST-BEARING BANK LOANS**

	<b>Unaudited 30 September 2002</b>	Audited 31 March 2002
	<b>HK\$'000</b>	HK\$'000
Bank loans repayable:		
Within one year	<b>2,873</b>	3,910
In the second year	<b>2,453</b>	912
In third to fifth years, inclusive	<b>1,616</b>	2,282
Beyond five years	<b>6,596</b>	7,659
	<b>13,538</b>	14,763
Portion classified as current liabilities	<b>(2,873)</b>	(3,910)
	<b>10,665</b>	10,853
Analysed as follows:		
Secured	<b>4,249</b>	2,976
Unsecured	<b>9,289</b>	11,787

**12. SHARE CAPITAL**

	<b>Company</b>	
	<b>Number of Shares '000</b>	<b>Amount HK\$'000</b>
Authorised	<b>20,000,000</b>	<b>200,000,000</b>
Issued and fully paid		
At 1 April 2002	7,416,002	74,160
Option exercise in June 2002	106,250	1,063
At 30 September 2002	<b>7,522,252</b>	<b>75,223</b>

- (i) On 5 June 2002, the former director, Mr. Pu Ziren, who resigned on 27 June 2002, exercised the share options of 53,125,000 ordinary shares at an exercise price of HK\$0.016 per share.
- (ii) On 24 June 2002, the executive director, Mr. Poon Chak Keung, exercised the share options of 53,125,000 ordinary shares at an exercise price of HK\$0.016 per share.

### 13. CONTINGENT LIABILITIES

	<b>Unaudited 30 September 2002</b>	Audited 31 March 2002
	<b>HK\$'000</b>	HK\$'000
Discounted with recourse	<b>1,480</b>	1,464

At 30 September 2002, the Company had given guarantees to banks in connection with facilities granted to subsidiaries in an aggregate amount of approximately HK\$35,550,000 (31 March 2002: HK\$35,550,000), of which approximately HK\$10,768,000 (31 March 2002: HK\$13,195,000) was utilized.

### 14. PLEDGE OF ASSETS

At 30 September 2002, no assets of the Group (31 March 2002: HK\$1,215,000) was mortgaged to banks for credit facilities granted to the Group.

### 15. SUBSEQUENT EVENT

On 3 October 2002, Mr. Poon Chak Keung resigned as a director of the Company and Mr. Lam Chung Chak was appointed a director of the company.

### 16. CONNECTED AND RELATED PARTY TRANSACTIONS

During the period, the Group had the following material transactions with connected and or related parties:

- (i) On 25 April 2002, the Group entered into a loan agreement with Concade, an associate of the Group. Concade is owned by the Group, Mr. Chan Chun Keung, an executive director of the Company, through certain companies wholly-owned by him and an independent third party as to 44%, 55% and 1%, respectively. Pursuant to the loan agreement, the Group granted an unsecured loan of US\$1,200,000 which bears interests at 5% per annum and repayable on or before 31 July 2002. At the balance sheet date, the loan had fully been settled.
- (ii) In prior years, Royalink, a partially owned subsidiary of the Group, advanced funds of approximately HK\$2.1 million to a director of Royalink (who is not a director of the Company). The amount advanced is unsecured, bears interests at a Hong Kong dollar prime rate per annum and has no fixed terms of repayment. The amount due from the director of Royalink was approximately HK\$900,000 at 30 September 2002.
- (iii) On 10 September, the Group entered into a sale and purchase agreement with a brother in-law of Mr. Chan Chun Keung, a director of the Company, for the acquisition of 50% equity interests in a company, United Force Development Ltd ("United Force"), at a cash consideration of HK\$5,000. On the same date, the Group entered into a shareholder's loan agreement with United Force. Pursuant to the loan agreement, the Group granted an unsecured loan of approximately HK\$6,847,000 in proportion to the Group's equity interests in United Force. The loan bears interests at 5% per annum and is repayable on or before 10 September 2003.